COMPARATIVE AND INTERNATIONAL EDUCATION: A DIVERSITY OF VOICES

State and Market in Higher Education Reforms

Trends, Policies and Experiences in Comparative Perspective

Hans G. Schuetze and
Germán Álvarez Mendiola (Eds.)

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STATE AND MARKET IN HIGHER EDUCATION REFORMS

COMPARATIVE AND INTERNATIONAL EDUCATION:
A Diversity of Voices

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State and Market in Higher Education Reforms

Trends, Policies and Experiences in Comparative Perspective

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INTRODUCTION

The chapters of this volume are based on papers prepared for the International Workshop on Higher Education Reforms which took place in Mexico City in November 2009, organized under the auspices of the Department for Educational Research at the Centre for Research and Advanced Studies (DIE, Cinvestav).[1] Although the discussion of "reform" and "change" was the common denominator of all the workshops, each had a particular theme. The theme of the Mexican workshop was "State and market in higher education (HE)".

This volume has 14 chapters, accounts from different countries, regions, and varying thematic perspectives. The authors discuss the changing relationship between state and market in a comparative fashion, knowing that the best way to understand the specificity of individual cases is to place them in broader comparative contexts. The same is true if we are to understand the common characteristics that lie behind their apparent uniqueness.

Authors describe and analyze developments and government reforms that have directly or indirectly affected this relationship. As documented in the following chapters, universities have undergone far-reaching change, resulting arguably in the most radical transformation since the emergence of the modern university system some 150 years ago. While the geographical focus of this volume is on North America, especially Mexico, and on South East Asia and Europe, the phenomenon is not limited to advanced and emerging countries, but worldwide.

The changes in the relationship between state and market take different forms. They are embedded in, and result from a general trend, apparent since the 1980s, which limits and cuts back the role and responsibility of the state, giving greater influence to "market forces ", i.e., private ownership and control. However, even where the state is still the main provider or funder, there is a shift to "market mechanisms" such as contractual relations between state and institutions, competition among providers for resources, and external assessment of "outputs" and results. As is apparent from the terminology in which these new relationships and modes of operating are couched – for example, price and competition, inputs and outputs, resources, cost and benefits, demand and supply, provider and customer, consumers and investors, quality control and accountability – education, and in particular post-secondary education, is increasingly seen as a market-like

[1] This workshop was the sixth in a series of annual workshops that were previously held in Canada (Centre for Policy Studies in Higher Education and Training at the University of British Columbia), Austria (University of Klagenfurt at Vienna), Japan (University of Tsukuba at Tokyo), Ireland (Dublin City University), and China (East China Normal University at Shanghai).

H.G. Schuetze & G. Álvarez Mendiola (eds.), State and Market in Higher Education Reforms, 1–5.

activity. Formal education, particularly post-secondary education, is becoming a service and, as such, commercializeable and tradable across national borders.

Almost all of these changes toward a greater market regime are the result of "reforms ", that is, public policies in the form of legislation, government White Papers, executive orders, official announcements, or agreements. Only a few of them are wholesome or major reforms, however, most are piecemeal and incremental, entailing continuous change and creeping marketization rather than a decisive system change.

All of these changes have been preceded or were accompanied by cuts in public resources which, for institutions, has meant competition for, and diversified sources of, funding, as well as greater autonomy of institutional management and new forms of governance and control.

The need to find resources from non-public sources has made public higher education institutions more dependent on user fees, for example, student tuition and other kinds of "fees for service". This has led to more instrumental programs and curricula that make graduates more "employable". Also, universities have been forced to look to industry for additional research funding which has resulted in a shift from more fundamental research to more applied research and development.

Because public institutions have been unable to meet the increased demand from students for more places and from industry for more workers with advanced credentials, many countries have opened up higher education to private institutions. Among the countries represented in this volume, Mexico, Argentina and Japan have a sizeable and established private higher education sector while in others higher education is a public function, for example, Canada and Germany. Only recently have these latter countries opened up to private institutions – another shift from the state to the market, although the state remains a major player in most countries, establishing rules and standards for the operation of private institutions and monitoring compliance with these.

Although there are many differences between the countries discussed in this volume, they also have considerable commonalities. One issue upon which the editors had to decide was the best structure of this volume, one that would allow comparing and explaining these differences and common developments. Since six of the 14 chapters focus on the Americas (Canada, Mexico and Argentina) and three each focus on Germany and the European Union (EU), and respectively on China and Japan, a structure defined by geographic region seemed the most appropriate.

Due to their shared history as former colonies of Spain, Mexico, Argentina, and many other Latin American countries also possess similar systems, though the way in which these systems are coordinated by their respective governments differs. Some systems (such as those in Argentina and Mexico) are a mixture of centralized and decentralized forms of coordination, while others (such as Chile's) are governed centrally. The university is the predominant model, but, unlike other countries such as the USA or Canada, there is, properly speaking, no universal or general foundation for undergraduate studies. Public universities are autonomous

in an academic and political – but not financial – sense, since they have benefited from public resources with little control or accountability.

This situation has been changing. On the one hand, the public sector has seen the rise of non-autonomous institutions and an increase in the proportion of non-ordinary funding. Market-style mechanisms have, in some cases (e.g., Mexico and Argentina), begun to use agreements between institutions and the government as a means to finance performance (as measured by indicators); these agreements are generally aimed at improving institutional capacity (infrastructure) and quality (qualification of faculty and curriculum reforms). Public institutions have not increased student fees or have done this to a limited extent. The few student loans that exist are private in origin and are targeted at students attending private institutions. The proportion of resources produced by commercial activities is low, and entrepreneurial activity only exists in centers for research or technological innovation.

On the other hand, the private sector has grown at a dizzying pace. The traditional base in Latin America, composed of the elite and connected to business or the Catholic Church, has been surpassed by small or medium-sized institutions of uncertain quality, aiming at responding to the demand that the public sector has not been able to meet, as Kent and Silas explain in their chapters in this book. In her chapter, García de Fanelli explains that Argentina (in the 1990s) contained the growth of private institutions thanks to a strict policy of official authorization; but even so, enrolments in the private sector are growing. In different ways, the governments of Latin American countries have been attempting to garner the involvement of private institutions in quality assurance processes, especially program accreditation, but – as in other parts of the world – there are unresolved issues regarding the transparency of information and the protection of students' rights as clients.

As in the USA and Germany, responsibility for all education in Canada, including higher education, lies with the provinces. Hence reforms are not a matter of federal policy and changes to the system are not uniform for the entire country – even if there is a Council of (provincial) Education Ministers (CMEC) that in principle could, but actually does not, function as a coordinating body. While therefore some important differences exist, it is interesting to note that there are many parallel developments and similar policies in higher education in the various provinces. As Kirby shows in his analysis of reforms in six of Canada's 10 provinces, higher education, which is almost entirely delivered by publicly-funded institutions, is increasingly relying on private-like mechanisms. At the same time, the higher education landscape is becoming more diversified, including an emergent private sector.

Although in Europe universities have common roots, they also have developed quite differently over the centuries having distinct structures, entrance requirements, and varying types of degrees, among other features. When some of the Central and Western European countries formed a European Economic Community (EEC) in the 1950s, that did not change since education remained the sole responsibility of the member countries. It was only 50 years later that the

ministers of education of some European countries got together with the objective to create a European "HE area ", starting a process of coordinated harmonization and innovation, called the "Bologna Process". Almost 50 countries are now part of this process which resulted in, as a first step, the harmonization of structures of studies and degrees which was seen as prerequisite to greater student mobility and hence the internationalization of higher education. This development coincided with a shift to the "market" entailing both adoption of market mechanisms within the public system (see von Lüde's and Wolter's accounts in this volume of changes in the German higher education system) and the emergence, still insignificant in terms of enrolments but growing, of a private higher education sector in Europe (see Hackl's chapter).

In contrast to Europe, neither North nor Latin America nor East Asia has a regional body (community or federation) like the European Community (now the European Union) nor a mechanism of coordinated reforms such as the Bologna Process. The two Asian countries represented in this book, China and Japan, are changing rapidly, yet the direction of change is very different. While higher education in Japan is contracting due to demographics, in China it is exploding with enrolments, staff and new programs, moving much faster than all other countries previously moved from "elite" to "mass" higher education.

In Japan, which has traditionally had a large private sector, low quality and prestige private institutions have been under great pressure and many of them have already closed down or are threatened by dwindling student numbers. During the last decade, public universities were incorporated and, freed from the chains of state bureaucracy, pushed into a market-like environment where they have to compete among each other for resources and equally importantly, since public subsidies are dependent on enrolment numbers, students. In his chapter, Yamamoto analyzes the effects these reforms are having on national universities and their market behaviour and relationship with the state.

The two chapters on higher education reforms and developments in China provide an analysis of the two-pronged policies behind the enormous and rapid growth and the concepts underlying the marketization of higher education. Probably unbeknownst to many Western readers, China has allowed and encouraged a private system of higher education, which has eased some of the pressures resulting from the demand of prospective students that the public system, in spite of its extraordinarily fast growth, has not been able to satisfy. As Zha argues, China's obsession to catch up with the advanced industrialized countries, especially the USA, has led to an emulation of neo-liberal higher education policies with the result that the system is highly hierarchical and inequitable. In their chapter, Zhu and Li, who show how modern higher education in China has occurred in four historical stages, argue that marketization is associated with bureaucracy and political control and that the latter has prevented universities from gaining autonomy and independence from the state. Especially in comparison with all other countries, including the ones discussed in this book, it is noteworthy that this state-planned and controlled system has been able, in spite of the heavy burden of bureaucracy and control, to widen access in an extraordinarily efficient way.

The move to market philosophy and mechanisms is, as mentioned above, not restricted to higher education, but it has without doubt taken a firm hold there. However, education is different from most other "services" and thus the state has remained in control in most countries, even if not in the same tight-gripped way as in China. The market for higher education is not a true market as rules and conditions are set by the state, and in many instances the state has tightened its grip even if changing to market-like instruments and processes.

The theme of markets, marketization and the changing roles and relationships of the state and the market has recently found much attention in the public discussion and hence literature on this theme abounds. With this book's focus on three world regions, in particular Latin America, we hope to offer a fresh and focused perspective on this debate.

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GERMÁN ÁLVAREZ MENDIOLA

STATE AND MARKET IN HIGHER EDUCATION REFORMS: OVERVIEW OF THE ISSUES

INTRODUCTION

The market in higher education has become predominant throughout the world and the state and academic oligarchies have ceased to be the primary forces behind the coordination of these systems. This tendency, first emerging in the 80s, is now a general pattern: institutions must compete; obtain non-budgetary resources; involve themselves in business-style academic activities; and their administration must be achieved through managerial approaches that are more pragmatic and efficient, and less collegiate. Governments, on their end, must direct institutions through external evaluations and budgetary allocations based on contracts or indicators – all of which have been referred to as quasi-market instruments. This tendency is toward marketization, based on the standardization of a discourse favorable to the market, the expansion of the private sector of higher education, the flourishing of global educational markets, and the emergence of a greater number of stakeholders (De Boer et al., 2002), such as local, regional and national authorities, providers of resources, accrediting agencies, representatives of the business and civic sector, local communities, employers and parents.

The state has participated actively in this change. On the one hand, it has promoted reforms to the governmental structures behind decision-making, to the procedures for formulating public policy, and to the funding of higher education systems; on the other hand, it has led reforms to institutions' mechanisms of management, and the ways in which they obtain and allocate resources, in some cases through expanding university autonomy. It is a gradual but deep reform, affecting most levels of public management of the system and its institutions.

In this chapter, I shall discuss pertinent issues concerning the role both of the state and of the market in higher education reforms. In particular, I shall discuss the way in which the state and the market are conceptualized and the different configurations of the market in higher education. Second, I shall address issues related to new methods of funding, the changes in the governance of systems and institutions, and the implications of marketization for the social functions of higher education, especially equal opportunity for access and completion. Third, I shall discuss the expansion of the private sector – particularly regarding the educational offering, quality control in private institutions, prices and consumer rights, and the role of growing international trade. I shall conclude with a summary of the chapter, with conclusions regarding the consequences of these reforms for higher education.

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Researchers concur, for different reasons, that these changes have been motivated directly and indirectly by governments (Brunner, 2006; Teixeira and Dill, 2011). On the one hand, the rapid massification of the systems was not met with a corresponding increase in public resources, which opened new avenues for markets. On the other hand, governments developed the use of market-style instruments to "steer" the system and institutions "from a distance" and, in many countries, permitted and even encouraged the private sector. Faced with a lack of resources, governments have sought to make students pay for at least a part of their studies, which has turned students into "clients" and "consumers" of services (Geiger 2004; Sharrock, 2000).

Changes to notions of the state and market in higher education

The movement along the axes of systemic coordination is tightly linked to changes in the conception of the role of the state and market, amidst the welfare state's loss of legitimacy and financial viability and the expansion of the market in the economy, politics, society, and culture. The *protective* functions of the state have become subordinate to its *regulatory* ones (Rosanvallon, 2002); that is, the social aspect – the leveller of differences in income and guarantor of the common good – has lost its importance as a function of the state and, in contrast, the establishment of *rules of the game*, the application of market prices to public services, the strengthening of *institutional regulatory capacities*, and the concession of social services to the private sector have become predominant. The idea of the state has gone from that of a monopolistic provider of public goods and services to one of a regulator that *returns* the faculty to provide social services to the private sector. From a *welfare* to a *facilitatory* state (Neave and Van Vught, 1991); from a *fiscal* state (O'Connor, 1973) to a *competition* state (Cerny et al., 2005), and, more generally, from a *nation* state to a *market* state (Bobbit, 2002).

The argument to justify this change is that the inefficient allocation of resources can be resolved through competition. In other words, government's "failures" prevent it from promoting the common good, as public agencies produce and distribute goods inefficiently. Given this situation, the market mechanisms are seen as the key instrument of public policy, which will supposedly guarantee more options, higher quality, and lower prices (Dill, 1997).

The growing influence of the markets does not entail the withdrawal of the state, but rather, changes in the nature of its interventions. The neoliberal idea of reducing state activity to a minimum has become less important, due in part to the necessary intervention of the state in order to contain economic crises (Barroso & Castro, 2010). "Market failures" are another reason: the market does not always offer better results for society, whether it produces many or few goods and services; this places doubt on its autoregulatory capacity to adjust to situations of excessive or insufficient supply or demand (Teixeira et al., 2004). Moreover, these failures are caused by monopolistic behaviors that restrict competition, by

information asymmetry between consumers and producers, and by the inappropriateness of prices for distributing academic programs efficiently (Dill, 1997; Brown, 2011).

International financial organizations, such as the World Bank, had taken on a modern version of classical economics in the 80s, but then reevaluated the importance of the state to the economy and society, especially concerning the tasks of attending to income inequality and poverty, and the strengthening of state capacity for guaranteeing economic and social institutionality (World Bank, 1997). Faced with the advance of market logic, the state began to be seen, once again, as a generic entity that represents the common good and, therefore, can limit the excesses of the market. Elsa Hackl (in this volume) demonstrates that, in light of the debates ignited regarding the Bologna Process, the ideas concerning the role of the state and education as a public good enter and exit educational discourse in differing situations, to the extent that, recently, the declarations of the European ministers confirm that higher education is a public good that requires sufficient financial resources, and that it should attend to its social aspect in order to offer equal opportunities for high-quality education.

In many cases, the concepts of the state and market are debated as if they were opposites, however, the border between both concepts (as Rollin Kent points out in this volume)– is not precisely defined. Its limits are a conceptual construction that pits economics against sociology and culture, even when the markets are based on the social interactions of actors situated in differing positions in the social structure, following common rules of the game but with different economic capacities and unequal information. The markets are a system *governed* by the state, which is an enormous consumer, a provider, and a lender; it also establishes prices, prohibits certain trade, levies taxes to restrict certain industries, subsidizes others, promotes national businesses abroad, and manages the provision of money and credit via controls on banking and fiscal policy (Lindblom, 2001). From another point of view, markets are social and political creatures that generate networks of interaction among actors (businesses, consumers, politicians, governmental agents) within a hierarchy of status (Fligstein, 2001).

Despite their influence, markets have not displaced academic values entirely, and the traditional functions of the state in higher education have not disappeared. We are faced with dynamic processes of negotiation and exchange between new and traditional forms of coordination. State-sponsored market reforms (such as evaluations and incentives) create changes in organizations and the practices of actors, though they also create resistance that impedes absolute or radical changes. In addition, reforms signify new methods of governance that mix previous ones, be they collegiate, bureaucratic, or political. Many authors have observed that such mixed models predominate.

The primary reason for which the markets cannot displace traditional forms of management is that they install themselves in institutional frameworks that are deeply rooted in the history of higher education systems. Thus, the urge to configure markets in which institutions are more active in their own evolution and maintenance intermingles with the traditions, values, and practices of institutions

and professional communities. The reforms motivated by the state using market logic have been disguised by modernizing rhetoric, stemming from a desire to move higher education toward a stage of development that tracks global dynamics, the economic integration of regions, and the new uses of knowledge in economies and societies. Nevertheless, these modernizing effects have not succeeded in eliminating tradition completely, such as the Humboldtian model in Germany (cf. von Lüde in this volume).

In the state's interactions with the market one can find explanations to the problems that have arisen in many countries, where market logic has come to live alongside the ethos of academic communities, collegiate life, and the values of the academic disciplines and professions (cf. Wolter for Germany in this volume), as well as alongside patrimonialism and corporate forms of control inherited from the political tradition, and alongside bureaucratic structures "colonized" by private interests – as is the case with Mexico (cf. Kent in this volume).

Pro-market reforms have generated incentives for institutions to compete for better students and professors, and more resources and prestige, but the market has not managed to subordinate higher education entirely, since academic establishments – save for-profit ones – are organizations with academic and social, not monetary, objectives. Public funding tends to diminish but continues to arrive, which reduces the pressure many institutions might feel to commercialize products and services.

Competition has still not managed to install itself as the general logic of the system, despite more than two decades of pro-market reforms. In the Latin American public sector, it has not been possible to increase student fees significantly at the undergraduate level, and admission requirements are scarce or lax (and sometimes non-existent), except in prestigious public universities. Funding mechanisms for steering from a distance do not seem to have had observable effects on quality and efficiency. In Argentina, for example, no significant changes have been observed to internal governance structures and academic management. In contrast, there have been important changes at the graduate level, creating a distinct situation: costs differ depending on the program (undergraduate programs are free in Argentina), professors are hired and paid based on the program, relationships with the surrounding environment exist, and services are sold (cf. García de Fanelli, in this volume). The core business – undergraduate-level teaching – is resistant to changes. But the need for greater resources facilitates changes in research and graduate programs, areas that are more adaptable and flexible to the demands of the environment and which can attune them more easily to market mechanisms.

Different market configurations

No country has a completely market-based system, though there are differences among countries. Brunner (2006), based on data from the OECD (2005) and the UNESCO and OECD (2005), drew a map of national systems according to the percentage of private resources and enrolment in private institutions. Four market

configurations comprise the map: a) major dominant markets; b) minor dominant markets; c) major complementary markets; and d) minor complementary markets.

The first configuration corresponds to systems with more than 50% of private resources and more than 50% of enrolment in private institutions. South Korea is the example *par excellence*, but Japan, Chile, and Indonesia are also included.

The second configuration includes systems with more than 50% of private resources but less than 50% of private enrolment. This category includes the United States and Australia, among others.

The third configuration consists of less than 50% of private resources but more than 50% of private enrolment; Great Britain and Belgium are examples.

The fourth configuration – with less than 50% of private resources and less than 50% of private enrolment – includes the majority of countries. Mexico and Poland occupy the highest position, and, at the opposite end, are Denmark and Greece, with scant percentages of private resources and private enrolment. This category describes the majority of OECD countries, which systems are scarcely marketized compared to Latin America or some East Asian countries.

Though these systems do not operate fully within the market, they have a variety of quasi-market mechanisms, especially: 1) competition, business' ability to open private establishments; 2) competitive budgetary allocations directed at specific goals, performance objectives, types of programs or modes of delivery; and 3) an increase in the financial burden borne by families, using different mechanisms (tuition and other fees; vouchers; contingent loans, credits).

Differentiation and dedifferentiation

Higher education systems tend to veer toward differentiation but also toward dedifferentiation. Governments tend to stimulate the creation of different types of institutions in order to open various avenues to education (universities, technological institutes, vocational colleges). At the same time, public policy applies pressure on institutions to reach standardized indicators, which produces mimicking behaviors, such as the adoption of administrative and curricular models, faculty profiles, and types of offerings (cf. Van Vught, 2008). The market also tends to produce horizontal as well as vertical homogeneity, since the most successful models (academic and/or business) are emulated by other institutions (Brown, 2001).

In sum, the idea that markets and public policy produce a desirable differentiation is not exact, since they produce differentiation and dedifferentiation at the same time. Homogeneity primarily occurs among institutions in the same segment, while dedifferentiation occurs among institutions of different segments. Nonetheless, institutions from a less-prestigious segment (polytechnics and vocational colleges, for instance) tend to emulate university-style institutions ('mimetic isomorphism'), a phenomenon sometimes called 'academic drift.'

HIGHER EDUCATION REFORMS ACCORDING TO MARKET RULES

Public policy in higher education manifests market logic at various levels: governmental structures and processes; and various intermediate coordination organisms (interstate or regional); and institutions of higher education themselves. The most salient of these policies was the creation of systems for quality assurance, funding, governance, and measures concerning equality and social inclusion. These policies led to the development of mechanisms and criteria for evaluating, promoting competition and efficiency, generating non-fiscal resources for institutional funding, and allocating public resources in a competitive or semi-competitive fashion.

Quality assurance

Newly created quality assurance systems are to accredit institutions and programs, and evaluate research. Some institutions tend to combine *assurance* policies (evaluation and accreditation) with *improvement* policies ("best practices," improvements in infrastructure). Emphasis can be placed on 'inputs,' processes or results, and their outcome has various connections with competitive funding. Quality in teaching and learning is a subject of central importance, within the framework of the Bologna Process and the work of the OECD (2011). Whereas in Latin America it is still a nascent topic, where evaluating graduates' learning is not part of the agenda.

In contrast, practically every government has adopted the idea of quality tied to excellence in research. Spurred by growing competition for reputation, many institutions have embraced the objective of building themselves up into world-class universities, with a fundamental orientation toward producing high-level knowledge. As Slowey and De Vries (in this volume) suggest, accreditation systems orient themselves toward this type of institution, and there is a frenzy surrounding rankings as indicators in the competition for quality, international students, and academic personnel. Nonetheless, the large majority of educational institutions remain outside the important spots in the rankings, due (among other things) to the fact that they are charged with providing higher education to the masses.

Funding

Under the old form of state steering, public higher education was funded entirely from fiscal resources whereas individual (student) and family expenditure was quite low. In many countries, especially in Europe, private investment in higher education was almost non-existent, and there was no institutional private sector. Half-way through the previous century, Latin America saw the rise of a private sector that served the demand of the financial elite – except in Brazil, where the public sector fulfilled that function, and the private sector attended to the masses. There were three patterns in Asia: countries with minimal higher education (public

and private); countries with exclusively public higher education, but at a reduced size (communist countries); and countries in which the private sector displayed a strong presence, such as Japan, South Korea, and Taiwan.

This situation has changed in the last two decades. Given that fiscal resources did not increase at the same rate as systems' needs, the state has given private resources greater importance in funding education. Thus, the proportion of public funding in Europe has diminished, and that of private funding has increased via the charging of student fees and the sale of services; in addition, private institutions have appeared, sometimes in a very noticeable way – as in England. The proportion of private expenditure in Latin America has also increased, and the private sector has grown exponentially in terms of enrolment and number of establishments. In Asia, Japan has encouraged an increase in fees; in some emerging economies (such as those of South Korea and Taiwan), vigorous private systems have developed, while in others (such as Hong Kong or Singapore), private or public institutions with state funding have predominated (Mok, 2011). China has stood out with the rapid massification of its systems, placing the financial burden on the provinces, developing mechanisms of specific governmental funding, raising student costs, motivating business-like behavior, and authorizing the rise of a private sector (cf. Zhou & Li, and Zha in this volume).

In every country, private investment has tended to increase. Together, private resources for institutions in OECD countries increased from 24.3% in 2000 to 30.9% in 2007. In European countries, private resources are less than the OECD average but are growing: from 14.8% in 2000 to 20.6% in 2007. There are sharp differences among countries. For example, private resources in Chile represent 85.6%, but in Scandinavian countries less than 10% (Table 1) (OECD, 2010).

In general, expenditure on tertiary education (as a percentage of the GDP) has remained stable in practically every country; that is, there have been no significant increases despite the growth in private expenditure (cf. Hackl in this volume). This indicates that the growth of the private sector is not in itself representative of greater possibilities for growth in investment as a percentage of national wealth and that, therefore, the arguments that defend the market as the ideal mechanism for the creation of resources have not, to date, been verified. Nonetheless, the levels of expenditure are significantly different among countries. Some are greater than the average for OECD countries (1.5% of the GDP for higher education), like in the USA, Canada and Chile. Others are fewer, like in Austria, Mexico and Germany (OECD, 2010).

Given that the amount of public funding has remained stable but insufficient for fulfilling new needs, institutions have had to increase their funding through private donations, the creation of businesses linked to private institutions, and increases to student fees, which represent the most important private source of income, except for some European countries, such as Germany, Austria, and Switzerland, where fees are scant or non-existent.

Table 1. Percentage of private expenditure on tertiary education institutions (2000, 2007)[1,2]

OECD countries	**2000**	**2007**
Chile	80.5	85.6
Korea	76.7	79.3
United States	68.9	68.4
Japan	61.5	67.5
United Kingdom	32.3	64.2
Australia	50.4	55.7
Israel	43.5	48.4
Canada	39.0	43.4
New Zealand	m	34.3
OECD average	**24.3**	**30.9**
Italy	22.5	30.1
Portugal	7.5	30.0
Mexico	20.6	28.6
Poland	33.4	28.5
Netherlands	23.5	27.6
Slovak Republic	8.8	23.8
Spain	25.6	21.0
EU19 average[3]	**14.3**	**20.6**
Czech Republic	14.6	16.2
France	15.6	15.5
Germany	11.8	15.3
Austria	3.7	14.6
Ireland	20.8	14.6
Sweden	8.7	10.7
Belgium	8.5	9.7
Iceland	8.2	9.0
Finland	2.8	4.3
Partner countries		
Israel	43.5	48.4
Russian Federation	m	41.7
Estonia	m	22.9
Slovenia	m	22.8

[1] After transfers from public sources**.**
[2] Hungary, Luxemburg, Switzerland, and Brazil were excluded from this table due to lack of data.
[3] EU19: Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Ireland, Luxembourg, the Netherlands, Poland, Portugal, the Slovak Republic, Spain, Sweden and the United Kingdom**.**
Source: OECD (2010).

Moreover, the way in which resources are budgeted and distributed has changed. The typical questions used to determine which method each country has adopted are: Are inputs or products funded? Is the system funded directly by the government with guaranteed yearly budgetary allocations or by competitive mechanisms? The combination of these methods would be: a) planned, input-based

funding through providers, which is the traditional method; b) performance-based funding of providers, which corresponds to those methods that facilitate competitive environments by stimulating academic productivity and institutional efficiency; c) purpose-specific purchasing from providers, which entails resources competitively-allocated through performance contracts or research projects; and d) demand-driven, input-based funding through clients (for instance, vouchers) that supposedly stimulate competition to attract students, by means of improving the quality of programs and a better value for money (Jongbloed, 2004). This last is what comes closest to an ideal market situation.

Whatever the exact mix of state and market instruments, governments have tended to diminish the importance of guaranteed yearly allocations. Public resources can be directed toward the supply (institutions) or the demand (students). In the former case, the traditional method has been to award subsidies in blocks based on some criterion such as the number of students or professors, and estimates of development needs. This is based on the assumption that institutions will do well on their own.

In some countries, such as Japan and Mexico, block grants tend to decrease while non-ordinary funding based on indicators or formulas gains influence (see the cases of Japan and Mexico in this volume). Countries like Great Britain, Scandinavian countries, the Netherlands, Germany, and – to a lesser extent – France have adopted performance-based funding (Williams, 2004; Fägerlind and Strömqvist, 2004; Jongbloed, 2011; Chevallier, 2004; Wolter in this volume). Other methods of funding include competitively-awarded funding, normally for specific projects or research projects, and funding for strengthening and performance-improvement projects. Despite its significance, the proportion of the non-ordinary budget is small in almost every country, which limits its effects on government steering.

Funding aimed at students and not at institutions consists of student grants and loans, as a way to allocate funds to institutions –also private in various countries-- via consumer preferences. These methods of funding promote competition among institutions, force institutions to generate their own resources and stimulate business-like behavior, but not in a free market, but in a governmentally-managed market.

Governance

As part of model of the state as provider, direct state regulation (government, state administration, and even the legislature that authorizes funding) and universities' academic self-government have coexisted. In the Latin American tradition this autonomy was also political, a bulwark against state authoritarianism. With the shift towards the evaluating state model, the steering of higher education changed, as systems for quality assurance were created, with consequences for funding, as mentioned already (Neave & van Vught, 1991; Neave, 1998). In countries where university governance was linked to the state, responsibilities were shifted toward institutions, under the assumption that these would become more active in their

own planning and competitive capacity. Thus, institutions were given greater financial, academic, and administrative autonomy, and the legal authority to hire professors and approve academic programs. Nonetheless, due to the fact that the state has not withdrawn but has, rather, intervened in other ways, we are witnessing hybrid situations in which the growth of institutional autonomy takes place side-by-side with significant governmental regulation (Amaral & Magalhaes, 2007).

Regarding internal governance, the traditional collegiate governance has lost importance. Many universities have created administrative boards, whether advisory or with decision-making power. This type of boards, a regular characteristic of universities in the United States and Canada, has been introduced recently in Japan and Germany (cf. Yamamoto and Wolter in this volume) but not (yet) in Latin America. Germany and Japan have also introduced legal reforms giving university administrations more power, and similar changes have occurred in Canada (cf. Dale in this volume). Even without legal reforms, collegiate bodies are losing ground in Latin America too.

The Social Aspect

During the rule of the welfare state, equality in opportunities and social mobility, as well as affirmative action, were inherent values of higher education. In the 80s, these objectives lost centrality in educational discourse and practice. Beginning in the 90s, the subjects of social functions and educational equality regained the spotlight, but in a different way: higher education came to be understood as a mechanism for qualify the workforce, and egalitarian policies began a constant struggle with those concerning the market, competition, and efficiency. Since markets do not contribute to social needs and equal opportunity, the state should provide individuals with equal opportunity in order to mitigate the effects of low income on participation and performance, through student subsidies and policies both to attract sectors historically uninterested in higher education and to prevent discrimination (Teixeira et al., 2004). In addition, equality is an issue not only of economic and social problems, but also political-cultural conflicts, especially in societies with substantial migration.

THE EXPANSION OF THE PRIVATE SECTOR

In the previous two decades, private higher education markets have arisen at a dizzying pace, to the extent that, in many countries, most of the growth in enrolment has occurred in private institutions (Levy, 2002). In some cases, such as that of Argentina, strict quality control has put an end to the creation of new private institutions, but enrolment in the existing sector continues to grow (cf. García de Fanelli in this volume).

The role of the state in private sector growth

Levy (2002) points out that this rapid change was not a result that had been foreseen let alone planned by governments, but rather a response of the market to unsatisfied demand. Nonetheless, the negligence in state planning implied tacit support of private sector growth and, in certain cases, policies have directly favored the growth of private higher education, such as those of the military government in Chile during the 90s (Bernasconi & Rojas, 2003). In the European tradition, the emergence of private institutions of higher education has resulted in the loss of the public sector's monopoly.

In some developing countries, economic growth and demand for higher education have caused the emergence of a private sector of considerable size. Since there is no welfare state (properly speaking) in many countries, nor is there a public sector of higher education in which to expand, the private initiative (with its markedly business-like character) became more important (Mok, 2011). China has demonstrated spectacular growth in the private sector, which grew from a negligible share in the 80s to represent 28% of institutions and 20% of total enrolment in 2008 (see Zha in this volume). Although the majority of these institutions are not degree-granting, but have "climbed the ladder" by improving their infrastructure and broadening their professional offering (cf. Zha, and Zhu & Li in this volume).

In general, although elite private institutions in some countries compete with the best public universities, the large majority of private establishments are dedicated exclusively to teaching with limited resources: they do not possess selective systems for recruiting professors, a scant portion of professors are full-time, and few of them have doctorates. Half of professors in China's private sector are full-time, but they tend to be retired (40%) or very young (60%), with the latter occupying low-level positions (cf. Zha in this volume).

The return of public sector growth in Mexico, thanks to the creation of new public institutions and the increase in student spaces in existing ones, exceeded the rate of private expansion and created a more even distribution of enrolment (cf. Buendía and Silas, in this volume). In Argentina, the rise to power of a different political party in the previous decade brought important changes with it, such as the creation of new public universities. Nonetheless, the public sector did not manage to exceed the private sector's rate of growth in enrolment, as the latter reached its all-time high thanks to the economic recovery and the opening of competitive offerings, such as shorter degree programs, personalized attention, and a variety of qualifications, and fewer academic demands (cf. García de Fanelli in this volume).

New modalities in the offering

The entrance of the market onto the educational scene has produced new ways of providing educational services. Some institutions are part of large international consortia that fight for local, national, and international clientele in different strata

of the markets. Others opt for attracting the large portion of the demand left unattended by the public sector. The private sector's push has occurred primarily in small institutions, which are not, strictly speaking, universities. In some countries, such as Canada, the private sector has leaned toward vocational-style offerings that do not award advanced degrees and online programs (cf. Kirby in this volume); however, there are a small but increasing number of new private universities with the power to grant academic degrees. In sum, the amount of students in private institutions has increased, their proportion of total enrolment has grown, and the quantity of private institutions has exceeded that of public ones.

Markets are specialized and segmented. New products mix and mingle, such as the choice and use of technology for teaching and learning. The market is also segmented according to price, quality, prestige, and clientele.

The regulation of quality in the private sector

In various countries, regulations obligate private institutions to guarantee the quality of their programs of study, according to criteria established by the government. Nevertheless, regulations in some countries are lax and hence the majority of private institutions hire professors with low qualifications, do not conduct research, and possess deficient infrastructure. In Argentina, the state has limited purely-commercial institutions by imposing strict regulations. In Mexico, after a long period of lax regulations, the authorization of private programs and institutions is now being tied to quality standards (Álvarez Mendiola, 2011).

The regulation of prices, services, and client rights

Private institutions obtain the majority of their resources from student fees, covering costs and generating profits for the owners. This is true for supposedly non-profit organizations who, in some countries, are helped by a lack of transparency of regulations.

Since quality assurance agencies have little regulatory power over the private sector in some countries, several problems result. One is the information asymmetry which limits clients' freedom in choosing programs and providers. An additional problem is the inappropriate relationship between quality and price and the lack of standards.

In various countries, this is joined by the fact that the rights of higher education "consumers" are not specifically stipulated such that they can be guaranteed when the private sector fails to provide the services purchased. In the U.K, the U.S., and Australia, there is a tendency toward the application of a "contract analogy," but not in the rest of Europe, where rights are part of the general legal framework (Farrington, 2002). In other countries – such as Mexico – lax regulation has permitted the proliferation of businesses that provide low-quality services, and there are no specific laws that obligate educational enterprises to establish formal contracts with their clients.

Some notes regarding international educational trade

We cannot escape the presence of the global market in higher education. The number of private transnational enterprises is increasing and many countries possess branches of institutions from other parts of the world. Some are authorized to award joint or dual degrees; many academic programs can function as franchises; and institutions form agreements so that their students can study abroad (Altbach, 2005). In Australia, New Zealand, the United States, and Canada, public and private institutions have entered the international student market with gusto. The overwhelming majority of this trade is led by institutions from the developed world that install themselves in countries with low and moderate development, such as the multinational Laureate, which has a presence in many countries, Mexico included (cf. Buendía in this volume). Moderately-developed countries have entered this market with modest success, such as the Technological Institute of Higher Education of Monterrey (known as the Tec de Monterrey), which has offices in North America, Europe, and Asia, and branches of its virtual university in Latin America. Some universities in Chile and Argentina offer Master's and doctoral programs in Bolivia and Ecuador (cf. Didou in this volume).

International educational trade creates new legal and academic problems concerning the authorization of foreign institutions, the validation of degrees awarded by international firms, the definition of the powers that national quality assurance organizations have over international programs, the authorization of dual or shared degrees, the supervision of international acquisitions of national establishments, and guarantees of student rights.

CONCLUSIONS

The expansion of market forces in higher education and the changes to the state's role in the coordination of the system are irreversible processes that carry advantages and disadvantages. Nearly all countries have reduced the proportion of direct subsidies and increased market-style funding geared toward quality and efficiency, using policies concerning incentives, performance contracts, project selection, or formula-based allocation. The state uses the evaluation of performance indicators, standards, and benchmarks, and funding tied to it, to steer systems. Europe's universities are autonomous, but in Latin America, despite a tradition of autonomy, the state has assumed greater control over these institutions.

These processes are tied to changes in the management of public institutions. Single-person authorities (rectors, presidents) have gained influence, whereas decision-making collegiate bodies have lost it; planning teams have acquired decision-making power; management styles inspired by New Public Management have sprouted up; quality in teaching is being encouraged; and increases in the productivity and impact of research are being sought.

The impact of the market on higher education: advantages and disadvantages

The positive and negative consequences of market configurations can be observed in the literature on higher education. Among the positive effects can be found increases in efficiency and improvements in performance due to competition, care taken with costs, and institutional receptivity to stakeholder needs. Private sector growth has brought with it opportunities for social sectors left unattended by the state in various countries. Moreover, a competitive environment tends to give a jolt to the public sector (Altbach, 2005).

On the negative side, critics cite the increases in the financial burden on students and their families, and the attempt to meet demand with fewer public resources. In addition, questions have been raised concerning the pressure to commercialize services; the weakening of the disinterested commitment to knowledge, and of the academic authority of the faculty; the failing of collegiate bodies; the expansion of a barely-regulated, low-quality, profit-seeking private sector, which in many cases does not guarantee consumers' rights; and the encouragement of curricular models that favor industry while displacing the humanities. Other critics lay their sights on transnational education, which is uninterested in research and social needs. Some criticisms are more general, questioning the place of neoliberalism in higher education, the weakening of the concept of public good, and the failure of the market to integrate systems and achieve equal opportunity access (Altbach, 2005; Brunner, 2006).

Other points of view also provide us with critiques of the negative effects of the markets, such as the difficulty of producing reliable information on quality and the rise of rankings of prestige; the increasing stratification of institutions and the social groups that enter them; the reduction of diversity resulting from striving to meet standards determined by the prestigious institutions; the increased differentiation within institutions of activities, structures, and personnel; and the poor relationship between quality and price. The most damaging criticism, however, is against the growing mingling of business practices and values with academic life, putting academia's time-honored, beneficial relationship with society at risk (Brown, 2011).

Governments in many countries accept that education is a public but also a private good for which its beneficiaries ought to pay, and have encouraged increases in student fees, assuming that students – as clients – are better consumers, make better decisions regarding the institution and program best suited for them, and perform better in their studies (Johnstone & Marcucci, 2001, cited by Kirby in this volume).

Market mechanisms for funding institutions open the door to questions regarding the exclusion of students from low-income sectors and from minority groups. Some countries design policies that provide them with financial aid. Canada and Mexico, for example, have enacted programs to fund target populations, which are more effective than universal programs, but their actual contribution to fostering equal opportunity is uncertain.

The field of reforms

Higher education has undergone a wide range of reforms in which both the state and the market have played a role. The state has not reduced its interventions but has, rather, changed the nature of them. Its responsibility for guaranteeing the common good and broadening educational opportunities for low-income sectors has not disappeared. In addition, its role as corrector of "market failures" and its commitment to observe stakeholder rights continue to be irreplaceable.

One recent concern is the creation of balanced educational systems, that is, systems that combine market and non-market approaches in order to produce *healthy* systems (Brown, 2011). From this point of view, it becomes important for systems to be valued both for their *intrinsic* ability to produce and distribute knowledge and their *extrinsic* ability to meet the economic, social, and cultural objectives of individuals and groups. Public interest should regulate the system, and the private interests of institutions should be in tune with those of the system as a whole and with stakeholder needs. According to this viewpoint, institutions would be valued more for the production and dissemination of knowledge than for the achievement of reputation and resources, and research and teaching would share a fruitful relationship. To give room to the diversity of needs and expectations, this system would have to facilitate institutional diversity and multiply opportunities for learning, guaranteeing that the population is widely represented in the student body. To function properly, the academic activities would have to be adequately funded, receive incentives to diversify their funding and compete for students and research grants. This system would assure the achievement of quality standards, produce adequate information, and possess qualified and motivated personnel. The private sector would be properly regulated and its contribution to the system as a whole would be periodically reviewed (Brown, 2011).

A system of this type would require significant changes to our understanding of the role of the state and the market in higher education, but at the same time, it would require us to fully accept the fact that we need the best of state action and market dynamics in order to improve our systems of higher education.

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ROLLIN KENT

STATE AND MARKET IN HIGHER EDUCATION: GENEALOGY AND INSUFFICIENCIES OF A CONCEPTUAL DICHOTOMY

INTRODUCTION

The pairing of the state and the market has permeated the social sciences, public policy, and the public imagination for almost a generation, seeping into higher education policy around the world. Its specter is present in discussions in which the state and market are not even mentioned directly, often as an indisputable but implicit set of assumptions. The first aim of this chapter is to describe the conceptual genealogy of the state/market dichotomy in a summary and selective fashion. Next, it will examine the principal changes that the Mexican system of higher education has undergone, primarily in light of the lessons of neo-institutionalism. The exploration will continue with a treatment of the persistence of certain paradoxes and contradictions in Mexican higher education policy. Finally, it will attempt to explain these paradoxes with a critique of the state/market dichotomy.

The analysis revolves around higher education policy and will take as its framework a process-oriented and systematic view of the terms *state* and *market*. I will refer to the political economy of higher education as the group of structures (of interests, powers, and cultural forms) that constitute a "system of rules of the game".

HOW CAN WE DEFINE *STATE* AND *MARKET*?

The meaning of the term *state* differs according to various disciplines: political science, the public policy analysis and political economy, or neo-institutionalism.

For political scientists, the *state* involves subjects such as the political system and the government, and their interrelations with institutions of higher education. It is seen as a system composed of fields with actors, resources, values, and forms of power and influence moving in relations of conflict and negotiation. Fifteen years ago, Cox created a useful model of the field of actors and politics for Latin American systems of higher education: The elements move on a board delimited by the state and the market (Cox, 1993).

In public policy (above all, in the social sciences in the U.S.), "the state" is understood as a type of intervention in society with *social* generally being reduced to "the market". Although this has changed, for a long time this paradigm of

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themselves. Thus, for example, the discussion regarding the state and the market in higher education assumed that students and institutions were economic agents, and that regulating these agents was the responsibility of state intervention. It is clear that this dichotomous economism has been overcome; indeed, now *governance* is used more than *government*, in an attempt to increase the sociological scope of policy analysis (Aguilar Villanueva, 2008; Pérez & Alonso, 1998).

Discourse in political economy and neo-institutionalism regarding the state and the market attempts to combine these perspectives and examine actors embedded in a socio-institutional fabric. One purpose, for example, was to observe the "rules" of a "game" at each level of an institution of higher education – a game in which different interests and values interacted in complex ways. The state, in this context, extended itself sociologically and culturally throughout the field. Given this point of view, perhaps the more useful term would be *extended state presence* rather than just the *state*. This *extended state presence* can be seen as a combination of capacities, norms, rules, and institutionalized (i.e., accepted as legitimate or normal) relationships, which can be evaluated in terms of their effectiveness for good government.

Now, how has the term *market* been used? In one sense, it constitutes one of the poles of the dichotomous pigeon-holing that has taken over the social sciences in the last two decades, a pairing that has multiple, even distant, origins in sociological and economic thinking (e.g., in Marx & Engels,1976; Polanyi,1944; Weber, 1964).

As defined by the neo-classical economists, the market is a type of exchange among purposeful and rational agents seeking to maximize their utility (be it money, status, or power). However, the term has been also used in the past to refer to *a form of coordinating* a social system. In addition, Karl Marx (1976) spoke of capital as a social relation, a process of structuring society.

Karl Polanyi, in his unfairly relegated discussion of the economy as a socially-instituted process maintained as a central thread of his thinking that, contrary to what many economists would tend to argue, the self-regulated market is, in reality, a recent historical product – and not a universal rule of human behavior (Polanyi, 1944; Skornicki, 2008). This idea of the self-regulated market emerges with capitalism, even though economic thinking has since applied it to other types of societies. It holds that the thesis of the self-regulated market, understood as a natural mechanism of human societies, facilitates a view of the market economy as something separate, uncoupled from the social institutions. The increasing independence of the economic sphere (also one of Marx's favorite themes) is not a "spontaneous" or natural order of human societies, but rather a cultural and political product of the modern age. The calculating *homo economicus* is a product of the political culture of capitalism that, since its early days, has fought other value systems (for example, those based on religion or honour).

It is also important to refer to Burton Clark, whose fundamental work, *The System of Higher Education* (1990), contains an entire section devoted to the subject of coordinating systems, using just these terms. Clark argues that three

coordinating forces typically come into play in higher education: the state, the market, and the academic oligarchy.

Finally, it must be acknowledged that the term *market* has proven itself to be a powerful ideological weapon, one that has been wielded effectively in the politico-economic battles of the last 25 years, beginning with Thatcherism in Great Britain and Reaganism in the United States, as well as in Chile since the 1980s. Economists who grew to have great influence in the public policy debate played an important role in this drama. There is elective affinity between this conceptual perspective and the global rise of conservatism in the last 30 years, famously synthesized in the Washington Consensus. Today, in the wake of the 2008-2009 financial crisis of central capitalism, the supposed self-regulatory ability of the market is being reconsidered, as is the role of the state.

THE STATE AND MARKET IN HIGHER EDUCATION

The conceptual pairing of state and market is also associated with the emerging policy focus on higher education. Up until the mid-80s, the perspective of governments regarding higher education was, to paraphrase Cox (1993), analogous to their perspective of the subway: Just as it was of primary importance for the subway to adhere to its time-table, so was it equally vital for professors and students to be in the classrooms at the same time and complete their tasks. It was taken for granted that the professors knew their subject matter and that the students could – and wanted to – learn.

Beginning in the mid-80s, however, there was a profound change in systems of higher education and their relationships to the state. Higher education came to be perceived either as too costly (in relation to new areas of public spending that were being placed on the public agenda), as sensitive and complex politically, or as too important an institution in an economic sense for its internal actors and dynamics to be given free reign over its operation. In different nations, political elites came to the conclusion that they had to regulate or control higher education's internal dynamics. In some instances, they acted based openly on ideology, as was the case in Great Britain and Chile during the 80s. Another motivation was a need to control or reform the politics of a system perceived as anarchic or ineffective, as occurred in Mexico. Finally, the need to control budgets also played a part. Thus, an idea began to appear among the political elites of many countries: The quality, efficiency, and effectiveness of higher education must be regulated. In fact, these same terms – quality, efficiency, and effectiveness – were introduced into the lexicon of higher education in this way. Since then, higher education policy has become an academic and technocratic "industry", as can be clearly observed in documents from governments, multilateral organizations, and numerous academic journals.

Important conceptual shifts occurred. One was the great influence that economics as a discipline came to exert as much on policy design as on the social sciences in general. A second change was the incorporation of higher education as one more institutional sector of society that could be evaluated and regulated; this

also occurred in the health, social policy, and other sectors. Thus, in order to convert higher education into an object of public policy, it was necessary to diminish its academic and educational specificity and make it susceptible to management via mechanisms that could be understood by decision-makers. This adjustment of concepts and terminology had the advantage of inserting higher education into an ordered and rational governmental discourse.

A specialized terminology appeared. New meaning was assigned to the mechanisms of financing and evaluation using the terms of public policy, such as "quasi-markets", according to which the state "bought" higher education services in exchange for achieving certain levels of performance. In Europe, New Public Management represents the apotheosis of this thinking, introducing contracts, strategic planning, and performance evaluations (Deem et al., 2007; Amaral et al., 2003; Ferlie et al., 2008; Olssen & Peters, 2005). The conceptual frameworks, terminology, and methodology developed with this perspective have had a clear bias: The coordination and regulation of higher education systems are thought of using state and market tools.

This happened in Mexico. However, this was not so much about the introduction of markets as about greater bureaucratic control.

CHANGES IN MEXICAN HIGHER EDUCATION

Since the end of the 1980s, higher education in Mexico has experienced more changes than at any other time in its history. The system has grown significantly; there has been an important diversification of institutions, as much in the public as in the private sector; and regulation, planning, and evaluation have filled every corner of the various sectors of public administration. The return of the extended state presence is evident, while the large private sector seems to be developing on the fringes of governmental regulation.

Two interesting and little-explored features of these two decades of policy are noteworthy. First, policies have maintained continuity, and the successive waves of federal programs have demonstrated a clear tendency of building upon the foundations laid by previous policy designers. Since 1988, there have been four presidential administrations in Mexico (including the current one), and throughout this period – marked by the alternation between the PRI and the PAN[1] – one does not see any changes in higher education policy. Instead, there is a progressive accumulation of the same paradigm. All these changes were enacted by the federal government through the presidency and the federal cabinet, without undergoing any legislative changes. Thus, the engine of change was not the state in its entirety, but rather the executive branch specifically.

[1] The Institutional Revolutionary Party (PRI) governed for seven decades with practically no opposition, controlling the presidency, state governments, and the federal and state legislatures. For many decades, the opposition National Action Party (PAN) exerted scant political influence, until it won the presidential elections in 2000 as part of a democratic transition (*translator's note*).

Another feature of this experience that bears mention is the full installation of the language and concepts of federal programs in the administrative (and, partially, the academic) discourse within public institutions. Nowadays, it is not exceptional to hear a dean of some school describe the school's functioning in terms of "consolidation of academic bodies", "number of professors in the SNI",[2] or an accreditation by the COPAES or CIEES,[3] Eventually, full-time academics began to speak in terms of SNI criteria or the PROMEP[4] profile. The lexicon of policy has been substituted for the traditional lexicon of education and research.

THE PERSISTENCE OF "TRADITIONAL" FORMS IN THE HEART OF MODERNIZATION

Thus, judging by the number of governmental programs that emerged over the past 20 years, it would be logical to conclude that Mexican higher education has undergone a profound and extensive process of modernization. Yet various scholars have pointed out the paradoxical persistence of "traditional" forms in the heart of modernization (Galaz et al., 2009) – for instance, "incomplete reforms" (Hernández, 2004) and "unfulfilled promises" (Acosta, 2004). These scholars indicate persistent practices that are well known to Mexican academics and administrators who work in Mexican institutions of higher education:

- A rule that is widely accepted in practice: endogenous recruitment of academics. Academic recruitment and promotion, a key mechanism of academia and a central feature of any institution that considers itself "a university", remains in the hands of group interests or strong authority figures.
- The persistence of the "honour economy" and the exchange of gifts and favours pervade relationships within public institutions of higher education. Common features of this situation include: controlled populism, the illusion of participation (using public "participaction" rituals that actually highlight and legitimate hierarchies), media applause, and rectors' efforts to become visible in politics and the media.
- The naturalness of patrimonialism (Arellano, 1999) and its ongoing legitimacy, visible in how officials use public institutions and resources without any

[2] The National System of Researchers (SNI) was created by the federal government in 1982 as a means of offering an additional stipend to researchers in order to offset salarial losses caused by financial crises. The program became permanent and provides non-taxable financial incentives for researchers to improve their productivity (*translator's note*).

[3] The Interinstitutional Committees for the Evaluation of Higher Education (CIEES) and the Council for the Accreditation of Higher Education (COPAES) were created as part of the federal government's quality assurance program. The former is responsible for evaluating academic programs and classifying them according to the likelihood of their being accredited in the near future; the latter is in charge of accrediting professional associations whose mission is to evaluate and accredit the quality of academic programs (*translator's note*).

[4] The Program for the Improvement of the Faculty (PROMEP) offers resources to institutions in order to increase the number of PhDs and fulltime professors, and provide professors with additional resources for equipment (*translator's note*).

opinions to the contrary. This also demonstrates the nonexistence of a tradition of moral critique and debate.

– The continued deficit in the quality of management demonstrates the persistence of priorities that are different from what common sense would dictate for an institution of higher education: putting students' needs front and center, evaluating and developing curriculum as a regular practice, merit-based recruiting and promotion, and scientific and technological innovation. The many governmental and institutional programs intended to measure and improve "quality" are blind to the lessons that could be learned from the experience of well-managed universities elsewhere.

HOW CAN WE EXPLAIN THESE PARADOXES?

In order to address the persistence of traditional practices in a context of relatively intense modernization, it is necessary to think about power. What forms of power are structured and reproduced within these institutions? Burton Clark speaks of the category of academic oligarchy, which is, at least in Mexico, mainly applicable to very few research-intensive universities and research centers.

What other patterns of organization and power are reproduced in the heart of institutions of higher education? Historically, Mexican universities have been structured around the professions. In one sense, this indicates that the main social function of institutions of higher education is the training of engineers, lawyers, doctors, computer experts, psychologists, and other professionals. There is, of course, a growing number of graduates in fields that are not traditionally considered "professional", such as biology, mathematics, philosophy, sociology, and other academic fields without formally-recognized job opportunities. However, the fact remains that the majority of Mexican students are not enroled in these types of programs. Professional power persists at the heart of institutions. This kind of power is reflected in how studies are organized: When a Mexican student enrols in a university, he or she actually enters a major, remaining there at least until he or she decides to switch. In practice, however, changing majors is a costly and difficult affair; students must start their new degree studies from scratch, with a low probability that their credits will be transferable. The "careers" – fundamental nucleus of the organization of degree studies – are controlled by university departments, which represent some profession (or discipline) and do not share their curricular and academic power with other basic units of power. The persistence of these rigid and specialized "tunnels" which characterize university studies in Mexico (and Latin America in general) seriously impedes the implementation of wide curricular reforms – that is, reforms at the level of the organization as a whole. This difficulty is the result of the continued existence of the basic nucleus of university power – that of the professions and disciplines manifested in separate departments.

Another face of power is "bureaucratic" power – that is, power derived from position and resources in the hierarchy. There is an extensive literature that questions the applicability of the "classic" concept of bureaucracy to universities,

as these organizations possess structures which tend to be more horizontal than vertical. Moreover, the oligarchic power of academics carries weight. This is no doubt the case, but it is also certain that, during the last 20 years in Mexico, bureaucratic structures have been developed, extended, and strengthened. This development is a direct result of the new influence of the state (not the market) through programs of incentives, evaluations, and planning, which have led institutions to create offices of specialists. It could be said that these offices exert little direct power over academics and students, since they obey authorities in the hierarchy– the rectors – by whom they are hired and managed. But it is precisely as a group that they form part of a new technocratic organizational super-structure with "soft" power (Ahrne & Brunsson, 2005) exerted through its influence over the indicators and procedures currently necessary to access financial resources and prestige. This new super-structure, moreover, is a political resource at the rector's disposal. Rectors can (and do) use such resources to better acquaint themselves with the diverse actors and positions in the extensive university fabric (indispensable information in the internal power struggle); in addition, they use these resources to project their image and influence externally in the mass media and in local politics.

I have already mentioned the survival of favoritism in the hiring and promotion of academics. There are few cases in which a public university in Mexico has established clear and competitive rules regarding access to academic positions and promotions. Favoritism in recruiting and promotion is a persistent trend in many Mexican universities. The number of academic personnel has grown from 73,000 in 1980 to around 215,000 at present, an increase which has obviously provided recruiters with many opportunities. Controlling hiring processes – even within new boundaries that are, as we shall soon see, more delimited by academic rules than before – an important source of power for rectors and department heads.

One of the oldest federal programs, the Program for the Improvement of the Faculty (PROMEP) – focused on providing incentives for the hiring and promotion of high-level academics (PhDs and researchers) – has not sought to reform the procedures for recruitment and promotion. This oversight on the part of federal policy is very important. Since the early 1990s, the Mexican government has paid singular attention to promoting certain programs directed at academics:

- Incentives directed at professors which stimulate competition from 30% of academics at each institution of higher education.
- Institutional incentives for hiring full-time PhDs.
- The classification of academics according to a "desirable profile", (i.e., a "complete" academic who, in addition to teaching, conducts research and participates in academic management activities), which gives academics the opportunity to compete for funding.
- The advancement of a new player: "academic bodies". These are voluntary associations of academics who fulfill the "desirable profile" – preferably members of the SNI; their purpose is to jointly perform typical activities (i.e., those that fit the desirable profile), such as teaching, research, and thesis advising. Institutions of higher education and individual academics are being

increasingly evaluated according to profiles and membership in "bodies", which in turn are measured based on their joint productivity on a scale of "collective academic consistency".

As can be seen, federal policy possesses a consistent – and increasingly developed – focus on "faculty improvement" (to use the official expression). The organization of the academic base has been the object of direct intervention by government policy. This tendency is analogous to the implementation of New Public Management in European universities, particularly in Britain, where NPM extends lines of influence from central governments to basic academic units of universities by establishing contracts over productivity and quality.

Paradoxically, the fact remains that this policy has not come within a hair's breadth of touching the procedures and values that govern the hiring and promotion of academics. Though the internal procedures of some institutions have been reformed, in general the old forms of favoritism in hiring persist, a far cry from utilizing academically-competitive criteria. This is an important question (although not a visible issue on the agenda of higher education policy), in light of the increasing availability in Mexico of PhDs in the sciences, a highly-qualified and clearly under-utilized human resource.[5] Why do institutions not take advantage of the first large supply of high-level academic personnel in the history of Mexican education? Hiring PhDs means giving them offices, and resources for conducting research; it means accepting that they will demonstrate independent thinking and that their demands will increase. These conditions are present in institutes and research centers, but none of these establishments conform to the image of the faculty held by the rectors of Mexican universities: a mass of personnel hired according to the values of submissiveness.

Recruiting at the managerial levels is similar, since rectors, vice-rectors, and directors come from the faculty and must follow local political rules to attain positions of power. Thus, modern and the traditional modes coexist and local power structures continue to be reproduced in universities using the old institutional rules of the game. Now, however, these rules have taken on a modern veneer. This does go beyond the surface, of course, because the set of rules clearly impacts the faculty and the forms of academic organization at the base; yet the term veneer is not inappropriate if we consider that one of the functions of this structure is to create ways of measuring the progress of federal policies without necessarily affecting existing patterns of power.

Who could doubt that progress is being made when one sees the number of professors who fit the "desirable profile" and the number of "academic bodies" that are being "consolidated"? Only those who dare to be skeptical of the rules that govern faculty hiring and promotion.

[5] Between 1990 and 2006, the number of PhD graduates in Mexico rose from 200 to more than 2,000 (SIICYT, 2009).

THE MARKET IN THE PRIVATE SECTOR OF MEXICAN HIGHER EDUCATION

One premise of modernization discourse is that the private sector has a role to play. Though it is not possible to speak strictly of privatization in Mexican higher education – since public institutions were not handed over to the private sector, but instead came under the influence of some market structures – there is no doubt that the private sector has grown significantly in the last 20 years. In fact, until 2005 it was the fastest-growing sector in the whole system.

How and why did this happen? After 1990, the federal government decided not to increase the number of students in public universities (which were, rather, the object of policies aimed at improving quality) and instead created a group of two- and four-year technical institutes across the country. Given the fact that these institutes were small – with no more than 2000 students – and that the new demand for higher education had no place in the large public institutions (universities), waves of students joined the ranks of private education. As a result, these institutes multiplied at a rapid rate, finally representing around 30% of total student enrolment. As Levy (1986) points out, the private sector in Mexico is truly private: It does not receive money from the government and therefore must finance itself through tuition payments from its clients – the students. Thus, the expansion of the private sector allowed an important part of society's demand for higher education to be financed without public funds, which in turn provided an opportunity for public funding to be concentrated on two tasks: improving the quality of public universities, and creating new technically-oriented institutional sectors far from the big cities, thus reaching young people in low strata of society. This discourse presupposes that private institutions are more advantageous – that they provide a greater variety of academic options, greater operational efficiency, and that they are more adaptable to the changing needs of society and the economy.

It is interesting to examine some characteristics of the new private sector of Mexican higher education. There has been important growth in the number and geographic presence of private institutions of higher education. A large part of this growth has come on the back of small private institutions, which Levy calls "demand-absorbing institutions" – small establishments which pay professors by the hour, which lack libraries and laboratories, and which offer programs almost exclusively in the fields of law, accounting, administration, and other "soft" social professions.

These institutes have come under considerable fire in the media, which continually criticizes them for academic "fraud" and for the government's apparent inability to regulate them. The mass media is unsatisfied with the results of the private expansion, which seems to have fulfilled the expectations regarding this sector only in certain prestigious and very expensive institutions. It is possible that this criticism is linked to the interests of the academically-consolidated private universities, which view demand-absorbing institutions as a threat to their prestige. It seems evident that those who voluntarily pay for the services of these small private institutions do not agree with the disapproval expressed in the media.

This demonstrates that "the" market in higher education does not exist as such; in reality, there are several markets spread across a landscape that seems quite segmented. Peña (2005) has shown that in the state of Puebla, with its dense population of private institutions, one can observe at least the following types of institutions:

a) Universities: Academically-consolidated institutions with undergraduate and graduate programs in various disciplines, along with a trained teaching body – part of which works full-time (though only a few private universities are dedicated to research). Internal quality control and external accreditation are normal procedures.
b) Non-university establishments: Generally, though not explicitly, for-profit institutions that offer undergraduate programs in business, accounting, education, and other soft social professions. Their teaching bodies are paid by the hour and are minimally-trained. In general, these institutions are not accredited.
c) Specialized institutes: Institutions that provide training in one or two associated professions. They possess a reasonable well-developed academic infrastructure. Their teaching bodies tend to be paid by the hour, though they are made up of professionals recognized in their fields. Their programs tend to possess official accreditation.
d) Institutions in the process of consolidation: Establishments that were not founded as universities but improved their teaching bodies and academic facilities. They aspire to university status.
e) Small, low-quality (demand-absorbing) institutions: Non-university establishments that increase enrolment but not quality. Their facilities are barely adequate and their teaching bodies lack proper training and are paid by the hour. They do broaden their curricula at times, though rarely outside the social professions. In Levy's terms (2005), these establishments absorb demand.

Graduate studies are another important segment of private higher education. The various private sectors have shown themselves to be quite dynamic with regard to certificate, specialization, and Master's programs (Kent, 2007). Given the number of professionals who turn to these programs to update or improve their training, this phenomenon is clear evidence of the ability of these sectors to adapt to emerging labour needs.

The current reality of the private sector in Mexican higher education has begun to be studied systematically (Alvarez, 2011; Kinser et al., 2010), and there is much work to be done in this field. In this regard I would like to emphasize several things.

First, it is important to note that the market has several segments. There are different markets for different clienteles.

Second, the expansion of the private sectors demonstrates a fact that cannot be ignored: Degrees are commodities that are bought and sold in markets that *primarily* offer status, with professional job training a *secondary* goal. That is, many thousands of students are much less motivated to demand quality than they

are to satisfy the need of a degree that confers status. We should not be shocked if quality is not the primary priority of degree-buyers; instead, we should acknowledge that this is precisely the effect of the state's unleashing of the market on higher education: Free choice is manifested – freely – not according to some implicit policy script in which the market will lead to educationally-sound decisions. Efficient decisions, yes; but there is a trade-off between quality and efficiency. The clients of small, low-quality institutions of higher education have opted for efficiency instead of quality – a typical effect of the market, as Hirschman pointed out in his argument regarding exit, voice, and loyalty as possible responses to institutional deterioration (1970). Why do clients of demand-absorbing institutions seem to exercise "loyalty" and not "voice" or "exit"? Because of the cost of leaving and matriculating at other institutions *if their credits are non-transferable*: It is precisely here that certain effects of the rigid curricular system that reigns in Mexican higher education are put into sharp relief. My hypothesis, then, is that, if there were a nationwide system governing the recognition and transfer of credits, we would see different dynamics operating in higher education, with greater opportunities for exit by students.

Third, these markets exist and develop in specific socioeconomic contexts and in relation to government decisions. An examination of the former factor shows that enrolment at private institutions of higher education increased at a rapid rate from the mid-80s to the mid-2000s. Recently, however, that growth has ceased (Alvarez, 2011). The most likely hypothesis is that the expansion of the private sector was curtailed by the limited budgets of the middle and lower-middle classes, which, up to now, have constituted the largest portion of the private sector. In addition, one can begin to observe a lower rate of growth in the 19 to 23-year-old demographic. Given an actual reduction of approximately 7% in the Mexican economy, the most expensive institutions are currently having more difficulty finding clients. Perhaps there have been more sustained changes (independently of the current economic down-turn) in the long-term economic and demographic conditions that allowed the great expansion of the private sector in Mexico. It will be necessary to pay close attention to whatever new dynamics of competition emerge in this area.

The problem within the political arena, in conceptual terms, involves *how the state organizes markets* (Brunsson, 2006). The operation of private institutions is authorized by the government (federal or state), or by some public university that has been granted that power by the law. In fact, it is well known that a certain number of private institutions of higher education are run by officials of some state government or of a public university; these officials have little difficulty in achieving the official authorization for operating a private institution. In some (very few) states, state-run higher education planning commissions have been relatively effective in exerting some regulation over the private sector. On the other hand, it is interesting to note that the COPAES system of accreditation does not involve itself with small private institutions, but rather with consolidated private institutions and public universities (which are obligated to accredit themselves according to federal funding regulations). The majority of private institutions of

higher education, notably the *demand-absorbing* ones, are not obligated to seek accreditation and do not do so. Consequently, the majority of the private sector in Mexico operates within a framework of permissive public policy.

This permissiveness is not limited to the procedures that govern the authorization of new institutions, or their subsequent supervision and accreditation. Even though the majority of private institutions of higher education are businesses, they adhere to civil rather than commercial law. That is, the majority are registered as *asociaciones civiles* – a category created for non-profit organizations – and not as *sociedades anónimas* – used for commercial businesses. This is only natural, given that *asociaciones civiles* operate under more generous fiscal and labour regimes. That is, this behaviour continues to be strictly rational when viewed from the perspective of private institutions; the question, rather, is why this important legal aspect of educational enterprises goes unnoticed in higher education policy.

Finally, it is important to emphasize a key facet of market regulation: the utilization of information. In neoclassical economic theory, the economic agent has clear preferences and, with sufficient information, is able to make advantageous decisions regarding purchases or investments. In Mexican higher education policy, this concept is conspicuously absent. Certainly, it has been subjected to diverse criticism (by, among others, Joseph Stiglitz, winner of the Nobel Prize for Economics); however, the fact that government policies do not deal with information regarding private institutions is not due to conceptual misgivings, but rather to deficient design and operation of accreditation systems.

The criticisms of private institutions of higher education circulating in the media and occasionally presented by government officials have focused on the weak desire of these institutions to improve their academic standards. The client does not figure in this discourse except as a ridiculed buyer, the object of fraud. At any rate, the students in these institutions appear as passive entities who have been fooled, not as agents who voluntarily decide to buy these services. If they possessed more complete information about the actual costs of these institutions (tuition, registration, and other fees) and about the characteristics of their professors and facilities, would these students make sounder decisions? We do not know, but surely the state has shirked its responsibility as protector of the public interest by not insisting that private institutions of higher education provide accurate information to their clients. In this assessment of the state's role of *governance* and its possible contribution to improving the institutional fabric of private establishments, we must concur with Villanueva (2008, 2009) when he points out the deficiencies of the *ext*ended state presence in Mexico.

CONCLUSION: THE DEMONS OF PROGRESS

I return to the issue of management because therein lies a key nexus of the problems resulting from the overlap of the state and the market in institutions. The values implicit in administrative practices and structures permeate the entire social fabric of the university. They convey a certain vision of the student, of his or her relationship with professors and with the institution as a whole, of learning and

teaching, and – in general – of the value or meaning of knowledge. Academic management occupies a central position in what we could call "the hidden institutional curriculum".

These are difficult issues, particularly for those individuals charged with managing institutions. We know that these administrators tend to seek refuge in the traditional administrative wisdom they learned as students or professors, which is imbued with self-interest and favoritism, and which emphasizes control over efficiency. We also know that, in terms of performance criteria, academic management is increasingly looking toward government policies. Academic management is nowadays a combination of traditional wisdom and practices and "modern" procedures derived from policies concerning planning and evaluation. This modernizing discourse is accompanied, not by a growing cosmopolitanism or universalization of values (Delanty, 2006) but by self-interest and traditionalism in the identities and *modus operandi of* institutions of higher education. The proclamations over globalization, competitiveness, and efficiency are, in actuality, a legitimating discourse for political and bureaucratic practices that "modernization" should have made obsolete: the integration of universities' upper echelons into the interests and visions of backward sectors of the country's political class; the use of the student body as a tool for maneuvering in internal political processes; favoritism; and the construction of patrimonialist networks inside and outside institutions. All these practices point to the erosion of the academic ethos – the conflicts of interest between the official goals of the university and the political and group interests of numerous officials. Academic quality and excellence, in addition to cosmopolitan values, are often mere rhetoric – this in a milieu of a bureaucratic frenzy for fulfilling (or pretending to fulfill) performance indicators. The proliferation of procedures for managing evaluations and planning is engulfing a growing number of officials and academics, leaving little time and intellectual space in which to reflect on the university as an intellectual enterprise and a key social institution.

Thus, the abandonment of broad social and intellectual concerns, the absence of a critical social theory of modernity and its replacement with a simplistic and instrumental notion of institutional management have left the conceptual field vulnerable to the extensive and superficial utilization of the dichotomy of the state-market.

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1. THE AMERICAS

DALE KIRBY

MARKETIZING CANADIAN HIGHER EDUCATION: AN EXAMINATION OF RECENT ACCESS POLICY REFORMS

INTRODUCTION

The growing influence of market mechanisms in Canadian higher education is evident in policy and program reforms enacted by governments at both the federal and provincial levels in recent years. This is particularly the case with respect to comprehensive reviews of the higher education system carried out by most of Canada's provincial governments between 2004 and 2010. This paper provides an overview of the higher education policy reforms advocated by these system reviews as well as the policy and program reforms introduced by Canadian federal and provincial governments over the coinciding time period. This analysis focuses primarily on the issue of reforms to student access policies, providing insight into the influence that market principles have on the formulation and direction of Canadian policies concerning higher education fees, student financial assistance, and access for disadvantaged and underrepresented groups.

In Canada, education policy, including that of higher education, is constitutionally the responsibility of each respective provincial government; there is no national or federal government department charged with overseeing higher education policy on a national basis. Canadian policymakers at both the provincial and federal levels have variously treated higher education as a mechanism for alleviating social inequities, as an instrument for labour force development, and as a market (Fisher, Rubenson, Jones, & Shanahan, 2008). As Lang (2005) has pointed out, the market environment in Canadian higher education is not completely competitive and is thus better characterized as a quasi-market environment. The adoption of a more market-oriented ideological outlook on higher education in Canada is changing policy perspectives concerning the nature of the benefits, beneficiaries, and benefactors of further education; it has also, as in other countries, raised important questions about the costs of higher education, who should pay for it, and how.

CHANGING HIGHER EDUCATION LANDSCAPE

Marketization in Canadian higher education is seen in the displacement of traditional academic-humanist values and citizenship interests by market mechanisms such as competition, private interest, and profit. Increasingly, higher education in Canada is regarded as a vehicle for securing national or regional

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economic objectives, such as increasing economic efficiency, training more productive workers, and facilitating business innovation. The wide acceptance of the notion that a ”knowledge society” (fuelled by information, knowledge, and skills) will serve to further economic development has progressively framed higher education as a valuable commodity. The growing reliance on public higher education to serve the purposes of private, global capital has coincided with an increased role for private institutions, for-profit and otherwise, as well as increased private-like activities among publicly-funded institutions. At the same time, the landscape of public-sector higher education is becoming more diversified and, to some extent, more stratified.

Private career colleges

While higher education in Canada continues to be dominated by public-sector colleges and universities, privately owned and operated institutions have played important roles for some time. Private career colleges, which for the most part are privately held commercial enterprises, are a primary source of non-degree vocational education and training programs. To date, there has been little study of the private career colleges sector, but provincial-level enrolment data suggest that activity in the sector has been subject to alternating periods of expansion and contraction as existing institutions close and new ones are established. This sector underwent a particularly strong period of growth from the 1980s to the 1990s in part due to labour-market training and adjustment programs from the federal government that provided for favourable policies and in some cases substantial public funding (McBride & Kealey, 2000; Schuetze & Dennison, 2005). One recent study of private career colleges in Canada reported that the sector includes upwards of 2,400 institutions enrolling more than 150,000 students annually (R.A. Malatest & Associates Ltd., 2008). There have been regular calls for more intensive monitoring and regulation of private career colleges. These have followed occasional institution closures that have occurred mostly due to financial difficulties or non-compliance with existing provincial regulations.

Private degree granting

Degree granting in Canada has traditionally been the exclusive domain of public universities and a small number of religious, faith-based private institutions, but the private degree-granting sector is growing. A number of provinces (including Alberta, British Columbia, New Brunswick, and Ontario) have now enacted legislation permitting private degree granting. In 2001, the Alberta-based DeVry Institute of Technology became the first for-profit company in Canada to receive approval to award academic degrees (“DeVry Given,” 2001). British Columbia later authorized the opening of Canada’s first secular not-for-profit private university, Quest University, in 2002 (Hatchette, 2006). Quest University is modeled after selective, small undergraduate liberal arts institutions in the United States and offers programs at a cost of $27,000 per two-semester year – about six

times the average cost of tuition for an undergraduate program at a public university.[1] New Brunswick, which has marketed itself as the "first Canadian jurisdiction to enact legislation permitting online universities to grant degrees," first permitted for-profit private universities in 2000 (New Brunswick, 2010). While four private online degree-granting institutions were subsequently launched in the province, only two remain: Lansbridge University was forced to close in 2010 after its degree-granting authority was revoked over quality concerns and Meritus University announced the end of its operations in 2011 citing low student enrolment. This has prompted some speculation about the commercial viability of the for-profit degree-granting sector in Canada (Shmuel, 2011).

Private-like higher education

In recent years, as public funding has increasingly fallen short of operational costs, many Canadian universities have sought to make up the funding shortfall through entrepreneurial activities and increasing reliance on private contributions and donors as a source of revenue (Kirby, 2007). Moreover, Canadian universities have increasingly sought to connect the goals of academic research with those of private enterprise and industry with a goal of exploiting the commercialization potential of university research and intellectual property. This has been facilitated by public policies and programs devised to leverage greater private-sector investment in research through competitive and matching funding (Jones & Young, 2004; Metcalfe, 2010b). Perhaps the most notable example is the Canada Foundation for Innovation (CFI), which operates largely as if it were a privately-held entity despite its dependence on funds from the public treasury. Functioning as a so-called "intermediating organization" (Metcalfe, 2010a), the CFI requires that proposals for research funding from public institutions, including universities and research hospitals, include 60% matching private or partner contributions.

Increasing diversification and stratification

The more market-oriented approach to higher education in Canada has consequently given rise to an increasingly differentiated and hierarchical system. Though the higher education system has long been regarded as a binary one with discrete university and non-university sectors, the boundaries between the two sectors have become increasingly blurred with the emergence of new types of credentials and changing institutional roles. One innovation that has emerged in recent years, as a result of increased demand for degree-level education, is degree granting by institutions in the non-university sector, such as community colleges and institutes of technology. Governments in four provinces – Alberta, British Columbia, Ontario, and Prince Edward Island – have extended baccalaureate degree-granting authority to non-university institutions that were originally

[1] According to the website for the British Columbia Ministry of Regional Economic and Skills Development, the weighted average for public university tuition in the province was $4,642 in 2010/11.

intended to provide vocational training and career education programs (Kirby, in press). Amidst this broadening spectrum of institutions delivering degrees, a number of new baccalaureate-granting institutions have sought to re-define themselves with the somewhat ambiguous title of "polytechnic" (Polytechnics Canada, 2011). In the face of the growing demand for spaces in undergraduate degree programs in Ontario, Jones and Skolnik (2009) have identified a need for new university-level institutions to concentrate primarily on undergraduate teaching and play a more modest role in research. At the same time, the presidents of the "Big 5" Canadian universities are seeking to impose an official binary divide between teaching-intensive universities and research-intensive ones (Wells, 2009). They envision an officially tiered system of universities with a small number of top-tier elite research institutions accorded preference for research funding and support.

PROVINCIAL HIGHER EDUCATION ACCESS REFORMS

Between 2004 and 2010, governments in seven of Canada's 10 provinces carried out comprehensive evaluations of their higher education systems, culminating in the release of a series of official reports on the status and future directions of their respective systems. These review exercises involved research on higher education issues and extensive consultations with stakeholders such as institutions, students and parents, faculty and staff, industry and labour, and civil society groups. The final reports of the reviews universally noted the necessity for governments to expand system capacity in college and university programs to meet unprecedented and growing demand for spaces. As I have noted elsewhere (Kirby, 2007), while the reports alluded to the intrinsic value of higher education, each tended to emphasize an economic-utilitarian outlook on its *raison d'être*. The reports collectively pointed to the important role of further education as an instrument of economic development that fosters innovation and meets the shifting educational requirements of the "knowledge economy." Each of the reports pointed out that the personal return on investment in higher education is high for students and that individuals who achieve higher levels of educational attainment are more likely to be employed, to have higher average incomes, and realize other personal benefits. The reviews further emphasized the need to ensure that a broader section of the population is able to benefit from such opportunities, especially those who are underrepresented in higher education. As such, the reports emphasized the need for governments to close or eliminate participation gaps that exist for disadvantaged and underrepresented groups by extending access to all who are willing and qualified to attend.

As with policy comparisons in general, there are important similarities and differences between the provincial review exercises and their eventual outcomes; however, many of the policies recently considered and adopted exemplify the continuing role of market mechanisms in Canadian higher education. This is especially the case with regard to reforms to policies on student access. In this quasi-market environment, student access to educational opportunities is

inextricably linked to state economic goals. However, as a consequence of public demands for efficiency and cost effectiveness in the use of public funds, there has been a shifting of costs from state spending to individual and private expenditures. This trend toward cost-sharing with students and their parents is increasingly apparent in changing policies on tuition fees, student financial assistance, and increasing access for disadvantaged and underrepresented groups.

Ontario policy reforms

Between 2004 and 2005, the government in Ontario, Canada's second largest and most populous province, conducted a review of its higher education system. This policy review, limited to public institutions, focused on creating a more coordinated, collaborative, and differentiated system with a sustainable funding framework (Ontario, 2005). The final report highlighted the need for increased public investment and improved student access. Noting the importance of further education to continuing prosperity, the report recommended that a new legislated mechanism be introduced to ensure student access regardless of individual ability to pay. The report's suggested revenue framework included a $1.5 billion increase in combined public and private funding by 2007-08, with $1.3 billion coming from the province.

Access policies proposed

The review's report recommended that Ontario's tuition-fee freeze be ended and that tuition be allowed to increase following a "predictable, transparent, and affordable" framework. It suggested that any increases in fees be accompanied by improvements in educational quality and needs-based financial aid. The report advised government to invest $300 million to provide additional needs-based grants and loans to students – particularly low-income students. Recommended changes to the provincial student loan program included increasing student loan amounts, expanding loan eligibility to more individuals, and reducing interest rates on student loans. To ease difficulties in repaying student loans, the report suggested that the existing loan program be redesigned as an income-contingent repayment program with a debt forgiveness element for low-income earners. Government was also urged to match private endowment funds raised by institutions to support students with financial need. The report highlighted the need for outreach and targeted interventions for low-income families, people with disabilities, Aboriginal people, francophones, and adult learners. In addition to measures supporting access for these groups, the report recommended funding of $5 million annually to target increased enrolment for students whose parents did not participate in higher education. It was further proposed that low-income families receive incentives to save for their children's education.

Policy reforms enacted

In 2005, the Ontario government answered the review with its "Reaching Higher Plan" – a set of policies centred on a multi-year investment of $6.2 billion in

cumulative higher education spending by 2009-10. In addition to increasing operating grants to institutions, the plan increased spending for student financial aid by $1.5 billion. The plan committed a further $50 million annually to match private donations to endowment funds for needs-based bursaries. Student-assistance reforms included up-front grants for low-income students, an increased borrowing limit for student loans, and a reduction in the parental contributions used in assessing eligibility for student loans. A new strategy for improving access for specific underrepresented groups provided up to $55 million to institutions for student outreach, recruitment, and support services. Ontario ended its tuition-fee freeze in 2006, announcing a new regulatory framework for tuition which permits institutions to increase fees by between 4% and 8% annually. The maximum annual average increase of 5% is tied to program quality enhancements.

Newfoundland and Labrador policy reforms

In 2004 and 2005, the government of Newfoundland and Labrador, a small Eastern province, conducted an examination of its public higher education system. This review was positioned as a white paper exercise, producing policy proposals with government's implicit endorsement (Newfoundland and Labrador, 2005). The final report committed almost $90 million in new funding over the next three years.

Access policies proposed

With regard to tuition fees, the white paper noted that increased tuition does not necessarily result in lower enrolment. It further suggested that fees represent a relatively small portion of educational costs and are not a primary contributor to high debt levels. Despite this, the report endorsed a continued freeze on tuition costs for three years to be offset by an increase in funding to institutions. To provide additional financial aid to students, the report recommended increasing the borrowing limit for provincial loans and relaxing eligibility criteria to provide more students with access to loans. Highlighting the economic benefits of increased educational attainment and literacy levels, the report recommended that targeted investments be made to expand access for a number of groups including adult learners, Aboriginal people, women in certain occupational areas, and rural residents. Measures such as scholarships, incentives, and intensified recruitment were suggested as means to increase women's participation in non-traditional fields. For rural residents who tend to have lower incomes and higher costs, additional financial aid and distance education options were suggested to enhance participation.

Policy reforms enacted.

In the years subsequent to the 2005 review, Newfoundland and Labrador has provided funding to institutions for a continued tuition-fee freeze. As a result, inflation-adjusted fees in the province are lower today than those charged over a decade ago. On the student financial aid front, an up-front, needs-based grant program has been instituted and interest charges on provincial student loans have

been eliminated. The province has also made changes to student loan eligibility to increase the pool of eligible applicants and increase the loan amounts available. The province has continued to fund initiatives that target increased access for underrepresented groups. This has included expanded adult education offerings, support services for students with disabilities, and investments in expanding distance e-learning courses.

Alberta policy reforms

Alberta, an oil-rich prairie province, initiated a review of its higher education system in June 2005 and issued the final analysis one year later. The final report included a "20-year strategic plan" for an affordable system, enhanced access for Aboriginal communities and people with disabilities, improved literacy and numeracy, and building the province's research and innovation capacity (Alberta, 2006).

Access policies proposed

The Alberta review recommended that tuition fees at public higher education institutions be reduced to 2004-05 levels with future increases to tuition fees kept "modest" by limiting increases to the level of the Consumer Price Index (CPI). The report advocated that Alberta develop an official "affordability framework" encompassing all student financial aid and that it provide sufficient funding to enable students to cover their growing costs. Specific reforms to student loans that were put forward include increased loan amounts, additional resources for students who relocate for studies, and reduced interest on student loans. The final report recommended that a portion of future investments in higher education be directed to improving participation levels among disadvantaged and underrepresented groups, including Aboriginal people, people with disabilities, people in rural communities, adults with low literacy/low English fluency, and individuals from low-income families and/or parents with low educational attainment. In recognition of employment barriers, the report suggested that adjustments be made, where necessary, to the terms for student loan repayment for people with disabilities.

Policy reforms enacted

Following the review, the Alberta government launched a new "affordability framework" in 2006. Consistent with the recommendations of the review, tuition fees at public institutions were reduced to 2004-05 levels and future tuition increases were tied through regulation to the rate of increase in the CPI. The Alberta government has followed through on many other recommendations pertaining to student assistance, including increasing annual borrowing limits, relaxing criteria for borrowing eligibility, and reducing interest rates on loans. The province has also increased the value of its education income tax credit and introduced targeted increases in financial support for students attending Aboriginal institutions, students with disabilities, part-time students, and students with dependents.

Saskatchewan policy reforms

Saskatchewan, another prairie province, carried out a higher education review in 2006 and 2007 which focused particularly on financial barriers to access. The final report outlined the following three overarching goals for the province: a) expanded access and participation, b) high quality, learner-centred programs, and c) improved connections to employment opportunities (Saskatchewan, 2007).

Access policies proposed

The review's report emphasized the impact of increasing tuition costs on university students and recommended that the province provide sufficient funding to reduce annual undergraduate tuition fees by $1,000. It further suggested that an official framework for university tuition fees be created to ensure greater cost predictability in the future. The report suggested that the processes for student loan applications, disbursements, and repayments be simplified and streamlined; in addition, it advocated a variety of student loan reforms, such as raising borrowing limits, introducing more flexible assessment criteria, and reducing interest charges on loans. Additionally, the report supported the creation of needs- and merit-based financial assistance programs by providing government funding to match private donations to institutional endowments. The report identified several population groups as being underrepresented in the province's higher education system, including Aboriginal people, first-generation students, rural students, people with disabilities, and individuals from low-income backgrounds. The report urged that Aboriginal students be provided with greater awareness of and access to non-repayable financial aid. Up-front grant aid was also suggested for low-income and rural students.

Policy reforms enacted

In 2009, Saskatchewan ended a freeze on tuition fees, announcing that universities would be provided funding to limit tuition increases to an average of 3% in 2009-10. In 2010, the fee increase cap was raised to 5%. A series of reforms to student loan programs have also been introduced to encourage greater participation from underrepresented populations and to provide increased financial aid to students from low- and middle-income backgrounds. These reforms to student loan programs include an increased borrowing threshold as well as up-front, income-based grants. Saskatchewan has also implemented a "Graduate Retention Program" which provides an income-tax credit refund on tuition fees to higher education graduates who remain in Saskatchewan for the seven years following graduation. The maximum credit varies from up to $3,000 for those who complete vocational training to as high as $20,000 for graduates of undergraduate programs.

British Columbia policy reforms

The government of British Columbia, Canada's westernmost province, conducted its "Campus 2020" higher education review between 2006 and 2007. The

recommendations in the final report were framed around the premise that the higher education system should be subject to "clear, concrete, and measurable" performance targets in areas such as equitable participation, attainment rates, and quality (British Columbia, 2007).

Access policies proposed

The year prior to the initiation of its review, British Columbia replaced its former tuition-freeze policy with a policy that tied tuition increases to the CPI. The review's report recommended the introduction of a new regulatory framework for fees which would limit increases to a "Higher Education Price Index" designed to measure the average relative costs of colleges and universities. The review's report called for reforms to student financial assistance with a focus on needs-based rather than universal supports, designed to encourage timely program completion and accommodate diverse student financial needs. The report acknowledged that targeted initiatives may be needed for particular underrepresented populations including Aboriginal people, first-generation students, and adult learners.

Policy reforms enacted

British Columbia's policy on limiting increases to tuition fees remains in place; however, tuition fees for adult basic education were phased out in 2007. The province has also implemented a multi-year $65 million plan for increasing Aboriginal peoples' higher education participation and attainment, including a $10 million endowment to provide non-repayable grant aid to Aboriginal students. While increased support has been made available for students with disabilities, British Columbia reduced its expenditures for student financial aid in 2009 as a cost-saving measure. This involved phasing out a number of scholarship, bursary, and debt-reduction programs

New Brunswick policy reforms

The small, bilingual province of New Brunswick completed its higher education review in 2007. The final report made detailed recommendations pertaining to policy areas such as student access and financial aid, operating grants and research funding, and quality assurance (New Brunswick, 2007). Following the review, New Brunswick established a working group on higher education tasked with recommending the "best model" for the system.

Access policies proposed

While the review's report noted that university tuition fees in New Brunswick were the second highest in Canada, the report advocated against direct government regulation of fees. Instead, a process was recommended for setting levels for tuition fees whereby institutions would provide student financial aid and tuition commitments to government in exchange for a multi-year funding regime. The financial assistance program proposed in the report involved non-repayable grants for low-income students, an annual debt-accumulation cap, and creation of an

income-contingent repayment plan with limits on the repayment period for lower-income individuals. The report noted the underrepresentation of a number of groups in higher education, including Aboriginal people, people with disabilities, women in certain program areas, and individuals from low-income backgrounds. It was recommended that increased access for these groups be achieved through institutional performance contracts with participation targets.

Policy reforms enacted

New Brunswick has provided funding to public universities for a tuition-fee freeze since 2008. The 2008 working group report outlined a minimum of $90 million in government-endorsed investments in higher education over the next five years (New Brunswick, 2008). With the introduction of a package of student financial aid reforms in 2009, a universal grant for university students was eliminated and the provincial student loan program was shifted to an income-based repayment model. Under the new "Debt Reduction for Timely Completion Benefit," graduates can have up to 100% of their student loan above $26,000 forgiven as long as they complete the program in a timely manner and b) accumulate in excess of $26,000 in provincial student loan debt upon completing the program. In addition, the province doubled an existing tuition income tax rebate for graduates to a maximum lifetime amount of $20,000. New Brunswick has introduced other measures to support access for underrepresented groups, including Aboriginal people, first-generation students, and low-income earners. Its "Futures to Discover" program provides $2,500 per year – up to a total of $10,000 over four years – to assist high school graduates from underrepresented groups in participating in higher education.

Recent developments in other provinces

With the exception of Nova Scotia, the remaining Canadian provinces have not undertaken comprehensive reviews of the higher education system in recent years. Nova Scotia carried out a university sector review in 2010 and while it only covered the province's universities, the final report addressed a broad range of higher education issues including funding, access, quality, and research (O'Neill, 2011). While the O'Neill report recommended that the ongoing tuition freeze be discontinued in favour of the complete de-regulation of tuition fees, the province instead opted to cap tuition increases at 3% annually (Nova Scotia, 2011). The province has subsequently indicated that it is considering changes to its student loan-to-grant ratio and the introduction of a cap on student debt amounts (Nova Scotia, 2011b). Both Nova Scotia and Manitoba, like New Brunswick and Saskatchewan, have implemented generous provincial tax incentives that are designed to entice graduates to live and work in the respective provinces. Nova Scotia offers up to $15,000 and Manitoba offers a maximum $25,000. Manitoba, Quebec, and Prince Edward Island have all permitted tuition fees to increase by varying amounts in recent years. This has been particularly controversial in

Quebec, where tuition fees were effectively capped for 13 years prior to 2007 (Laberge, 2008).

CONCLUSION

Canada's recent higher education reviews, and the access policy reforms that have followed, encourage the greater utilization of market-type mechanisms in Canadian higher education. Institutions are increasingly compelled to compete for students and the resources they and their families provide. As the costs of higher education are thus shifted away from the tax-paying public and toward individuals, decision-making power and authority in higher education is incrementally transferred to market-type supply-demand influences.

Regarding tuition fee policy, Canadian policy-makers and higher education leaders appear to agree that participation in higher education is at once a public and private good, as evidenced by the provincial higher education reviews and recent policy reforms concerning fees. In the context of access and affordability, each of the system reviews acknowledged that tuition is but one component of the cost associated with participation. With only one exception, the reviews recommended the adoption of a quasi-market mechanism for setting tuition fees which would allow for fluctuations in fees within regulated parameters. Since the completion of the reviews, Newfoundland and Labrador has continued a tuition-fee freeze and New Brunswick has implemented one. In all of the other provinces, tuition fees have been permitted to increase, albeit in a regulated fashion. As Johnstone and Marcucci (2010) have noted, in this marketized system, increased fees are assumed to induce students to become more efficient consumers of higher education who make more conscientious decisions regarding programs and complete their studies in a more timely manner.

The recent provincial higher education reviews recommended a number of possibilities for reforms to student financial assistance, including up-front measures to provide students with additional funds, such as increased borrowing limits, grants, and endowed scholarship funds. In other cases, the reviewers proposed back-end solutions, such as income-contingent student loan repayment, debt forgiveness, reductions in interest rates on student loans, and tax credits. While there has been a great deal of variability in the student financial assistance policies implemented in the provinces in the years following the reviews, a number of policy directions are particularly notable. Governments in New Brunswick, Nova Scotia, Manitoba, and Saskatchewan opted for similar policies that are intended to help recruit and retain an educated workforce by providing higher education graduates with generous income tax credits. If there is a singular trend across the provinces, however, it is toward the provision of greater amounts of income- or need-based aid, rather than universal subsidies, to a growing number of students. These measures of financial assistance have been largely rationalized as mechanisms for limiting levels of student borrowing and facilitating greater ease in repaying debts from student loans. However, they also contribute to the further development of a quasi-market higher education system, as increases in loans and

the provision of direct funding to students shifts state financial resources away from institutions, thereby enabling consumers of education to have greater influence in higher education decisions through the forces of supply and demand.

The challenges faced by disadvantaged and underrepresented groups were emphasized in each of the reports from the provincial higher education reviews, with Aboriginal people and low-income families receiving significant mention in each instance. While outreach to particular populations is suggested in some cases, each review acknowledged that some form of targeted financial assistance is necessary to improve higher education access and attainment for most of these groups. To varying degrees, provincial governments throughout the country have acted on these suggestions in recent times – shifting away from universal student support toward more targeted funding assistance. From a market perspective, targeted student support is more efficient in comparison to the universal subsidies which provide funding to students from more affluent backgrounds as well. Universal subsidies are inefficient in a market context because students from higher income groups would likely participate in higher education in the absence of any additional public subsidies. A more efficient use of public funds is to focus support more directly toward those at the lower end of the income spectrum, who face the greatest barriers.

While policies concerning access to higher education across the Canadian provinces are in many ways heterogeneous, recent reforms pertaining to tuition fees, student financial assistance, and access for disadvantaged and underrepresented populations are demonstrative of the role that market principles have come to play in achieving public policy objectives for higher education in Canada. As Canadian higher education gives rise to more private or, rather, non-public actors and institutions in response to the growth in demand for higher education credentials, there has been a coinciding rise in preference for more market-driven approaches to providing for student access.

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SYLVIE DIDOU

MARKETS AND HIGHER EDUCATION IN MEXICO AND LATIN AMERICA

INTRODUCTION

In the discussion regarding higher education in the present decade, various specialists have described a complex phenomenon which they have designated "the commercialization of higher education." This concept has been used to classify changes that have affected the morphology of systems and their representations – concretely or symbolically. In Latin America, the controversy surrounding these interconnections took a specific regional path when specialists contrasted market logic[1] with the political demand that higher education be "a public asset," that is, that the government guarantee either free or partially-free access to it.

Taking into account these situations and the sociopolitical construction of the notion of the market in Latin America, we would like to reflect on how this has served to analyze changes in the system, with Mexico as our starting point. Our primary hypothesis is, in effect, that the market is a provider not only of virtual or transnational educational services, but also of quality assurance procedures. In addition, it is an arena in which non-traditional actors (who have direct or indirect ability to influence decision-making processes and the allocation of individual and collective incentives) are able to intervene. Thus, we shall analyze the registers in which the market is used as a comprehensive category that describes transformations-in-process, such as the construction and guidelines for the consolidation of a transnational educational services sector, the emergence of an innovative selection of shared degrees, and the reinforcement of student mobility within nations and outside them. We shall describe the evolution of the aforementioned situations and, thus, how "the commercialization of the market" serves to identify them.

A MARKET IN RECOVERY: THE TRANSNATIONAL PROVISION OF EDUCATIONAL SERVICES

Almost a decade ago, specialists warned of the risk of an avalanche of transnational higher education providers in the region (García Guadilla et al., 2002). Waiting in the wings, these providers took advantage of the increased flexibility agreed upon in the World Trade Organization (WTO) regarding the

[1] Especially the Doha (Qatar) accords relating to the liberalization of services, signed by the members of WTO in November 2001.

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provision of services. They began to provide higher education services according to various mobility structures: those of the consumers (international students), the providers (branch campuses), capital and institutional models (franchises), the actors (academics/teachers working abroad), and even the service itself (virtual education).

What happened several years after the State – as regulator of demand and guarantor of a nationalist plan for education – drastically limited its involvement when faced with various catastrophic situations stemming from the uncontrollable demand of majors proposed by providers who were not attached to a specific territory, or who came from the United States and other developed countries? The official version of the story is not the real one: The Secretariat of Public Education (SEP) monitors transnational providers, requiring that they obtain an official certification validating their curricula (*Reconocimiento de Validez Oficial de Estudios – RVOE)* so that their degrees can be legally recognized. In keeping with this *de facto* tightening of authorization processes, the SEP published a list of 11 educational establishments in Mexico – providing on-site, online, or distance learning – without RVOE; as a result, it informs interested consumers that their "certificates, diplomas, and degrees … cannot be used for the authentication, registration, or issuing of professional licenses" (http://www.sirvoes.sep.gob.mx:7018/sirvoes/jspAvisosFull.jsp).[2]

This control strategy, based on the application to transnationals of regulations regarding private establishments, has been adopted in other countries, such as Brazil. In Mexico, it has affected a relatively low portion of on-site students, since foreign institutions have almost stopped opening campuses in the country and they have not successfully captured demand; yet, despite the absence of trustworthy data, it is entirely probable that a greater number of "virtual" students have been affected. In addition, this strategy has allowed the classification of transnational establishments – distinguishing between those that fulfill basic standards of quality and those that do not – in a climate that is still very favorable to providers seeking official validation for their curricula.[3] For example, Westhill University obtained certification from the National Autonomous University of Mexico (UNAM) for its degrees in medicine, distance law, and computers (http://www.uw.edu.mx/Historia-del-Westhill-Institute.html), and from the SEP for

[2] These universities are located in the United States (Atlantic International University and Pacific Western University in Hawaii, Endicott College in Boston, Alliant International University in San Diego, Newport University in California, West Coast University in Los Angeles, Vision International University in San Diego); in Spain (the National Distance-learning University-UNED); and in Kenya (United States International University). Bircham International University is simultaneously registered in Spain (for Europe), in the Bahamas (for the Commonwealth), and in Delaware (for the United States) (http://www.bircham.info/index.php?option=com_content&view=category&layout=blog&id=34&Itemid=55). The 11th university, Westbridge University, is Mexican and specializes in the culinary arts.

[3] The SEP and the authorized state Secretariats of Education can issue RVOEs, whereas authorized public universities – in Baja California, Ciudad Juarez, Coahuila, Chihuahua, Guadalajara, Hidalgo, Mexico City, Morelos, Nuevo León, Querétaro, Quintana Roo, and the Yucatán, in addition to the National Polytechnic Institute (IPN) and the UNAM – can incorporate programs from private institutions.

business administration, architecture, biological sciences, law, international commerce, information technology, pedagogy, international relations, and actuarial science (http://www.westhill.edu.mx/english/universidad.swf).

In contrast with the slow consolidation of on-site providers and increasing state supervision, foreign corporate investment in private higher education in Mexico has been notable. This has been translated into the purchase of establishments with confirmed quality and previously-organized campus networks at the regional or national level. In 2000, Sylvan-Laureate bought the University of the Valley of Mexico (*Universidad del Valle de México – UVM)*; in 2007, the University of Professional Development (*Universidad del Desarrollo Profesional – UNIDEP*); and, in 2008, the Technological University of Mexico (*Universidad Tecnológica de México – UNITEC*). In addition, it affiliated itself with the Pro-Development University of Mexico (*Universidad Pro Desarrollo de México*). In 2005, Carlyle acquired 80% of shares in the Latin American University (*Universidad Latinoamericana)* in Mexico; in 2008, it sold 65% of them to the Apollo Global group, with which it formed an association[4] (Eseverri, 2008). Laureate controls a subsystem consisting of 76 campuses and more than 80,000 students in Mexico, and Apollo one of four campuses and 4,000 students, all resulting from these commercial operations.[5]

At the inter-institutional level, the Incarnate Word University Center represents a fusion between the Catholic university of the same name from San Antonio, Texas and the private Mexican institute named Miguel Ángel: The sale was justified by the existence of officially-validated majors and the possibility of a dual-degree (Mexico/United States) without leaving the country (http://www.abcuniversidades.com/Plantel/45/Centro_Universitario_ Incarnate_Word_/).

Since the UVM became a part of Laureate in 2000, its enrolment has increased at a rate that exceeds the average for the sub-sector,[6] as it simultaneously opens more campuses and absorbs other private national institutions: In 2004, the UVM bought the Hispanic-American University (*Universidad Hispano-americana*) in Mexico State; in 2005, Northwest University; and in 2007, Valle de Bravo-Rodríguez University. Though we do not know why students choose to enrol in the

[4] Apollo bought the University of Arts, Sciences, and Communication in Chile, incorporating two Latin America countries into its network consisting of the United States, Canada, and the Netherlands (http://phx.corporateir.net:80/phoenix.zhtml?c=79624&p=irolnewsArticle&ID=1110205&highlight=apollo%20global%5C).

[5] Foreign investments must be officially authorized by the National Commission for Foreign Investments if they exceed a legally-fixed maximum of 49% of foreign investment in the education sector.

[6] "The University of the Valley of Mexico has 24 campuses throughout Mexico, 13 of which came into being after Sylvan acquired 80% of the institution, which translates into an indisputable expansion of higher education from this institution that is the second largest private university community in the country, and the first in the Federal District and the metropolitan area. One of the primary changes within the UVM's internal structure was the opening of several campuses: Aguascalientes (2001), Puebla (2002), Toluca (2003), Guadalajara (2004), Saltillo (2004), Mexicali (2006), and Cuernavaca (2006). Such rapid growth caused a considerable increase in enrollment" (Sánchez Cruz, 2007, p. 16).

UVM, two factors probably influence their decision: first, the institution offers officially-validated and accredited majors, and second, it is a part of a continually-expanding international corporate network,[7] facilitating the transfer and recognition of credits acquired during periods of mobility.

Finally, we should note that, yes, the market for higher education in Mexico has only been consolidated in certain ways (foreign investment, alliances, franchises, and virtual supply), and that – to date – national initiatives to address certain markets of higher education (in Latin America, Central America, or in countries with Hispanic immigrants, such as the U.S.) have been limited and of much less importance than those undertaken by universities in Chile and Argentina: Several have begun to provide Master's and doctorates in other countries in the region, such as Bolivia and Ecuador (whose graduate program has barely begun to be consolidated), and some have even begun to provide programs for Latin communities in the United States. Nevertheless, in the coming years it will be necessary to closely monitor the results of the efforts certain public or private national universities are making at consolidating distance learning (e.g., private universities, such as the Technological Institute of Higher Education of Monterrey, and public ones, such as the National Autonomous University of Mexico - UNAM) to monitor the extent to which strengthening the virtual offering in the country will affect the transnational provision of distance learning

DUAL-DEGREES: AN EMERGING MARKET

A look at how universities have become "entrepreneurial" allows us to highlight the consolidation of another market, called variously *dual-degree*, *shared degree*, or *joint degree,* due to the failure of the region to adopt a standard nomenclature, despite the publication of glossaries by regional organizations such as the International Institute for Higher Education in Latin America and the Caribbean – UNESCO's IESALC (2009).

This market, which has been formed thanks to the intervention of public and private institutions, is related to the internationalization of educational processes, the unequal valuation of national and foreign degrees by employers and quality assurance agencies, and to the high cost of student mobility.

We know that mobility has expanded continually, but, since neither the Secretariat of Public Education (SEP), the National Council for Science and Technology (CONACYT), nor the National Association of Universities and Institutions of Higher Education (ANUIES) possess methodical and up-to-date records, it is difficult to identify the extent of student mobility, the dynamics relating to it, the forces behind it, and the agents involved in it.

Nonetheless, some exploring on the Web demonstrates that agreements regarding mobility are reached by two or more establishments and involve three

[7] In 2009, Laureate held stocks in establishments located in the United States, Mexico, Honduras, Costa Rica, Panama, Ecuador, Brazil, Peru, Chile, Great Britain, France, Spain, Germany, the Netherlands, Cyprus, Switzerland, Turkey, Malaysia, and China.

types of interactions: public/private, public/public, and private/private. The agreements might have been reached by institutions that may or may not have been accredited by their respective national quality assurance agencies. Moreover, there are agreements that offer students the opportunity to obtain two degrees, while others only allow a choice between a national or foreign degree – not both. Some agreements link Latin American universities among themselves (for example, dual-degree agreements between the University of Chiclayo, Peru and the University of Valparaiso, Chile), while others link these universities with their European or North American counterparts (for example, the triple-degree program in Literature at the ITESO in Guadalajara, Mexico, Regis University in the U.S., and the University of Ulster in Ireland).

Consequently, the dual-degree market fulfills a number of different functions: a source of financial resources for establishments, a strategy for capturing students, and a positioning tactic in a competitive market, primarily that of graduate studies. The magazine *Expansión*, in an article about the costs and characteristics of MBA programs in Mexico, suggested that those with "shared degree" programs are the most expensive: The EGADE's program in Business Economics costs 416,000 pesos,[8] the UPAEP's in Finance costs 129,670 pesos,[9] and the EGADE Monterrey's in International Business costs 325,000 pesos[10] (*Expansión*, February 2009). The UVM also provides shared (Master's) degrees that are more expensive than domestic ones: A Master's in Education with Andrés Bello University (Chile), in Business Administration with the IEDE Business School of Madrid (Spain), in Administration with the University of Texas at Austin (United States), or in Physical Therapy and Podiatry with the European University of Madrid (Spain).

This proliferation of shared degrees not only presents us with the problem of how to calculate the differential costs of the programs and how to assure their quality but also demonstrates an extreme lack of regulations. The degree programs that are negotiated according to domestic regulations valid in the majority of European countries (except Spain) are obligated to adhere to the quality and transparency requirements defined by their foreign counterparts (Valle, 2009) conditions do not always hold when Mexican universities sign agreements with the United States, or in Latin America or the Pacific.

A glance at the Internet, in fact, reveals a marked heterogeneity in the numerous programs offered in Mexico, comprising a number of aspects: duration, levels (undergraduate or postgraduate), the conditions under which degrees are chosen, the characteristics and availability of study-abroad programs, applicants' academic performance, selection criteria, availability of scholarships and other aid, and kinds of co-participation among the universities involved.

Only a few universities have internally regulated their shared degree programs, one of which is the UNAM. On October 3rd, 2002, the university announced an

[8] Equivalent to $35,800.34 US, 2011 prices.
[9] Equivalent to $11,155.37 US, 2011 prices.
[10] Equivalent to $27,959.40 US, 2011 prices.

agreement concerning shared graduate programs (De la Fuente, 2002), listing four types:

1. Those offered by the UNAM on Mexican or foreign campuses (degrees awarded by the UNAM);
2. Those offered by other universities with some professors from the UNAM (degrees awarded by the other universities);
3. Those offered by the UNAM and other universities conjointly (degrees awarded by the university at which the student is enroled);
4. Those offered by the UNAM with some professors from other universities (degrees awarded by the UNAM) (Laguna et al., 2004).

The absence (in many universities) of internal regulations concerning shared degree programs and the lack of a general regulatory framework highlight the urgency of the government's attempts to regulate the market and protect the consumer through issuing general guidelines concerning minimal criteria for quality assurance. Similarly, the need to know certain data with greater precision becomes apparent: Which Mexican institutions are already in this market, who are their counterparts, what areas of the market do they occupy, what languages do they teach in, what support do they provide professors, what degree requirements do they have, and within what framework of institutional policies do they operate? It would be necessary to have answers to these questions in order to know precisely when joint degrees imply that institutions are deploying strategies for garnering more students – be they open (increasing enrolment at the institution) or selective (placing the students with the best performance in those programs); when they denote tactics to position the institutions in competitive fields in higher education (primarily at the graduate level); and when they express the institutions' desire of being situated in a regional or global degree-offering market, with a strong component of internationalization. According to this perspective, either they are related to improvements in the quality of disciplines or to educational trade.

For now, the information is partial, and insufficient to establish the characteristics of programs oriented toward the education of the "intermediate elite" and professionals; it is also inadequate to identify the features of these programs' clientele, their degrees of satisfaction, or their career paths. There are some signs of complaints on the Internet, but they are not systematized, nor can they be used to evaluate quality.

STUDENT MOBILITY: A CONSOLIDATED BUT LITTLE-KNOWN MARKET

A third market in higher education, thus far consolidated, is that of "outward" student mobility (studying in foreign countries). This market has been growing in Mexico, which occupies – along with Colombia, El Salvador, and Uruguay – a position in the top 25 countries around the globe in which outward mobility has grown more rapidly than domestic enrolment in higher education (UNESCO, 2009). Data from the same source show 24,950 Mexican students outside the country, with 14,132 of them in the United States; in addition to making Mexico the country with the seventh highest number of students there, these data also

demonstrate the high concentration of Mexican students in the United States: 56.62%. Other countries that receive Mexican students are Spain (2,053), Great Britain (1,663), France (1,640), and Germany (1,474).

In contrast, Mexico's ability to attract international students interested in earning a degree is limited, due to its marginal position in a global market organized according to the differential valuation of degrees (and, by extension, their recipients). In 2007, the National Association of Universities and Institutions of Higher Education (ANUIES) registered only 2,373 foreign students in Mexico. The distribution of students' home countries showed that most students came from Latin America (64.72%); 15.75% came from Europe and another 15.08% from the United States and Canada. Twelve students came from Africa, and of the Asian students, most came from China and Korea. Nonetheless, the United States was the primary exporter of students to Mexico (327), followed by Colombia (189), Ecuador (149), Bolivia (146), and Argentina (129) (ANUIES, 2007).

In light of these data, two aspects of student mobility come to the fore: the well-known quantitative disproportion between the markets of exportation and the attraction of international students, and peculiarities of student mobility to and from Mexico. Thus, the fact that there is a disconnection between those countries that receive and those that generate mobility demonstrates that Mexico is only a magnet for intra-regional mobility on the rise, though its ability to attract students is waning in comparison with that of other countries in the region.[11] It has managed to position itself as an important destination for cross-border mobility from the United States, but without consistently improving its popularity – unlike Argentina and Ecuador, which considerably increased their status as favourites of young Americans. Finally, the information reveals a tendency that should be taken into consideration by the authorities of institutions of higher education and government officials as they assess internationalization processes *in situ*: to wit, that 49.6% of foreign students were enroled in the ITESM sub-system, 8.73% in the University of Guadalajara, and 7.58% in the Iberoamerican University.

In sum, international student mobility in Mexico essentially comprises an area of personal and collective expenses more than one of economic benefits: It relies as much on family or individual investments as on loan programs, whose results and scope are almost unknown, even though they are financed by multiple entities (the government, associations, national and regional networks, international organizations, banks, foundations). In this regard, a comparison between the number of graduate-level recipients of international scholarships from the National Council on Science and Technology (CONACYT – the guiding body in science and research) and those produced by the countries that receive Mexican students confirms that the former figures represent a variable but always limited proportion of the total. This is due to the fact that the base of the mobility pyramid comprises undergraduate degrees. For example, the French embassy's Center for Studies in

[11] "Latin America and the Caribbean seem to have gained the most from this shift as the share of mobile students within the region rose by 12 percentage points in 1999 from 23% in 2007" (UNESCO, 2009, p. 39).

France registered 4,100 Mexican students enroled in some educational establishment between 2005 and 2007: 4% in doctoral programs, 20.5% in Master's, and 56.5% in undergraduate programs; the rest either did not respond or took short ("stage") courses within the Master's. This distribution by levels is symptomatic of a certain dynamic, in keeping with which "only 30% of students from Latin America and the Caribbean enroled in graduate programs" (Motivans, 2009).

The persistent differences among figures confirm that if, today, the student mobility market has expanded, it has done so in a manner that is biased concerning the features of its participants, their aid, and their objectives (Agulhon, 2009); therefore, this market is increasingly unknown, primarily in countries that only register long-term mobility. One example should suffice: *Open Doors* demonstrated that, in 2007, 9,461 young students stayed in Mexico for short or very short periods of time. For every individual registered with long-term mobility, 30 were in the country without being counted (http://opendoors.iienetwork.org/?p=131592). The abysmal differences among figures underscore the necessity of restructuring the system for monitoring the domestic mobility of international students, and of revising the category of "international student" in order to establish the scope of each program (from the government, associations, or institutions) and to become familiar with the nature and size of their flow of students. The current information system only produces fragmented data that are difficult to read: They are quantitative and do not display the definitive costs of investments, except for the more accurate information related to CONACYT scholarships. The systems of information concerning student mobility into Mexico are not centralized; the data are produced according to differing criteria or by specific programs managed by government departments or associations, networks, international organizations, or institutions of higher education. As a consequence, the number of foreign students entering the country is not recorded systematically; nor is the duration of their stays, nor their purpose in entering the country. The differences in the types of data produced and their degrees of trustworthiness prevent the design of a more appropriate way of attracting foreign students and the comparison of entrance and exit characteristics.

In other words, as the student mobility market becomes stronger, it becomes less feasible to analyze it in its complexity using scarce, and, sometimes contradictory data. There is a greater need to erect structures (among interested organizations) that can produce exhaustive and congruent information regarding the phenomenon. It is becoming more urgent to create a monitoring system to discover the unknown (what are the costs and products of the programs, how many students receive scholarships or loans, how many are distributed in each country, what type of mobility do they have?), and establish medium-term results concerning graduation, return, and brain drain.

CONCLUSIONS

To speak of the market is to speak of the costs of access to and consumption of certain services, directly defrayed by consumers – or through loans or other aid provided by philanthropic or strategic agencies. Analyzing what the market means in higher education would thus involve identifying the effects of the global crisis of 2008, as well as its impact on the current arrangement of the system and the agenda of research topics. The indicators are not sufficient to allow progress in this sense, but they do give us a glimpse of some repercussions that warrant further study:

- The demand for universities. Recently, the Subsecretariat of Higher Education forecasted the return to the public sector of a certain percentage of students currently enroled in private institutions. This implies a loss of the rentability of investments – foreign or domestic – in private higher education and a reduction in the enrolment of expensive programs, such as shared degree programs; moreover, it indicates that public institutions will be faced with a greater burden.
- Given the reduction in family incomes, the demand for national and international scholarships will most likely increase, while available public resources will remain the same or decrease (due to the devaluation of the Mexican peso compared to the American dollar and the Euro). We will have to temporarily monitor whether the situation produces a decrease in the volume of students abroad, and, thus, whether it negatively influences their participation in the six primary receiving markets, in the U.S. and Europe. In contrast, the nationwide decrease in the cost of living could provide a favorable environment for student mobility into Mexico, if it is accompanied by ad hoc measures geared toward attracting students.
- The crisis in 2008 negatively affected both the purchasing power of Mexican families (which impacted the volume of applications) and the CONACYT's policies regarding scholarships for graduate studies abroad, increasing the tendency from 2002 toward a decrease in the number of scholarships and their proportion of the total. Following this trend, CONACYT grants for international mobility represented 24.02% of the total in 2002, 13.47% in 2006, and 7.57% in 2010 (Didou, 2010).
- We are unaware of how many mobile students possess scholarships and how many combine unstable jobs (related or not to their specialty or level of education) with studies. We can foresee, however, that the latter will be among the most affected by the crisis.

To speak of the market during times of prosperity is not the same as to do so during an economic recession. Since 2008, the global financial crisis has affected the Mexican economy, with repercussions that have already translated into fewer opportunities for international scholarships and into a probable withdrawal of the unsatisfied demand for innovative domestic options regarding higher education (primarily, regarding co-graduations). For researchers, these readjustments to the situation bring up a number of topics, such as the emergence of niche markets whose dynamism stems from an upset desire for mobility; in addition, it means that the decision-makers will have to define relevant strategies concerning the supply of

programs, regulation of costs, and international recognition of degrees (regardless of the type of institution that issues them in Mexico).

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JUAN CARLOS SILAS CASILLAS

CONTEXT AND REGULATION MATTER: MEXICAN PRIVATE HIGHER EDUCATION 1990-2009

INTRODUCTION

Mexico has undergone a rapid transition in its economic, social, cultural, and educational development: Many rural areas have become urbanized and cities have increased their level of technology and industry. In the educational realm, however, Mexico suffers many of the tensions faced by developing countries, such as exponential growth at all educational levels, a perceived decline in the quality of education, and the virtual stagnation of financial support.

THE SYSTEM OF HIGHER EDUCATION IN MEXICO

Demographic, social, and political changes have resulted in three basic trends in Mexican higher education: a) a strong growth in enrolment in the system as a whole, b) a substantial diversification, noticeable by the emergence of various types of institutions with alternative programs and delivery modes, and c) a significant increase in the number of private institutions and their share of enrolment nationwide.

The first trend seems to be the result of aggressive, expansionist federal policies from the 1970s and the rapid growth of the private sector in the 1990s. Enrolment in higher education – especially at the undergraduate level – grew from 252,236 students in 1970-1971 almost tenfold to 2,387,911 in 2008-2009.

The second trend is related to the increase in enrolment and is affected by an apparent paradigm shift concerning the advantages and outcomes of higher education. The development of new programs is evident in both public and private institutions, with a clear emphasis on satisfying market demands and creating new institutions that respond to the training needs of professionals in the job market. Institutions of higher education (IHEs) added new disciplines, mostly related to computer science, media and industrial production, while programs in subjects such as agronomy or the marine sciences – as well as primary sector-related programs – decreased significantly (ANUIES, 2003).

During the last 15 years of the 20th century, the number of non-university institutions of higher education mushroomed in both the private and public arenas. These institutions can be defined as having a highly-specialized disciplinary focus without qualifying as full-fledged universities. Examples include public research centers and institutions (generally associated with the promotion of the arts and culture) which do not have teaching as a core activity but offer some undergraduate or graduate degrees. In the private sector, examples include organizations whose

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programs are specifically focused on a particular area (communication sciences, psychology and psychotherapy, dentistry, or gastronomy), and smaller institutions, usually created by families or individual entrepreneurs, whose geographic coverage is limited to a specific urban area. These institutions offer traditional programs usually related to the services sector of the economy; their cost of operation is quite low, and they possess very good conditions for classroom work. Enrolment in these institutions has increased exponentially and, according to the Secretariat of Public Education (SEP in Spanish) and the National Association of Universities and Higher Education Institutions ANUIES in Spanish, the trend may continue in the coming years.

The third trend is related to the diversification mentioned above. Statistics from SEP (2011) show a dramatic increase in enrolment in private institutions (Table 1). The total enrolment for private institutions nationwide went from a total of 35,160 students in the 1970-1971 school year to 767,255 in 2008-2009, a cumulative growth of 2082.18% over a period of 39 years. Based on available data from the last 19 years (1990-2009), the public subsystem grew by 721,722 students and the private subsystem by 569,048; there was, thus, a total of 1,290,770 new students, 56% of which were enrolled in the public subsystem and 44% in the private.

Table 1. Undergraduate enrolment by type of institution

School Year	**Public institutions**				Total Private	Overall
	Federal Universities	State Non-university Institutions	State Universities	Total Public		
1970-1971	51,132	28,864	137,080	217,076	35,160	252,236
1980-1981	111,178	130,558	463,035	704,771	106,510	811,281
1990-1991	180,416	143,797	574,721	898,934	198,207	1,097,141
1991-1992	195,372	156,887	595,749	948,008	215,969	1,163,977
1995-1996	237,683	144,745	614,349	996,777	298,269	1,295,046
2000-2001	296,755	100,286	795,918	1,192,959	525,058	1,718,017
2005-2006	339,194	214,628	913,201	1,467,023	683,539	2,150,562
2008-2009	361,641	279,702	979,313	1,620,656	767,255	2,387,911

Source: Secretariat of Public Education (2011).

This strong increase in both the public and private sectors is the result of a number of factors, such as the inability of public institutions to absorb the bulk of the huge demand and the existence of lax regulations that permit the growth of low-quality private institutions. Despite the herculean effort made during recent years to create more spaces in the public sector, growth has evident physical and economic limits. Therefore, there is room to some sort of "academic entrepreneurship" to supply educational services in order to satisfy a strong social demand that has not been covered by the existing institutions. This seems to be tolerated or ignored by federal and local policymakers (Levy, 2002). According to

Kinser and Levy (2005), the creation of non-university institutions of higher education has been the most common route that private higher education around the globe has taken toward development. This expansion seems to be known, and somehow permitted, by national governments as well as by educational systems because it enhances the probability for low-income students to enrol in higher education. At this point in time, it is important to note that public non-university institutions, aimed at providing low-income students with opportunities to join higher education, have not fulfilled expectations, mainly because students are more interested in pursuing a degree from traditional private institutions which resemble large, consolidated public institutions.

A detailed analysis of statistics over a 34-year period from 1970 to 2004 (Silas, 2005a) shows how this expansion of private higher education experienced only two moments of decline: the 1982-1983 and 1987-1988 school years, which were characterized by economic crises that affected families' purchasing power. However, during the economic crisis in Mexico from 1994 to 1995, private enrolment grew by nearly 17,000 students nationwide. This remarkable situation seems to have originated from an impressive expansion of low-cost private institutions, which were obviously attractive to many students and their families.

FRAMEWORKS FOR EXPLAINING THE GROWTH OF MEXICAN PRIVATE HIGHER EDUCATION

At that time, scholars and policymakers attempted to get a deeper understanding of the forces behind this dramatic growth. Demographic and budgetary issues are frequently mentioned as explanations, while other aspects related to the operation of public institutions or the attractiveness of their delivery modes are seldom mentioned.

It has been clear since the first studies in the field (Levy, 1986) that Mexico underwent a demographic expansion for most of the 20th century. The explosive growth added pressure to public policies and fiscal resources devoted to areas such as health, employment, and education. By the 1960s and 70s, sufficient space at all levels of education was necessary for the children born during the 50s. During this time, nationwide enrolment figures in Latin America increased at a fairly accelerated pace. Local and national governments tried to accommodate the demand in two ways: a) by establishing more institutions of higher education (Mexico chartered 12 state universities in the 1950s, five in the 1960s, and eight in the 1970s), and b) by looking for mechanisms to enhance student intake at existing universities. Both options had a positive numerical impact; however, they also resulted in crowded classrooms, the accelerated hiring of ill-prepared or inexperienced teachers, and the funneling of resources into operations and "classroom issues", ignoring other important functions of academia. In this sense, mass education has had at least two effects: a) the operation of public institutions in both the administrative-operational and the academic fields is under strong pressure, and b) lower socioeconomic groups are demanding greater educational opportunities, expecting thereby to improve their chances of progressing socially

and financially. In general, we can reasonably state that public universities, in the interests of amplifying student intake, have allowed the formation of cohorts with very heterogeneous academic backgrounds that can best be described as "below expectations".

Levy's observation about the creation of institutions in different "waves" – Wave 1 (Catholic universities), Wave 2 (elite universities), and Wave 3 (demand-absorbing institutions) – provides us with useful tools to analyze the current situation of private higher education in Mexico. First-wave institutions did not appear as a response to poor service or as an alternative to a perception of declining quality; rather, they were created primarily because religious leaders were pursuing their objective of forming youth in religious values at all school levels and seized the opportunity to establish institutions of higher education. Elite, or second-wave, institutions are representative of private higher education in Mexico. Some are internationally recognized and most play active roles in influencing public opinion. According to Levy (1986), these institutions arise mainly as a response to the perception of the declining quality of public institutions and their failure to serve as a factor of social differentiation; as a result, affluent groups created, or financed the creation of, such institutions as an alternative to public education. Third-wave (demand-absorbing) institutions focus on providing educational opportunities to diverse groups, such as college-age students in a low socioeconomic demographic, or young adults who are already working but did not have the opportunity to attend college at the usual ages (18-23). Looking at demographic data, it is evident that the demand has been unsatisfied for decades; and public, religious, and elite universities do not have the financial, infrastructural, or academic capacity to satisfy such huge demand.

THE DEMAND-ABSORBING SUBSECTOR AS A POWERFUL ENGINE OF PRIVATE SECTOR GROWTH

The rapid growth both in the number of demand-absorbing institutions and in their share of enrolment nationwide seems to correspond to that of developing countries with lower relative development and high economic interaction, such as India, Turkey, Russia, and China. This phenomenon can be partially explained by three needs: a) the apparent national need for providing academic credentials to the population, b) the unalterable need for providing new generations with higher education, and c) the tacit inability of the government to finance such activities beyond current levels.

Two additional factors that apply to the situation in Mexico are economic instability and the "shrinkage" of the affluent sector. During the 1980s and 1990s, elite and religious universities depended on economic, social, and political stability to grow and develop; unfortunately, recurrent crises have impeded such stability. Moreover, the high-income sector is not growing, thereby limiting the possibility of a significant expansion in the enrolment of elite and religious institutions. In that regard, it seems as if first- and second-wave institutions, in order to maintain or increase their current enrolment levels, must direct their attention to segments of

society originally outside their scope: less-affluent groups and students who do not possess overtly-religious backgrounds. In order to do that, elite institutions will have to offer scholarships and aid for lower-income (but higher-performance) students. This means that institutions from the three waves are actively recruiting middle-class/ high-performance students. At the end of the 20th century and the beginning of the 21st, low-profile/ demand-absorbing institutions experienced strong growth; however, from 2005 to 2010, their share of enrolment seemed to stagnate at close to half that of private enrolment.

The growth of the demand-absorbing sector could be partially explained by the fact that these institutions play a complementary role in providing low-cost educational opportunities beyond the limited capacity of public universities. These institutions offer relatively affordable undergraduate programs relevant to the services sector (i.e., accounting, marketing, and business) and provide educational opportunities to low-income students who have not been accepted at public institutions (due to limited availability) and yet still wish to pursue undergraduate education. Private institutions recognized by public ones (primarily autonomous universities) enjoy high demand as a result of their low cost and the academic and social legitimacy they acquire upon being "incorporated" by a public university. This "incorporation" means that the degrees from these institutions are awarded by the public universities with which they are affiliated; this is a highly-valued resource for many students and their families – and, presumably, employers. In this sense, demand-absorbing institutions, despite their many weaknesses, are allowed to exist, since officials see them as "free help" in accomplishing the government's duty of providing educational opportunities to non-affluent citizens.

According to a 2006 SEP report, about one-third of undergraduate students are working and 37.7% of those students are employed 21 or more hours per week. The report highlights that 49% of working students do so in order to finance their schooling. The time and effort invested in obtaining the resources to cover household expenses, as well as institutional fees, absorbs most of the time that would be required by elite or public institutions; therefore, we can reasonably assume that most lower-income, working-class students are attending demand-absorbing institutions.

ADDITIONAL FRAMEWORKS FOR ANALYZING DEMAND-ABSORBING INSTITUTIONS

One way to analyze demand-absorbing institutions – and at the same time differentiate between the academically-sound institutions and those that are not looking for high academic standards – is through a classification based on the number and types of accreditations they possess (Silas, 2005b). When applied to Mexico (using data from the accreditation processes being carried out in the country), we arrive at three tiers: 1) high-profile, 2) medium-profile, and 3) low-profile. The first category corresponds to the commonly-labeled "elite subsector", and comprises institutions with two or more accreditations: Southern Association of Colleges and Schools (SACS), National Association of Universities and Higher

Education Institutions (ANUIES in Spanish), Federation of Mexican Private Institutions of Higher Education (FIMPES in Spanish) or the Council for the Accreditation of Higher Education (COPAES in Spanish); the second is composed of institutions with only one of these accreditations; and the third is closely related to the demand-absorbing sector, and contains unaccredited institutions. Table 2 shows the changes in enrolment during a period of five years.

Table 2. Private undergraduate enrolment by type of profile

Type of institution	Enrolment 2000-2001		Enrolment 2004-2005		Enrolment 2008-2009	
		%		%		%
High-profile	214,200	43.1	213,500	32.6	328,243	33.5
Medium-profile	67,835	13.7	99,749	15.2	161,998	16.5
Low-profile	214,696	43.2	340,694	52.1	489,090	49.9
Total	496,731	100	654,356	100	979,331	100

Source: Own calculation, based on data from National Association of Universities and Institutions of Higher Education (2001, 2006, 2010).

In the first half of the previous decade, the low-profile segment gained ground regarding both the net number of students and the corresponding percentage. In five years, the low-profile segment grew from 43.2% to 52.1% of total enrolment, while high-profile institutions saw a decrease of about 10.5% during the same period; medium-profile establishments showed an increase from 13.7% to 15.2%. As can be seen, enrolment in low profile institutions grew rapidly – at a pace of about 25,000 students per year from 2000 to 2004. This means that the low-profile segment was not only an expanding "slice of the pie" but was, in fact, more than half of it.

Nevertheless, changes began to occur in the second half of the decade, which was marked by a decrease in low-profile enrolment, from 52.1% of total private enrolment in 2004 to 49.9% in 2008. On the other hand, the proportion of high- and medium-profile enrolment grew, perhaps as a consequence of the slow but constant increase in the number of private institutions participating in accreditation processes.

Currently, there are approximately 489,000 students in Mexico seeking degrees from low-profile, demand-absorbing institutions. These institutions are *de facto* complements to the efforts of public, elite, and medium-profile institutions at providing low-income students with opportunities to obtain credentials and enter the job market – thereby increasing their chances of being able to climb the socioeconomic ladder, one of the promises made by public universities in Latin America. On the other hand, these institutions have no accreditation whatsoever and do not have a reputation for providing high-quality education, meaning that students may obtain the credentials but not the education/training necessary for

their careers. However, to be fair, although accreditation is valuable *per se* in academia, there is no solid evidence at the national level demonstrating a positive impact on students' learning process and the day-to-day performance of teaching personnel.

Given this situation, it is noteworthy that demand-absorbing institutions provide educational opportunities to segments of society which would otherwise not have the opportunity to attend post-secondary education, at the same time offering vocational education that prepares students for operational positions in industry or the tertiary sector of the economy. From this perspective, it would seem to be a "win-win" situation. First, students of modest income have the opportunity to pursue post-secondary education without the risk of being rejected by a public institution due to the limited availability of slots. (Generally, if students are not accepted at first, they give up and join the job market with only secondary education, with the resulting implications for their salaries and possibilities for advancement.) Second, low-profile "entrepreneurial" institutions accomplish their goals concerning their own economic survival and have a good impact on certain sectors of society, such as the surrounding community and their target socioeconomic group. Third, national and state governments can increase the educational level of the population without significant effort. The only actors that could possibly "lose" would be public institutions and elite, consolidated, private ones; however, the former would not have sufficient space for accommodating the additional demand, and the latter do not usually target underprivileged groups. In this sense, we can reasonably say that low-profile or demand-absorbing institutions take on the roles and functions that public institutions cannot fulfill and the sectors consolidated institutions leave unattended.

Low-profile, demand-absorbing institutions have played a crucial role in the rapid expansion of post-secondary enrolment in Mexico. This trend has implications for the social, economic, and academic spheres and tends to affect public policy. Since low-profile institutions focus on historically-underprivileged groups and provide them with educational opportunities with a clear vocational component, they tend to play the role of promoters of social equality. Nevertheless, this apparently positive situation has academic implications, in that professionals holding a degree from these institutions will most likely join the work force (if they have not already done so) with modest preparation and expectations. Most probably, low-profile institutions will continue focusing on providing their students with the minimum necessary (in terms of knowledge and vocational skills) at the most affordable price. This is very compelling for students of modest income who want/need credentials to join the job market; however, it will have negative consequences in the long run.

PUBLIC POLICY REGARDING PRIVATE HIGHER EDUCATION

The existence of different types of institutions, delivery modes, and programs presents an interesting challenge to policymakers. In Mexico, the regulation of private institutions of higher education has been partial and discretionary in its

application. There are three basic means whereby a private institution can operate legally:

1) Obtaining an official certification of the validity of their curricula (*Registro de Validez Oficial de Estudios* – RVOE) from the Secretariat of Public Education (to operate at the national level), or from the state in which the institution wants to operate.
2) Obtaining a license from one of the large federal institutions of higher education (i.e., the UNAM or the National Polytechnic Institute [IPN]).
3) Obtaining a license from public universities that are permitted to recognize private institutions.

Despite the obvious differences in terms of procedures and timing, the three options have about the same level of difficulty and the same requirements. At their core is a response to "Agreement 279", which establishes the requirements and procedures for obtaining the RVOE; it was made official on July 10, 2000 in accordance with other regulations, such as Article Three of the Constitution, the General Law of Education, and the Law Regarding the Coordination of Higher Education. Agreement 279 clarifies the regulations concerning the acquisition of a RVOE, but fails to make them more stringent; it is not at all difficult to satisfy them.

FINAL IDEAS

Private higher education in general, and in Mexico in particular, remains a challenge due to its constant growth and malleability. Empirical evidence demonstrates the importance of demand-absorbing/low-profile institutions, as they account for a large and growing part of enrolment in private institutions. Demand-absorbing institutions are thus in need of deeper and more systematic analyses; moreover, they should be studied systemically, taking into consideration the other parts of the private subsystem and the system of higher education as a whole.

The Mexican case exemplifies the tensions provoked by a lack of resources for public education, the large and ever-growing demand for higher education, and the lax regulations in place. The result of this combination of factors seems to be the acceptance of the fact that public institutions will be an option for students with time to spare and a good academic record, and that elite institutions will be mainly for students coming from affluent families (regardless of their academic record). This leaves demand-absorbing institutions as the only option for working-class students with an average academic record or for students who must work.

The way in which policies, economic realities, and social conditions interact is shaping the entire system of higher education. The effect on the growth of private education, specifically the demand-absorbing type, is a salient feature of the Mexican case, and undoubtedly constitutes an excellent opportunity for the further study of systemic configurations worldwide. The recent changes in the distribution of the student body (according to the profiles defined here) allow us to glimpse a nascent tendency toward an increase in the number of accredited programs, a tendency associated with a slow but consistent reordering of federal and state

systems for the validation of curricula (RVOE). This might explain how the percentage of students enrolled in low-profile institutions has fallen to the point where, currently, it represents less than half of private enrolment. We are, therefore, faced with a new relationship among the actors that compose national and state educational structures, since both the institutions that provide the supply and the students and their families that provide the demand seem to consider accreditation as a valuable factor in the legitimacy of higher education.

The expansion of the private sector came about in a lax regulatory environment that gave recent institutions of higher education wide margins for action. Some chose to be guided by rigorous academic objectives, with a strict correspondence between the organization of their activities and resources and the criteria for the accreditation and certification of their programs; in this way, they were able to gain accreditation rapidly and distinguish themselves from the rest of the private sector. Another group of institutions had objectives of a different sort, such as guaranteeing their survival, obtaining economic gains, or increasing enrolment. Their sole regulatory framework was the RVOE or incorporation into an autonomous university, and the large majority of them were not keen to undergo the processes and requirements for accreditation. Nonetheless, given that the obligations placed on them by regulations and the social (or market) environment are currently becoming stricter than they were in the 1990s, there is now more motivation for institutions to begin accrediting their programs. Though these changes do not guarantee quality education, it is possible that, in the near future, the number of low-profile institutions (as well as the number of students enroled in them) will decline even more. This would be an important change for Mexico, since it would represent neither the disappearance of institutions nor the migration of the student body, but rather the evolution of low-profile institutions to medium-profile ones, a transformation toward forms of educational organization legitimized by accreditation.

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ANGÉLICA BUENDÍA ESPINOSA

CHANGE OR CONTINUITY IN THE MEXICAN PRIVATE SECTOR?

The Case of Laureate – The University of the Valley of Mexico

INTRODUCTION

This chapter presents the case of the University of the Valley of Mexico (UVM), given the institution's importance to private higher education in Mexico. The text is divided into three sections. The first briefly describes the configuration of the private sector in Mexico. The second analyzes the evolution of the UVM within the framework of the primary changes that have occurred in the university's academic and organizational spheres. Finally, the third section presents some conclusions and perspectives concerning the case under analysis and private higher education in Mexico.

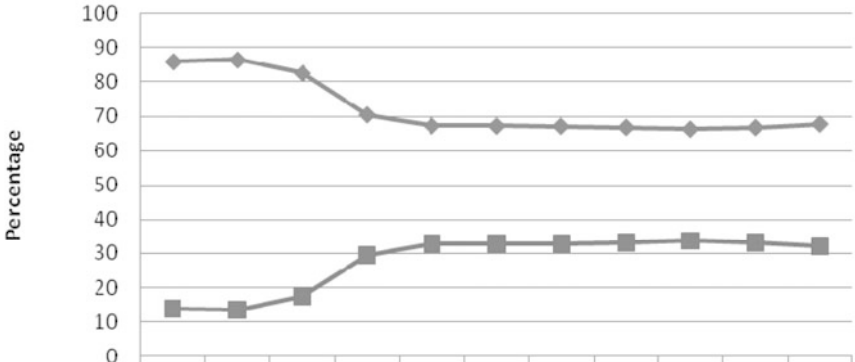
THE CONFIGURATION OF THE PRIVATE SECTOR IN MEXICO

Enrolment in Mexican higher education expanded and institutions became more diversified during the period from 1960 to 1980. This process resulted from structural causes that were economic, social, and political in nature; and among which, three stand out: the demographic expansion from 1950 to 1970, the placement of women on the national scene, and the social policy of expanding the system in its first levels (Eleven-year Plan). Despite the fact that two-thirds of the total student body is served by public institutions, the private sector has demonstrated greater dynamism, rising from 13.8% of university enrolment in 1970 to 32.1% in 2010 (Figure 1).

It is very likely that the private sector's growth will decelerate, since it has done so during the worst periods of the Mexican economy, in which broad swathes of Mexican society have become impoverished and the segments of the population with access to private higher education have experienced a reduction in their budgets.

Although the age group for higher education is growing significantly more than the rest of the population, expenditure on higher education, science, and technology competes with other more pressing priorities (Rodríguez, 2003). The average enrolment rate for undergraduate education grew from 19.75% of the corresponding age group in 2000 to 24.06% in 2008 (Ibarra & Buendía, 2009), but the investment in higher education remained almost the same: In 2000, the total investment for tertiary education was 1.0% of the GDP and in 2007 was 1.2%, a very slight increment (Organization for Economic Cooperation and Development, 2010).

H.G. Schuetze & G. Álvarez Mendiola (eds.), State and Market in Higher Education Reforms, 79–95.



	1970	1980	1990	2000	2004	2005	2006	2007	2008	2009	2010
Public	86	86.5	82.6	70.5	67.3	67.21	67.18	66.86	66.33	66.8	67.8
Private	13.8	13.5	17.4	29.4	32.7	32.79	32.82	33.14	33.66	33.2	32.1

Fig. 1. Enrolment in Mexican higher education by sectors (1970-2010).
Source: Own calculation, based on Asociación Nacional de Universidades e Instituciones de Educación Superior (2001, 2003, 2008, 2010).

The public policies that came into effect in the 1990s have focused on assuring the quality of higher education through evaluations. Though we are still unable to speak of an actual system of evaluation, Mexico has already integrated various actors, strategies, programs, and instruments dealing with financing models beyond selection competitions and accountability, as well as with social legitimacy, prestige, and institutional recognition, which has had differing results.[1]

State intervention in the private sector presents serious problems of permissiveness, mimicking behaviors, and even – in some cases – corruption, all due to deficiencies in the design and implementation of the mechanisms utilized. This has given way to the uncontrolled expansion of the sector, with marked differences in institutional quality. We enrol in a private sector regulated in appearance only; in reality, it operates according to the model of the market, in which the play of supply and demand guides behavior (Buendía, 2007).

This same problem has been seen in other private sectors of higher education around the world. In the UNESCO's Second World Conference on Higher Education, Fielden and Varghese (2009) stated that it was necessary to move toward a different paradigm of the relationship between government and higher education providers, one which involves academic and financial aspects and

[1]Diaz Barriga et al. (2008) have provided us with what is probably the most systematic approach available at the moment. Their study could serve as a point of departure for other comparative case studies, allowing us to evaluate more deeply and rigorously the effects these quality assurance programs have had on institutional performance.

permits: a) the protection of the "consumer", b) support for the decision-making process of actors interested in the sector, c) support for the design of public policies that promote the development of all areas of education and training – preventing the private sector from privileging a limited offering based on "commercially-attractive" disciplines and disregarding those that are essential for national development, and d) the promotion of transparency in the financial statements of those private providers that almost always operate under tax-exempt fiscal regimes whereby they achieve elevated profits.

Internationalization, commercialization, and the transnational flux of higher education services have become important in the academic and political spheres of various countries. Such processes are associated with a greater presence of the private sector in the educational offering, integration and regional exchange dynamics, and the progress of negotiations concerning trade liberalization as part of the World Trade Organization (WTO) and particularly the General Agreement on Trade in Services (GATS).[2]

Faced with this situation, Mexico has promoted foreign investment at all levels and in all modalities of education. The primary organizations of institutions of higher education, as much in the public sector – the National Association of Universities and Institutions of Higher Education (ANUIES) – as in the private sector, the Federation of Private Mexican Institutions of Higher Education (FIMPES), have been clear

> regarding the need to examine the application of the agreements established by the nation, establish viable norms (primarily regarding the official certification of the validity of curricula), and participate in the negotiations that are carried out in case foreign investment is approved. (Rodríguez, 2004, p. 4)

Nonetheless, the Direct Foreign Investment (DFI) in educational services during the last 10 years has progressed, since it was approximately $189.1 million[3] between 1999 and 2009. In 2000, 20.36% of the DFI corresponded to the acquisition of the majority of the UVM by the consortium Sylvan Learning Systems, currently Laureate International Universities (Laureate, Inc.). Later, in 2007, the DFI represented 20.62% and was probably related to the purchase of

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[2]The agreement is the result of negotiations that were held from 1986 to 1994 as part of the Uruguay Round. Afterwards, this became the WTO, concerned as much with traded goods (GATT) as with services (GATS). The WTO agreements and those of its predecessor, the General Agreement on Tariffs and Trade (GATT), provide the framework for the international trading of goods and services. Theoretically, the objective of both institutions is to strengthen the global economy through greater commercial stability. The basic principle of the current system of international trade is that exported goods and services must be totally free, except for the imposition of a tariff (Malo, 2003).

[3]This is a result of the 1993 Law of Foreign Investment and the North American Free Trade Agreement. Though NAFTA did not include the educational sector in the approved text that went into effect January 1, 1994, it did dedicate two chapters to professional services: Chapter 12, "Cross-border Trade in Services," and Chapter 16, "Temporary Entry for Business Persons".

more than 10% of the UVM and the University of Business and Pedagogical Development (UNIDEP) by the same company.[4]

Finally, 2008 shows the highest percentage of the period, with 57.01% of the DFI, the same year in which Laureate, Inc. purchased part of the Technological University of Mexico (UNITEC).

According to Rodríguez (2008), the transnational's interest in investing in Mexico stems from two factors: a demand for higher education that the public sector has not been able to satisfy, and – above all – the fiscal paradise Mexico represents for investors, given loose regulations and a lack of transparency in the sector, since the great majority of private universities are able to incorporate as tax-exempt entities.

In this chapter we will examine the case of the UVM,[5] which is an organization that operates according to the logic of a "rational system", with an organic structure defined by a clear chain of command and in which far-reaching decisions are taken only at the highest levels (Scott, 1992). With the passage of time, the university has sought to establish relationships with different actors and certain objectives which we will examine in each of the stages under analysis.

With the previous information as our point of departure, we shall center our analysis on an evaluation of the primary changes to the organization from two perspectives. In the first case, change has been the product of decisions made at the highest echelons of the organization, using means considered efficient – though their effects have varied. In the second case, the changes have resulted from the introduction of innovations that seek to improve efficiency (in terms of academic performance) and the legitimacy of the institution in the organizational sphere – with unexpected results.

We shall cover three stages of the UVM's evolution: the rise of the university (1960-1985), its strengthening and the progress made in consolidating an education plan (1986-1999), and the commercialization and internationalization that began in 2000 with the sale of UVM to Laureate, Inc.

THE UVM: CHANGE OR CONTINUITY?[6]

The UVM is a multi-campus system with academic units in 13 states in Mexico. In only five years it became the principal provider of educational services in Mexico: In 2009 it had 79,969 undergraduate students, much more than the figure for what had been the largest private institution, the Monterrey ITESM (54,777 students in

[4] The UNIDEP (which possesses over 29 establishments in the states of Baja California, Baja California Sur, Sonora, Chihuahua, Coahuila, Sinaloa, Zacatecas, Aguascalientes, and Querétaro) was a part of the Soria Group, owner until 2005 of Northwest University, also acquired by Laureate, Inc. (Rodríguez, 2007, 2008).

[5] The UVM has also been studied in depth due to its purchase by Laureate, Inc. (Buendía, 2007; Rodríguez, 2004; Rodríguez, 2007).

[6] The case study was conducted using the techniques of document revision and analysis, and the application of semi-structured interviews to key actors in the university's development. Both tools permitted the reconstruction of the university's evolution and a characterization of its path in stages.

2009). The coverage in some states demonstrates the university's expansion: For example, a quarter of those enroled in private higher education in the Federal District, Querétaro, and Sonora were served by the UVM. In Tabasco, the university serves 40% of students enroled in private institutions, and in Mexico State and Tamaulipas, the figure is about 15%.

THE RISE (1960-1985)

The founding of the UVM is a result of an agreement between the leaders of some small and medium-sized businesses who entered the educational field for the Mexico City middle class. The UVM opened its doors in 1960 as the Harvard Institution, providing classes at the primary and secondary levels. In 1968, it was authorized to change its name to the University of the Valley of Mexico, leaving behind the primary level for teaching, research, and extension at the secondary and undergraduate levels (under the 1988 Agreement on the Official Certification for the Validity of Curricula). Nonetheless, the UVM has maintained some of its undergraduate programs as part of the National Autonomous University of Mexico (UNAM), specifically that of Chemistry-Pharmaceutics-Biology.

The most important change in this stage is the expansion in the Federal District metropolitan area. According to the university's discourse, this growth process was associated with the decision of university officials to invest the remainder of the budget in the consolidation of academic activities, beginning with investments in infrastructure and in the teaching and administrative staff's standard of living (Universidad del Valle de México, 1997). During this period, the following campuses were created in the Federal District: Roma (1976), San Ángel (1977), and Tlalpan (1979). In Mexico State, Lomas Verdes (1982) was created.

From a simple (one-campus) organic structure, the UVM transformed itself into a complex university system. Moreover, it focused its offering on working and low-income students, thereby taking on "the essential ideas of not restricting anyone's access to our services for financial, religious, or political reasons" (Universidad del Valle de México, 1997, p. 12).

STRENGTHENING AND ADVANCEMENT TOWARD CONSOLIDATION (1986-1999)

In this phase the university strengthened its strategy for geographic expansion oriented toward the construction of a multi-campus university that incorporated other entities of the country. The campuses in Querétaro (1989), Insurgentes Norte (in the Federal District) (1989), Lago de Guadalupe (in Mexico State) (1998), San Luis Potosí, and Chiapas (in Tuxtla Gutiérrez) (1999) were created during this period.

A key part of this stage was the application in 1986 of an educational model tailored to the UVM, and the formalization of documents that defined its ideology

and values. The objective of the "21st Century Educational Model"[7] sought to define the basic elements of the UVM's educational mission and the fundamental functions of teaching, research, and extension, as well as express the goal of training people to face a constantly-changing environment, participate actively and responsibly in society, and generate creative and well-reasoned alternatives (Universidad del Valle de México, 1990).

The operation of the 21st Century Educational Model in 1988 involved a change in the university's organic structure, from that of a family business to one of a departmentalized academic organization. The first phase centered around adapting the functional organic structure of the campuses and the academic areas of the central offices; the second began in 1992 and involved a new adjustment to the organizational structure.

The most important changes were: a) the creation of academic departments according to the following fields of knowledge: the social sciences, the technological sciences, economic/administrative sciences, and the arts and humanities; b) the definition of standards for the operation of the departmental system (the foundation for the positions that constitute a department in addition to the schedules and tasks of each of its members); c) the development of a manual of functions; d) the theoretical basis of departmentalization; and e) the training of officials from campuses and the central offices (Universidad del Valle de México, 1996, p. 89).

The purpose of implementing the departmental model was to link university management and development to a form of government and organization more focused on "good government" (López, 2004). That is, the university sought to foment a kind of team dynamic in decision-making processes and academic management in order to improve the institution's efficiency and, at the same time, increase its degree of social legitimacy (Meyer & Rowan, 1991).

The first organizational innovations were implemented on the campuses that served the largest number of students (Tlalpan, Lomas Verdes, San Rafael, and Querétaro), and only later in the smaller academic units. Financial considerations justified this approach: The number of students at the larger campuses permitted such changes, though, given the cost of opening numerous departments, it was not financially possible to maintain the organic structure required by the model in the smaller campuses. In sum, achieving financial objectives and the heterogeneity of establishments or academic units prevented organizational change in the group of units as a whole.[8]

In order to strengthen the operation of the model, in 1991 the UVM produced its Institutional Development Plan (PDI) 1992-1996, whose aim was to identify the institution's problems as well as establish a forward-looking education plan that

[7]In designing the 21st Century Educational Model, the UVM availed itself of experts in the field, primarily Dr. Frida Díaz Barriga of the UNAM.

[8]The 21st Century Educational Model was put into effect as a pilot program at the Querétaro campus during the second semester of 1989; in the first semester of 1990, it spread to the rest of the university (UVM, 2000).

would aid in resolving deficiencies in planning caused by the expansion of the university's administrative structure, failures in the implementation of new curricular options, and administrative deficiencies (Universidad del Valle de México, 1996).

In that regard, two evaluation processes – added in 1993 – gave the university the opportunity to evaluate its achievements and deficiencies according to external systems of evaluation, and to be part of two organizations (the Asociación Nacional de Universidades e Instituciones de Educación Superior (ANUIES) y Federación de Instituciones Mexicanas Particulares de Educación Superior (FIMPES) (National Association of Universities and Institutions of Higher Education and Federation of Mexican Private Higher Education Institutions)) that gathered together institutions of higher education nationwide and were the primary interlocutors with other actors in the organizational field, such as the Secretariat of Public Education (SEP).

The first process was the FIMPES' institutional accreditation,[9] which began in 1993 and ended in 1996. The FIMPES' recommendations for the UVM were centered around the necessity of reflecting on the differences between the model of organization and academic management held by the UVM as a business and as an educational organization, and around the "imbalances" in the organizational structure as a result of privileging administrative work over the fundamental university functions. In addition, the recommendations highlighted the absence of a general statute that would determine how the services, functions, responsibilities, and decisions of the central administration would be distributed among the different areas of the university.[10]

The process also revealed another important fact: In several academic units, there was a lack of budgetary allocations for research and for the expanding of library resources and infrastructure in computer centers and other physical spaces. Moreover, there were weaknesses in the selection and hiring of teachers, in the level of familiarity with the subjects they taught , in the proportion of full-time professors , and in student intake mechanisms (given the open-door policy in effect at the institution) (Universidad del Valle de México, 1996).

The second process concerned the evaluation of the UVM's entrance into the ANUIES, also in 1996. Just like the FIMPES, the ANUIES emphasized the necessity of "improving" the university's indicators, primarily the percentage of full-time professors and the execution of research activities. The UVM did not possess academic personnel who worked full-time and/or possessed a doctorate and membership in the National System of Researchers; nor did the university

[9]This process resulted in an institutional accreditation "with recommendations".

[10]One interviewee stated that "the first self-study cost a lot … there were lots of problems because the people on the campuses didn't understand what … the accreditation was, and they didn't give any information. The UVM wasn't ready for self-evaluation. Afterward, there was the (experts') visit, and we didn't do so well in the final ruling … we came out with conditions … This impacted the university a lot – it was like the "excuse" the board used to invest in facilities … They started to remodel all the buildings, invest in millions of dollars' worth of computer equipment. There were three programs in particular that were very important: the library, professors, and facilities".

allocate 15% of its budget to document archives, as was established by the association (Fresán & Lozada, 1999).

In this situation, the rectory and a group of external consultants proposed the project entitled "Consolidating Education toward Learning" (COSECHA). Its objectives were to generate spaces for educational innovation, promote and develop processes of improvement for institutional organization and administration, incorporate the recommendations of the FIMPES, and fulfill the ANUIES' entrance requirements (Universidad del Valle de México, 1997).

This new attempt at transforming the organization was significant because it demonstrated the inadequacy of the university's previous efforts; it sought to motivate organizational changes in which the degree of development and expansion achieved by the university would be an important factor. Moreover, it made clear the necessity of being evaluated and accredited by external organizations – which, at that time, meant introducing innovations into the organizational field of higher education; as a result, the UVM became a more efficient organization, with increases in quality, prestige, and recognition, thereby giving it greater legitimacy (Powell & Dimaggio, 1991).

In addition, a "corporate dichotomy" became apparent: A group of businessmen utilized the pragmatic and utilitarian philosophy of the world of business administration in a university setting – against the wishes of some academics, who attempted to modify the type of the university's government and its academic management practices. That group sought thereby to implement other practices that would rise above the market, thus increasing the difficulty of performing a cost/benefit analysis of investing in processes concerning education, planning, and university transformation.[11]

Nevertheless, the project did not progress. While on the one hand, it demonstrated the problems caused by the "verticality" of the university's decision-making process, on the other hand, it reproduced precisely those circumstances – emerging as it did from the same managerial and corporate level without basing itself on a shared process that involved the participation of the institution's academic communities. Moreover, in 1998 the university underwent one of the most profound changes in its history: the replacement of the man who had been rector for almost 30 years, one of the company's most important stockholders, and the primary force behind COSECHA.

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[11] In *A tool for the consolidation and motivation of university innovation: Executive document*, the authors acknowledged that the external consultants White and Associates had an incomplete and limited perspective of the type of government that privileged the university and business administration over shared decisions. Moreover, "the Institutional Self-study does not create internal changes, the suggested objectives concerning academic improvement will not be attained, becoming a part of the institutional chronicle as an easy event that pleased the hegemonic pretensions of the FIMPES"(Universidad del Valle de México, 1997, p. 14).

In 1999, a new Institutional Development Plan (PDI 1999-2013) was developed at the corporate level (with the help of external consultants)[12] in order to reorient the academic and managerial spheres of the university (and as part of the second accreditation process conducted by the FIMPES). It detailed the "Lines of Development, Institutional Program Objectives" that each campus had to implement (Universidad del Valle de México, 1999). This demonstrated once again the verticality and centrality of the decisions made concerning the institution's development and its academic management.

In this changing, unstable situation, the UVM began a new stage in its evolution.

COMMERCIALIZATION AND INTERNATIONALIZATION SINCE 2000

The third stage began in 2000 when the UVM was purchased by the transnational consortium Sylvan Learning Systems (since 2004, Laureate International Universities), headquartered in Baltimore, USA.[13] The UVM is the largest institution in the consortium, followed by institutions located in Chile, Spain, France, Switzerland, Costa Rica, and Panama. As a result, at least a third of the consortium's total sales (approximately $160 million per year) come from the Mexican university's tuition and other income; this has permitted the company to continue supporting its plans for institutional expansion (Rodríguez, 2004).

After joining with Laureate, Inc., the UVM continued its geographic expansion focused on influencing a population with certain socioeconomic characteristics. This meant opening the following campuses: Texcoco (2000); Aguascalientes (2001); Puebla (2002); Toluca (2003); Guadalajara and Saltillo (2004); Torreón (2005); Mexicali, Cuernavaca, and Monterrey (2006); and Guadalajara Norte (2007). However, in 2000 the UVM also closed three academic units (Xochimilco, Insurgentes Norte, and San Miguel de Allende) due to lack of profitability.

Laureate's strategy has involved the acquisition of other institutions of higher education, all of which maintain their original name during a transition period until their identity is transformed into that of the UVM. In 2004, the UVM purchased the Hispano-American University, Northwest University in 2005, and Valle de

[12]The plan was developed using the strategic planning methodology of José Luis Almuiñas R., of the Center for the Study of the Perfection of Higher Education (CEPES) at the University of Havana.

[13]Sylvan makes its decision to purchase or associate with an institution based on such criteria as the level of academic consolidation, the potential for local and regional growth, and the existence of connections and relationships with other sectors. The university network consists of traditional and online institutions. The former are (in order of acquisition): the European University of Madrid (Spain), Les Roches Hotel Management School (Switzerland, Spain, and China), the School of International Business (France), the University of the Americas (Chile and Ecuador), the University of the Valley of Mexico (Mexico), the Glion Institute of Higher Education (Switzerland), the Academy of Languages and Professional Studies (Chile), Andrés Bello University (Chile), the Interamerican University (Costa Rica and Panama). The online institutions are: Carter and Associates (U.S.), primarily dedicated to providing refresher courses for employed teachers; National Technological University (U.S.), which offers undergraduate- and graduate-level courses in technological disciplines in association with various American universities; Walden University, a pioneering "virtual" university; and K.I.T. Learning, a Dutch institution that provides courses in information technology through the University of Liverpool (England) (Rodríguez, 2004).

Bravo University in 2006. In May 2007, Laureate announced the acquisition of the University of Business and Pedagogical Development (UNIDEP). This institution, which has 29 establishments (in the states of Baja California, Baja California Sur, Sonora, Chihuahua, Coahuila, Sinaloa, Zacatecas, Aguascalientes, and Querétaro) with a combined student body of almost 7,000, was part of the Soria Group, owner of Northwest University until 2005 (Rodríguez, 2007). Finally, Laureate's purchase of the Technological University of Mexico (UNITEC) was finalized in 2008.

The UVM's entrance into the Laureate, Inc. university network has not been an easy process to direct and manage. Adding to the problems the university faced as part of its academic consolidation and the process of expansion that Laureate, Inc. developed as its primary strategy, the UVM's organic structure underwent important changes, deepening the university's market orientation. The institution entered into a serious crisis of power and management at the highest levels, which could be seen in the primary changes made to its structure and to the profile of those occupying strategic positions. Before the acquisition of the university, the vice-rectors of each of the academic units answered to the institutional rector and – to a certain extent – the Board of Directors. After the purchase, the office of Operational Management was created at the same level as the institutional rectory; the regional rectories were eliminated, and the campus vice-rectors became the campus rectors, answering to the operational director.

This was a significant change because it created serious conflicts between the academic areas with little influence in the university's strategic decisions and the financial and marketing areas, which had attained greater importance in the new structure. Income from enrolment became the central aspect of planning, given the demands the transnational placed on projections of enrolment figures, upon which depended (in part) the transactions Laureate, Inc. made in the U.S. stock exchange. This situation led to a new change in the institutional rectory, which was occupied by an ex-official of the ITESM, who responded more to the market orientation that was taking hold at the university.

The other change was the creation of the Office of the Marketing Director, and the strengthening and expansion of the areas of marketing, administration, and finance on the campuses, which resulted in an increase in the resources allocated to those areas. The primary growth strategies centered around the fulfillment of "enrolment goals" using aggressive publicity strategies to "win" more market share; these strategies were based on the benefits of "UVM's internationalization".[14]

[14]A UVM official confirmed that "… it's a contradiction because marketing has grown a lot – it's the strongest area on the campus … It's like the first stage after the *gringos* (*translator's note:* sometimes used as a derogatory term for *Americans*) come in … since there's a change in the financial parts marketing specialists and financiers come in, and then the first change that I see is that they fixate on the marketing part … But everybody is saying to themselves, 'you've got to temper the marketing parts with academic parts,' since the message you're sending is that you're just a marketing university and not an academic one, which is affecting enrolment …".

On the other hand, the academic areas were not targeted by the change, according to interviews conducted as part of this research. Laureate, Inc. officials did not participate in the "academic part" of the university, arguing that they would respect the standards and indicators established by Mexican law and would leave the academic development of the institution in the hands of the "experts" – except for incorporating the "Sylvan seal" into the educational offering.[15] This approach regarding the operation of the academic units turned out to be contradictory, since the academic plans that were created on the campuses always depended on the "achievement" of enrolment goals, which in some cases were excessive.[16]

The academic development strategy that Laureate, Inc. defined for the UVM was to respect the regulatory framework and national policies related to quality – that is, to maintain appropriate relationships with the organizational environment and with what was considered a source of quality improvement: prestige and a good reputation. In this situation, the priority task for those responsible for academic development was to respect and fulfill the regulations established by the SEP (as the highest educational authority), earn the FIMPES' re-accreditation in 2002, and undergo the external evaluation and accreditation of its academic programs by external peer review organizations such as the Inter-institutional Committees for the Evaluation of Higher Education (CIEES) and organizations recognized by the Council for the Accreditation of Higher Education (COPAES).

In 2002 the UVM was re-accredited by the FIMPES, and it continued to participate in the accreditation of academic programs solely by organizations recognized by the COPAES.[17] In 2006, UVM was recognized as an "Institution of Excellence" in higher education.

NEW CHANGES … AND NEW MARKETS

The establishment of academic units has obeyed segmentation strategies (Loudon, 1996). This type of strategy, utilized in business management, postulates that the market comprises small segments, all of which are more homogeneous in terms of important characteristics than the market as a whole. The UVM's regional segmentation is based on such variables as the region's economic growth,

[15] The "Sylvan seal" is based on training geared toward employment, knowledge of English, and computers. Laureate institutions promise to support students in their job search, as well as offer them options for international mobility within the network. Several affiliated schools and universities offer (or are going through procedures to offer) "dual-degree" options through alliances with other institutions in the network or outside it. Such is the case with the UVM and, especially, Spain and Chile.

[16] One of the goals established that the drop-out rate should not exceed 2% per year.

[17] The UVM has centered its efforts at accrediting programs around certain campuses and academic programs. In 2009, it possessed 47 programs accredited by organizations recognized by the COPAES, comprising approximately 20% of total undergraduate enrolment. The campuses are Lomas Verdes, Tlalpan, Querétaro, and San Rafael, and the programs are in Administration, Tourism Administration, and Marketing; they are accredited by the Council for the Accreditation of Accounting and Administration Teaching (CACECA). The following page contains further information on accredited programs: http://www.copaes.org.mx/oar/programas_acreditados/institucion_educativa/uvm.pdf.

Table 1. Examples of prices for undergraduate programs at the UVM, 2010, in US dollars.

Academic unit (campus)	Art, Design, and Architecture	Social Sciences and Humanities	Health Sciences	Business	Hospitality, Gastronomy, and Tourism	Engineering	Total price per semester (language included)
Lomas Verdes (Estado de México)	Architecture Fashion Graphic Design Industrial Design	Communications Law Education Psychology International Relations Public Relations	Physical Therapy Chemstry-Pharmaceutics-Biology	International Business Sports and Recreation Administration International Trade Public Accounting and Finance International and Global Markets Marketing Marketing and Market Intelligence	Business Administration	Information systems Digital Animation Telecommunications and Electronics Industrial and Systems Industrial and Mechanical Mechanical	3,793.35
San Luis Potosí (SLP)	Architecture Graphic Design Industrial Design	Communications Psychology International Relations Public Relations	Physical Therapy	International Trade Marketing	Business Administration	Industrial and Systems Mechanical	2,923.20
Tuxtla Gutiérrez (Chiapas)	Architecture Graphic Design Industrial Design	Communications Law Education Psychology		International Business Marketing	Business Administration Food Business	Civil Industrial and Systems Mechanical	1,976.64

Source: Based on data from Universidad del Valle de México (2010).

demographics, and the "life-style" of the market segments being served; these variables are translated primarily into a differentiation in the cost of educational services offered, which can be seen in Table 1.

In spite of the differentiation of costs, it is important to remember that the UVM's educational offering is practically homogeneous among all its academic units. That is, the same academic program (undergraduate or Master's) is offered at different campuses, though not all programs are offered in all academic units.

There is a high concentration of students in the area of financial administration (business), followed by the social sciences (specifically the undergraduate law program), and, on some campuses, the health sciences.

It is evident that, if we were to analyze the conditions of the educational offering in each academic unit and its relation to the cost of educational services, we would have to consider at least the local and regional context surrounding the offering, fields of knowledge considered, the profile of the faculty (level of training), infrastructure, academic aid, and the labor conditions of the academic as well as administrative staff. This type of analysis would involve deepening our research; nonetheless, in order to give an overview of this work, we will only show the differences in educational offering between one academic unit and another.

The new strategies to allow the UVM to enter "other" markets through "differentiated products" are:

a) Specific offers for part-time professional studies ("executive undergraduate degrees"). These programs are primarily in the areas of economics and administration and are geared toward students over 24 years of age who are already working. Their duration is three years, divided into quarters, and they are completed with a combination of on-site and distance learning with flexible schedules – just as in all the UVM's programs (including at the graduate Master's level). Since August 2003, degrees are awarded through the so-called "zero degree" program,[18] which includes the following requirements: 100% of the required credits within the allotted time, approval of the language(s) studied within the limits of the corresponding regulations, lack of academic or disciplinary sanctions, and completion of community service (Universidad del Valle de México, 2006).
b) Corporate markets. In 2005, the UVM established the area of corporate markets in order to enter into the design of "tailor-made" undergraduate and graduate programs. In this same year, two undergraduate curricula were designed (Administration and Electrical Engineering) for the Federal Electricity Commission (Central/South Division) (CFE DCS) – a company run by the Mexican government that is responsible for the generation, transmission, distribution, and commercialization of electricity throughout the country. In 2005, the CFE inaugurated the CFE Technological University, which functions according to strategic connections based on the hiring of education and training services from public and private institutions at the secondary and higher education levels which are authorized to award degrees (Buendía, 2009). As a

[18] As opposed to the traditional method in Mexico of an undergraduate dissertation.

result of these relationships, both undergraduate programs have been offered at the UVM since 2006. Each is a four-year program divided into quarters, aimed at CFE workers during their free time. The CFE (in addition to paying tuition as part of its employment benefits) provides the physical space and a part of the school's administration; the UVM contributes the professors and the other part of the school's management. The students obtain a degree from the UVM, since the CFE Technological University lacks the accreditation legally required to award academic degrees. The UVM's association with the CFE allows it to have a "virtual campus" with minimal operating costs and high profits: the first class enrolled consisted of 500 students (Buendía, 2009).

Both cases demonstrate a change in the concept of the professional education and training offered by the UVM – a change that involves the acceptance of a "university business" that privileges training oriented toward the labour market and/or a company's specific needs, responding to Meister's (1998) concept of corporate universities, which comprise (specialized) training services for employees and candidates in firms and corporations. As such, corporate universities have come to substitute for the old training departments; unlike these, the corporate university "provides group learning in the context of the organization by managing education as a business project" (Meister, 1998, p. 31; Rodríguez, 2003).

CONCLUSIONS AND PERSPECTIVES

Our analysis of the UVM provides a clear example of an organization that has faced dispute and tension between a clear market orientation and the possibility of representing a quality alternative in the private sector of higher education in Mexico. But how successful has UVM been?

The transformation and organizational changes that the university has undergone have their source both in a contemplation of the need to consolidate an academic plan and in the university's relationship with its environment. This self-contemplation did not achieve the objective of consolidating an academic plan due to the cost/benefit decisions made at the highest levels of the hierarchy. The incorporation of innovations that favored academic performance seem to contribute more to the university's social legitimacy than to its efficiency, since these innovations are measures used to "publicize" the university and not improve it.

After more than 40 years, this university continues to seek its own education plan, one that has been beset with obstacles due to a governing structure that responds to the demands of its employers, whose actions are based primarily on economic interests and – to a lesser extent – on academic ones. The organizational changes that have occurred in the different stages of the university's evolution have privileged geographic expansion (as it responds to economic criteria and the possibility of increasing the university's participation in the educational market) and the search for new markets via differentiated "products". The concept of business and the strengthening of a market orientation intensified with Laureate, Inc.'s acquisition of the university.

On the other hand, those initiatives related to the strengthening of the education plan have been characterized by periods of unstable implementation and evaluation, demonstrating the disjointed nature of the different perspectives of the university held by its actors.

Finally, this chapter poses questions that it cannot resolve. To increase our knowledge, a group of topics deserve to be developed for academic research. Among these we can highlight the role of the state and its mechanisms for regulating and controlling the quality of institutions of higher education; higher education as public or private property; the relationships among new universities and the traditional and most prestigious universities; institutional networks and their forms of academic and administrative management; the participation of institutions in the pattern of evaluation motivated by educational policy in Mexico; and geographic concentration and its effects on and contributions to educational coverage. It is also necessary to question the meaning and implications that being a "demand-absorbing" institution has for the UVM, and the influence of marketing strategies on the educational market. If the research agenda progresses in these and other areas, it is possible that we will be able to discern precisely the primary engine of change for private institutions of higher education.

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STATE, MARKET AND ORGANIZATIONAL INERTIA: REFORMS TO ARGENTINE UNIVERSITY EDUCATION BETWEEN 1990-2010

INTRODUCTION

This chapter will analyze the processes of reform in Argentine university education, divided into two periods: the 1990s – when the government took on pro-market reforms, and the first decade of this century – in which the government has positioned the state as the primary promoter of development. In both cases, I shall analyze, on the one hand, the extent to which public policy in higher education has influenced the degree of the state and the market's coordination of universities, and, on the other, the response of university organizations to reform policies and to changes in their surrounding environment.

The first section will offer a brief synthesis of the conceptual framework used in the analysis of reform policy, delimiting the organizational field of Argentine university education as the unit of analysis. The subsequent section will examine the primary transformations university education has undergone since the 1990s, concluding with a general discussion of these processes and the progress of the state and the market in coordinating higher education.

THE CAPACITY OF TRANSFORMATION AND THE ORGANIZATIONAL FIELD OF UNIVERSITY EDUCATION

The literature on the transformation of the university sector in Latin America during the last two decades has emphasized the growing institutional differentiation and the diversification of university activities in the midst of the massification of higher education. Underlying this description is the assumption that the university is a flexible organization that adapts to the new demands and challenges placed on it by its environment. The pressure exerted by an increased demand for higher education and the growth in public resources that did not increase at the same rate led to the creation of institutions and programs and to the diversification of funding sources. From this perspective, organizational diversity reflects changes in organizational strategies and structures in response to the demands of the surrounding environment, which presents new opportunities and threats. According to the latter approach, individual action, in particular by those at the top of the organization, turns out to be a determining factor in the production of

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change, as is the creation of an entrepreneurial ideology (Clark 1998).[1] In proposals for reforming higher education, the movements in support of strengthening the upper echelons of institutions, as well as executive leadership and strategic planning, respond to a concept that will work favorably toward establishing closer relations between the university and their environments.

Two other visions of university change could be used to question some of these assumptions. The first theory is that of organizational ecology (Hannan & Freeman, 1989), according to which organizations present high indices of structural inertia exerted by organizations' core structure impedes radical changes. Applied to the university setting, this means there would be objective limits to the extent to which officials could effect transformations. These limits are imposed by governmental and managerial structures, the atomization of decision-making processes, the availability of resources, and patterns of competition within and among universities.

The second theory is that adopted by neo-institutionalism in organizational theory. Two of its primary exponents, DiMaggio and Powell (1999), affirm that organizational change is increasingly less guided by competition and the search for efficiency and more so by processes of coercive, mimetic, and normative isomorphism. Additionally, they point out the importance of using a more complex unit of analysis than the organization for the study of change dynamics: the organizational field (DiMaggio & Powell, 1999).

Taking this concept into account, Diagram 1 provides the current configuration of the organizational field applied to Argentina.

Within this field, the university sector comprises national and private universities and university institutes,[2] and absorbs the majority of enrolment in higher education: 72.5% of almost 2.4 million students in 2009 (García de Fanelli, 2011). It is, moreover, the only educational sector under the jurisdiction of the central government.[3] The primary organizational characteristic of university institutions is their institutional and academic autonomy.

The central aspect of the autonomy of national university institutions can be observed in the selection of executive and collegial authorities according to a mechanism imposed by each university's regulations. Teachers, students, and graduates, and (in some universities) administrative staff, all participate both in the selection process and in positions of governance. Private institutions can as well

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[1] We could associate this reading of the transformation of higher education with the contingency theory of organizations.

[2] Since the Law of Higher Education of 1995, the university sector comprises universities and university institutes, the only difference being that the educational offering of the latter is limited to a single field of knowledge. In terms of organizational behavior and autonomy, they are exactly the same as universities. In this text, the terms *university institution* and *university* will be used indistinctly to refer to the entire group of these institutes and universities.

[3] The rest of higher education students studies in the non-university sector under the jurisdiction of each of the state provinces. This sector is composed of institutes that only offer teacher training in different areas and levels of education, technical institutes, and institutes that offer both types of programs. The organizational form of these institutes is similar to that of secondary-level educational institutions and do not possess institutional autonomy.

become autonomous when they receive authorization after an evaluation of their first six years of functioning. The national and private university sectors are also able to issue officially-valid professional licenses.

There are other agents that exert influence and are sources of legitimacy for the actions of national universities, both in the definition of institutional and academic policies and in university government and management: unions (the teachers' and the administrators'), student groups, professional boards, political parties (through the politicization of the selection of collegial and executive officials), and the indirect pressures of secondary school graduates' demand for vacancies in the university sector, the labour market, and the need for technical assistance and consultancy from the productive sector.

According to Argentine law, private universities must be non-profit organizations. These universities generally possess a vertical governance structure, placing power in the administrative or directorial boards. The faculty and student body are barely represented in decisions regarding subjects intrinsic to the government of the organization, with academic matters reserved for the faculty (Del Bello et al*.,* 2007). Thus, within the group of external agents located at the bottom of Diagram 1, only professional boards, the productive sector, and secondary students' demand are significant in private universities. In particular, the social capital of these universities (built through their network of contacts with companies, graduates, and other private organizations in the productive sector), tends to be greater than that possessed by public universities.

Regarding the coordination of the university sector, the formulation of general policies relating to universities corresponds to the Ministry of Education (through the Secretariat of University Policy – SPU), which assures the participation of coordinating and consulting organizations foreseen in the Law of Higher Education No. 24.521(1995), and respects the autonomy of university institutions.

The primary consulting organization is the Council of Universities. This is presided over by the Ministry of Education and is composed of the Executive Committee of the National Interuniversity Council (which brings together the rectors of the national universities), the Steering Commission of the Council of Rectors of Private Universities, a representative of each Regional Council on the Planning and Coordination of Higher Education (CPRES),[4] and a representative of the Federal Council on Culture and Education.

In 1995, the Law of Higher Education also began the process of assuring the quality of state and private university institutions through the creation of the National Commission for the Evaluation and Accreditation of Universities (CONEAU). The CONEAU is a decentralized organization under the jurisdiction of the Ministry of Education. Among its primary functions are the external evaluation of state and private university institutions and the obligatory accreditation of graduate programs and of those undergraduate programs whose degrees correspond to professions regulated by the state – those which could

[4] The CPRES propose policies that link institutions of higher education vertically within and horizontally among themselves.

compromise public interests by directly risking citizens' health, safety, rights, assets, or education. The CONEAU also rules on the creation of new university institutions and the procedures for and awarding of official authorization to private institutions.

Finally, the Secretariat of Science and Technology (SECyT) was created in 1996 under the jurisdiction of the then-Ministry of Education, Science, and Technology. In 1997, the SECyT achieved the status of Ministry and acquired jurisdiction over all the public organizations dedicated to research and development. In particular, the ministry is responsible for the planning and implementation of national policy lines, as well as those concerning the coordination, evaluation, and managerial control of the sector's activities. Two equally-important organizations can be found within its sphere of influence: the National Council for Scientific and Technical Research (CONICET) and the National Agency for the Promotion of Science and Technology (ANPCyT). The CONICET, created in 1958 and inspired by the National Center for Scientific Research (CNRS) in France, manages the Scientific Research Career and R&D Support Personnel, in addition to the system of grants both for the training and improvement of university graduates and for the realization of scientific research within the country and abroad. The beneficiaries of these responsibilities work at universities or other public/private entities dedicated to research. The ANPCyT, created in 1996, aims to identify, propose, manage, and evaluate instruments that promote science and technology. In particular, the organization manages two competitive funds: the Fund for Scientific and Technological Research (FONCyT) and the Argentine Technological Fund (FONTAR). The primary source of public financing for university research is the FONCyT.

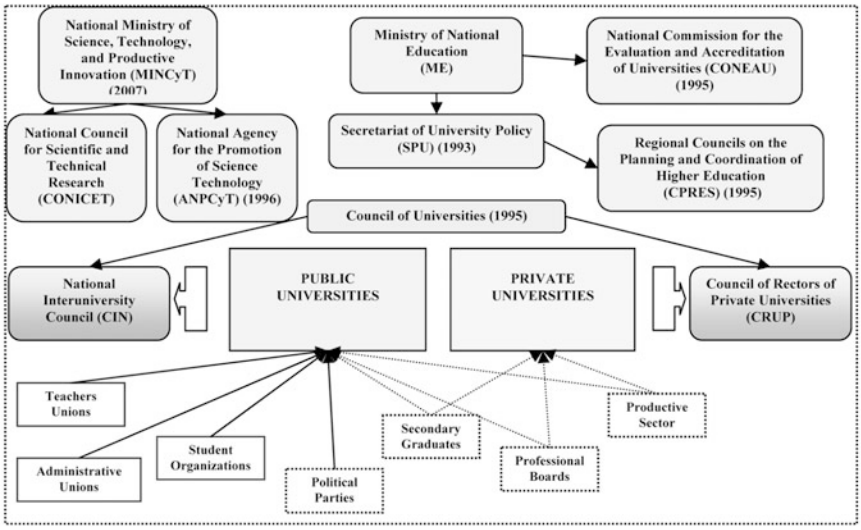

Fig. 1. The organizational field of higher education in Argentina.

Using this organizational field of university education as our point of departure, in the subsequent sections we shall analyze which government reforms have led to the current configuration of the field and which are experienced within university organizations.

THE 1990S: THE PRO-MARKET REFORM APPROACH

In 1989, Carlos Menem, a member of the Peronist Party, took over the presidency, a position which he would occupy until December of 1999. In the early 90s – amidst economic policies of trade liberalization, deregulation, and privatization – the Higher Education Reform Program (PRES) was created within the Ministry of Education, with loans from the World Bank. The first step of this plan was to create the Secretariat of University Policy, whose objective would be to design national higher education policy.

The PRES began with a negative diagnosis of the functioning of the state university sector, in which the following features of the higher education system came to the fore as weaknesses: the absence of a common legal framework for the public and private university and tertiary education sector; the abuse of university autonomy and the need for accountability due to a lack of transparency in the educational offering; the heavy concentration of the student body in large national universities; a free admissions system with no restrictions, which turned out to be inefficient and unfair; the concentration of students in professional programs (e.g., law, public accounting, medicine, psychology) of long duration (approximately six years); low graduation rates and program duration much greater than anticipated; an inertial negotiated mechanism to distribute the public budget; the scant development of research as an activity; and the rigidity of the chair model that predominates in Argentine universities (García de Fanelli, 2005).

After the creation and expansion of the bureaucratic structure aimed at public policy in higher education, the government promoted change in the regulatory framework and instituted new instruments for financing and for quality assurance. First, it enacted the Law of Higher Education in 1995, which covered both university and non-university higher education sectors, as well as public and private sectors. One of the most important results of this law was the incorporation of quality assurance mechanisms, for which the CONEAU was created. The law also authorized tuition and fees for undergraduate and graduate programs in national universities, and placed private institutions (with official authorization) on the same level as public institutions in terms of autonomy and the ability to award professional licenses.

Second, new national universities were created with some of the PRES' desired characteristics: smaller size, admissions mechanisms that included courses or exams, departments as the principal unit of organization, more full-time teaching positions, non-traditional degree programs, and salary structures that differed from those that predominated in traditional universities. On the other hand, new private institutions were also formed. In the 1990s, nine state and 23 private university institutions were created (Table 1).

Table 1. Argentina: Evolution of institutions and university enrolment, 1980-2010.

	University Institutions			University Enrolment[1]			% Private
Year	State	Private	Total	State	Private	Total	Enrolment
1980	28	23	51	324,623	73,205	397,828	18.4
1990	33	29	62	679,043	103,521	782,564	13.2
2000	42	52	94	1,124,044	166,539	1,290,583	12.9
2010	55	60	115	1,312,549	337,601	1,650,150	20.5

[1] 2010 enrolment data correspond to 2009.
Source: Own calculation, based on data from Secretariat of University Policy (2002, 2010).

Finally, an attempt was made to design instruments to allocate resources, seeking thereby to provide incentives for change in the organization of universities, beginning with allocating funds as a block grant (instead of doing so by item as was done previously) and with allowing universities to fix the pay scale in a decentralized way within a framework of collective labour agreements.

Even though the majority of the public budget allocated to the national university sector continued to operate under the traditional mechanism (each institution's resources from the previous year were guaranteed, and increases were negotiated in proportion to the growth in public expenditures), a portion of the budget since 1993 has been distributed according to other financing mechanisms. The allocation instruments in effect since the 1990s have sought to align state and national university objectives. One of the distinctive characteristics of Argentine national universities is that they receive funding from the state but, at the same time, they enjoy considerable autonomy from the government and are administratively self-sufficient. This autonomy meant that there was no expectation of an automatic alignment of the university organization's objectives and the central government's. Within this context, it was assumed that the use of new financing instruments to allocate a portion of the state funds for national universities would serve to create an incentive structure that motivated reform. This was an attempt to create "pseudo-market" situations through the use of instruments that awarded efficiency and inter-institutional equity via indicators concerning input, processes, and products for the allocation of funds for teaching and research (García de Fanelli, 2005).

The instruments to be incorporated were already being used in several industrialized countries: formulas with inputs and performance indicators to promote efficiency and transparency in the allocation of public funds, and competitive funds to promote quality improvement and research. Among the specific allocation programs, three in particular can be mentioned. The first is the Fund for the Improvement of University Quality (FOMEC), which was financed by a loan from the World Bank, and whose objective was to promote improvement in the quality of teaching in national universities by funding certain projects which the government had determined to be a priority, based on quality and relevance.

The second is the Program of Teacher/Researcher Incentives, which awarded bonuses to those professors and teaching assistants from national universities who, after having been classified according to their academic and management experience, conducted research activities. Finally, after the creation of the Secretariat of Science and Technology (SECyT), the National Agency for the Promotion of Science and Technology (ANPCyT) incorporated competitive mechanisms for the distribution of public R&D funds for state and private universities and research centers.

In Figure 1, we can observe that, except for the Ministry of Education and the CONICET, all the other state-coordination organizations that compose the organizational field of university education were created between 1995 and 1996. The role of the state in university policy was strengthened, with its stated goal the generation of a more diversified, competitive, and socially-responsible system of higher education. Among the available "models", the most influential (within the state pro-market approach) are those of the United States and the United Kingdom. The new instruments designed in those countries, inspired by the New Public Management movement (Pollitt, 1993), were meant to increase the efficiency of public expenditure on higher education and improve the information on the quality of educational services. An implicit goal was greater state coordination of the system as universities assumed more responsibility for financial and institutional management. It was assumed that, if universities managed to internalize the costs and benefits of providing educational services, they would be more responsible and proactive when faced with the demands of the environment. The question was posed in terms of "steering" institutions of higher education "from afar", guiding them toward providing public educational services with greater efficiency and quality (Neave & van Vught, 1994).

The new configuration of the organizational field of higher education in Argentina during the 1990s is, on the one hand, a product of the coercive isomorphic processes created by the Law of Higher Education of 1995. On the other hand, mimetic isomorphism played a role in the design of policies geared toward the resolution of local problems. These have been the result of copying the instruments of higher education policy used by industrialized countries and the influence exerted by international organizations such as the World Bank. Nonetheless, the models imitated in Argentina did not promote institutional homogeneity – as might be supposed by DiMaggio and Powell's model (1999) – but rather institutional differentiation (Levy, 2004). According to the reasoning behind this reform, institutional differentiation and program diversification would solve several problems within the Argentine university sector. Thus, the institutional homogeneity foreseen by DiMaggio and Powell's (1999) neo-institutional theory came about in the design of instruments and state regulatory institutions and not in the type of government promoted organizations. As Levy points out: "There is, then, an internationally isomorphic promotion of an anti-isomorphic prescription" (2004, p. 13). Lastly, the agents that promoted reform also motivated what DiMaggio and Powell (1999) called competitive isomorphism, inherent in situations in which market coordination predominates.

The emergence of new state and – above all – private institutions during this period contributed to the growing institutional heterogeneity. Even though all university institutions in Argentina are theoretically equal (as there are no differentiations such as those introduced by the Carnegie Classification for institutions of higher education in the United States), in actuality, there are universities with differing organizational profiles (García de Fanelli, 1997, 2005; García de Fanelli & Balán, 1997).

In the case of the private sector, it is possible to distinguish among the configurations of different segments of the educational market that target diverse students, within whose niches institutions compete for students, teachers, and reputations. According to Levy's (1986) typology, in addition to the traditional sector with its "confessional" character, an elite sector developed that imitated American research universities, even when they lacked the proper resources for research and student financial aid. On the other hand, a demand-absorbing sector was consolidated, serving students who opted for an alternative to higher education with fewer bureaucratic obstacles, more personalized attention, better infrastructure, and, on occasion, fewer academic demands. It is important to keep in mind that the greatest expansion of private universities took place in the first half of the 1990s, before the creation of the CONEAU, which introduced quality control as a step before awarding definitive authorization to these institutions and, above all, stopped this sector's rate of expansion when the CONEAU refused to recommend authorizing the creation of various private institutions. Thus it is believed that the intervention of the CONEAU impeded the emergence in Argentina of the sort of very low-quality private sector that has appeared in other countries (Rabossi, 2010).

On the other hand, DiMaggio and Powell's (1999) "normative" isomorphic mechanism (related to professionalization) acts in the opposite direction of the growing institutional differentiation. In the case of Argentine universities, one might think that this process manifests itself, for example, in the configuration of the academic profession. In fact, barely 13.2% of teachers in national universities are full-time (SPU, 2010). A portion of these teachers also teach undergraduate and graduate courses at private universities. Thus, this might very well promote homogeneity among both types of institutions, given that their teachers possess a similar academic profile. It is also possible that these teachers share common frameworks for behaviour, attitudes, and beliefs regarding how teaching and research should be performed within universities.[5]

In sum, the organizational field of university education in the 1990s experienced reforms in two senses: an advance of the state in its role as coordinator and producer, and the emergence of new private institutions. On the one hand, the creation of national universities reduced somewhat the extent to which the undergraduate student body was concentrated in a few institutions. The proportion

[5] Landoni (2007), in the case of Uruguayan universities, also acknowledges the same isomorphic pattern, due to the low proportion of full-time teachers in the University of the Republic and to part-time teachers employed by private universities.

of the undergraduate student body in the six oldest and largest national universities[6] diminished from 67% in 1990 to 60% in 2000 (SPU, 2002, 2010). On the other hand, the presence of new private universities reinforced the market's role as coordinator of university education, since – by the end of the 1990s – private institutions, which charged tuition and fees for university educational services, surpassed state universities. Nonetheless, due to the strong expansion of the state sector, the participation of the private sector in university enrolment in the 1990s was lower than in the previous decade (see Table 1).

Now let us turn to the question of the change effected in university organizations.

During this period, two phenomena revealed the growing role of the market in coordinating university institutions: the emergence of graduate programs and the increase in privately generated resources within national universities.

Graduate programs, particularly Master's programs, arose toward the end of the 1980s in an environment characterized by the restriction of public financial resources, in which these programs had to finance themselves through tuition and fees. This need for self-financing, and its scant importance within university policy – normally only undergraduate students participate in university government as electors and representatives – made them freer and more autonomous in terms of institutional functioning while they limited their performance. The inclusion of graduate programs made way for a profound change in the organizational arena, still without achieving an adequate connection to the graduate level.

In national universities, the logic of graduate programs is entirely different from that of undergraduate ones: fees are charged for the former, teachers are hired through selection processes that tend to be at the discretion of program directors, the level of compensation is fixed in a decentralized way – not just within each school, but within each program – and admissions procedures are more selective than those in undergraduate programs. There is also competition between the state and private sectors for capturing students – a crucial element for guaranteeing the survival of a program in its niche – and teachers (García de Fanelli et al., 2001).

Another change effected in national universities is the increase in linkage activities with the productive sector, primarily through the sale of services and consulting. National universities created non-profit foundations to manage these activities with greater flexibility and within the regulatory framework established by the Law of Higher Education. The linkage activities – which, with certain economic success, were undertaken in some professional programs (e.g., economic sciences, engineering, pharmaceutics and biochemistry, veterinary science) – were primarily based on the teachers' knowledge acquired during their academic training and experience in the professional market (García de Fanelli, 2005).

The only important change in national universities at the undergraduate level has been the increase in the number of programs. Both the charging of tuition and fees and the implementation of selective admissions mechanisms were strongly rejected by the majority of the university community. On the other hand, there is no

[6] Buenos Aires, Córdoba, La Plata, Nordeste, Rosario, and Tucumán.

information that documents significant changes in the governance structure and in the institutional and academic management of national universities as a response to the government's "steering from afar" through financing instruments.[7]

In sum, while undergraduate admissions and financing mechanisms remained unaltered in national universities (in the same way as their structures of governance and academic and institutional management), transformations could be seen at the graduate level and in the relationship these universities had with the productive sector. In the case of Argentina, then, state university organizations present features of structural inertia, in spite of which they transform when confronted with changes to their organizational environment and resources. Thus, national universities, faced with adverse conditions concerning public financial resources and the demand for graduate programs and linkage activities, responded by diversifying possible income sources, competing for public and private financing. To coordinate these activities, universities created new structures (e.g., graduate offices, industry-university linkage offices with the productive sector, foundations to manage funds), each of which had as its objective negotiating a part of the conditions of its environment at the fringes of the global organization structured around undergraduate-level teaching. As these activities had to move in a competitive market environment (or a contract-based one, in the public sector), the use of these opportunities demanded greater flexibility and discretion than that which could be provided by the bureaucratic structure of the university.

Analyzing the principal processes of change that Argentine universities underwent in the 1990s leads to a synthesis of, on the one hand, a vision of the university organization as flexible and adaptable to changes in its environment; and, on the other, a vision which characterizes it as suffering strong structural inertia. In the Argentine case, the university governance and management structure at the undergraduate level (historically the core of national universities) demonstrates certain structural inertia. There are characteristics of these organizations whose culture does not allow alterations, and whose probable change is associated with reforms introduced during the military dictatorships of the 1970s: the imposition of selective restrictions on admissions and charging tuition and fees to undergraduate students. This pattern introduces homogeneity within the state sector, which can be attributed to coercive isomorphic mechanisms produced by society's cultural expectations. Changing other features of national universities is complicated by the multiplicity of interests associated with their transformation: the length of degree programs, connections within and among institutions, curriculum, governance and management structures, etc.

Nonetheless, faced with scant financial resources and new opportunities for linking teaching, research, and extension with economic and social sectors, national universities allowed changes to occur. These imitated strategies considered successful in central countries, with the goal of better adapting to the

[7] García de Fanelli (2005) provides an analysis of the factors that explain why these financing instruments were limited in promoting university change, one of which was not utilizing knowledge of the organizational and productive complexity of universities.

characteristics of the new policy and economic environment in the field. The change thus worked through the process of structural and functional differentiation. Of course, this created new problems for integration and cohesion. One example is the conflicts produced by the linkage with the productive sector, particularly among academic units that possessed greater opportunities for obtaining funds through consulting and the sale of services, and those that were not in such a position. A cohesive measure, in such a case, would be the institutionalization of cross-subsidies distributed among the most and least favored units, as in fact happens in undergraduate studies. Nonetheless, as linkage activities are basically coordinated by market demands, those subsidies would affect the incentives of the agents directly committed to this activity.

THE FIRST DECADE OF 2000: THE STATE AS PROMOTER OF DEVELOPMENT

After a short period of two years (December 1999 to December 2001) – during which time Radical party President Fernando de la Rúa (allied with others) governed Argentina – several presidents followed him in a strong economic and political crisis. In 2003, Néstor Kirchner of the Peronist party was elected president, followed in 2007 by his wife, Cristina Fernández.

Since 2003 – when the Peronist government assumed a role as promoter of development – the entire 1990s-era state infrastructure related to the coordination of the university sector has remained. In addition, the instruments for evaluating quality and financing are still in place. In the latter case there have been, nonetheless, four important changes. In the first place, the program for the improvement of quality (which allocated resources competitively among institutions, and was financed in part by the World Bank) was replaced by one of a non-competitive nature. This new mode of allocation linked the results of accrediting undergraduate programs with the distribution of funds for improvement (which were now exclusively from national public sources). In the second place, the actual salary of teachers at national universities increased considerably, a phenomenon in which the teachers' unions and the Ministry of Education played significant roles, as they reached an agreement concerning salaries based on a teacher's position, hours worked, and seniority. This was the opposite of the previous period's decentralization of salaries. In the third place, the allocation to the demand side was increased through awarding grants for degree programs considered a priority by the government for economic and social development, and the CONICET quadrupled the number of research grants at the doctoral level. Finally, new non-competitive programs for the allocation of specific funds were created, promoting such aspects as the internationalization of higher education, university volunteering,[8] etc. (García de Fanelli, 2010).

Another change in the organizational field of higher education – this time from the National Congress, not the central government – has been the creation of new

[8] For a description of the group of programs please see García de Fanelli (2001).

national universities. Behind this wave of new state universities there has been no national policy regarding the planning of the regional distribution of the educational offering according to pertinence, quality, and equity, but rather a cession to the pressure exerted by local governments on legislators to place institutions in their areas. The expansion of the student body in national universities created in the 1990s, and the incorporation of new institutions, contributed to a small decrease in the concentration of the student body in the six oldest universities, which in 2009 composed 54% of the student body (SPU, 2010).

In sum, the same state infrastructure was maintained in the organizational field of higher education, changing only some strategies deployed by the state in terms of financing. In the arena of teaching, the competitive allocation of specific funds was fundamentally replaced by a non-competitive model and the distribution of funds via grants increased, advancing over the state's planning of demand and the search for equity. The competitive allocation of funds for research was expanded by increasing the use of indicators regarding academic productivity in order to distribute subsidies, evaluate researchers' activities, and award postgraduate grants. On the other hand, the presence of the state as a producer increased after the creation of 13 universities (see Table 1), though this has been counteracted by a strong increase in enrolment in the private sector. In effect, another important change in the dynamic of the demand for university education during this period is the growth in undergraduate enrolment in private universities and university institutes. In the private university sector, enrolment grew at an average rate of 8.2% per year, compared with a mere 1.7% in the state university sector (see Table 2).

Table 2. Argentina: Annual rate of growth average (ARG) of undergraduate enrolment

Periods	State ARG	Private ARG
2000/1990	5.2	4.9
2009/2000	1.7	8.2

Source: Own calculation, based on data from Secretariat of University Policy (2002, 2010).

This expansion is probably related to the economic growth experienced by the country since 2004. Greater household purchasing power, thanks to an increase in the actual income of salaried workers, could have favored students' ability to finance the tuition and fees charged by private universities. It can thus be assumed that, given that an increase in income overcame budget restrictions, young people and their families weighed different factors on deciding for private institutions. Among these can be mentioned the lesser duration of degree programs, greater personalized attention, the variety of degrees, etc. The participation of the private sector in total undergraduate enrolment increased from 12.9% in 2000 to 20.5% in 2009 (see Table 1).

Governance and management structures in university institutions at the undergraduate level remained the same without significant changes; similarly, no change occurred in the diversification of degree programs and the progress of graduate programs and linkage with the productive sector present since the previous decade.

An additional facet to consider is the probable influence of the mechanisms for evaluating quality on programs subjected to accreditation. Between 2000 and 2010, 509 undergraduate programs underwent accreditation and 63 private and national university institutions were evaluated externally. On the other hand, between 1997 and 2000, there were 4,168 rulings on the accreditation of graduate programs (García de Fanelli, 2011). Some documents and doctoral dissertations written in Argentina in recent years, centered on the study of procedures for evaluation and accreditation, concluded that, according to the opinion of directors and other university actors interviewed, the quality assurance procedure that had the most impact on university transformation was accrediting undergraduate programs (Corregía, 2010; Guerrini, 2008; Guglianone, 2010). This can probably be attributed both to the legal consequences for the official validation of degree programs implied by the accreditation process, and (with state universities), the availability of funds for improvement.

If we analyze the probable effects of accrediting degree programs in DiMaggio and Powell's (1999) terms, we could suppose that these processes, based on standards agreed upon by the Council of Universities, constitute mechanisms of coercive isomorphism. Therefore, they would contribute to the homogeneity of degree programs within a certain discipline. The mechanism of normative isomorphism would act in the same way, as many of those who conduct the peer review during the accreditation process are teachers and researchers from national universities. Nonetheless, it will be interesting to see if these probable isomorphic processes will lead to a real change in the practices of teaching and research in universities. This question is particularly important in those areas – such as the graduate level in the private and public sectors or undergraduate programs in private universities – that are, in part, guided by mechanisms of market coordination.

FINAL REFLECTIONS

Within the context of the pro-market reforms of the 1990s, the state increased its presence within the organizational field of university education upon creating the Secretariat of University Policy, the CONEAU, the CPRES, the SECyT, nine national universities and a group of financing and quality assurance instruments that tended to promote transformations in university organizations. At the same time, private higher education increased and organizations began to incorporate activities that were guided in part by market logic.

Since 2003, as part of the framework of pro-state development reforms, the public sector has increased its presence as producer and planner of demand, but without using a strategy to plan the institutional growth, and the entire apparatus of

state coordination created in the previous decade remains. Even though state regulations prevent the creation of new private institutions, the pattern of economic growth contributes to its greater dynamism, which is reflected in an increase in enrolment.

Weighing the transformations observed during the two periods, it is possible to characterize the 1990s as the reform decade. On the one hand, the Law of Higher Education created an organization – the CONEAU – that most likely affected the organizational field of university education and institutions through coercive isomorphism. On the other hand, mimetic isomorphism played a role through copying the models of industrialized countries, affecting in particular the design of the state apparatus and public policy. Nonetheless, the university sector is diversifying itself in two senses: at the level of institutions and at that of programs and activities. At the same time, one can observe a strong structural inertia in the governance and management of undergraduate programs in national universities.

The first decade of 2000 has not introduced significant reforms in the organizational field of university education. Rather, the state's regulatory action has deepened through quality assurance mechanisms; in addition, financing instruments that tend to reinforce the legitimacy of evaluation have been incorporated. It will be interesting to see in particular if the obligatory accreditation of undergraduate and graduate programs, as a coercive isomorphic mechanism, comes to diminish the variety of curricular proposals within individual disciplines.

In sum, throughout these 20 years, higher education reforms have increased both the role of the state and the market, though their effects – on the actual transformation of universities' central structures and, particularly, on the quality of and equity in the sector – are still unknown.

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2. EUROPE

ELSA HACKL

RECONCEPTUALIZING PUBLIC RESPONSIBILITY AND PUBLIC GOOD IN THE EUROPEAN HIGHER EDUCATION AREA

INTRODUCTION

In 1998, the ministers responsible for higher education in France, Germany, Italy, and the United Kingdom met in Paris to celebrate the University of Paris's 800th anniversary. At the meeting, they signed the "Joint declaration on the harmonization of the architecture of the European higher education system" (Sorbonne Declaration). The document envisioned the creation of a European area of higher education with a harmonized framework of degrees and study cycles that would improve external recognition and facilitate student mobility and employability. Although there is a long history behind initiatives for joint actions in European higher education, as well as for measures taken by the European Community (Shaw, 1999; Corbett, 2005), the Sorbonne Declaration gained much public attention and gave birth, in 1999, to a Ministerial Conference in Bologna that marked the beginning of intensive higher education reform activities all over Europe (i.e., the Bologna Process).

In Europe, nation-states have traditionally protected and funded universities so they can contribute to developing citizenship and stabilizing national identity and belonging; hence, higher education has been a public responsibility and has been regarded as a public good. Does this also apply to the European Higher Education Area (EHEA)? Is it a bulwark against a global market for higher education or, rather, a regional component of that market?

This chapter will trace the use of the concepts *public responsibility* and *public good* in the successive Bologna Process ministerial declarations as well as in the policies envisioned by the Bologna Process. It will then examine the actual development of and changes to public and private funding and provisions for higher education in the EHEA. Finally, it will consider the impact of the Bologna Process on the reconceptualization of public responsibility and public good in European higher education.

THE BOLOGNA PROCESS

At a conference in Bologna in 1999, the four ministers who had signed the Sorbonne Declaration were joined in their endeavor to establish a European Higher Education Area by another 25 European countries, including all current EU member states (with the exception of Cyprus) plus Norway, Iceland, and

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Switzerland. There they signed the Bologna Declaration, which reaffirmed and specified the goals of the Sorbonne Declaration and launched the so-called Bologna Process. Their goal was to create the EHEA by 2010 through the imposition of common patterns and objectives onto the very diverse systems of higher education present across signatory nations. As membership is open to all countries that both signed the European Cultural Convention (a Council of Europe treaty) and are committed to the goals of the EHEA, today 48 countries (in addition to the European Commission) participate in the Process. There are also several organizations that act as consulting members: the Council of Europe, the UNESCO European Centre for Higher Education, the European University Association, the European Association of Institutions in Higher Education, the European Students' Union, the European Association for Quality Assurance in Higher Education, the Education International Pan-European Structure, and BUSINESSEUROPE.

The Bologna Process is marked by biennial ministerial meetings which always end with a (legally non-binding) document called either a *declaration* or a *communiqué* and named after the location of the conference. Thus far, meetings have taken place in Prague (2001), Berlin (2003), Bergen (2005), London (2007), Leuven/Louvain-la-Neuve (2009) and – to celebrate the formal establishment of the EHEA – the joint meeting of Vienna-Budapest (2010). As a result of the documents prepared by the Bologna Follow-up Group and its Secretariat (as well as by various working groups), the objectives of the Bologna Process – the so-called Action Lines – have been expanded. Today, these include not only a system based on three cycles, a system of credits, an overarching framework of qualifications, and the Diploma Supplement to enhance recognition, mobility and employability; but also quality assurance, joint degrees, lifelong learning, the social dimension of higher education, positioning the European Higher Education Area in a global setting, Bologna Beyond 2010, and stocktaking. In addition, initiatives and working groups have been set up at the level of the individual member countries to promote the Process and the implementation of its objectives, and to prepare the national progress reports for stocktaking (a duty whose purpose is to "harden" the soft-law character of the Bologna Process).

The Bologna Process is predominantly seen as one of the most significant reform efforts in university reform history, and it has become a topic of higher education research (Maasen & Musselin, 2009; Maeße 2010; Nagel, 2006; Neave 2009; Veiga & Amaral, 2008); however, some criticism is being raised from higher education researchers as well as from those studying and working in institutions of higher education. The former group casts doubts on the effectiveness of the Bologna Process at establishing a more comparable and compatible higher education system (de Rudder, 2010; Witte, Huisman, & Purser 2009), while the latter group may be further divided into three subgroups: university teachers who are firmly rooted in their national systems, regarding them as superior and defending them for reasons of quality; academics in non-English-speaking countries who are concerned that the Bologna Process entails the exclusive use of English in academia, especially in publishing – which, they say, could mean that their research will be less accessible to a wide population in their own countries.

This limitation of access compromises the societal role of universities, especially of the humanities and social sciences, and those who resent bureaucratization as well as liberalization. The Bologna Process coincided with changes in the relationship between the state and institutions of higher education ("institutional autonomy," out-sourcing, the introduction or raising of fees). This, together with implementing the objectives of the Bologna Process, entailed re-regulation. Students experienced the implementation of the new study system based on three study cycles, partly as over-regulation at the expense of student choice, and partly as privatization and an endorsement of the General Agreement of Trades in Services (GATS).

THE MINISTERIAL DECLARATIONS ON PUBLIC GOOD AND RESPONSIBILITY

Neither the Sorbonne Declaration of 1998, nor its successor the Bologna Declaration, referred to public good or public responsibility for higher education. It was only in 2001, when the European Student Union was first invited to a biennial ministerial meeting, that public good and responsibility entered the debate. The subsequent Prague Communiqué contains a relevant statement: "They (the Ministers) supported the idea that higher education should be considered a public good and is and will remain a public responsibility (regulations, etc.), and that students are full members of the higher education community" (Prague Communiqué, 2001). Debates and protests in Europe, which at that time accompanied the new round of negotiations of the GATS (in which education was one of the specified services), seemed to have facilitated the inclusion of this sentence into the Prague Declaration. Two years later, in the communiqué closing the Berlin meeting of 2003, the ministers reaffirmed "their position that higher education is a public good and public responsibility" (Ministerial Declarations and Communiqués). The next two communiqués published in Bergen did not refer to public good but the Ministers promised "upholding the principle of public responsibility". The London Communiqué of 2007, inspired by the New Public Management movement based on *stakeholders* and *consumers* rather than *governments* and *citizens*, stated that, "All stakeholders have a role here within their sphere of responsibility" (Ministerial Declarations and Communiqués). When the ministers met in Leuven/Louvain-la-Neuve two years later, their disenchantment with the free movement of capital and the need for state loans to prevent the financial collapse of banks seem to have influenced their communiqué, as that document not only reintroduced the concept of public responsibility for higher education ("The European Higher Education Area in 2020 shall be an area where higher education is a public responsibility …"), but also declared public investment in higher education to be "of [the] utmost priority" (Ministerial Declarations and Communiqués). At the meeting of 2010 in Budapest and Vienna, the ministers reaffirmed that higher education was a public responsibility and committed themselves "to ensuring that institutions of higher education have the necessary resources within a framework established and overseen by public authorities." The declaration then refers to higher education as "a major driver for

social and economic development," after which the ministers vow to "increase [their] efforts on the social dimension in order to provide equal opportunities to quality education …" (Ministerial Declarations and Communiqués).

THE AMBIGUOUS CONCEPTS OF *PUBLIC GOOD* AND *PUBLIC RESPONSIBILITY*

The Bologna Process began when the new concepts of *public good* and *public responsibility* became prevalent in Europe, a reconceptualization which was enhanced by globalization and Europeanization. These concepts have been linked to the nation-state, reflected in how "publicness" has been constituted (Newman & Clarke, 2009, p. 2) and explaining the equalization of public, government, and state ownership (Marginson, 2007, p. 309). Globalization, on the one hand, requires and inspires new concepts or different institutions such as global public goods (Kaul et al., 1999) or commons (Ostrom, 1990). On the other hand, the notions of public good and public responsibility have varied "from country to country, according to history and tradition and the system of government in place" (Egron Polak, 2009, p. 73). Though globalization and Europeanization require that one concept of public good and of public responsibility prevail, as long as the current concepts coexist and are ambiguous, they are useful for making compromises and official documents like the Prague Communiqué.

A statist, legal definition of a public good that goes back to the nineteenth century is that "such a good is open to everybody's use" (Austrian Civil Code, 2006, p. 44), which, of course, is open to the interpretation of lawmakers and, ultimately, courts. This legal approach was transformed more than 100 years later by economists who defined *public good* using its specific properties as a non-excludable and non-rival good (Samuelson, 1954), even though these properties are not fixed, but rather evolving. Regardless, education did not fit this category and economists began, therefore, to describe it as a merit good, that is, as one that would be under-supplied if left to the market (Musgrave, 1959). Again, this is not a solid answer, as *under-supply* has to be defined by someone and may change; for example, demand for higher education and the probability of private-sector investment in it may increase and, therefore, a higher education market may become viable. Consequently, higher education is not intrinsically public or private (Marginson, 2007), and the decision of how to provide and fund higher education ultimately remains a political and ideological one.

As happened with *public good,* the notion of *public responsibility* underwent a transformation during the last 20 years, when the concepts of the enabling, activating, or managerial state began to replace those of the welfare or active state in Europe (Clark & Newman, 1997; Dingeldey, 2005; Gilbert & Gilbert, 1989). *Public responsibility* has ceased to mean that the state provides the relevant services or that these are public monopolies; instead, it has come to mean that the state enables others to do so and oversees them. But even this reduced role of the state is questioned: Does *public responsibility* entail the responsibility of public authorities or that of individuals and groups of individuals (stakeholders) from the public sphere? In this case, "the responsibility of public authorities must be

completed by an analysis of the public responsibility of all other stakeholders" (Egron Polak, 2009, p. 79). As with public good, the new concept of public responsibility continues to coexist with the old one and, thus, remains ambiguous. As stated by the Council of Europe's Steering Committee for Higher Education and Research: "It was also repeated that no universal model for defining the nature and scope of public responsibility exists and that local and national conditions will each time colour the way it is exercised" (Shishlov, quoted by Egron Polak, 2009, p. 68).

WHAT CONCEPTS DO THE MINISTERIAL DECLARATIONS AND THE BOLOGNA PROCESS REFLECT?

First of all, one must note that, prior to the Bologna Process, the concept of the enabling state had already spread within Europe and changes related to it had already taken place; within the EU, public monopolies in higher education had also been abolished. Traditionally, institutions of higher education in the region have been public, although – due to differences in the way states were formed – the organization of those institutions has varied widely, as has that of other branches of public administration. Private higher education has not played a significant role in Bologna Process countries; in spite of that, public monopolies there have been gradually abolished since the mid 1980s – partly as a result of the European integration process. The Court of Justice of the European Union (ECJ), which rules on jurisdictional conflicts between EU institutions and EU member states, played a major role in this development. In Gravier v. City of Liège, the ECJ introduced the right to free movement for students and, a decade later, applied freedom of establishment to universities.

Gravier was a French national who moved to Belgium to study comic strips, a four-year course at the Royal Academy of Fine Arts in Liège. She was charged a registration fee by the Belgian authorities, one which was not imposed on Belgian students, and her residence was questioned. The ECJ ruled that the imposition of a registration fee is a breach of Article 7 of the Treaty Establishing the European Community (principle of non-discrimination). It held that the common vocational training policy referred to in Article 128 of the same treaty is an indispensable element of Community activities and objectives, and that

> access to vocational training is in particular likely to promote free movement of persons throughout the Community, by enabling them to obtain a qualification in the Member State where they intend to work and by enabling them to complete their training and develop their particular talents in the Member State whose vocational training programmes include the special subject desired. (Case 293/83 Gravier v. City of Liège [1985] EC R 593)

In another case, Vagias vs. DI.K.A.T.S.A, the ECJ ruled that Greek authorities had violated EU law upon refusing to recognize a degree obtained from a private institution affiliated with foreign universities, even though the Greek Constitution (Article 16/5) states that higher education is only to be provided by state

institutions. The Court based its decision on Articles 48 (free movement of workers), 52 (freedom of establishment), and 126 (cooperation in education) of the Treaty Establishing the European Community (Decision no. 2808/1997, July 8, 1997).

These decisions made clear that access, degree recognition, and qualifications were no longer a national prerogative and that public institutions were no more in a monopolistic position. A member state's private and public universities may supply their services in other member states where, from a legal point of view, they are private institutions. The European Commission set up the mobility program ERASMUS, which contributed not only to the substantial increase in student mobility but also to the Europeanization of tertiary education. The diverse national systems of higher education in Europe "started to emerge as a significant obstacle to the new European political agenda encompassing the principles of free mobility, cross border employability, etc. in societies at large as well as in their respective higher education system" (Zgaga, 2007, p. 27). As to the overwhelming number of the "Bologna countries" that are not EU member states, public monopolies in higher education have been abolished in the course of their change to market economies and their privatization policies. This was also the case in most member states that joined the European Union in 2004 (the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia) and in 2007 (Bulgaria, Romania).

The Prague Communiqué, which first referred to *public good* and *public responsibility*, explicitly mentioned only regulation as a public function. The Berlin Communiqué did not specify the two terms. The Communiqué of Leuven/Louvain-la-Neuve called for public investment in higher education, while that of Vienna-Budapest modified this assertion by ensuring the necessary resources – which, obviously, need not come from public coffers. This declaration also reaffirmed the regulatory function of public authorities.

In addition to the wording of the Bologna Declarations, the Action Lines for establishing an EHEA correspond to the idea of the public responsibility of the enabling state: They provide a framework "within which higher education is delivered, regardless of by whom" (Bergan, 2009, p. 47). In principle, they institute the "study architecture," instruments to make the agreed-upon degrees easily readable, comparable and transferable, in order to promote student mobility and to link those degrees to lifelong learning and employment. The Action Lines also provide a framework for institutionalizing quality assurance, which includes the creation of private accreditation agencies.

However, there is one exception to the purely-regulatory policy chosen by the European ministers for the EHEA: At the Prague meeting in 2001, the ministers first confirmed "the need, recalled by students, to take account of the social dimension in the Bologna process." But only the Bergen Communiqué of 2005 was more explicit about the "social dimension": equal access as well as public measures for underprivileged groups and enhanced mobility. This would call for the "publicly-responsible" state to play an active role in ensuring fair and equal access, which "is an important instrument in making higher education something

close to a public good" (Bergan, 2009, p.56). For the first time, the template for the 2007 London meeting's national reports included several questions related to the social dimension. These templates, plus data provided by the Statistical Office of the European Commission (Eurostat) and Eurostudent (a project whose aim is to collect data regarding the social dimension of higher education) were the basis for a report of a working group formed to prepare proposals as a basis for future stocktaking (Government Office of Sweden, 2007). The Stocktaking Report 2009 that followed the report of the working group contained a section on the social dimension of the European Higher Education Area which stated that

> … virtually all countries take some action in order to enhance participative equity in their country, but only a minority of the countries has set up monitoring systems for measuring progress on the issue. Still fewer countries show evidence of an integrated strategy with synergies between government actions and institutional practice, funding arrangements, lifelong learning strategies, recognition of prior learning, cultural and linguistic minority issues, guidance services, communication policy, social policy, anti-discrimination protection, tax system etc. (Rauhvargers, Deane, & Pauwels, 2009, p. 139)

PUBLIC FUNDING AND PUBLIC PROVIDERS AS INDICATORS FOR PUBLIC GOOD/RESPONSIBILITY

Public funding and public provision are indicators for public responsibility and public good (in the traditional sense of the active state).

Has public funding and public provision of higher education changed during the course of the Bologna Process? Is European higher education, in this respect, developing differently from that of other OECD countries? Data for all the Bologna countries are lacking; however, OECD data provide an overview of the development of public and private expenditures on higher education from 2000 to 2007 in those European countries that have participated in the Bologna Process from the beginning (the EU19 countries) and in the other OECD countries. They also give a rough idea of public and private education providers.

Higher education funding

Overall expenditures on higher education

The percentage of the GNP spent on education illustrates the importance placed on it by society. According to OECD data (OECD, 2010, p. 217, Table B2.1), the (non-weighted) average of overall expenditures on education as a percentage of the GNP of the EU19 countries was 5.3% in 2007 (the last year for which data are available) with the countries varying between 7% and less than 5%. The average OECD percentage of GNP spent on education was slightly higher than the EU19 average, namely, 5.7%.

In tertiary education – the term used by the OECD to emphasize that higher education consists of different tracks (ISCED 5A, 5B and 6) – the situation was

similar: In 2007, the EU19 countries spent, on average, 1.3% of the GNP on this sector, which, again, is slightly below the OECD average (1.5%). However, the United States spent more than 3.1 % of its GNP on tertiary education, with Canada and Korea at approximately 2.5%. In 2000, the year following the Bologna Declaration, the averages were 1.2% for EU19 and 1.3% for the OECD.

This gap in funding between the EU and other OECD countries, notably the U.S., has been a continuous concern for the European Commission: "… funding for universities is far too low compared to our major competitors, both in education and research" (European Commission, 2006), and is attributed to the lack of private investment in European universities.

Public and private investment in higher education

In Europe, public sources of funding dominate all three educational levels analyzed by the OECD. In 2007, public funding represented on average approximately 90% of all levels of education combined, while private funding, including subsidies attributed to payments to educational institutions received from public sources, represented 10% (OECD, 2010, p. 233, Table B3.1).

In tertiary education, the share of public funds differs significantly among countries. In order to illustrate these differences among European countries, Table 1 lists all EU19 countries and compares them with major American and Asian systems as well as with the Australian system. The table shows that in 2007, the share of public expenditure ranged from 35.8% (UK) to 96.5% (Denmark). However, the increase in private expenditure was most pronounced in Portugal and Austria, though the share of public expenditure in these countries has remained high. Yet, in general, private sources of funding are on the rise: Public expenditure increased on average by 28% in the EU19 countries from 2000 to 2007, while private expenditure increased 132%. In 2000, the amount of public expenditure on tertiary education was more than 90% in eight out of the EU19 countries, while in 2007 this was the case for only three countries. The biggest decline in this period occurred in the United Kingdom, where the percentage of public expenditure on institutions of higher education dropped by almost half.

Compared to other OECD countries such as the U.S., Japan, and Korea – where two-thirds or more of expenditures on institutions of tertiary education originate from private sources – the percentage of private expenditures in EU19 countries (with the exception of the UK) is still small. However, the first seven years of the Bologna Process in these countries were, in general, accompanied by a decline in public funding, and there are no signs that this trend has been reversed.

Higher education providers

Public funding of education does not necessarily mean that education is provided by public institutions alone. The OECD classifies educational institutions as either public or private according to whether a public or private entity has the final say over the institution's affairs. It is public when it is "controlled and managed

Table 1. Relative trends of public expenditure on institutions of tertiary education (2000, 2007)

	Tertiary education: **Share of public expenditure, %**		***Tertiary education:*** **Index of change between 2000 and 2007** (2000=100 constant prices)	
	2000	**2007**	**Public Sources**	**All private Sources***
Austria	96.3	85.4	130	577
Belgium	91.5	90.3	110	126
Czech Republic	85.4	83.8	203	230
Denmark	97.6	96.5	121	180
Finland	97.2	95.7	118	187
France	84.4	84.5	115	114
Germany	88.2	84.7	104	141
Ireland	79.2	85.4	127	82
Italy	77.5	69.9	100	148
Netherlands	76.5	72.4	115	143
Poland	66.6	71.5	172	137
Portugal	92.5	70.0	125	659
Slovakia	91.2	76.2	137	447
Spain	74.4	79.0	134	104
Sweden	91.3	89.3	114	143
United Kingdom	67.7	35.8	121	228
EU19 average	***85.2***	***79.4***	***128***	***232***
Australia	51.0	44.3	118	146
Canada	61.0	56.6	119	143
Japan	38.5	32.5	97	126
Korea	23.3	20.7	134	155
Mexico	79.4	71.4	134	207
United States	31.1	31.6	137	133
OECD average	***77.8***	***69.1***	***127***	***201***

*Including subsidies attributable to payments to educational institutions received from public sources.
Note: Greece, Hungary and Luxembourg are not included because of missing data.
Source: OECD (2010).

directly by a public education authority or by a governing body (Council, Committee etc.), most of whose members are appointed by a public authority or elected by public franchise" and private when "controlled and managed by a nongovernmental organization … or its Governing Board consists mostly of members not selected by a public government agency but by private institutions" (Vincent-Lancrin, 2009, p. 261).

Private institutions might be highly subsidized or not at all. The OECD, therefore, divides private schools into two groups: those that receive less than 50% of their core funding from the government ("independent private schools") and those that receive more than 50% from the government ("government-dependent private schools") (OECD, 2010a).

The proportion of students in primary and secondary schools without substantial public funds is quite small in OECD countries (OECD, 2008, p. 346, Table C2.4). In tertiary education, the difference between European and the other OECD countries is more pronounced: In 2006 (the last year for which data are available), approximately 7% of students in type A education (ISCED 5A and ISCED 6: 3 to 6 years or more of tertiary education) were enrolled in independent private institutions (according to the EU19 average), approximately 12% studied in government-dependent private institutions, and about 82% in public institutions. The proportion of students in private institutions was higher in the vocational-oriented tertiary-type B sector (ISCED 5B: minimum duration 2 years, focus on practical, technical, occupational skills), where 20.7% of the students were in government-dependent and 6.1% in independent institutions, and only 68.3% in public institutions. In contrast, PhD programs were rarely offered by private institutions.

There was a marked difference in the United States, where a government-dependent private sector does not exist, and where approximately 80% of students were in public institutions and 20% in independent private institutions. The most striking difference – both in Europe and in the United States – was in Korea, where the overwhelming majority of students in tertiary education (more than 80%) were in independent private institutions.

Unlike data on private expenditure, the information for private providers does not adequately reflect ongoing changes: First, because data on providers have only been published irregularly and second, because OECD data are based on a definition of public and private institutions that does not allow for grasping the complexity and diversity of privatization in its entirety.

Up to now, despite Europe's diverse educational traditions and systems, independent private institutions are rare there. Rather, along with the reconceptualization of public responsibility, "Public institutions are increasingly changing status to become more autonomous and less reliant on public authorities, without becoming 'independent private'" (Vincent-Lancrin, 2009, p. 265). Institutions of higher education have become business-like organizations and an "endogenous privatization" has taken place (Ball &Youdell, 2008), regardless of whether they are private or public legal entities. Once again, this involves a blurring of the public and the private (Enders & Jongbloed, 2007, p.20).

CONCLUSIONS

The Bologna Process has been accompanied by student protests, though they have so far remained modest. Students worry that the Process endangers both the nature of higher education as a public good and public responsibility for it; moreover, they fear that the Process supports the privatization or, rather, the marketization of higher education. In the latter case, higher education would no longer be a public activity (that is, one exempt from regulation by a market), but rather an economic one, just as has already been envisaged by European Union law in the Directive that removed the barriers to the free movement of services between member states **(**European Parliament and the Council of the European Union, 2006).

Indeed, the Ministerial Declarations stress only the regulatory function of the state, and the Bologna Process Action Lines reflect a concept of public responsibility that is in tune with the enabling but not the active state, since they institute a framework for providing higher education that does not discriminate between public and private sources. This implies that the state and the higher education provider have different responsibilities and that they should be separate. This separation aligns with the spread of government-dependent private institutions. Traditionally, European higher education has been funded almost exclusively from public coffers. Has this changed in the course of the Bologna Process? Although from 2000 to 2007 private expenditure on higher education rose more than five times as much as public expenditure, the share of public funding is still almost 80%; however, the public share dropped significantly in some countries, indicating that the situation is in a state of flux.

Can one conclude from these facts that the Bologna Process involves diluted public responsibility and increased private funds? Is the Bologna Process the sole driver of this development, and would this development have not occurred without the Process? Public monopolies in higher education were abolished and the public share of funding began to decline before the Bologna Process started. The close links between the nation-state and the university (Kwiek, 2006) – a resulting from the latter's function of educating the political elite – became lax when the private sector grew to be the major employer of university graduates (although the term "employability" entered the rhetoric of higher education through the Bologna Process).

The ministers who gave birth to the Bologna Process through their "joint action" (Hackl, 2001, p. 17) and the different policy entrepreneurs at the national and supranational level who propelled the Process forward (Corbett, 2009) did so to build support for their pertinent reform ideas, which included that of the "lean state." The Bologna Process, functioning as an agency for the diffusion of (best) practices, accelerated this decoupling of universities and the state.

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ANDRÄ WOLTER

STATE, MARKET AND INSTITUTION IN GERMAN HIGHER EDUCATION – NEW GOVERNANCE MECHANISMS BEYOND STATE REGULATION AND MARKET DYNAMICS

INTRODUCTION

In many, perhaps nearly all European countries, national higher education systems have been subjected to far-reaching reforms at system and at institutional level during the last decades. One of the most significant reforms embraced the implementation of new steering concepts and procedures. The modernization of organization, governance, management and funding of higher education systems and institutions has become a central concern in most European countries even if there are still many national variations in the reform process. One of the key words in this process has been "market", referring to the establishment of market-oriented procedures of steering, despite the fact that it has often been not really clear what a market is in higher education.

In nearly all modern post-industrial societies, higher education is subject to growing public, social and economic expectations. Because higher education has become a driving force of social and economic development in the face of a rising knowledge-based society, universities have become more and more instances of rationalization of the scientific-technical civilization. The other side of this coin is the necessity to adapt higher education systems and institutions to these new or at least growing functional requirements in order to make institutions more effective and productive. Institutions have been confronted with the demand to increase their performances and outcomes in teaching and research. Therefore, while on the one hand, universities have become more and more institutions of social rationalization, they have been forced, on the other hand, to increasingly rationalize their performance production.

In this context, governance – however we understand under this term – is of central importance in the adjustment of higher education institutions to these requirements. Suitable structures of decision-making are an inevitable pre-condition for every substantial reform. Hence, new structures and procedures of governance and management have been established in many European countries linking state, market and institutional mechanisms in innovative ways and patterns. Steering and governance have become key concepts to enable universities to fulfil their social functions in society.

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COMMON TRENDS AND PATTERNS IN GOVERNANCE REGIMES IN EUROPE

Eleven years ago, in the year 2000, a Eurydice[1] study took stock of – as indicated by the title of the study – "two decades of reform in higher education in Europe" and found that a series of reforms had already been initiated and carried out during the 1980s and 1990s. This might be called the first wave of reform in European higher education (Eurydice, 2000). The study drew the following conclusions, and these conclusions also describe the current situation in some respects:

- The reform dynamic or the speed of reforms varied a lot between different European countries. There were countries leading the way (e.g. the United Kingdom or the Netherlands) and there were latecomers, especially in continental Europe. All in all, Germany was a latecomer, a "delayed" nation in the area of higher education reforms.
- On the one hand, a wide-ranging consensus on the general objectives of national higher education policies could be observed. Often reformers had used the same key words to justify their reform policy – and "market" seemed to be such a key word. On the other hand, there were considerable variations in the legal and policy instruments and in the detailed reform concepts. There were divergent developments as well as convergent trends.

Of course, such reforms and changes in the formal and organizational structures of higher education are only part of a more comprehensive reform agenda developed by the European countries (Wolter, 2004); and since the late 1990s, at the same time the Eurydice study was finished, a new wave of reforms has evolved. Many of these have been initiated in the context of the so-called Bologna Process begun in 1999, the project intended to establish a "European higher education area" in which 45 countries currently participate. Bologna has become the main driving stimulus to reform higher education systems in Europe during the last 10 years. The so-called Lisbon Strategy that the EU committed to in the year 2000 has been a further stimulus for the modernization of higher education in Europe. One of the messages of the Lisbon Strategy is that higher education should play a decisive role in forming the future European knowledge-based economy as the most competitive and dynamic area – or at least one of the most dynamic areas – in the world. Even if we ignore the rhetorical excess of this phrase, the challenge behind it is quite clear.

However, Bologna focuses primarily on the adoption of a comparable architecture of studies and degrees, quality assurance, the implementation of lifelong learning structures, student social policy, doctoral studies, internationalization of higher education and many other related issues more than on governance and management. But there are interrelationships between the field of reforming studies and that of governance and management, not only in the areas of quality management, evaluation and accreditation. Bologna has increased the requirements for the stakeholders, particularly university management, to implement this comprehensive and ambitious concept to reform higher education.

[1] Eurydice: The Information Network on Education in Europe.

The implementation of Bologna has required strong institutional responsibility and management structures.

As a consequence of changing societal requirements and conditions for higher education institutions, there have been several common trends and similar patterns in the development of governance structures, which can be observed throughout European countries, despite the fact that there are many differences and the particular features are specific to individual countries and national contexts.[2] In any case, there have been two influential policy concepts for the reform of governance structures in Europe, in particular in Germany: the Dutch model of "steering at a distance" for the relationships between state and institution, which Guy Neave and Frans van Vught (1991) had already characterized nearly 20 years ago as the shift from the "interventionary state" towards a "facilitatory state"; and the American model of strong management for the decision-making processes within the institution.

Even though general, overarching models of governance and of relationships among state, market and institution cannot be identified throughout Europe, recent OECD, EU and studies by other authors have described five pre-dominant patterns in the development of governance regimes (CHEPS, 2007; Maassen, 2006; OECD, 2003, 2008; Paradeise, Reale, Bleiklie, & Ferlie, 2009; Weiler, 2001).

The reduction of detailed state control and the widening of institutional autonomy

Many countries have found that the capability of the state to intervene increasingly into complex social institutions as universities is limited and that the relationships between state and institution must be reorganized. This move can take two different manifestations: a kind of "de-nationalization", for example, the transformation of institutions from state agencies to legal entities such as public corporations, or, in Germany, foundations, or the delegation of substantial operating responsibility from state to institutional level (Maassen, 2006). The fields in which universities are now enjoying enhanced autonomy vary – from financial management to recruiting academic staff, the organization of programs and courses, access and admission, and strategic development. So, institutional autonomy can assume many forms. The new re-defined role of the state can also imply different forms: setting strategic targets, regulating the legal framework and the general design of the higher education system, steering institutions by incentives, regulating the procedures of funding, allocation and more.

[2] For example, there seems to be a general trend to reduce state control and to widen institutional autonomy. This is true particularly for those countries with previously a very high degree of state regulation whereas in a few countries with a previously lower level of state responsibility, state influence can be intensified to force institutions to reform.

Strengthening institutional management and professionalizing university management

Often the strategy of deregulating state competencies and enhancing institutional responsibility – including the reorganization of intra-institutional decision-making – is called the "new steering model" (Braun & Merrien, 1999; Kehm & Lanzendorf, 2005, 2007; Wolter, 2007) and, on the side of internal governance structures, the "rise of managerialism" (Amaral, Meek, & Larsen, 2003). This trend is complementary to increasing institutional autonomy, as its main purpose is to convert the university from a loosely-coupled organization and consensus-oriented institution into a professional organization. The new steering model includes also different elements:

- the enhancement of responsibility of the executive authorities at central and faculty level;
- the redistribution of influence from collegial bodies to the management;
- the establishment of new steering procedures such as target agreements and performance-based allocation within the institutions;
- the changing of selection procedures, e.g. more frequent external recruitment, and the involvement of external boards and head-hunting agencies even though the majority of university managers continue to have academic backgrounds.

Quality assessment, accreditation and public accountability

In most European countries the extension of institutional autonomy has been linked with the institutionalization of new procedures of quality assurance such as evaluation or accreditation (Kehm, 2007; Schwarz & Westerheijden, 2004; Wolter & Kerst, 2008). During the last 15 years, the introduction of new structures responsible for quality issues has been a central element of the Bologna Process. Sometimes such instances have been established within universities, sometimes as intermediate, independent or state agencies. Agencies can be organized at regional or national levels; they can be subject-related or cross-sectional. Often they focus on teaching and studies, and sometimes also on research. Accreditation can include programs or institutions (then often called audits) or both. Another trend embraces the involvement of stakeholders in the form of executive bodies or boards, sometimes with decision-making abilities and sometimes only with advisory competencies.

Growing emphasis on competition and market-like mechanisms

In many European and non-European countries, the market rhetoric has become a firm part of higher education policy debates (Teixeira, Jongbloed, Dill, & Amaral, 2004). In most cases that means the introduction or extension of competition-based forms of steering and allocation with the purpose of improving the efficiency and quality of higher education. National differences are related to the degree to which institutions are confronted with competition, the fields in which competition take

place (e.g. recruitment of scholars, allocation of funding), and the incentives for institutions or academics. The increasing spread of ranking procedures to enhance transparency, visibility and reputation is another medium of competition. In some countries extending competition also includes the growth of the private sector in higher education which can take very different forms, at times representing the elite, at other times the mass sector of higher education or some institutional niches. But, as an OECD study (2008) argues, in most OECD countries (in particular in Western Europe) "recent policy activities … have concentrated on the balance between government regulation and market-type mechanisms rather than on the development of a private tertiary sector as a substitute to the public sector" (OECD, 2008, p. 84).

New funding and allocation procedures

In many European countries higher education institutions have to cope with two challenges.

According to a CHEPS study (2007) there is some evidence that the level of public funding of higher education in Europe has not changed during the last decade – neither decreasing nor increasing. However, because of limited public resources in the face of a growing higher education sector, the first challenge is that institutions are expected to extend their funding basis by their own efforts, to supplement public with private revenue through third-party funding, private sponsorship, academic entrepreneurship (e.g. continuing higher education), or public-private partnerships. A few countries have introduced tuitions fees during the last 10 years. But with respect to fees, there is also a wide variety of developments throughout the EU (CHEPS, 2007) concerning such issues as how much tuition may be charged; whether fees are set at national, regional or institutional level, for all programs and students; or only for selected programs and groups of students.

The second challenge includes the introduction of new budgeting and allocation models on two levels, the external level between state and institution and the internal levels within the institution. Institutions seem to have gained a certain degree of freedom to distribute their budget in line with self-regulated criteria and procedures. In many countries performance-, indicator- or formula-based procedures of allocation have been established in accordance with the expectation that public resources are efficiently spent.

To sum up, it is possible to say that there has been a considerable extent of governance reform across Europe. In reality, however, we can observe a lot of diversity, in particular in the predominance of mixed models linking traditional and new forms of steering. National or, in the case of Germany, state governments and institutional management play crucial roles in the process of decision-making, whereas the traditional forms of collegial and consensus-based forms of participation have come under pressure but have not yet disappeared. New stakeholders such as boards or agencies have appeared (Amaral & Magalhaes, 2002). There is a clear trend to enlarge institutional responsibility but it is an open

question whether the state has really abandoned its influence or has only re-arranged it in more sophisticated ways. The deregulation of responsibility from state to institution does not imply automatically that the state is stepping back, but that influence is exercised in new forms.

GOVERNANCE OF HIGHER EDUCATION: CONCEPT AND DIFFERENT MECHANISMS

Governance has become one the most prominent terms in the academic and political discourse for analyzing and discussing changes in the organization, steering, control and management of higher education (Amaral et al., 2002; Paradeise et al., 2009). Markets have been frequently considered as a particular instance of governance. However, it is often not really clear what is meant by governance. Indeed, there is no academic consensus about the definition and use of this term. Governance can be an analytical or a descriptive term, but also a normative notion, as in "good governance".

Governance as defined in this paper concerns the coordination and regulation of the collective action of actors or stakeholders in the context of systems, institutions or organizations (Benz et al., 2007; Mayntz, 2009). Governance analysis is interested in the explanation of structures and processes of how individual or institutional actors cope with the interdependencies between individuals, institutions, networks or organizations. Instances of governance in higher education include the government, institutional management, the market(s), the academic community, external stakeholders, intermediate institutions and many others. Forms of governance relate to the structure of regulation whereas mechanisms of governance primarily focus on the processes in the context of those structures. This actor-oriented and collective-action-directed approach makes governance a worthwhile concept also for higher education research.

In a wider meaning defined by an OECD study (2008), governance connotes

> the structures, relationships and processes through which, at both national and institutional levels, policies for tertiary education are developed, implemented and reviewed. Governance comprises a complex web including the legislative framework, the characteristics of institutions and how they relate to the whole system, how money is allocated to institutions and how they are accountable for the way it is spent. (p. 68)

But it is important to take into account that governance analysis concerns particularly the instances, forms and mechanisms of coordination between the individual or collective actors involved.

Based on this concept of governance, five different mechanisms have been distinguished in German higher education research (Schimank, 2007, 2009, partly based on Clark, 1983):

(1) Direct state regulation of higher education, e.g. by law or other legal administrative instruments, as a type of hierarchical steering. State in this sense

means not only the government and the state administration but also the parliament which in some countries, especially in Germany, has the final responsibility for the budget.

(2) External target-oriented steering of institutions, e.g. by contract management, indicator-based resource allocation or intermediate bodies. Several procedures have to be distinguished:
- State and institution agree about contracts or target agreements with pre-set targets (e.g. to increase the number of students or the share of female faculty) linked with funding consequences; the same procedure can take place within the institutions between central and faculty level.
- A similar steering effect is expected from indicator-based budgeting; in this case the activities of the institution are to be determined by the indicators in the desired direction (e.g. to increase the number of graduates).
- The establishment of external intermediate institutions such as agencies (for evaluation or accreditation) follows basically the same purpose, e.g. to assure or increase the quality of studies.

(3) Academic self-organization of the university. This is the traditional core of the European, in particular the German university, as an academic corporation, consisting of a community of equal scholars and based on the participation of all members with a flat hierarchy between the individual scholar and the university management.

(4) Internal hierarchical self-steering of institutions, basically by the same instruments utilized at the level between state and institution, e.g., contracts, target agreements, performance-based budgeting and so on.

(5) Inter- or intra-institutional forms of competition which also comprise different forms: competition between persons (students or scholars), between institutions (e.g. private and public universities, but also between public universities) and within institutions. Furthermore, the incentives of competition vary, sometimes reputation, sometimes money or study places. It is important to take into account that, different from economic markets, the main medium of competition in higher education is often academic reputation and distinction.

Higher education systems are characterized by a particular configuration of these five mechanisms. So, systems can be described and analyzed with the help of this scheme. For example, the traditional German higher education system in its state before the current reforms distinguished itself through
- a very high degree of state regulation or over-regulation by a proliferation of state decrees,
- non-existence of external intermediate target-oriented steering except a very few advisory bodies,
- a strong position of the academic self-organization as the second pillar of university governance besides the state,

– a collegial- and consensus-oriented form of internal governance, based on the high degree of formal individual autonomy the legal status of professorship guarantees, and
– a low level of competition.

For Germany, there is some evidence that – to put it bluntly – the traditional idea of higher education as a public and unselfish institution organized as an academic republic clashes with the new model of the university as a professionally managed enterprise, operating in various markets as a service institution. Of course, there are more models of governance than these two idealized concepts just described, but both play a very prominent role in the current German debate on higher education reform.

THE CHANGING GOVERNANCE REGIME IN GERMAN HIGHER EDUCATION

As just explained, the traditional governance regime of German higher education can be described as a combination of the pre-dominance of state regulation together with a less powerful but influential position of the academic community. The policy debate about necessary reforms of university governance arose in the middle and second half of the 1990s. After the early and controversial reform period in the late 1960s and early 1970s there was a period of nearly 20 years characterized by a de-facto moratorium on reforms, except the brief period around 1990 when German re-unification necessitated some – very few – changes to bring former East German higher education institutions into the system. Obviously, the traditional governance model embracing a powerful state and a less powerful but still influential academic self-organization is now in a crisis.

Both main actors seemed to be overtaxed with the enormous growth of the German higher education system during the last decades. On the one hand, the state was confronted with the massively increasing funding requirements of a permanently expanding system that could no longer be steered by the traditional procedures of budgeting and state administration. On the other hand, universities had turned from small institutions into complex large-scale organizations but still with amateurish, unprofessional kinds of management.

During this time universities came to be seen more and more as an endless drain on public resources with a remarkable lack of efficiency. The decision-making capability of the academic self-organization came to be doubted. Particularly the model of the so-called group university in which all members of the university including students and non-academic staff participate has come to be mistrusted because it was thought to be only an impediment in the decision-making process. “Organized irresponsibility” was one of the slogans criticizing the traditional form of internal governance. Therefore, since the end of the 1990s, many reforms involving governance mechanisms in German higher education have been implemented (Krücken et al., 2009; Schimank & Lange, 2009; Wolter, 2004, 2007).

Following are descriptions of the recent main developments that support the five governance mechanisms presented earlier:

Direct state regulation

It is important to realize that, in Germany, state responsibility for higher education is primarily institutionalized at the level of the 16 states and not at national level. The traditional German notion of a federally organized *Kulturstaat* with the principle of state sovereignty in educational affairs was reinforced yet again by the so-called great federalism reform of 2006 which substantially reduced the competencies of the national level in higher education policy that were already small to begin with. As a consequence, it is fair to say that Germany has established an overly complex model of regulation consisting of

- very limited responsibilities at national level (e.g. for access and degrees), while
- the main competencies are at state level;
- a very complex mechanism of coordination between the states;
- the institutional level;
- and lastly the growing importance of the European level in higher education issues, as the Bologna Process shows.

The coordination instances between the 16 states, in particular the so-called standing conference of Education Ministers, provide for a minimum of common regulations and developments. However, different political programs and the varying economic and financial capabilities of the states have fostered not only competition but also some but moderate divergent developments among the states – a manifestation of so-called "competitive federalism". One of the consequences of the federal organization of state responsibilities is that the implementation of the new governance regime varies from state to state (König, 2009; Lanzendorf & Pasternack, 2009; Orr, 2009) with both marked differences in the architecture of the models and in the speed of reform. In some states the government and its administration have reduced their competencies to a large extent, for example, in Nord Rhine-Westfalia, Baden-Wuerttemberg, and Lower Saxony. Other states have been more hesitant, for example Bavaria, Brandenburg, and Mecklenburg-Vorpommern.

However, apart from these differences, there are also many similarities between the German states. In the meantime, deregulation of responsibilities from state level to the institutional level has taken place in the majority of German states. Deregulation includes the shift from former block-grants to one-line budgeting, the transmission of appointment competencies to the institution, and the transmission of the responsibility for the approval of studies from ministries to institutions complemented by the establishment of accreditation agencies. The extent and forms of deregulation vary between the states. There are only two states (Lower Saxony and Hessia) in which some universities have been converted from state institutions into public foundations or similar constructs with a considerably higher degree of autonomy. Their main problem is the lack of their own capital stock so that even foundation universities depend primarily on state funding.

Contract management between state and institution has also been introduced in the majority of states (König, 2007)**.** This hybrid type of management can follow from different types of logic, hierarchical or cooperative (König, 2009; Kracht, 2007). In

some aspects, it is a form of state regulation because of the hierarchical, asymmetrical relationship between state and institution. On the other hand, contract management is also an example of the second type of governance mechanism – target-oriented external steering. It is necessary to distinguish between different types of contract management, namely contracts between the state government and all universities (called pacts) and contracts between the government and individual universities (called target agreements).

Both have been put into practice in almost all German states. Often financial cuts are the reason for such contracts (Breitbach, 2007). In return the state often promises financial planning reliability for the institutions. Differences between states include primarily the varying obligatory status of such agreements. This is exactly the main problem with contract management: the unclear legal character and the reliability of such contracts, in particular with respect to the promises made on behalf of the state. There is some empirical evidence showing that the legal form of a contract does not stop the state from not meeting its obligations.

External target-oriented steering

External target-oriented steering primarily implies the establishment of procedures or bodies outside the university to direct academic and institutional performances towards politically desirable targets, often by means of intermediate or buffer institutions such as boards or agencies. Such institutions are a relatively new phenomenon in German higher education, whereas before it was usual practice for the state to set up independent committees on occasion to evaluate higher education institutions or the complete system and to work out recommendations for reform.

The state can also operate in part as an instance of external target-oriented steering. Contract management is an example of a hybrid procedure between state regulation and target-oriented steering. The same is true for indicator- or formula-based resource allocation. Common to all these instruments is the purpose of directing the activities of institutions towards complying with defined targets and indicators. As of 2009, nearly all German states have concluded agreements with their universities. Often such agreements imply a funding component as an incentive. All in all, practice shows that such target agreements are top-down dictates by the state rather than reciprocal agreements between state and institution. Two further major problems have become evident: the evaluation of the outcomes or results at the end of the contract period and the link between targets and target realization on the one hand and the incentives and rewards on the other hand.

Indicator- and formula-based procedures of funding and allocation have also been introduced in all German states (Jäger, 2009). The steering effects of such models depend primarily on the selected indicators and on the proportion of the budget that can be redistributed. There is a clear trend in all states to use the same criteria – for example, the number of graduates in the area of studies and the volume of third-party funding as a research-related criterion – and to limit the redistribution effects to a small proportion of an institution's budget.

Another instance of external steering consists of agencies for quality assurance, partly for evaluation, partly for accreditation, or for both (Kehm, 2007; Wolter & Kerst, 2008). Several of these institutions have been established since the mid-1990s, at first for the purpose of evaluation and later for accreditation. Instead of the traditional approval of courses through state authority, it has now become common to accredit and re-accredit courses or programs on the basis of recommendations from one of the several independent agencies in Germany, which have to be licensed by a central accreditation board run as a joint venture by the state and the universities. Because nearly all courses and programs, with very few exceptions, have to be reformed as a consequence of the Bologna Process, all of them have already been or will be submitted to such accreditation procedures.

Finally, another important instrument of external target-oriented steering is the installation of university boards (Gerber et al., 2009). All German states have installed such committees during the last few years, but their composition and competencies vary from state to state: some have clear decision-making competences, others only advisory ones. The establishment of such boards was a consequence of the widespread criticism of academic self-organization. The introduction of boards is thought to strengthen the institutional management vis-à-vis the collegial bodies and to protect the university against too many state interventions. In the end, the actual influence of such boards depends on their legal status. Particularly in the case of foundation universities, boards have gained a central importance as a governance mechanism. In the case where boards have gained legally influential positions, there have sometimes been massive conflicts between the boards and the academic world.

Academic self-organization

Academic self-organization is the core of traditional governance structures in German higher education. It derived from the corporative origins of the modern university and was reinforced in the course of the university reforms in the early 19th century. Although the state continuously extended its intervention and responsibilities after World War II, institutional decision-making has remained inherent in the academic self-organization. The most important innovation since the early 1970s was the shift from the *Ordinarienuniversität*, based only on the participation of professors in the decision-making processes, to the so-called group university with differentiated participation rights of the other member groups limited by a Constitutional Court's ruling in 1973.

But this extended form of self-governance with its preference for consensus-based decisions has permanently been under criticism because of its alleged tendency to block decisions, its lack of fortitude in upholding decisions, and its lack of effectiveness and dependence on particular interests. So, academic self-organization and efficient leadership have often been considered as a contrast. And the intent of new concepts in higher education management is typically to strengthen institutional management at the expense of the collegial committees. As a consequence, most state higher education laws have been amended during the last

10 years to empower university management and to weaken the rights of the collegial bodies, in particular those of the academic senate. There has been a significant shift in the authority structure of the German university from the academic community, often with oligarchic traits, and from the individual scholar to the university management at central level and in a more moderate way to the faculty level.

But in practice at both levels, institutional management and academic self-organization have often entered into compromises and mixed forms of governance because it has proved to be difficult in the long run to lead such complex organizations as universities against the majority of the academic community. So, parts of the traditional consensus culture have survived despite the fact that a new class of executives has evolved as a distinct group in the university. From an empirical point of view, discrepancies have often been observed between the far-reaching ambitions of the concept of managerialism and the continuously still-limited range of management influence (Amaral et. al., 2003), which indicates that universities with their still-high degree of scholar autonomy are very obstinate institutions.

Institutional management

The implementation of internal target agreements and new allocation models is seen as a way, firstly, to strengthen institutional leadership within the university; and, secondly, as a procedure to provoke more competition between faculties and individual scholars by setting up some incentives. Almost all German universities have introduced formula- or indicator-based procedures of budgeting during recent years (Jäger, 2009). Most frequently, the allocation within an institution – from central to faculty level – occurs in two ways: a basic budget in accordance with the size of the unit, and a performance-based budget. But the achievement component normally includes only a small proportion of the budget which obviously limits the steering effects. The indicators used are mostly the same as at the level between state and institution, i.e. number of first year students, number of graduates, in particular with a PhD, volume of third-party funding, and so on. As already is the case between state and institution, there is a clear trend to more homogeneity instead of profiling because institutions and faculties follow the same standards and criteria – a special case of "mimetic isomorphism" (Meier & Schimank, 2002, based on DiMaggio & Powell, 1983).

Target agreements within the university are very new instruments and so far not as widespread as between state and institution and as indicator-based budgeting. They are expected to operate as instruments of strategic steering, of organizational and staff development, linked with funding consequences. Two kinds of such agreements have to be distinguished: agreements with organizational units, e.g. between president and faculties, and those with individual academics, e.g. in the case of appointments. Often such agreements are considered to be a procedure of participative management based on mutuality between top-down and bottom-up. In practice, of course, there is rather an asymmetrical relationship.

Competition and markets

Besides the other instances mentioned, markets are a further medium of coordination. As explained before, "market" has become a very prominent slogan in European and German higher education policy, but it is seldom really clear what markets in higher education actually are (Becker & Round, 2009; Teixeira et. al., 2004). Often market means only competition, but in a strict sense markets are substantially more than that. Competition alone does not constitute a market. Talking about a market or about markets implies at least the following (partly based on Jongbloed 2003):

- A market is a mechanism to coordinate between demand (consumer or client) and supply (provider or producer);
- Goods or services are exchanged on a market, based on price and quality;
- The existence of some competition is a pre-condition for a market;
- There are several types of arrangements which facilitate communication or coordination between the market participants;
- On the side of the client or consumer, there are certain degrees of freedom to choose, reject or prefer an alternative;
- At least on the side of the provider there is an interest of either making a profit or gaining other advantages.

Of course, certain forms of markets or at least of competition have been in existence in European or German higher education for a long time: the competition of universities in the area of recruitment of scholars, for third-party funding, or academic distinction. It is important to take into account, as stated earlier, that currency in higher education is often academic reputation or visibility, not money. But according to the criteria just mentioned, higher education is not really a single or homogeneous market. It makes sense, therefore, to speak of multiple markets, a limited number of real sub-markets, and of quasi-markets (Dill et al., 2004).

- Firstly, higher education is characterized by the co-existence of multiple markets or fields of competition – funding, reputation, top students, foreign students, degrees, scholars, and so on.
- Secondly, there are real sub-markets, for example, the market for continuing higher education where universities have to compete with other providers, and the market is mediated primarily by price and quality. The labor market for graduates or for scholars is a real market too, of course.
- Thirdly, there are quasi-markets, areas in which only some but not all of the criteria mentioned above are fulfilled. Dill et al. (2004) argue that quasi-markets differ from real markets in higher education in that they are publicly funded and settled in state-regulated systems. Quasi-markets operate only under state-determined conditions.

Usually, state regulation and market orientation are considered as alternative paradigms. On the one hand, the pre-dominant role of the state in higher education is often justified as a response to market failure, the perception that "market" is not able to regulate higher education because of the many undesirable side effects. The most important justification for state interventions is the argument of equity and

compensation of deficits and imbalances. On the other hand, the opposite of this argument may also be true: The introduction of market-type procedures may be a response to "state failure", for example, to bureaucratic overregulation or growing public underfunding. There is a frequent differentiation between higher education as a public or a private commodity or good, but in reality universities produce both, or a mixture that includes individual as well as social returns.

In many European countries including Germany, there have been several attempts to introduce market-type mechanisms in different forms – a process that has been called "marketization" (Dolenec, 2006; Enders & Jongbloed, 2009; Jongbloed, 2003; Levidow, 2002; Wedlin, 2008). The reasons for marketization include the intention to increase institutional quality, outcome and efficiency; to extend the funding base of the university; or to reinforce the responsiveness of the university to society. Often, marketization and commodification are confused, but the latter is only one manifestation of the former. Marketization means that market rules and procedures have become established in the modes of institutional operations. This can take different forms (partly based on Enders & Jongbloed, 2009):

- competition between institutions, e.g. for funding;
- competition between students;
- competition between scholars, for example in the case of performance-based payment which has been introduced in Germany recently;
- privatization of higher education, which can also mean various things – privatization of the costs of studying, or founding privately-run institutions;
- promotion of the economic rationality of institutions, for example by fundraising, commercialization of products or sometimes degrees, public-private-partnerships or even by funding procedures based on performance indicators.

In Germany, it is possible to identify many examples for all these different patterns. As already shown, many new elements of competition have been established, either at inter-institutional or intra-institutional level, in particular in the area of funding and allocation. The expanding costs of higher education compel institutions to look for new sources of revenue and to diversify their activities. That means they have to behave in a more market-like way.

It is necessary to mention two other areas of central importance with regard to competition. The first area comprises the dynamic extension of privately-run institutions, the second the strategy to select excellence universities. Both areas concern the issue of institutional differentiation of higher education. Traditionally, German higher education is an example of a publicly organized system with a low degree of vertical differentiation. Except for the segmentation between the two sectors of universities and *Fachhochschulen* (polytechnics), institutions have more or less the same status and reputation and are assumed to be fairly equal in quality. Distinctions between institutions have been relatively small and informal. This more or less homogeneous system is now faced with two developments.

The number of non-state institutions has grown rapidly and now represents one-third of all institutions. German higher education laws make a difference between

such institutions run by the churches and those run privately, which are mainly non-profit; both together are summarized as non-state. This non-state sector has increased from 60 (1995) to approximately 130 institutions (2009), primarily in the sector of *Fachhochschulen*. About 40 of them are run by one of the churches. There are only a very small number of non-state universities. The proportion of students enrolled is still very low, but it has increased from 1% in 1990 to 5% currently (Goll, 2009). Because the private university is highly selective and charges high tuition fees, most institutions are very small – less than 1000 students – and provide only a limited range of subjects (mainly business and computer studies). So, privatization in Germany is taking place on a much lower level than in many Latin American and other countries (Darraz et al., 2009; Reisz & Stock, 2008). Despite the fact that the majority of private institutions is not involved in any research activities, they define themselves often as elite institutions, expressing their claim to compete with or to be even better than public institutions.

Recently, the federal government and the states started a joint initiative for a competition to select excellence universities and to reward them with additional funding (Sondermann et al., 2008). The competition comprised three areas: networks of science, graduate (doctoral) schools and, as the main area, concepts of future excellence development. From an international point of view, the selection procedure was a little bit peculiar. Universities could apply for the status of excellence with an advanced development concept, and then a small number were chosen in formal proceedings by representatives from the state and some academic institutions. This may be a good example for competition without a market. Nine universities have been selected in the main field of this competition – awarding universities with the status of excellence. However, the excellence initiative has mainly served to cause increased pressure on all universities to cultivate their strengths and to eliminate their weaknesses in the face of more competition and vertical differentiation.

CONCLUSIONS: THE HYBRID CHARACTER OF NEW GOVERNANCE STRUCTURES

In Europe as in Germany, higher education has been undergoing numerous changes as part of the transformation of the public sector from a bureaucratic organization to a service sector based on public management (Ferlie et al., 2009). It is important to realize that reforming governance in higher education is not an isolated process but part of the comprehensive re-structuring of the entire public sector. Part of this change in higher education is the introduction of market-driven forms of coordination.

Beyond the idealized antagonism of state and market, it rather seems that the boundaries between state and market have become blurred in higher education. So, state and market should not be considered as opposite but as different manifestations of new governance systems with much overlapping and many interfaces. State higher education policy has adopted new market-like strategies and concepts and, in this way, has adapted the traditional state steering model to a

mixed model. This is not only true for the relationship between state and market but also for that between institutional management and academic self-organization. Although there has been a clear shift in the authority structure of the university from the academic community to management, a continuous parallel existence of both can be observed. Management has been strengthened but cannot lead the university without or against the traditional academic oligarchy. Thus the pre-dominant feature of new governance is its hybrid character in many respects. The previous dualism of state and academic self-organization has given way to a multi-actor governance regime in which processes at supra-national, national, state, inter-institutional, intra-institutional and external level have become intertwined. But the state has retained its pre-dominant role although in more indirect and sophisticated ways, and this feature will remain as the main difference to the American model in the future.

So, have higher education institutions become business-like enterprises or are they specific organizations (Musselin, 2007)? Primarily, they are a special type of organization integrating experts with the specific mission of producing and disseminating knowledge. In the long run, despite all organizational reforms, they will remain "loosely coupled organizations" simply because of their creative character; that means their objective is knowledge creation and dissemination particularly through education. The particular mission of the university necessitates a particular form of organization. Universities are very obstinate institutions. Higher education institutions have a substantial mission and not a financial purpose. To increase revenue is just a means, albeit sometimes an important one, to realize academic objectives and to facilitate knowledge production through intellectual curiosity. In the end, the functional requirements of productive, creative and innovative intellectual work exist outside of the range of the new governance models.

This argument automatically raises the question of the impacts that the new governance model has on the outcomes of higher education, in the area of education as well as in the area of research. Has the university become better or more productive – or *will* it become better or more productive – under the auspices of new governance? Unfortunately, there has so far been very little empirical research on this issue due to the short time span of practice and experience. And of course, this may also be a very controversial issue because the criteria for proving quality and effectiveness differ depending on the several factions of stakeholders, for example, university management and the academic community. So, intensifying empirically-based research with a multidimensional perspective on the mission and outcomes of higher education should be the next important task – the crucial test for proving the effectiveness of the new governance model.

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ROLF VON LÜDE

FROM HUMBOLDT TO MARKET: COMPETITION AND ECXELLENCE AS NEW GOVERNANCE PRINCIPLES IN THE GERMAN UNIVERSITY SYSTEM

INTRODUCTION: EPISODES OF INNOVATION AND HYBRIDIZATION

"… among communities of universities, there are episodes of innovation and hybridization, when new forms appear" (Ashby, 1967, p. 3). This statement, by the botanist and former vice chancellor of the University of Cambridge, is still valid and describes a situation that can currently be observed in Germany. In this paper the new orientation of the German university system is outlined against the backdrop of its traditional past. Of course, the German university system has been subject to constant change. This is, at present, due mainly to the student movement at the end of the 1960s and that in the 1990s under a more state-driven reform. Yet, exactly 200 years after Humboldt's famous memorandum on "intellectual institutions" (von Humboldt, 1970) another shift is beginning with the federal government's introduction of new governance principles; in sociological terms, this represents a new path toward a more competitive university system mainly oriented toward an Anglo-American model.

In this chapter, the focus will not be on the changing internal governance mechanisms of the universities, nor will it be on the commercialization of research; rather, the focal point will be "soft steering": substantial financial incentives that result in governance effects on the entire university system – the "system" level – as well as in subsequent effects on each university. These new governance principles, their potential outcomes, and the possible problems of the transient status of hybridization will be outlined.

Organizational studies demonstrate that organizations like universities do not change entirely when innovative ideas emerge or new governance principles are implemented to transform an organization. An organization can only react to changes in its environment according to its own structure. This phenomenon has been described by Niklas Luhmann (1992, p. 166) as the "autopoietic character" of an organization. Therefore, *hybridization* – a term originating in biogenetics and used by Ashby as early as 1967 – is not the exception, but rather the rule, during organizational change.

In his examination of the transformation processes of public organizations, Bozeman (1987; 2007, p. 46) suggests that certain organizations can be characterized according to the degree of influence by "political authority" versus "economic authority", which he understood as a continuum. As a result of resource scarcity, long-standing public organizations tend to move toward the privateness

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end of the continuum whereas "public service configurations for the performance of particular public functions will consist of more hybrid organizations that occupy neither end of the publicness–privateness continuum, but rather lie somewhere in the middle …" (Wise, 2010, p. S165).

A BRIEF REVIEW OF VON HUMBOLDT'S CENTRAL IDEAS OF THE UNIVERSITY

The Humboldtian model – only a myth?

At the beginning of the 19th century, Wilhelm von Humboldt (1767-1835) reformed the Prussian universities and invented a system of higher education that would later become known as the Humboldtian model. His memorandum of 1810, "On the Spirit and Organizational Framework of Intellectual Institutions in Berlin" (as it appears in the translated and abridged English version (von Humboldt, 1970, p. 242), led not only to the founding of the University of Berlin (today Humboldt University) but also to a model that has garnered attention around the world, with the result that the whole world of learning was indebted to Humboldt (Ashby, 1967).

> And so, during the second half of the nineteenth century, a new thread of inheritance was woven into the higher education of England and America. It was the thread of education through training in science and scholarship (*Erziehung durch Wissenschaft*). (Ashby, 1967, p. 4)

In recent years, the power and dissemination of Humboldt's ideas (as will be briefly outlined here) have been criticized as a myth and the "invention of a tradition that never existed" (Ash, 2008, p. 41), since historians have discovered that Humboldt's actual writings on university education were not published until the late 19th century, and that the (re-)discovery "coincided with a perceived crisis of the very system he was later supposed to have created" (Ash, 2006, p. 248). Therefore, it is often emphasized in newer publications that the tension between the mythical Humboldtian ideal and the reality of modern (German) universities began much earlier than the 1960s.[1]

From a sociological point of view, it is no surprise that institutions like "the university" are guided by shared ideas, even if their genesis lies in the dark of collective memory. Merton (1957) used the notion of "pluralistic ignorance" to describe a situation in which people act with reference to shared representations of collective opinion which are empirically inaccurate (DiMaggio 1997, 272). To effectively orient professors and students, it is sufficient to believe that some ideas of how universities *should* work became common knowledge. At least within the 20th century, Humboldt's ideas have spread widely and have been shared not only by university rectors and presidents (so they can claim the uniqueness of their

[1] I am indebted to an anonymous reviewer who pointed out that it would be helpful to respond with more detail to the historical background and the mythical character of the Humboldtian ideas of the university and its transformation into the "real world".

institutions), but also by staff members. The famous Thomas theorem – "if men define situations as real, they are real in their consequences" (Thomas & Thomas, 1928, p. 572) – can explain how action is oriented by a subjective interpretation of a situation, even if it is not objectively correct; this can be applied to our case to demonstrate how Humboldtian principles entered into university rules 100 years later.

For this reason, Paletschek (2001) argues that the concept of the Humboldtian university creates identity and is deeply ingrained in the minds of university members. And even the inventor of the "Humboldtian Myth" admits that many of Humboldt's ideals retain much of their attraction today, at least in Germany and Austria (Ash, 2006). Or, in the words of his editor, though these myths of the Humboldtian model "lack solid historical foundations, they nonetheless have a powerful rhetorical appeal and formative influence on policy debates by shaping corporate and professional identities" (Jessop, 2008, p. 4). This is, according to Ash (2006, p. 249), due to three main reasons:

1. "Humboldt" is a symbol of the autonomy and predominance of the faculty in university affairs.
2. "Humboldt" is a symbol of the primacy of basic over applied research.
3. "Humboldt" is symbolic of ideals in which many teachers (and even some students) sincerely believe, and try, despite enormous obstacles, to achieve. This is true in particular of the unity of teaching and research.

Finally, Ash as a historian agrees that historical myths need not be lies, but can instead constitute "corporate identity" (2006, p. 249).

As early as 1977, Meyer and Rowan pointed out that "organizations are driven to incorporate the practices and procedures defined by prevailing rationalized concepts of organizational work and institutionalized in society" (p. 340). This helps them increase their legitimacy independently of the immediate efficacy of the acquired practices and procedures. While referring to the theory of the social construction of reality (Berger & Luckmann, 1967), they point out that such processes of institutionalization come to hold a rule-like status in social thought and action, and appear as powerful *myths* (Meyer & Rowan, 1977).

In a recently published dissertation on new organizational reforms to universities within Germany, Würmseer (2010) has discovered through extensive empirical research that the universities examined still use the Humboldtian ideal as a general reference, although she recognizes three different and not entirely idealistic purposes therein. First, the ideal serves as a distinction from other organizations, thus emphasizing the uniqueness of one's own university. Second, it is used to distance institutions from disagreeable duties such as the Bologna reform, which is still regarded as incompatible with the values of the Humboldtian ideal. Third, however, the striking features of the Humboldtian ideal (see below), such as the unity of teaching and research or the existence of a university community of learners and teachers, are still shared as a particularly desirable goal (Würmseer, 2010, p. 338).

For our purposes, the Humboldtian model and the new competitive university system will serve as "ideal" or "pure type" to use Max Weber's terminology. In

contrast to history, which strives to reach causal analyses and the attribution of single actions, artifacts and personalities, sociology seeks general rules of conduct (Weber, 1980). Of course, according to Weber, the ideal type is

> formed by the one-sided *accentuation* of one or more points of view and by the synthesis of a great many diffuse, discrete, more or less present and occasionally absent *concrete individual* phenomena, which are arranged according to those one-sidedly emphasized viewpoints into a unified *analytical* construct .... In its conceptual purity, this mental construct … cannot be found empirically anywhere in reality. (Weber, 2007, p. 211)

Against this theoretical backdrop, the hybridization of organizations mentioned above is an appropriate expression of the organizational consciousness of itself when new forms appear and traditional values and beliefs seem to be at stake.

Central ideas of the Humboldtian model

While it has been shown that the Humboldtian ideal is a powerful myth still shared by professional actors within universities, the focus in this section is on the Humboldtian model itself.

One of von Humboldt's main arguments was that the state should supervise and guide universities by providing them with an organizational framework and resources, and even by selecting their teaching staff yet the state should not intrude at all in universities' intellectual work (De Zilwa, 2003).

Von Humboldt's freedom from the state was a freedom from the demands of an acquisitive and production-oriented society (Schelsky, 1960). He wanted to retune the cultural and educational interests of the state from this one-sided orientation to the promotion of a different conception of education and culture. This idea stood in sharp contrast to that of close contact with the civil and commercial world and its exploitative interests. When von Humboldt postulated the freedom of the university, his idea was not independence from the state in favor of corporate self-governance; rather, his attention was directed toward the role of the state as an agent of utilitarian vocational training and as a representative of the social and economic interests of his time.

Von Humboldt emphasized the significance of the dialectical relationship of research and teaching, in which teachers *and* students are legitimized in their common pursuit of knowledge. In this process of teaching and research, the professor does not exist for the sake of the students, since professors and students are *both* responsible for serving science. Thus professors and students can engage in a Socratic dialogue: The professor has greater experience in research, whereas the student has a more open and intense ability to question; both dispositions serve the good of science (Schelsky, 1960).

The core idea derived from his view of the modern university's new identity is providing equal status to professors and students, not as a principle of corporate self-government, but as one regarding learning and research. Science is best served by the juxtaposition of professors' scientifically-trained expertise and experience

on the one hand, and, on the other, students' unconventional questions that are not predefined by well-established scientific paths and ideas.

This indicates a mutual obligation of the professor and the student: both take the role of the researcher. Von Humboldt's aversion to syllabi as well as examinations for vocational training comes from this understanding of the mutual process of research.

To sum up: von Humboldt's idea of the university turned vehemently against any sort of utilitarianism. In his opinion, it was not the task of university education to provide university graduates with immediately usable skills and qualifications for the labour market.

Humboldt's ideas concerning teaching and learning in the university consist of four main principles:

- *Universitas Litterarum (Voll-Universität):* The University should unite a wide range of academic disciplines in a single institution.
- Anti-utilitarianism*:* The University should be focused on general education.
- Autonomy of Learning*:* "Realization is creating" (*Das Einsehen ist ein ... Schaffen*, von Humboldt, 1970).
- Development of "organic thinking": Through education (*Bildung)*, each person may strive to realize his or her potential as a unique individual.

The foundation of his conception of the university governance system was built on two key points – without, of course, using the term "governance": First, the university is reserved for pursuing *pure science* (as opposed to applied science); and second, *freedom* is necessary for this self-activity, and *solitude* is helpful. The concept of solitude conceals the social obligation of the university and its scientists, while the concept of freedom defines their social rights.

These are two requirements from which flow the entire external organization of universities; lecture courses play only a secondary role (compare this view with the organizational background of a contemporary BA/MA-oriented mass university!).[2] The essential feature of the Humboldtian university organization is that

> people live for a number of years for themselves and for science, closely alongside like-minded individuals of the same age, conscious that this same place has a number of already fully-developed intellects who are solely dedicated to the elevation and promulgation of science. (von Humboldt, 1996)

From these ideas come the three governance principles of overriding importance:

1. *The unity of research and teaching*
   Humboldt's design for the university as well as for the relationship between teachers and their students.

[2] Of course, any university teacher within a mass university will note that at least some students still meet nearly all the conditions mentioned in the Humboldtian model, despite the changing learning environment; however, she or he will also have a less enjoyable experience with students when the goals of this model seem unattainable or too demanding.

2. *Autonomy*
   Research and teaching should be kept free from governmental demands and requirements of a prescriptive nature.
3. *Self-governance*
   Humboldt assumed that universities would use state funds responsibly to perform those activities which the state cannot produce by its own means.

These principles became standard for German universities at the beginning of the 20th century.

THE TRANSFORMATION OF THE GERMAN UNIVERSITY AND THE DEFINITE END OF HUMBOLDT'S "INTELLECTUAL INSTITUTIONS"

The influence of ranking and rating

In contemporary times, universities have come under pressure in different ways. Of course, there were many critical objections to the continued existence of Humboldt's ideas within modern and output-oriented universities, especially in relation to learning and teaching under the conditions of a mass university. This finally led to the implementation of the Bologna Declaration in Germany (von Lüde, 2009). The introduction of the new Bologna study system marked the definite end of the Humboldtian university, even in the country in which it influenced research, teaching, learning and above all the "mental map" of its professors for at least 120 years.

This chapter will restrict itself to the research aspects and new competition mechanisms coupled with it.[3] Politicians consider competition among universities as a new institutional and organizational prerequisite for the German university system (Würmseer, 2010). While the Humboldtian "Idea of the University" (Schelsky, 1960) (which has to remain sufficiently vague to be accepted as an "institution") continued unquestioned until the 1990s, this "institution" has, since then, been forced to sharpen its individual profile into different *organizations* in order to stimulate competition among all universities. This obligatory increase in competition has been legitimized within the science system by German universities' supposed weakness compared to international standards (Hüther, 2010).

According to Krücken and Meier (2006), a further force, under the influence of globalization, is *turning the university into an organizational actor*, thus transferring the national university systems to more uniform concepts of organizational actorhood. As their level of organization is strengthened, it is expected that they will be forced to act more and more independently, even when this includes the risk of failure. With this "organizational turn" in higher education,

[3] An anonymous reviewer commented that the argument presented in this paper is biased by a social scientist's viewpoint. I agree that the perspective of engineers and natural scientists may differ from the position laid down within the following section: As will be argued subsequently, they are in certain ways the winners of the university transformation.

universities will be "able to act strategically and position themselves with regard to their competitors" (Krücken & Meier, 2006, p. 242).

At present, university research in particular must face special challenges. One of the main reasons for this is that universities have lost their monopoly on research: The "new knowledge production" is no longer concentrated within the university but is, rather, characterized by the interaction of different and even new actors: non-university institutes, research centers, government agencies, industrial laboratories, think-tanks and consultancies (Gibbons et al., 1994, p. 6). This "mode 2 of knowledge production" fundamentally alters the relationship between universities and society. As a result of this transformation process, science is losing its institutional identity and its monopoly on knowledge production (Weingart, 2001).

I shall discuss two central reasons for this substantial change. The first is that, within this new mode of knowledge production, the application and usefulness of knowledge to industry, government or society plays an important role. When the strict anti-utilitarianism of von Humboldt is taken into consideration, these new perspectives are not suitable; thus, it is much more likely that the inner orientation that finds expression here can be seen as an "Anti-Humboldt Model" of knowledge production. Recently, a similar position (as characterized within the "mode 2 of knowledge production") has been explicitly formulated by the Higher Education Funding Council for England (HEFCE, 2011) in connection with the "weighting of research impact confirmed for 2014 Research Excellence Framework". "The REF is the new system for assessing the quality of research in UK higher education institutions. It … will be completed in 2014 to allow the results to inform funding allocations from 2015-16" (HEFCE, 2011).

One of the three elements of the REF's assessments will be "impact". Impact takes the "form of case studies which demonstrate that the HEI's research has made a distinctive social, economic or cultural impact outside academia"[4] (HEFCE, 2011). These criteria have undergone sharp criticism, as each applicant must prove the potential effects his or her research might have and how these effects might be implemented economically or socially (Görner,[5] 2011).[6]

The second reason for this substantial change concerns the increased attention given to national and international ranking or ratings of universities and disciplines (the Shanghai Ranking, for instance, plays an important role on the international scene). As far as Germany is concerned, the best university was ranked 53rd, while the country itself ranked fourth out of the best 500 universities across the globe. Politicians, however, are inclined to look only at the best 10 out of 50 or 100 universities. Thus, international competiveness – measured by the number of

[4] HEI = Higher Education Institute.

[5] Rüdiger Görner, Founding-Director of the Centre for Anglo-German Cultural Relations at Queen Mary College, University of London.

[6] These aspects of the new mode of knowledge production were already interpreted and criticized in the 1990s as a legitimization of negative trends – "in particular, the subordination of research to market and political agendas on the mistaken assumption that scientific breakthroughs could be predicted and therefore planned" (Ziman, 1996).

publications in "A" journals – became the guiding principle, even in disciplines which have traditionally had a local or national focus.

On the macro level, the competitiveness of German universities had great influence on the national political debate as well as on that within universities themselves, demonstrating how problematic the criteria of a rating or ranking may be from a methodical perspective.

At the request of the federal and state governments, the *Wissenschaftsrat* (German Science and Humanities Council) began two nationwide pilot studies to provide ratings of universities in chemistry and sociology in order to analyze the methods and use of rankings in the higher education and research systems (German Science and Humanities Council, 2009).

In the case of sociology, each institution was assessed using six criteria, based on the institution's accomplishments for the years 2001 to 2005 (German Science and Humanities Council, 2009). As it was a pilot study, there were no records for comparison and no expert knowledge within the universities. Due to this, answering the questions for the inquiry was a laborious undertaking that involved reconstructing and gathering all the researchers' activities for the previous five years.

The evaluation was based on the following items, as outlined in Table 1.

Table 1. National pilot study, sociology.

Assessment Criteria	**Definition of the Assessment Criteria**
Research Quality	Originality and scientific relevance of research performance, as well as adequacy of methods.
Impact	Contribution to the development of science, within the field of sociology and beyond.
Efficiency	Contribution to the development of science, within the field of sociology and beyond, related to the employment of staff.
Promotion of Young Researchers	Measures and accomplishments in the promotion of young researchers. This criterion refers to the promotion of young researchers after their doctoral studies; it does not refer to basic teaching. Due to the available data, primarily the academic careers of young researchers are considered.
Knowledge Transfer	Contributions to the implementation of research results in industry, politics, administration, organizations, etc., through application and consultation.
Public Understanding of Science	Communication of research-based information to non-professionals, to organizations without their own research activity and to the wider public.

Source: German Science and Humanities Council (2009).

Of course, the rating results in both pilot disciplines have been thoroughly observed by university presidents and rectors all over the country. Although all universities have asserted that the ratings had no immediate impact on staffing, those institutes that were not among the good or best evaluations came under internal scrutiny. At a time when German universities are under tremendous financial pressure (as they have been for the last 15 years) and when the financial resources of entire disciplines are at stake, these rankings will augment the competitive pressure among the disciplines for scarce budgets, even within universities.

International competiveness (measured by the number of publications in "A" journals and the amount of research funds of high-ranked institutions such as the German Research Foundation (DFG), the Federal Ministry of Education and Research (BMBF) or the European Community Framework Programmes) has become the guiding principle for internal or external reviews. Even disciplines that have traditionally had a local or national focus have thus been challenged, most notably, to change their publication strategies to English language journals. Thus, the German Science and Humanities Council stated (regarding sociology):

> The sociological research is predominantly organized in small scale units. While a pronounced multi-disciplinarity can be stated, the international impact of German sociological research is still limited. The publication culture still has a markedly national orientation and heterogeneous quality standards. (*Wissenschaftsrat,* 2008, p. 6)

Of course, awareness of the existence of evaluation criteria – as different as they may be from discipline to discipline – will alter future research and the orientation of university institutes' publications, their hiring strategies, and any other research activities. Research in "solitude and freedom" will be substituted for faculty and department research strategies that maximize their corporate reputation. And, of course, the career strategies of young scientists on the path to professorships will change. For example, one of the traditional and accepted ways of publishing in the liberal arts and social sciences in Germany has been through anthologies. Henceforth, this must be regarded as a less-worthy and inferior strategy compared to being published in a well-known journal.

The changing research environment and the transforming nature of the research process

In the following subsection, I shall demonstrate that monetary incentives will change the research process of German universities and their national and international prestige, much as ratings and rankings did. There are three levels that are generally accepted to have a significant impact on the research process: the supranational, the national, and the "system" levels (Nowotny et al., 2003). The influence on research activities at all three levels will be covered with the help of practical examples of research funding,

The steering of research priorities: The supranational level

The European Community Framework Programmes are a good example of a powerful supranational steering process that does not apply pressure directly on departments or individual researchers, resulting from a perception of European research activities as inferior concerning competencies and competition:

> Despite many achievements and a high level of performance in a large number of fields, Europe is not making the most of its research potential and resources, and urgently needs a strengthened capacity to generate knowledge and translate such knowledge into economic and social value and growth.
>
> The objective of the specific programme "Ideas" is to reinforce excellence, dynamism and creativity in European research and improve the attractiveness of Europe for the best researchers from both European and third countries, as well as for industrial research investment, by providing a Europe-wide competitive funding structure … (European Research Council, 2009)

The steering of research priorities: The national level

Specific Research Programs. While the underperformance of European research is in the foreground on the supranational level, the main argument for specific research funding on the national level is the potential threat (provided primarily by international competition) to technological leadership. In all ministries one can observe a growing tendency of developing dedicated research programs, in which the focus is on short-term political agendas and the development of long-term research capacities.

We are facing great challenges. If we want to compete in the global race for talents and for technology and market leadership, we need to embrace the spirit of research and entrepreneurship. The Federal Government launched the High-Tech Strategy … to encourage the development of new products and innovative services. (Federal Ministry of Education and Research –BMBF, 2009a).

The cooperation between science and industry will lead to valuable strategic partnerships and innovative alliances. The goal is to significantly accelerate and streamline the transition from product development to a marketable product.

Future research needs. One can also observe a new tendency of "foresight" research, which initially attempted to predict future research needs in a relatively open and speculative way (Nowotny et al., 2003). "The BMBF is funding research and development in the field of future-oriented new technologies in order to lay the foundation for the Germany of tomorrow. The Microsystems Technology framework programme is an example for the ongoing activities" (Nowotny et al., 2003). As nanotechnology is increasingly considered one of these future technologies, the BMBF has presented a new overall strategy for this area. It is assumed that future progress in nanotechnology will also determine the development of other future-oriented areas (BMBF, 2009b).

Moreover, ministries are attempting to identify areas of international excellence and inadequate research within the context of global economic competiveness,

focusing on lead markets (such as health, climate and resource efficiency, mobility and security), which are regarded as key challenges for society. Therefore, existing strengths in these areas will be promoted and intensified with the aim of securing international competitive advantages. "Via innovative products, technologies and services, Germany creates lead markets – markets that have major growth potential and in which international competitive advantages can be obtained via early development and introduction of innovations" (BMBF, 2009c, p. 17).

The author had the opportunity to participate in this program with the project "Transferability of Open Source/Open Innovation to other Industries" (OSI) within the BMBF research strand of "Socio technical developments in the utilization of IC-Technologies" (Open Source Innovation, 2009). The OSI-project systematically investigates the conditions under which the collaborative development of physical products and the revelation of their results can be a trend-setting innovation model outside the software industry. It is focused on the characteristics of the innovation object, the participating community, and the relevant industries that influence OSI. The project is geared toward the economic, technical, legal, and social factors that drive or complicate the application of OSI in different contexts (Blutner & von Lüde, 2009).

This participation in a BMBF project is a good example of the efficiency and the potency of "soft steering" through funding university research activities because the program encourages even researchers who are skeptical about any sort of steering to apply for a grant. Of course, under the new regime of ranking and rating, university researchers must enter into competition for funds; however, it is important to point out that, for a significant segment of German and European research, ideas and issues are no longer generated from inside universities, but rather by European or national bureaucracies – even though these bureaucracies might be supported by scientific advisory boards.

It is obvious that this new governmental strategy for research funding is quite different from Humboldt's idea of the independence of research from governmental demands and from requirements of a prescriptive nature.

The steering of research priorities: The system level

A balancing act: top-down research programs and bottom-up research.

The "system" level involves a coordinated national research policy with "pro-active (or top down) research priorities in place of essentially reactive (or bottom-up) policies, whereby the best research proposals, as indentified by peer review, are funded" (Nowotny et al., 2003, p. 182). Thematic programs are broad in scope; they are, however, often the product of an awkward compromise between "political" goals, promising science, and available research capacity (Nowotny et al., 2003). On the other hand, thematic programs represent opportunities for researchers to propose their research ideas in the context of a new, perhaps interdisciplinary, program and thus increase their funding opportunities, as a single project might be viewed as too eccentric to be funded. A good example of this is certainly the Volkswagen Foundation's initiative, "Unity amidst Variety? Intellectual Foundations and Requirements for an Enlarged Europe".

This funding initiative was designed to provide a stimulus for intensifying historical and contemporary research into Eastern Europe within the framework of international cooperation. … Funding was available for all disciplines of the humanities and the social sciences. The Foundation attached great importance to a substantial participation on the part of scholars from Central and East European countries; at the same time it was expected that the funded projects made a tangible contribution to reinforcing the research capacity of the region. (Volkswagen-Foundation, 2007)

Without the initiative of the foundation, the research group from different countries and disciplines would not have been materialized. So combining top-down research programmes with bottom up research interest will be a balancing act and a challenge for the "system level" of research steering.

Striving for "excellence" – A new differentiation of German universities?

While research in German universities was for centuries driven by individual researchers' ingenious ideas, nowadays universities tend to manage research priorities more aggressively, rather than simply providing a support environment. The reason lies in the increasing importance attached to the national ranking of research and its associated national and international reputation and, by extension, funding.

Unlike the American university system, there was no university ranking in Germany until recently. For instance, some universities were first-rated in physics or chemistry while others were brilliant in social sciences or the humanities. By and large, there were excellent departments within the universities, but there was no "Harvard". In principle, however, there were also no "provincial universities" either, which are clearly below the standard of the others. This has been an inherent and powerful trait of the German educational system: A degree from any German university guarantees specific scientific qualifications for a qualified labor market. Nowadays, politicians and scientific administrators, as well as some university presidents, are promoting the change of the whole system in favor of a more competitive structure, with a "Munich or Heidelberg Harvard" at the top and, consequently, some minor universities somewhere in the provincial backwater. The new excellence program, which will be outlined shortly, will make a contribution to this path.

The initiative has three different funding lines:

- Graduate schools to promote young scientists
- "Clusters of Excellence" to promote top-level research
- "Institutional strategies" for applicant universities to promote top-level university research: The fortunate winners (9 out of 140) are named "Excellence Universities".

Following the funding decisions of the selection committee, there are now 39 graduate schools, 37 Clusters of Excellence, and nine institutional strategies to promote top-level university research. The funding period for each round is five years. Within the Clusters of Excellence, the emphasis is on innovative approaches

to a long-term cluster strategy. Building on a coherent overall concept, research and development are expected to contribute to a reduced time-to-market for innovative products, processes, and services (BMBF, 2009d).

To give some idea of the institutional strategies (which are strategic master plans for the future of an individual university), two examples will be quoted here: The Ludwig-Maximilian University of Munich's (LMU) slogan of "LMUexcellent: Working brains – Networking minds – Living knowledge", and the Technical University of Munich's (TUM) strategy called "The Entrepreneurial University".

OUTCOMES AND APPRAISAL OF RESULTS: A NEW EPISODE OF INNOVATION AND HYBRIDIZATION

Finally, some of the possible future developments for German universities will be presented here. Without a doubt, the German university system is entering a new episode of innovation and hybridization, though it is too early to tell if the intended strengthening of its academic base has already occurred or is in the process of occurring (Krücken, 2010). The adoption of market mechanisms, such as strong competition among universities, will alter government funding in higher education. As a result of changes in public higher education policy, German universities and their faculties are adopting market principles and are striving for excellence on their own in order to position themselves as a competitive international research location.

Until now, the focus of valuations has been on research more than on teaching. There are at least three reasons for this: 1) Teaching is more difficult to assess; 2) general evaluation standards for teaching are missing; and 3) teaching plays a lesser role in the culture of the German university system than research does. Nonetheless, from time to time at different universities, an attempt has been made to save the precious idea of the unity of teaching and research and the inspiration of a community of learners and teachers: the principle used has been named "learning via research" (*Forschendes Lernen*) and was "invented" during the student movement in the 1970s (see Huber et al., 2009 for actual examples). From a more contemporary perspective, this is an early form of the idea of research-based learning which promotes academic freedom.

Certainly, all these measures accompanying higher education reforms have brought Germany to a new divide where it is beginning to embark on a new path toward the differentiation of universities. In the near future there will be four leagues of universities (instead of two) in Germany:

1. "Excellence" Universities
2. "Cluster" Universities which are not yet "excellent"
3. Universities without any grants from the excellence program
4. Universities of Applied Sciences (*Fachhochschulen*)

The high prestige of and significant grants gained by the first two leagues will initiate an upward spiral in recruiting researchers and research grants, even from other sources, affecting governance strategies within universities. Each university is trying to position itself in the research market and to compete with other

institutions for prestige and resources. Professional research divisions that hardly existed until now will be established in most universities. A new performance-oriented salary system is increasing the pressure on professors to apply for evermore prestigious grants.

Last but not least: The "Humboldtian researcher" has no chance of survival. Universities are trying to cluster their research in a disciplinary and interdisciplinary way in order to be recognized as successful in their special research areas. The university's payroll will change to favor science, engineering, medicine, and law, with the liberal arts, humanities, and social sciences losing out. Teaching will remain an indispensable but less-prestigious domain – as it has been within recent decades. Some universities, however, are beginning to realize – especially with their newly-founded graduate schools – that their best alumni will be their future researchers; thus, they are striving for excellence in teaching as well.

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3. ASIA

QIANG ZHA

"WALKING ON TWO LEGS": A POLICY ANALYSIS OF CHINA'S MOVE TO MASS HIGHER EDUCATION

INTRODUCTION

The last decade witnessed China's dramatic move to mass higher education. In particular, the year 1999 saw an abrupt jump in new enrolments, with 1.59 million new students, up from 1.08 million in the previous year, or an annual increase of 47.2 percent! The rapid expansion continued until 2004, when higher education enrolment at all levels reached 20 million, registering a four-and-a-half-fold increase from 3.6 million in 1998! After 2004 enrolments continued to rise, but at a relatively slower pace. The number of regular higher education institutions also increased dramatically over the same period of time, from 1,022 in 1998 to 2,263 in 2008, an increase of 121.4 percent. If the provision for students in non-formal and private institutions is factored into the statistics, China's tertiary student population reached almost 30 million by the end of 2008, accounting for 24.2 percent of the 18-22 age cohort, and making China's higher education system the world's largest in absolute numbers. The participation rate increased by 15 percent in 10 years, from around 9 percent in 1998. By contrast, it took the United States 30 years (1911-1941), Japan 23 years (1947-1970), and many European countries 25 years to make the same journey.

With China's exceptionally rapid move to mass higher education as the backdrop, such questions could naturally be asked: How did China achieve this unprecedented expansion of higher education? Are there any lessons learnt from China's extraordinarily fast move to mass higher education? This chapter attempts to answer these questions from a policy and strategy perspective, to discuss the successful stories, and to analyze the deficiencies and lessons.

CHINA'S MOVE TO MASS HIGHER EDUCATION: "WALKING ON TWO LEGS"

It seems relevant and helpful to use the metaphor of "walking on two legs" to illustrate China's strategies to move to mass higher education. The term "leg" is used here for the purpose of analogizing the major strategic approach for higher education development. "Walking on two legs" as a strategy for educational expansion can be traced back to the "Great Leap Forward" period in the late 1950s, which advocated expanding both the formal and non-formal education sectors to achieve an accelerated universalization of education. This strategy was revived in the new context of recent years and infused with new content. Three pairs of "legs" were discernable in the process of China's move to mass higher education: governmental policies and planning vs. market forces; elite universities vs. local

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institutions; public vs. private provision. It should be noted that, before the 1990s, Chinese higher education was fundamentally monopolized by governmental appropriations and public control, and featured strong elitism.[1]

GOVERNMENTAL POLICIES AND PLANNING VS. MARKET FORCES

In the late 1990s, China's central government sent out a clear message that a mass higher education was envisioned and needed. In a milestone policy that planned China's education for the new century, *Action Plan for Vitalizing Education for the Twenty-first Century* (State Council and Ministry of Education of China, 1998), a goal was set to bring the gross participation rate in higher education to 11 percent in 2000, from around 9 percent in 1998. One year later, the *Decision on Deepening Educational Reform and Pressing Ahead Quality Education in an All-Around Way* set forth a new goal of expansion for 2010, that 15 percent of the relevant age cohort would be participating in some form of post-secondary education[2] (State Council of China, 1999). With this goal set, China's ambition to achieve mass higher education became deliberate, as the 15 percent participation rate represents an internationally acknowledged threshold of mass higher education (Trow, 1973).

Nevertheless, the central government realized it did not have the capacity or ability to support a mass higher education system from the state purse alone. Chinese higher education had remained a centralized system until the mid-1990s. Many Chinese universities were directly administered by such central ministries as the Ministry of Machine Building, Ministry of Agriculture, Ministry of Forestry, Ministry of Water Conservancy and Power, Ministry of Metallurgical Industry, Ministry of Justice, and of course the Ministry of Education. These ministry-run institutions were supposed to cater to the human resource needs of a specific industry or profession, in the typical context of a planned economy. Despite some decentralization efforts in the late 1950s and mid-1980s, which put a considerable number of higher education institutions under the jurisdiction of local governments at the provincial level or lower, these institutions were essentially supported by state finances through some sort of transfer arrangements. All the funds were allocated according to rigid norms on a non-fungible line item basis. The budgetary planning horizon usually was a one-year period. The amount of funds for each institution for the current year was determined by an "incremental approach", which was based on the funding level of the previous year. The government would make some incremental adjustment according to the needs and development of the institution and the total budget for higher education. The higher education institutions had no freedom to decide upon how to spend their budget. Instead, they had to spend funds as specified by governmental agencies and unused funds had to be returned to the government at the end of the year. (Min & Chen, 1994; Wang & Zhou, 1991) Over the years, this tightly controlled budgetary system provided no

[1] The gross participation rate of 18-22 age group in all forms of higher education was only 3.4% by 1990, and the entire higher education enrolment was approximately 2 million in the same year.
[2] This goal was actually met in 2002.

incentive for efficiency gains at the institutional level, thus hampering any initiatives universities or local governments might wish to take.

Decentralization in a true sense started in 1998 when a push came from the nationwide restructuring of government. Some of the central ministries were dismantled in this process of administrative restructuring or were reduced in size to enhance efficiency. Except for the Ministry of Education, central ministries were no longer permitted to run higher education institutions. Most formerly ministry-run institutions were transferred to local administration and had to find their own resources. Higher education institutions thus became closer to the provinces and more active in serving local interests, while the financial burden of the central government was relieved. This has also been made possible due to a national tax mechanism, gradually put in place between the early and mid-1990s, which institutionalized a demarcation between central and local control of incomes and expenditures.

Another crucial policy change that propelled the massification of Chinese higher education has been the adoption of a fee-charging policy. From the 1950s to the early 1990s, university admissions were tightly controlled with quotas set by the state, and students paid no fees and were assigned jobs upon graduation. Officially from 1997, all higher education institutions started charging student fees. The fees level has been dramatically rising ever since. This policy change had strong implications for enrolment. Previously, the rationale for setting enrolment quotas was to ensure that needed personnel were trained and the state had the financial capability to finance their training. Once tuition fees were charged, the justification for setting enrolment quotas effectively disappeared. Instead, enrolment would be driven by the social demand for education. Shortly before this policy change, there was another change in the governmental approach to allocating recurrent funds. Since the early1990s, the incremental approach has been replaced by a formula-based approach, consisting of two parts – a block appropriation based on enrolments and the appropriation for special items, with the former accounting for the larger share driven by the number of full-time equivalent students. The enrolment-based approach is thought to have fostered competition among the institutions to expand their enrolment size.

The state used also its legislative power to create mechanisms that motivated institutions to expand. The *Higher Education Law* that took effect on January 1, 1999 granted legal person status to higher education institutions. Specifically, the *Law* details the autonomy to which institutions are entitled in seven major domains: student admission, new program development, teaching, research and service, international exchange and cooperation, arrangement of the internal structure and personnel management, and property management. These spheres of autonomy and the concomitant responsibilities have combined to create both motivation and pressure for higher education institutions to plan strategically for themselves, and to respond to market needs. Thus, when the central government called for a dramatic enrolment expansion in early 1999, universities took it as a development opportunity and embraced it with great enthusiasm. The initial expansion stage was characterized by stretching the enrolment capacity of existing

institutions, with the aggregate total of institutions being more or less stable. Only in the early 2000s did this situation give way to the creation of new local institutions and, in particular, higher vocational colleges.

The expansion call came together with a cost-sharing and cost-recovery policy, which aimed to diversify the traditional mode of higher education finance in which the state was the sole patron. In general, Chinese universities today must raise an increasing proportion of their operating funds from non-governmental and market sources. In Table 1 below, it is notable that the ratio of fiscal appropriation in the institutional revenue has been declining steadily from 93.5 percent in 1990 to 42.5 percent in 2005. Meanwhile, the ratio of student fee contribution has been rising, from almost nothing in the early 1990s to nearly one third of the total revenue in 2005. For many local institutions, the student fee contribution has reached a level over 40 percent of their revenues (Kang, 2007).

Table 1. Revenue Composition of Chinese Higher Education Institutions, 1990-2005 (%)

Year	Fiscal Appropriation	Non-govt. Investment	Tuition & Fees	Donations	Other*	Total
1990	93.5	—	0.5	—	6.0	100.0
1999	62.5	0.5	17.0	2.3	17.7	100.0
2000	57.3	0.9	22.1	1.6	18.1	100.0
2001	53.4	2.0	25.0	1.4	18.2	100.0
2002	49.7	2.7	26.9	1.8	18.9	100.0
2003	46.8	4.1	29.3	1.4	18.4	100.0
2004	44.7	5.8	30.7	1.0	17.8	100.0
2005	42.5	6.8	31.5	0.8	18.4	100.0

* This part includes research-based revenue, investment return, and sales of service.
Source: Adapted from Guo (2004) and Zhang (2009).

Table 1 also shows that a broad pattern of diversification of funding has not yet taken shape. Rather, a dichotomous pattern has developed in which fiscal appropriations and tuition fees are the main sources of revenue. This dichotomous pattern explains, to a large extent, why the institutions (in particular the local ones that relied heavily on student fees for their revenues) embraced the expansion policy enthusiastically. In general, greater size provides more "slack" resources, enabling institutions to modify their strategies, structures and products, and assisting them in adapting to their environments. These approaches have enabled China's central government to bring policy initiatives into full play, to mobilize market resources to overcome its own limited financial capacity, and to motivate the institutions to grow their enrolment size. Thus, while enjoying an unprecedented expansion, Chinese higher education's share of public education expenditure has actually been going down – rather than rising(!) – from 24.2 percent in 2000 to 20.8 percent in 2006 (Shen, 2009).

ELITE UNIVERSITIES VS. LOCAL INSTITUTIONS

Now that it has been released from its role as sole patron for higher education, the state can focus its attention and concentrate its resources on national universities, and in particular a small number of elite universities, in an effort to raise China's global competitiveness. The national universities refer to those under the direct jurisdiction of central ministries and financed by the central government. After the restructuring of government in the late 1990s, their aggregate total was reduced to around 100 – down from more than 400 in the mid-1990s. Some 70 are now administered by the Ministry of Education, and a few dozen special-purpose institutions operate under the auspices of other central ministries such as the National Commission for Minority Affairs, the Ministry of Public Security and the National Aviation Administration. Traditionally, national universities have enjoyed superior resources, whether they be financial or the quality of students; and also a higher status. Now with the much-reduced number, their status is further secured, and the gap between them and local institutions is widened. Table 2 illustrates the increasing gap in terms of research funds, nowadays a crucial indicator determining institutional status. In 2002, the 72 universities administered directly by the Ministry of Education obtained research funds amounting to nearly twice the total of research funding shared among 1,154 local institutions. On average, their research budget was more than 24 times higher than that of local institutions. With such advantages, most national universities have easily made their way into elite university schemes.

Table 2: Research Funds of Chinese Higher Education Institutions, 1997-2002 (in million yuan RMB)*

	1997	1998	1999	2000	2001	2002
Ministry of Education Institutions:						
Number	35	45	46	72	72	72
Total Research Funds	2543.8	3548.6	4502.3	8363.9	9948.6	12164.6
Average	72.7	78.9	97.9	116.2	138.2	169.0
Other Central Ministry Institutions:						
Number	310	263	202	44	39	39
Total Research Funds	3466.2	3044.7	3287.2	1858.8	2578.5	3282.2
Average	11.2	11.6	16.3	42.2	66.1	84.2
Local Institutions:						
Number	675	759	823	925	1114	1154
Total Research Funds	1297.6	1902.4	2486.3	4670.3	6017.3	8049.5
Average	1.9	2.5	3.0	5.0	5.4	7.0

* The official exchange rate between US dollar and RMB *yuan* in this period was approximately 1:8.3.
Source: From Zha (2006).

Since the mid-1990s, China's central government launched two elite university schemes, Project 21/1 and Project 98/5. Officially launched in 1995, Project 21/1 expressed the state's intention to identify and give special financial support to 100 top universities, in an effort to raise them to "world standards" in the 21st century. The selected elite universities have benefitted from substantial additional resources and accommodate most of the graduate education programs and research activities across the country. Later in 1998 the *Action Plan for Vitalizing Education for the Twenty-first Century* announced an even bolder scheme, Project 98/5, which is named after the date in May of 1998, when then-President of China, Jiang Zemin, attended the centennial anniversary of Peking University and announced that China would aim to put forth major efforts to create world-class universities. The universities included in Project 98/5 were initially nine in number[3] and have now expanded to 39. When other universities found their way into this elite project, the original nine members formed a coalition, nicknamed the "Chinese Ivy League", to preserve their special status. In 2009, research funds of these most elite universities averaged 1.2 billion *yuan* RMB,[4] equaling that of the Association of American Universities (AAU) membership, a group of leading research universities in the world.

As most elite universities have been protected from over-expansion in order to focus on achieving global excellence, expansion mainly took place in the lower echelons. The local institutions, including newly developing higher vocational colleges and private institutions, have absorbed most of the increased enrolment. Notably, enrolment in the national elite universities grew only in symbolic ways, mainly at the graduate level or with the development of new programs, from 1.36 million in 1997 to 1.63 million students in 2005. By contrast, local institutions increased their enrolment most dramatically in the same period, from 1.79 million to 11.89 million (Ma, 2009). Certainly this should be understood together with the concurrent decentralization process, which put some 200 former national universities under local control. It can thus hardly be denied that it is the local institutions that have achieved the massification of higher education. Between 1997 and 2005, they increased 2.5 times in terms of aggregate number, and 7.7 times in terms of total enrolment (Ma, 2009). Now they are responsible for 95.3 percent of all enrolments in the Chinese system. To facilitate this situation, the central government delegated to local governments at provincial level the approving authority for creating higher vocational colleges in 2000. The number of these institutions has soared ever since, from under 100 in the early 1990s to 1,184 in

[3] The original nine universities that were included in Project 98/5 are Tsinghua University, Peking University, Fudan University, Zhejiang University, Nanjing University, Shanghai Jiaotong University, Xi'an Jiaotong University, University of Science and Technology of China and Harbin Institute of Technology.

[4] The official exchange rate between US dollar and RMB *yuan* was 1:6.8 in 2009. Yet, over the years, it has been noted that China's currency is grossly undervalued. The International Monetary Fund estimated that, by purchasing power parity, one US dollar was equivalent to approximately 3.872 *yuan* RMB in 2009.

2008. Now they account for 52 percent of all higher education institutions in China, and they accommodate nearly 30 percent of the enrolment.

Clearly, institutional stratification has characterized the massification of higher education in China. Such a structure has been strategically established to improve China's global competitiveness, a role assigned to the elite universities, while at the same time meeting domestic social demand, a role undertaken mostly by local institutions. With this approach, China has been able to establish and maintain the world's largest higher education system and still nurture several dozen players at the global level. This "success" comes, however, at the expense of equity in terms of the institutions' operating conditions. There is an increasingly widening gap among the institutions at difference tiers in the hierarchy, and a concomitant difference in students' learning experience. As illustrated by Table 3, the average difference in institutional revenues among the "Core Project 98/5 Universities", the "Other Project 98/5 Universities", the "Project 21/1 Universities", the "Local Universities", and the "Higher Vocational Colleges" – listed in a descending order of prestige and status – showed a striking ratio of 45: 26: 10: 4: 1 in 2006.[5] Notably, the research revenues of 37 Project 98/5 universities (on the 2006 list, which then grew to the current 39) were roughly four times as much as those of 68 Project 21/1 universities (a prestigious group itself) and 588 local universities. In the meantime, a negative correlation between institutional status and reliance on students' tuition and fees is discernable. The higher vocational colleges and local universities are respectively 36 and 24 percent higher than the core Project 98/5 universities in terms of the ratio of income from tuition and fees in their total revenues. Put another way, a majority of Chinese students now have to pay relatively more for educational opportunities and learning experiences of a much lower quality.

PUBLIC VS. PRIVATE PROVISION

Following the same rationale, the Chinese government recognized that public provision alone could never meet the exploding demand for higher education. The state thus deliberately made a policy of encouraging non-state sectors to engage in education provision. On October 1, 1997, the State Council officially enacted the *Decree on Educational Establishments Run by Social Forces*. The *Decree* evolved into China's private education law five years later. In 2002, China's national legislature, the People's Congress, passed a specific law concerning private education, namely the *Law for Promoting Private Education*, which took effect on December 28, 2002.

[5] The "Core Project 98/5 Universities" refer to the first nine universities included in the project in 1999 and 2000. Some more joined in this project one after another until 2009. All universities selected on Project 98/5 are the national ones, and included in Project 21/1 as well. In addition to them, Project 21/1 includes a few dozen more national and local universities.

Table 3. Differentiation of Institutional Revenue Source and Finance Structure, 2006 (in million yuan RMB[*])

Revenue Sources	Core Project 98/5 Universities (N=9)		Other Project 98/5 Universities (N=28)		Project 21/1 Universities (N=68)		Local Universities (N=588)		Higher Vocational Colleges (N=712)	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Appropriated revenue	9017.2	49.4	16289.6	50.5	15292.0	49.2	47614.9	43.1	12341.6	38.3
1.1 Fiscal appropriations	8370.9	45.9	15087.8	46.7	13513.3	43.5	43516.4	39.4	11009.5	34.1
1.1.1 Operating	4776.6	26.2	10620.5	32.9	10769.4	34.7	38031.3	34.4	9771.4	30.3
1.1.2 Research	**2720.6**	14.9	**3523.2**	10.9	**1640.0**	5.3	**1529.0**	1.4	**41.8**	0.1
1.1.3 Special purposes	873.7	4.8	944.1	2.9	1104.0	3.6	3956.1	3.6	1196.3	3.7
1.2 Infrastructure	590.2	3.2	1201.8	3.7	1758.7	5.7	3535.7	3.2	958.4	3.0
1.3 Tax transfer	56.1	0.3	0	0.0	20.0	0.1	562.8	0.5	373.7	1.2
2. Unappropriated revenue	9240.5	50.6	15995.0	49.5	15768.6	50.8	62959.3	56.9	19869.3	61.7
2.1 Operating income	6690.0	36.6	12936.3	40.1	12540.0	40.4	53939.6	48.8	18300.1	56.8
2.1.1 Tuition and fees	2610.3	**14.3**	6819.0	**21.1**	8393.0	**27.0**	41850.1	**37.9**	16151.5	**50.1**
2.1.2 Other operating income	4079.6	22.3	6117.3	19.0	4147.0	13.4	12089.5	10.9	2148.7	6.7
2.2 Sales of services and products	186.0	1.0	413.1	1.3	560.2	1.8	11843.4	1.1	100.9	0.3
2.3 Donations	649.2	3.6	268.1	0.8	177.0	0.6	794.4	0.7	126.7	0.4
2.4 Other sources	1715.3	9.0	2377.5	7.4	2491.4	8.0	7041.0	6.4	1341.5	4.2
Total	18257.7	100	32284.6	100	31060.6	100	110574.2	100	32210.9	100
Mean	**2028.6**		**1153.0**		**456.8**		**188.1**		**45.2**	

[*] The official exchange rate between US dollar and RMB *yuan* was 1:7.8 in 2006

Source: Adapted from Bao & Liu (2009, p. 12)**.**

In addition, Chinese educational authorities have encouraged public universities to run second-tier colleges since 1999. These colleges are operated as private institutions which supplement the income of the sponsoring public university. The intention has been to increase higher education capacity by combining public and private resources. Given the advantages that second-tier colleges enjoyed under the patronage of public universities, which confers legitimacy and assures quality, this trend was criticized by fully private institutions, which saw it as unfair competition. After 2003, the second-tier colleges were thus required to become independent from the public universities that spawned them and now are called "independent colleges". Private higher education enjoyed dramatic growth over this period of expansion as well. In 1999, only 37 private institutions, with a total enrolment of 46,000 students, were fully recognized by the Ministry of Education and accredited to confer their own graduation diplomas (Zha, 2006). By 2008, the number of private institutions that were accredited to confer degrees and diplomas had grown to 638, including 322 independent colleges. They constituted 28 percent of all higher education institutions in China, with an enrolment of 4 million students (among whom more than half or 2.2 million were pursuing degree programs), representing 20 percent of the entire enrolment in the regular higher education sector (Ministry of Education, 2010).

Private institutions rely on tuition and fees for 80 percent of their revenue while absorbing 20 percent of the higher education demand. In this sense, they provide considerable relief for public finance at all levels, as well as meeting rising societal demand. Yet, this very fact has also ushered in challenges for private institutions. First of all, they all face financial constraints, which, in turn, impede their operating conditions. For instance, in 2008, the private institutions' total fixed assets and assets in terms of teaching equipment both constituted only 0.7 percent of the aggregate total of the Chinese higher education system, while their library holdings constituted less than 1 percent. Due to financial constraints, private institutions have to rely on retired faculty (from public institutions) for course delivery, alongside of new hires in recent years. Among 19,121 full-time teaching staff in private institutions in 2008, over 40 percent of full professors were 55 or older.[6] By contrast, 60 percent of those teaching full time at private institutions were younger than 40, among whom 88 percent were at junior level, i.e., being lecturers or below.[7] Even so, the private institutions still faced a serious shortage of full-time teaching staff, and had to use a large number of part-time teachers. Also in 2008, private institutions hired only 1.5 percent of all full-time teaching staff in the overall Chinese higher education system, while they hired a total of 21,387 part-time teachers, who were 12 percent more than the total number of their own full-time teachers in the same year.

[6] China adopts mandatory retirement policy across the country and all sectors, setting retirement age at 55 for females and 60 for males.

[7] Chinese higher education system uses four-level professional ranks: full professor, associate professor, lecturer and assistant lecturer, in descending order, with Chinese lecturer equivalent to assistant professor in the North American universities.

These figures combine to cast some questions on education quality in the private institutions. Furthermore, the educational qualifications of the teaching staff in private institutions warrant even more concern. Among their full-time teaching staff in 2008, only around 3 percent possessed doctoral degrees, and only 16 percent had master's degrees.[8] Over 80 percent of private institutions focus on providing vocational education programs, and nearly 60 percent of their teaching staff are concentrated in such program areas as engineering (in particular computer technology), foreign languages, management/administration, and economics. Vocationalization is clearly the strategic choice made by most private institutions for the sake of survival and growth. They cluster at the bottom of the pyramid-like structure of the Chinese system, and are now subject to competitive pressure from the proliferating higher vocational colleges in the public sphere and the favored independent colleges. Among 638 approved private institutions, 369 have been accredited to confer degrees, including 322 independent colleges. This means there are only 47 truly private universities, which confer degrees, across the country. Thus, following a common typology of private higher education (Altbach et al., 2009; Levy, 1986, 2002), Chinese private institutions function typically to absorb the social demand, and, like higher vocational colleges and independent colleges, mainly recruit disadvantaged students.

In 2008, the private sector (including both fully private institutions and independent colleges) enrolled close to 4 million students or 20 percent of China's entire higher education enrolment. Together, private institutions and higher vocational colleges now accommodate half of the nation's tertiary student population. Despite their merit in widening access to higher education, the private institutions serve, to a certain extent, to enhance the inequity problems facing Chinese higher education in the expansion process, given that they charge much higher tuition rates but offer educational programs of much lower quality. Their resurgence was largely encouraged by the state policy aiming to absorb social demand, and their growth was mostly steered by forces relating to marketization and commercialization of higher education. In this sense, today's private institutions are very different from their ancestors in Chinese history, the *shuyuan* or academies, which featured liberal and humanistic education that fostered character development.

CONCLUDING REMARKS

In sum, China's move to mass higher education, assisted by these three pairs of "legs", has resulted in not only rapid expansion of enrolment size but also systemic differentiation. The expansion and diversification of higher education are twin phenomena that have been associated with the development of higher education in many countries around the world. While higher education systems expanded worldwide, the nature of the institutions within these systems had also been

[8] These rates were 13% and 32% in 2008 in the public universities and colleges as a whole, but much higher in the national elite universities.

shifting, through a process of differentiation. Differentiation can occur vertically, as the functions or roles of institutions proliferate, and horizontally, by the creation of new type of institutions. While horizontal differentiation is driven by increased demand for higher education, vertical differentiation is a reaction to demand for a greater diversity of graduates (World Bank, 2000). This phenomenon can be clearly observed in the current Chinese system: The emergence and growth of private institutions and higher vocational colleges manifest the horizontal differentiation; the stratification of the system with elite university at the top characterizes the vertical differentiation. Being steeply stratified, the Chinese system now comprises one tier that is oriented toward research and selectivity, and another that imparts knowledge to large numbers of students. This is viewed as ideal and a success from what might be described as a neo-liberal agenda. "This agenda advocates for a free-market, privatized approach to higher education with a research concentration (and thus funding concentration) in a small number of elite institutions whereby small numbers of individuals may excel at the expenses of others" (Gidley et al, 2010, p. 133).

As an emerging economy in the region and the world, China has been obsessed with a kind of "catch up" mentality, and this is reflected in the "state instrumentalism" embedded in its approach to mass higher education. In a certain sense, this state instrumentalism leans towards neo-liberalism, despite its emphasis on central control, and indeed this shows some merit in terms of efficiency with respect to meeting the challenges of global competitiveness and an increasing social demand simultaneously. This is clearly evident in China's extraordinarily fast move to mass higher education and an accelerated research performance. Since the higher education expansion started in the late 1990s, China has maintained an annual growth rate of over 40% in new enrolments between 1998 and 2001 and literally achieved mass higher education (defined as enrolling more than 15 percent of the respective age cohort) in five years (by 2002). Currently it aims to have a universal system (enrolment of 50 percent or more of the age cohort) in less than ten years from now. On research performance, China's output of research papers in international journals rose from 9,061 in 1995 to 56,806 in 2007, growing by 16.5 percent per annum, and overtaking the UK, Germany, France and Japan recently. Now it is second only to the USA (NSB, 2010).

However, China's success in the move to mass higher education should not be taken at face value. China's success in terms of accessibility to higher education is largely driven by a neo-liberal agenda, and needs to be challenged by more embracing ideologies such as the social justice and the human potential perspectives. Indeed, the Chinese approach has started to show its inner constraints, in particular the downsides for social equity in participation and consequently in the students' lifetime opportunities. There is also a potential for state interference into knowledge production and academic freedom. Research confirms students from upper socioeconomic status (SES) families tend to be favored for access to more selective universities (Xie & Wang, 2006). Even worse, those high achievers who, on average, take advantage of their high-SES family background continue to be favoured in terms of financial support after entering the

selective universities (Yang, 2009). Given the enormous difference with respect to their study experience, resulting from the huge gap in terms of faculty qualifications, research facilities and per student expenditure, which was widened by twofold between 1998 and 2006 (Liu & Wang, 2010) between selective and less selective intuitions, students in the lower echelon institutions will suffer from very limited chances for mobility within the system and later in society at large. In other words, this social inequity may accompany them throughout their lifetime.

While the Chinese system has become increasingly stratified and internally fragmented during this wave of expansion, Chinese society has been in general becoming more democratic. It can be expected that tackling these equity issues and problems would result in a series of further policies, rather than simply putting an end to the expansion. The newly promulgated *National Outline for Medium and Long Term Educational Reform and Development (2010-2020)* (or "*2020 Blueprint*", officially unveiled on July 29, 2010) asserts, in the section that elaborates the guiding principles for Chinese education, the promotion of education equity as one of the five fundamental principles, positioned ahead of quality in education. By contrast, this goal never appeared in previous important strategic planning documents such as *Outline for Educational Reform and Development in China* (1993), *Action Plan for Vitalizing Education for the Twenty-first Century* (1998), and *Decision on Deepening Educational Reform and Pressing Ahead Quality Education in an All-Around Way* (1999). This suggests that equity issues have accumulated over the past decade to the level that they now must be given full attention. The document recognizes that educational equity serves a pillar for social equity as a whole, and thus the state should take the major responsibility for ensuring educational equity.

Put another way, China's current "success" in higher education is limited to quantitative success in access, while in fact it is mainly benefitting a small proportion who study in the more selective universities. The Chinese system shows a physical (or quantitative) characteristic of mass access, though it continues to uphold an ideology of elitism. The *2020 Blueprint* does send the message of possible gear change with the dominant ideology in favor of great equity, but it still carries a strong sense of state-driven momentum and economism. Unless the dynamism comes truly from the bottom, from the universities and colleges fully enjoying autonomy and flexibility, it might be hard for Chinese higher education to facilitate upward mobility and fulfill human potential.

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FENGLIANG ZHU AND SUMIN LI

MARKETIZATION IN CHINESE HIGHER EDUCATION

INTRODUCTION

Since the 1980s, marketization has become part of the worldwide discourse in higher education. The term refers to the process and mechanisms by which public institutions act like private companies (Hoeven & Sziráczki, 1997) as well as to the creation, by government regulation, of a "market" through the reduction of state subsidies, deregulation, organizational restructuring (corporatization), decentralization and, in some cases, privatization (Vickerstaff, 1998). The original market policy was adopted in 1978 in China with the introduction of the "Reform and Opening Policy", designed to change from a centrally-planned economy to a market-based system. In this sense, marketization of higher education can be seen as a component of macro socio-economic reform. Table 1 illustrates decentralization of the Chinese higher education system. We can see that institutions under the auspices of local governments and private runners are increasing in the first decade of 21st century.

During the 1990s, the introduction of the ideology of the market system resulted in a paradigm that viewed higher education as a sector of the economy. The term "educational industry" initially emerged in the official document *Decision on Facilitating Tertiary Industries*, in which education was considered as one of fundamental tertiary industries (Chinese Communist Party Central Committee, 1992). This document stated that tertiary industries should be oriented toward industrialization and in this process become more managerial and entrepreneurial. In addition, the central government should adopt competition as the primary mechanism in the provision of educational services.

Academe and society have focused on industrialization of higher education since 1999 (Yang, 2006; Zheng, Zhan & Ouyang, 2004). Before that, university tuition fees remained at a low level and were affordable for both urban and rural families.

China's higher education system has been growing at astonishing rates; for example, 1999 undergraduate entrants were 47.4 percent greater than the previous year (1998).

The system has maintained a high rate of expansion of enrolment from 1999 to 2003 and the Chinese higher education system achieved mass participation in five years when student population exceeded 23 million in 2007, the largest in the world (Zhou, 2007).

H.G. Schuetze & G. Álvarez Mendiola (eds.), State and Market in Higher Education Reforms, 181–199.

Table 1. Chinese higher education system.

	1999	2000	2001	2003	2005	2007	2009
Under the Auspices of National Government:							
Institutions	248	116	111	111	111	111	111
Students	1,242,943	1,105,765	1,280,041	1,502,345	1,632,874	1,681,454	1,727,135
Under the Auspices of Local Government:							
Institutions	823	925	1114	1268	1431	1502	1538
Students	2,842,931	4,455,135	5,910,617	8,771,582	11,886,384	13,727,622	15,359,627
Under the Auspices of Private Owners:							
Institutions	Null	Null	Null	173	250	295	334
Students	Null	Null	Null	811,715	2,098,509	3,439,878	4,359,808

Source: Ministry of Education (1999-2009a).

Table 2. New entrants of public higher education institutions, 1998-2009.

	1999	2000	2001	2003	2005	2007	2009
Undergraduate new entrants (10,000)	159.68	220.61	268.28	382.17	504.46	565.92	639.49
Annual increase (10,000)	51.32	60.93	47.67	61.67	57.12	19.87	31.83
Annual increase rate (%)	47.4	38.16	21.61	19.24	12.77	3.6	5.23
Postgraduate new entrants (10,000)	9.22	12.85	16.52	26.89	36.48	41.86	51.09
Annual increase (10,000)	1.97	3.63	3.67	6.63	3.85	2.07	6.45
Annual increase rate (%)	27.2	19.4	28.6	32.7	11.8	5.2	14.45
Total new entrants (10,000)	168.9	233.46	284.8	409.06	540.94	607.78	690.58
Total annual increase (10,000)	53.29	64.56	51.34	68.3	60.97	21.94	38.28
Total annual increase rate (%)	46.1	38.2	22	20	12.7	3.7	5.5
Total enrolment as percentage of the relevant group of age	10.5	12.5	13.3	17	21	23	24.2

Source: Ministry of Education (1999-2009b).

However, growth of higher education budgets has not matched the explosive growth of costs associated with accommodating rapidly growing enrolment. As a result, the deterioration of the financial environment has required higher education institutions to significantly increase tuition fees, and to seek opportunities to generate additional revenues.

Table 3. Funding pattern of HE institutions under the auspices of the central government

	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Government Budget Allocations	47.7	47.3	45.8	44.8	47.9	48	55
Teaching Allocations	37.2	36.2	34.4	31.8	34.3	32.9	34.7
Research Allocations	7.2	8.1	8.1	9.6	10.1	9	11.4
Others	3.4	3	3.3	3.4	3.5	6.1	5.7
Tuition and Fees	13.8	16.5	19.2	21.1	20	18.7	18
Income from entrepreneurial research	22	18.6	18.1	18.8	18.9	19.2	17.7
Social Services	1.4	1.5	1.2	1.3	1	1.2	0.7
Donations	3.4	2.3	1.6	1.3	1.2	1.2	1.1
Infrastructure Allocations	6	6.4	5.8	4.9	4.2	3.3	3.4
Others	6	7.1	8.1	7.8	6.8	8.1	6.7

Source: Bureau of Finance of the Ministry of Education (2003-2009)

Table 4. Funding pattern of HE institutions under the auspices of local government.

	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Government Budget Appropriations	42.4	40	39.8	38.9	38.8	37	42.3
Teaching Appropriations	38.5	35.8	35.8	34.1	34.2	32.5	35
Research Appropriations	1.1	1	1	1.1	1	1	1
Others	2.9	3.3	3	3.7	3.6	3.6	3.7
Tuition and Fees	36.6	38.9	40.1	40.6	38.4	40.4	40.4
Income from sponsored research	9	9	8.6	9	10	10.3	7.5
Social Service	1	1	1	1	1	0.2	0.1
Donations	1	1	1	1	0.5	0.5	0.5
Infrastructure Appropriations	5	4.2	3.8	3.1	2.9	1.9	2.8
Others	4	5.1	5.1	6	7.7	7.5	6.7

Source: Bureau of Finance of the Ministry of Education (2003-2009).

Tables 3 and 4 show the change of higher education institution funding structure during the late 1990s and the first lustrum of the 21st century. They show that the share of governmental expenditures in institutional budgets decreased from 2002 to

2005. In contrast and as a consequence, student tuition fees have steadily increased in the same period. From 2006 to 2008, the share of governmental expenditures in institutional budgets ascended. This could be accounted for a strategic plan *On Enhancing Self-Reliant Innovation of Science and Technology* (Chinese Communist Party Central Committee, 2006). Higher education was regarded as the spring of new ideas and talents. For implementing that Plan, the Central government increased higher education yearly budget.

In 2004, the national average of students' tuition fees comprised 32 percent of educational expenditures at public universities (Chen, 2005). Research shows that, in 2004, the average total expenditure for a Chinese tertiary student was 11,800 RMB and included student tuition (6,000 RMB), a residential fee (1,000 RMB), and room and board expenses (4,800 RMB). In the same year, the average farmer's net income was around 3,000 RMB. The cost of higher education was thus far beyond the means of the average farmer; in fact, sending a student to university would require the income of four farmers (Hou & Peng, 2005).

Increasing tuition fees is one of mechanisms being utilized to address the financial crisis facing higher education institutions; others will be discussed in the second section of this chapter. Increased enrolment and the concomitant raise in tuition fees provide context for the implementation of the concept of the industrialization of higher education.

In this chapter, we discuss the concept and the research on marketization. Our objectives are to: 1) demonstrate the entire marketization process; 2) understand marketization from different theoretical frameworks; 3) summarize the characteristics of marketization in Chinese context; and 4) propose further research into marketization. Accordingly, the article comprises four sections: policies, developments, theories, and conclusions.

POLICIES

The marketization of Chinese higher education began with the Reform and Opening Policy in 1978. The aims of this policy were to establish a market economy and to change the political, scientific, and educational systems so that they facilitated economic development and growth. Approximately 30 years of change in the higher education system may be divided into four stages (Liu, 2008; Yang, 2009): 1) restoration and reconstruction (1978-1984); 2) educational system reform (1985-1989); 3) industrialization of education (1990-2002); and 4) reorientation (2003 to present).

For the first stage, the tone of change was set by Deng Xiaoping:

> We should not only popularize education, but also improve the quality of education. Therefore, we should create major elementary schools, major secondary schools, and major universities. In addition, it is necessary to select the excellent students by rigid exams and recruit them into major secondary schools and major universities. (Deng, 1983, p. 37)

After knowledge, talent, and intellectuals themselves were devalued by the government during the Cultural Revolution (1966-1976), they were reappraised and given a positive endorsement by the government in the late 1970s. Moreover, discrimination based on students' class origin and blood relationships was abolished. The period of restoration and construction did not address, however, the issue of what kind of higher education was desirable, or how to construct a new higher education system, in the context of the new technologies revolution (Yang, 2006 & 2009b). Rather, the change during this period soon regressed to the state of education in 1950s in terms of the values and structure of education (Yang, 2006). Specifically, the emphasis on educational equity was compromised by the emphasis on nationalist and elitist route of education. One result of this tilt was a pyramid of schools and colleges: major schools and non-major schools; major colleges and non-major colleges. Another characteristic was the intense competition which was best demonstrated by the entrance exam process to major schools and colleges based on merit (Marginson, 2011).

The second stage – reform of the educational system – was regarded as the golden age of higher education reform (Liu, 2008). In this stage, the government called for a systematic reform of society, which received enormous support from all segments of Chinese society. Three significant policies of social reform were addressed by the Central Committee of the Communist Party of China: 1) the Reform of the Economic System (1984); 2) the Reform of the Scientific and Technological System (1985); and 3) the Reform of the Educational System (1985).

In addition, the reform of the Chinese political system was put on the agenda in 1986. Yang (2009b) argued that the Decision on the Reform of Educational System represents the very beginning of China's contemporary educational reform. This policy pointed out the major drawback of higher education system in the period of the planned economy: government control and intervention, which meant that institutions of higher education had little or no opportunity, nor much incentive, to innovate. The government announced that institutions of higher education would be granted autonomy so that presidents could manage their institutions independently. It should be noted that the reform of 1980s was interrupted by the political turmoil created by the June Fourth Movement in 1989[1] (Yang, 2008).

The third stage, industrialization of higher education, was characterized by the upsurge of private colleges and diversified sources of funding (Zhou, 2001). In the period of the planned economy, the government sponsored, regulated, and administered higher education. The government recognized that this had sapped institution's vitality, and of equal importance, the higher education system of the country with the largest population in the world had become unaffordable for a significant part of its population. A significant policy on the reform of education in the 1990s, the *Outline of the Reform and Development of China's Education* (1993), put forward by the Central Committee of the Communist Party fundamentally changed addressed the following issues: the relationship between

[1] Note by the editors: Known outside China as the Tiananmen SquareUprising.

higher education, the state, and market, the diversification of sources of funding, and the strategy of higher education development. Compared with the Decision on the Reform of Education in 1980s, this new policy had a much clearer vision and provided guidelines for further developments.

Regarding the relationship between higher education, state and market, the *Outline* proclaimed that rather than direct intervention and control of educational institutions, the government should instead guide this sector at the strategic level through legislation, appropriation of funding, planning, and information. In addition, the *Outline* decreed that the government's monopoly of higher education should be ended, and that individuals, groups, and organizations should be permitted to set up and operate private colleges. While it proposed diversification of funding sources, the *Outline* proposed that the government's appropriations would be the primary source, but that institutions enhance tuition fees, create high-tech companies, and raise donations and establish endowment, to supplement government funding.

Another important policy, *A Plan for Promoting Education in 21st Century* (Ministry of Education, 1998), dealing with the massification of higher education, was widely criticized and called the "industrialization of higher education" by some academics (Yang, 2006; Zhang, 2000). The main purpose of this policy was to expand domestic demand and stimulate consumption in the context of the 1997 financial crisis in Asia (Kang, 2000).

However, the central government did not provide higher education with sufficient funding to support the exponential enrolment. Educational expenditures were less than four percent of GDP during this period, compared to the average of OECD countries of aound 5.6 percent.

The rapid expansion of higher education depended, therefore, to a large extent, on tuition fees and bank loans (Yang, 2009a). In 2001, average tuition fees per student constituted 80 percent of the average annual income of an urban resident; while it was 200 percent of the income of a rural resident (Zhao, 2007). Thus, the soaring tuition fees greatly exceeded the income of many, especially rural Chinese families rendering higher education problematic for their children. Bank loans to higher education institutions nation-wide totaled 500 million RMB in 1998; the total in 2009 was more than 200 billion RMB (Zonghe, 2009). Nearly all public higher education institutions have bank loans of varying amounts (Qiu, 2007). These loans have created a debt crisis for institutions. In fact, this appears to have occurred with the tacit consent, encouragement, and in some cases, coercion by the Ministry of Education and local governments (Qiu, 2007; Zhao, 2007; Zonghe, 2009).

The fourth stage is characterized by the reorientation of higher education. In 2003, the Central Committee of the Communist Party of China proposed a concept of scientific development that focuses on a people-oriented, comprehensive, coordinated and sustainable development. Higher education was affected by this policy and began to reflect on institutional values and to reorient its development. The primary orientation of higher education has been nationalist and utilitarian since 1950s (Yang, 2009). Specifically, national objectives are seen to be more

important than individual interest. In recent years, an increasing number of people in government and education have concluded that there are two strategic functions of education: first is the recognition that education plays an overarching, strategic, and fundamental role in the future of the nation; and second is that education is closely related to the intellectual and economic growth of students and their families, and of vital importance to people's livelihood (Yang, 2009).

DEVELOPMENTS

As Confucius said, "Initially, I believed what people said to me; now I observe how people act while hearing what they told me" (cited by Zhu, 2005). In this sense, theory, policy, and practice are dynamic and interactive; that is, they can be mutually supporting or in conflict. While the reform policies of higher education had repeatedly proposed a resolute decentralization, in reality the proposition was never implemented.

It is argued that full marketization cannot be realized in China as long as the central government monopolizes the higher education sector (Ren, 2004; Si, 2004; Yu, 2004; Yang, 2006; Zhang, 2004). The relatively small role private higher education plays in China (see Table 1) can be attributed to the laws and policies regulating private higher education. The *Law of Private Education Promotion, promulgated* in 2002 by the National People's Congress, which states that private institutions are permitted to make "reasonable profits", had ignited hopes among investors in private institutions. However, two other policies, *Regulating and Facilitating Independent Colleges Managed by Public Higher Education Institutions* and *Implementation Rules of the Law of Private Education Promotion*, issued by the Ministry of Education in 2003 and 2004 respectively, decreed that public higher education institutions could create and manage private colleges, so-called independent colleges.. In 2007, there were 318 independent colleges.

However, independent colleges are not real private institutions and not completely independent from public universities (Chen, 2009; Liu, 2009; Yu, 2004). While they can enrol undergraduate students, "real" private colleges are mostly confined to the level of junior colleges and only a small portion of them have the ability to carry on undergraduate education (MOE, 2008; Xie, 2006). Also, since independent colleges benefit from the reputation of the public universities they are affiliated with, they have an edge when competing for students with "real" private colleges. Meanwhile, the universities they affiliated with typically receive a lion's share of the revenues generated by the independent colleges they control. Therefore, private higher education institutions have significant disadvantages in competing with public universities and independent colleges. This situation has resulted in the bankruptcy of many real private colleges (Chen, 2009; Yu, 2004; Xie, 2006). In recent years, some independent colleges have separated from the public universities with which they were affiliated; however, the majority of independent colleges still have not.

Bureaucratization is another problem associated with marketization of Chinese higher education. On the system level, public universities are controlled by the

Ministry of Education through its regulatory powers (Zhang, 2007) which include control of educational resources, the certification of degree programs and major disciplines, approval and funding of research projects, as well as other areas designated by education statutes. It is also important to note that all public universities are assigned different administrative levels within the Ministry of Education, such as vice-ministerial level and department-bureau level. Thus public universities are a division or extension of the central government (Xiao, 2008). That the performance of public higher education institutions should be evaluated by the government is taken for granted. Consequently, it is the Ministry of Education, not the higher education institution management, that has operational control of universities and colleges (Qiu, 2007) and it has been asserted that the intervention of the Ministry into the operation of universities has become all-pervasive (Xiao, 2008).

This is demonstrated by the fact that the government appoints the presidents of public universities and colleges. University presidents' decisions on academic issues, therefore, are inevitably influenced by input from government officials (Xiao, 2008). Lin Jianhua, the Executive Vice-president of Peking University, contends that an important problem is how to put into effect the institutional autonomy contained in the official documents (Yuan, 2009). Autonomy as defined by government permits intervention by the government at the operational level (Yuan, 2009), for example, the regulation of quality of courses and textbooks, (Zhang, 2007). Assessments are often accompanied by huge incentives and resources (Zhang, 2007). Therefore, faculty has an incentive to meet the standards set by the government. Moreover, teachers who have an administrative title, such as head of school or dean, have more of an advantage in competing for various prizes and projects for teaching and research, as awarded by the central government assessment (Zhang, 2007b, 2009). In this sense, Zhang (2007) therefore argues that contemporary Chinese universities have entered an era of assessment.

A consequence of pervasive government intervention is the emergence of a bureaucratic culture. A Chinese university president, Li Peigan, argues that a comparison of the attitudes, values and opinions of elderly and young teachers found that the scientific spirit is much weaker in young teachers while their desire to become administrators is much stronger (Yuan, 2009) . This problem is having a malignant effect on scientific research and innovation and influences students, some of whom will be the next generation of professors. It is contended that universities characterized by the bureaucratic culture are far from becoming world-class universities (Yuan, 2009). In 2010, the problem became a serious concern of the central government, which has resolved to cope with it (State Council, 2010). However, no substantive measures have been taken.

As for the underpinnings of marketization of higher education, Li Peigen (Yuan, 2009) comments that the salary system set by government forces university presidents, administrators and faculty to generate extra revenues from entrepreneurial activities, especially from research. In universities, the salary of first-rank professors is 2800 RMB per month (approximately US $412), and for the

second-rank professors, around 1000 RMB per month (approximately US $147). It must be mentioned that there are very few first-rank professors in Chinese universities; most are ranked as associate and assistant professors. As salaries are inadequate (Yuan, 2009), academic staff, in order to improve salaries, are forced to aggressively apply for research grants. Thus for academics the number of research projects and the amount of grants have become priorities. This explains why there is no proportional growth of quality research outputs notwithstanding the fact that research grants have increased many-fold.

THEORIES

Five theories can explain the marketization of Chinese higher education: 1) the theory of public goods; 2) globalization and higher education; 3) equity and efficiency; 4) three domains of society; and 5) individuality, universality and particularity.

These theories primarily answer the following questions: What is the nature of higher education? What is the appropriate role of state and market? What is the relationship among the domains of culture, economy and politics? What is the effect of globalization on higher education? How did marketization affect educational equity? How should we deal with the tension between equity and efficiency?

Theory of Public Goods

The economic theory of public goods divides goods into two categories: public goods and private goods. Public goods are non-rivalrous and non-excludable. This means that consumption of the goods by one individual does not reduce availability of the goods for consumption by others; and that no one can be effectively excluded from using the goods. Defense, law enforcement, lighthouses, public fireworks, clear air, and so forth, are examples of public goods. Conversely, private goods are rivalrous—consumption by one consumer prevents simultaneous consumption by other consumers – and excludable; it is reasonable to prevent a class of consumers (e. g. those who have not paid for the goods) from consuming the goods.

Public and private goods are thus two extremes of a spectrum. There exists a middle ground between the two extremes, that is, quasi-public or mixed goods. Public goods are closely related to externality or spillover which is a positive or negative impact on a party not directly involved in an economic transaction (Wang, 2000). If there exists external costs such as pollution, the good will be overproduced by a competitive market, as the producer does not take into account the external costs when producing the good (Mas-Colell, Whinston, & Green, 1995). Conversely, if there are external benefits in areas such as education and public safety, too little of the good would be produced by private markets as producers and buyers do not take into account the external benefits to others. Thus, in a market economy, private goods are usually provided by the market (enterprises

or individuals). Public goods and those having positive externalities, in most cases, are provided by the state. Quasi-public goods are provided by both state and market (Wang, 2000).

Since higher education is considered a quasi-public good in China (Ji, 2006), the state cannot shirk its fiscal responsibility to students, families, and universities (Li, 2008; Yang, 2006). Ji (2006) argues that only private goods can be marketized, since, unlike public goods which are mainly independent of consumption their usage cannot be spilled over to others and society. In contrast, education has great spillover; that is, not only does it yield benefits to individuals but also to society. Li (2008) comments that society as a whole receives the greatest benefits from education; therefore, the state as a representative of society must play a major role in funding higher education.

GLOBALIZATION AND LOCALIZATION

Globalization, the process of transformation of local or regional phenomena into global ones, is a combination of economic, technological, socio-cultural and political forces. It is often referred to by only one of its elements, economic globalization, that is, integration of national economies into the international economy through trade, foreign direct investment, capital flows, and the spread of technology (Bhagwati, 2004).

Globalization creates a highly competitive environment for workers, enterprises and countries (Dai, Mo, & Xie, 2004). As countries are seeking competitive edges and market niches and advancing workforce skills and competences to support its development, higher education is increasingly regarded as a necessary tool to enhance a nation's prospects in global competition.

Dai, Mo and Xie (2004) have analyzed the impact of globalization on higher education from three dimensions. First, higher education is a valuable industry. Higher education was classified as one of 12 services sectors by the World Trade Organization (WTO) and it has become an important service industry in global trade. In countries that have high numbers of international students, such as the United States, Britain, and Australia, higher education has become a significant industry. State-encouraged cooperation between industry and higher education has become common practice. Second, confronted with fierce competition from Europe and North American universities, newly industrialized Asian countries have made research excellence a new strategic objective. Third, new developments in information and communication technology have an increasing influence on higher education. Also international organizations, especially the Organization for Economic Co-operation and Development (OECD), have affected universities' standards of performance and quality world-wide, not just for their members.

Although globalization is a process of integration, this does not necessarily mean homogenization may provide an opportunity for peaceful co-existence of diverse cultural traditions (Henry et al., 1999). Exploring marketization of Chinese higher education from the perspective of globalization, it is also necessary to refer to the perspective of localization (Tu, 1998). From these two perspectives, Lo and

Cao (2003) studied Chinese public administration reform, the relationship between state and market, and characteristics of the marketization of Chinese higher education. They argue that the decrease of public service and state subsidies are features of marketization; marketization of higher education has therefore become a reality in China. Also, Mok and Wat (1998) found that public higher education institutions begin to assume traits of privatization, such as running high-tech companies, charging tuition fees and developing courses for newly emerging work sectors. The boundary between public and private higher education institutions is becoming more and more blurred (Chan & Mok, 1999).

Despite the introduction of methods of privatization and marketization mentioned above, the private higher education market is far from fully developed (Lo & Cao, 2003). As to the provision of higher education, public institutions are still dominant (see Table 1) a result of the central government's contradictory policies toward private higher education mentioned above.

To conclude, marketization process in Chinese higher education embodies characteristics of both globalization and localization. While at the national level, government maintains a monopoly on resource distribution and higher education policy, at the institutional level, many new private colleges have emerged and public higher education institutions have become increasingly active in generating revenues. Some researchers suggest that the government introduced market mechanisms in order to reduce its share of the financial burden associated with delivering higher education services (Bray, 1999; Chapman, 1998; Cheng, 1997; Lo & Cao, 2002). Others allege that market mechanisms were just introduced as an effective means of steering higher education (Lo & Cao, 2003). Therefore, the shift to market mechanisms does not indicate a fundamental ideological shift of public policy (Lo & Cao, 2002).

EQUITY AND EFFICIENCY

Yang (2006), investigating the marketization of secondary and post-secondary education from the perspective of educational equity, argues that marketization has resulted in rising inequity of access to education which is due to the principle of the economic policy, "efficiency first, equity second", which was an important aspect of educational reform. The changes that occurred during the 1980s and 1990s were aimed at growth and efficiency – resulting in little effort being expended on educational equity and quality. This was partly driven by the recognition that the higher education sector did not have sufficient capacity to deliver the number of college graduates deemed necessary to maintain China's growth rate. The result of this was the growth of university towns, public institutions operating high-tech companies, and the creation of "private" colleges affiliated to public universities, as mentioned above.

Yang (2006) observes that the marketization of higher education tended to obscure the decisive role of government in financing public higher education and, to some extent, confounded the respective function of state and market and of public and private higher education. Markets may enhance efficiency, but are less

able to ensure equity and diversity, necessitating that government functions to maintain market order and equity through redistribution (Ren, 2004; Zhang, 2006). In reality, the public educational budget is insufficient (less than four percent of GDP), which has forced universities to engage in activities to generate extra income. Meanwhile, the government maintains its control of the distribution of funding and continues to intervene directly in institutional operation, which results in unfair competition between public and private higher education institutions, and between national and local universities (Xiao, 2004; Zhou & Xie, 2006).

It is often argued that the reason for the low level of financial support for higher education is that China is a developing country and is struggling to educate the largest student population in the world. The government's assertion of lack of resources is a mechanism to obscure institutional failure; rather, it is the government's monopoly of education that resulted in a scarcity of provision (Ren, 2004; Zhang, 2006). In other words, private higher education is still under-developed because of the tight control by the government, of which the unfair competition between private and public higher education institutions is but one consequence (Jiang, 2004; Zhou & Xie, 2006). Unfair competition also exists among public higher education institutions, which are allocated different resources according to their administrative ranking: the major national institutions on top of the pyramid major provincial institutions in the middle, and ordinary local institutions at the bottom.

In conclusion, revenue-oriented reform of higher education had a negative effect on educational equity and left unchanged the planning relationship between state and higher education institutions (Yang, 2006). Government, the primary source of educational funding, dominates the reform and development of higher education institutions (Xie, 2006) so that fair competition between different types of institutions, thus our argument, is still only an ideal.

THREE DOMAINS OF SOCIETY

From a more philosophical perspective, Tu (1998) argues that there are three main domains in a society: cultural, political, and economic; and that these domains have a close relationship with each other, yet each domain has its own special internal and external contradictions. The key elements of the domains of politics, economy, and culture are power, profit, and truth, respectively. In Chinese philosophy these domains are not seen as discrete, bur rather they are considered to be dynamic and interactive. In each domain, the key element is influence, and each is influenced by the other two elements. For instance, in the domain of culture, the elements of power and profit should serve the key element of truth. Reflecting on personal experience and the literature on Chinese higher education, Tu (1998) asserts that education fundamentally belongs to the domain of culture. However, it was usually mis-located in the other two domains. For instance, during the Cultural Revolution, education was diverted to the domain of politics, and now during the time of markets, education has been placed in the domain of the economy.

Almost a decade later, Tu (2009) elaborated his theory of society. Now, he sees the domains as trees. Power, profit, and truth are the branches and each domain has its roots or foundation. In traditional Chinese thought, the roots of the domains of politics, economy and culture are based on humanity, righteousness and sincerity, respectively. As with the living organism of a tree, the branches are not as important as the roots. Chinese tradition understands that a group of trees is not composed of discrete units, for underground and unseen root systems are joined together. In recognition of this, Tu (2006) concludes that we should not merely examine each branch but must first understand the philosophical roots from which they have grown.

In terms of relationship between the domains, Tu (2009) says they are interactive but not determinative. In other words, people in one domain can take advantage of other two domains; they cannot determine the other two domains on the other hand. The reason is that each domain is distinct and has its particular "rule of the game" or special contradictions (Tu, 2001). Secondly, the domain of politics plays a leadership role for all the three domains; the domain of economy plays a supporting role for all the three domains; and the domain of culture plays a guiding role for all the three domains.

According to this theory, there are four conclusions: 1) higher education is and should be located in the domain of culture even in an era of knowledge-based economy; therefore, 2) the *key* element of higher education should be truth, not profit or power; 3) the rules of the market that characterizes the domain of economy cannot be completely transplanted to the domain of higher education; 4) truth is the branch of higher education and should be pursued to the very root or foundation, that is, sincerity.

Individuality = Universality + Particularity

Tu (2009) also argues that an object has two attributes, universality and particularity, which together form the individuality of this object. Thus education, including higher education, has both universality and particularity. Universality, called education-in-itself by Tu, represents the essence of education and exists in education throughout history and world (Lei, 2005). It is a cultural activity through which human nature, including knowing, feeling, and willing, develops intellectually, morally and physically (Lei, 2005). In contrast, the particularity of education depends on time, spatiality, and other specific conditions. The universality of education is the root and foundation of higher education. Therefore, only if we insist on the universality of higher education and, at the same time, adapt higher education to the specific time, space and conditions, can we develop the individuality of higher education. In the emerging knowledge-based economy, society expects higher education institutions to accelerate the technology transfer to industry. From the perspective of Chinese higher education, it needs to generate revenues to fund the continuous change expected by society and the government. These revenues will be used for new equipments, buildings and expenditures. Even in these cases, the universality of higher education cannot be discarded and

displaced for the sake of economic demands. Without the universality, it is not real higher education, however good the conditions are.

The formula "individuality = universality + particularity" can help us evaluate the marketization of higher education. First, in a knowledge-based economy, higher education plays a vital role by producing knowledge and providing service. Secondly, we need to ask how much market activities have affected the universality of higher education. Thirdly, what policies can we make to counterbalance those influences? Since universality of education or education-in-itself refers to higher "education", then what is universality of research? Have the present policies and culture affected such universality?

CONCLUSION

Based on these concepts of the marketization of Chinese higher education, we can draw the following conclusions: First, Chinese higher education has shown some characteristics of marketization; for instance, the user-charge principle has become a universally accepted principle in China. While revenue sources have been diversified through university entrepreneurial activities, this has resulted in utilitarianism among university teachers and researchers. Soaring tuition fees have made university education inaccessible for many students, especially from rural China (Yang, 2006; Yuan, 2009). On the other hand, Chinese higher education has not been completely marketized to the extent found in other countries. The distinctive feature of marketization of Chinese higher education is that higher education is still under tight control, control by the government which means that the independence and autonomy of universities have not been achieved. This has led to the bureaucratization of higher education, which is regarded by many as the biggest problem. Thus, the marketization of Chinese higher education is a hybrid of centralization, bureaucratization, and marketization (Yang, 2009).

Second, it is time for China to decentralize the higher education system. It has been asserted that if there is no substantive reform of the educational system and institutional innovation, many problems will not be solved and will become even worse (Yang, 2009; Yuan, 2009). These problems include insufficient educational budgets, bureaucratization, and unfair competition between public and private institutions. University presidents and the Ministry of Education still do not have sufficient power to decentralize the Chinese higher education system (Yuan, 2009). Only if the central government takes resolute action towards decentralization can higher education really develop.

Third, the exponential growth of knowledge and an ever-expanding student population are two key factors that drive the increase of higher education expenditure. In the context of financial constraints, universities must proactively seek external revenues. The diversification of the funding base decreases dependence on the government; however it should be acknowledged that traditional academic values, such as academic freedom and devotion to truth, should not be sacrificed for the sake of money. Education, science, and scholarship are still core values of the university, although the third mission of contributing to

"economic development" has become imperative. Apart from creating external revenue streams to stay viable, higher education institutions should also actively reform traditional ways of classroom teaching by integrating Internet and computer-based technology.

Last but not least, future research should explore the influence of market or market-like activities on "higher education-in-itself" as well as on the financial and administrative aspects of higher education. The theory of "Three Domains of a Society" and the theory of "individuality = universality + particularity" are ideal perspectives. Further, additional research should be conducted for understanding the impact of marketization on social and academic culture, and how the adverse influence of marketization on core academic values can be counterbalanced.

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SHINICHI YAMAMOTO

HIGHER EDUCATION REFORMS IN JAPAN: CHANGING RELATIONSHIP BETWEEN GOVERNMENT AND UNIVERSITIES

INTRODUCTION

Since the early 1990s, Japan's universities have undergone much reform and we have found some specific features in terms of the relations between universities and government that have not been seen before. The key words are "deregulation" under the careful control of the government, "competition" among universities and colleges for limited public and private resources, and shrinking higher education "market" due to the population decline in 18-year-olds. This analysis of the reasons and realities of the higher education reform in Japan regarding the new relationship of the two sectors (universities and government) may be useful for those who are involved in university reform.

Among various reasons contributing to the relationship change are two important technical reasons, explained later. The first is a faster cycle of policy implementation caused by frequent policy recommendations by the National Council on Education and related councils. The second is the creation of new policy programs accompanied by competitive funds; universities must follow the new policy if they want additional funds from the government. Behind these reasons, the concept of "university autonomy" has changed substantively. How the relationship of universities with government should be is still under further discussion in Japan; however, this is a very important question for Japanese higher education system so that universities can survive and play an active role in the knowledge-based society in the future.

UNIVERSITY REFORM BEFORE AND AFTER 1990S

There have been a lot of discussions about university reform since the implementation of a new framework of higher education system just after World War II. The main topics of the reform were university administration, entrance examinations, graduate school systems and general education, including liberal arts and foreign language studies. Those topics emerged from the discussion that intended to modify radical changes led by the occupied forces after the war and adapt to the reality of the Japanese situation. However, it was not very successful until the 1990s, mostly because of strong university autonomy. The Ministry of Education, Culture, Sports, Science and Technology (MEXT) had initiated new university reform policy in early 1970s after a bitter campus dispute. The idea of

H.G. Schuetze & G. Álvarez Mendiola (eds.), State and Market in Higher Education Reforms, 201–211.

the policy was to respond to the massification of higher education and the emerging need for the appropriate management of universities. Establishment of new-concept universities, such as the University of Tsukuba and others, was one of the very important MEXT initiatives that aimed at administrative and managerial reform of universities. Private universities were beginning to be financially supported by the government, although government was paying only 10 to 30 percent of the cost of operations, so that they could keep the quality of education as well as volume of educational opportunity responsive to the massification of higher education at that time. The National Center for University Entrance Examinations was established to reform the university examination system so that so-called "examination hell" problem in Japan at that time would be eased.

These reforms, however, were not effective. Universities had little incentive to reform themselves because there were no sanctions against them if they did not follow national policies for university reform. Universities had enjoyed strong autonomy which was regarded as an essential property for universities and which was strongly supported by the Constitution of Japan that declares "Academic freedom is guaranteed" in its Article 23.

After the 1990s, however, things began to change, gradually at first and then, later, completely, due to various reasons that will follow. As a result, various kinds of these university reforms occurred.

Deregulation

In 1992, the University Council, which was a policy advisory committee to the MEXT on higher education matters, made two important recommendations. In these recommendations, the Council insisted that the MEXT should introduce policy measures which would enable universities to design their own curriculum. Before then, the MEXT had kept strict rules on university curriculum structure: All students must study liberal arts, foreign languages and physical training subjects for two years and get almost two fifth of required credits for getting bachelors degrees whatever their major might be. The Council also said that universities and colleges should evaluate their educational and research performance by themselves instead of being supervised by the MEXT.

These recommendations affected universities' own curriculum policy and, as the result, in most institutions, the core of curriculum moved from liberal arts and foreign languages toward a more specialized study on each discipline. Thus, in the late 1990s, there emerged a dispute over the reclaiming of liberal arts teaching or general education, a dispute which crystallized as the concept of "Gakushi-Ryoku", which established a minimum requirement for bachelor's degree holders among all specialties in a 2008 recommendation by the National Council on Education.

Another mode of deregulation was realized in early 2000s by the Koizumi radical reform of administration and finance. Prime Minister Junichiro Koizumi tried to reform every sector of government and its activities to encourage industry and other private sectors to become more productive in their businesses. The main reason for the reform was to overcome the recession of Japanese economy. Higher

education was no exception. A typical deregulation at that time allowed private universities set up new institutions or departments much more easily than before. From 1970s until the early 2000s, the MEXT had maintained a strict rule that universities must be approved by the MEXT when they wanted to create new institutions, schools and departments. This rule was most strictly applied when they wished to create new ones in urban areas such as Tokyo or Kyoto. This rule was used as a measure of "birth control", so that higher education should not expand beyond the control of the MEXT.

The Koizumi administration introduced a "market mechanism" that was supported by the idea that the better one should win and the weaker one should fade out. The newly-introduced measure was that permission by the MEXT should be based on legal conformity only and not on administrative discretion such as the consideration of future demand and the supply of higher education. In addition, minor reform of schools and departments needed no permission but only had to report to the MEXT. As the result, the number of private universities increased from 478 in 2000 to 589 in 2008. In addition to the increase in the number of institutions, institutions themselves could create or reform their schools and departments much more easily and, in some cases such as with law schools and pharmaceutical departments, overproduction became apparent.

Accountability and Quality

Universities and colleges gained much more managerial autonomy by the end of the1990s. But such autonomy should be accompanied by their accountability and responsibility to various kinds of stakeholders, such as students and their parents, government, industry, and the general tax-paying public. Due to political and socio-economic changes in the 1990s, the role of universities became larger in terms of economic development and social welfare. Before the 1990s, universities had been regarded as an important screening device for students through entrance examinations, while industry and the public were not interested in the educational content taught by universities. The government gradually realized that managerial system of universities should be improved so that they could respond quickly to society's new expectations.

In this regard, university evaluation was viewed as a critical factor that should improve the quality of education and research as well as university management. Self-evaluation systems, which was mentioned in the previous section, evolved into third-party evaluations in 1998 and finally into the accreditation system that was introduced in 2004. After that, every institution had to be accredited by an authorized accreditation agency every seven years. Failure to become accredited could cause serious problems for the future of the institution, and thus universities and colleges had to work harder to maintain and improve the quality of their teaching and also to maintain an efficient management.

Another reform of this aspect was the corporatization of national universities, which was also introduced in 2004. In the latter half of the 1990s, there emerged a new discussion on administrative reform of the government. The government

intended to introduce an "administrative corporation", derived from the concept of "agency" in British administrative reform. In the agency or administrative corporation system, an administrative corporation, which had previously been a part of government, would now be separated from the government. It would provide some operations for the government, under the direction of the government, but also with some direction by the corporation. Then the government would evaluate the results and performance of the corporation and decide whether the corporation would continue to perform or to be abolished. In this way, while the main body of government was smaller in size as regards staff and budget, the corporation would expect to perform more effectively.

The national university system became a target for corporatization in 2000. At first, the MEXT strongly opposed the idea because universities were not organizations operated by governmental direction but rather by their own decision-making, often demonstrating rich creativity. However, the resistance by the MEXT to the government eventually failed because of the strong pressure of governmental-wide administrative reform; and the concept of "national university corporation" was the compromise between administrative reform and keeping the university's autonomy. The national university corporation was regarded as a more autonomous system than other administrative corporations, as it gave universities the power to appoint presidents and faculty members, set up mid-term plans, and so on.

Competition

In 1992, the 18-year-old population of Japan peaked at 2.06 millions. Since then, the population declined and, in 2009, it reached 1.2, a 40 percent decline in 18 years which seriously affected institutional management. Japanese higher education has relied heavily on the younger generation. According to the OECD comparative data, people over 25 years of age represent only two percent of all who enter universities and colleges for the first time in Japan, while that figure is nearly 30 percent in Northern European countries. More than 95 percent of freshmen in Japan are estimated to be 18 or 19 years old.

This peculiar situation is very closely related to the employment system in leading companies in Japan. They have had an invisible but confirmed policy to recruit very young students with bachelor's degree (in field such as engineering, master's degrees are better) as the future managers. Thus students must graduate from their programs before they are 25 or so years old.

Due to the decline of the 18-year-old population, about 40 percent of private universities and 60 percent of two-year private colleges could not enrol the intended number of freshmen in 2010, which was a prescribed number of new entrants approved by the government. Smaller number of students meant less revenue for the institutions. It caused serious problems for private institutions because they depend on receiving more than three-quarters of their revenue from students' tuition and fees. Thus they are now competing with each other for more students. To get more students, it is very important for them to make their

institutions be more attractive for the students, and thus improving institutional attractiveness is a great incentive for university reform.

Another mode of competition other than for students is for resources. This is especially serious for national universities. National universities, which had led in performing the most advanced research and in educating elite students who would work in various sectors of society in leadership roles, had kept their prestigious status among higher education institutions. Thus they did not have to worry about recruiting students and they had also been provided with enough resources from the government. After corporatization, however, due to the reduction of resource allocation of the government, they had to try to obtain more competitive resources from the government as well as from industry and alumni. The mechanism of influence on competitive resources in university reform will be mentioned in the next section.

THE REASONS AND INCENTIVES OF HIGHER EDUCATION REFORM

The situation until the 1980s

People who know the higher education system before the 1980s sometimes wonder why and how universities have changed to be so government-friendly and have willingly reformed their management and teaching/research activities. Universities in Japan had been entirely autonomous in performing their activities and they even opposed government's policies of higher education because those policies permitted government interference with university autonomy. This was true not only for private institutions but also for national and local public universities. That was because they were provided enough block funding from the government although rigid accounting regulations left not much discretionary room for the universities. Block funding helped national and local public universities to operate without any direction by the government. Professors, both at national/local public universities and at private ones, enjoyed full freedom for teaching and research even if it did not respond to the public's practical needs; and the professoriate also sometimes spoke to the public with political language, blaming government policies for issues not only within educational fields but also in various domains of society. The public therefore criticized university autonomy for allowing the professoriate to do only what they pleased.

The public's concern about universities, however, was focused on how to pass the difficult entrance examinations; they were not concerned about the educational and research capacity and activities of the universities but about their prestige. Why were people less interested in educational contents than in entrance examinations? It was because industry was not interested in university education itself but only in the students' capability that had been demonstrated at the time of entrance exam.[2] Even today, students at junior stages start job-seeking and they often postpone lectures to visit companies in search of employment.

In addition to those reasons, universities did not have to worry about recruiting enough number of students because the 18-year-old population was steady and the

participation ratio for higher education was growing. That situation strongly supported university autonomy. However, the meaning of autonomy has changed today. While today's autonomy is mostly understood as managerial independence that is carried out by the president who must be responsible to various stakeholders outside the university as well as within it, autonomy at that time was understood as the right of opposition to the government's policy and the protection of professors against any concern from outside the institution. This kind of university autonomy could be referred to as "university autonomy in old sense".

The situation after the 1990s

The environment that had supported university autonomy in the old sense changed in the early 1990s. First, the Cold War ended. This meant that left-wing political opinions that used to favour the former Soviet Union became weaker and opinions that were opposite, or right-wing, gained more power. This change affected strongly the political situation in Japan, both domestically and internationally, and the change of political situation turned the balance of power between universities and the government. Thus university autonomy in the classical sense became less-supported by the public and thus it became easier for the government to implement various kinds of university reform measures.

The second change was that so-called "Bubble Economy" collapsed in the same period. This big event suddenly threw the Japanese economy into confusion and later changed the structure of its industrial and employment system. Companies changed their policy of employment, in that they increased the numbers of part-time workers and restricted the number of full-time employees so that they could respond quickly to the economic changes and resultant managerial matters. Due to the reduction of opportunities for new employment, it became harder for students to get jobs in large companies. In addition, companies began to insist that students must have certain knowledge and skills to work for them. Students began to realize the importance of studying at universities, which now meant that a university education was not only regarded as a screening device for good talent but also an important place for students to obtain necessary knowledge and skills for future jobs.

The third change was the decline of the18-year-old population that I have mentioned in the previous section. To be attractive to students became the decisive incentive for many universities implementing their own various kinds of reforms that were not forced upon them by the government directly.

Two technical reasons for the reform

In addition to environmental changes affecting universities, two technical reasons are very important in understanding the reality of the reform and relationship between universities and government. The first technical reason is that the National Council on Education (including the University Council in 1987-2001) produces more policy recommendations than in the 1960s and 1970s, when the Council

produced a recommendation on higher education reform only every several years or so. In the 1990s and after, the Council has produced nearly 30 policy recommendations in 15 years, which means the Council makes recommendations twice a year. This helps the government initiate various kinds of new policy reform, such as university evaluation and quality assurance systems, much more easily and often; and this forces universities and colleges to respond quickly without deep reflection.

Most higher education policies have been implemented by recommendation of the Councils. Why does the government use the councils at the start of new policies? The most plausible reason is that councils can authorize the policies. It is especially so in the case of higher education policies because they need a high level of authority and specialty beyond the level of the bureaucracy and also because it is desirable to coordinate academia and bureaucracy from the view point of university autonomy and academic freedom. Discussions and conclusions at the councils may be smoothly accepted by academia if their peers participate in the discussion at the councils, while bureaucratic decision-making without consultation with academia may cause difficulty in implementing new policies.

The MEXT carefully manages and sometimes controls the discussion at the councils as the councils' secretariat is usually composed of the bureaucrats in charge of the matters within the MEXT. To arrive at the optimum acceptance for new policy implementation has been of the highest priority. In other words, examiners and examinees share a common background behind the stage of discussion; this is not unusual for Japanese procedure in policy-making.

The second technical reason is that the government has implemented several new policies that are accompanied by competitive funds. The Centers of Excellence Initiative (COE) for research and the Good Practice (GP) for teaching are the most typical examples. Universities must compete with each other for these funds and eventually they must follow the government's policy so that they can win the competition. GP, for example, requires from universities, when they apply, not only excellent projects but also a recent response to government's reform initiatives, such as managerial or curriculum reform.

In this way, universities have become acclimatized to this new relationship with government, where the government initiates a reform framework and universities follow later. The government wants universities to be more autonomous so that they can actively manage by themselves but, in reality, university autonomy in the old sense, which meant being independent against the government's will, has become weaker.

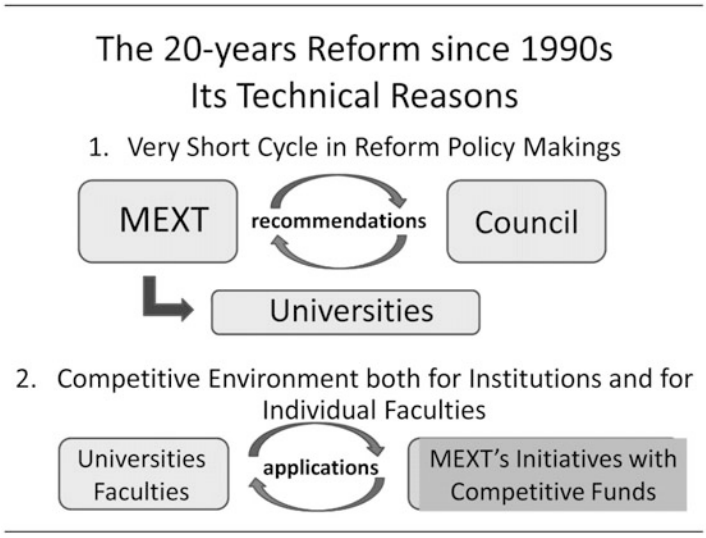

Figure 1. Two technical reasons for university reform. Source: Yamamoto, 2009.

HIGHER EDUCATION REFORM AS PART OF GOVERNMENT-WIDE ADMINISTRATIVE REFORM: THE CORPORATIZATION OF NATIONAL UNIVERSITIES

Backgrounds of corporatization

The most important reform for national universities in this period was the reform of governance that converted the status of national universities from a part of the government to "national university corporations" (*Hojin-ka*). Although this idea of university corporation had been sometimes discussed as a mean of university administrative and managerial reform since the 1960s, a new scheme was conceptualized during the government-wide reform in the 1990s. There emerged a powerful discussion, led by the Financial Ministry and the Ministry of General Affairs, that some governmental activities could be performed more efficiently by separating them from the main body of the government and by granting them some autonomy; however, it was also thought important that the government should keep basic control of their activities by giving them money with directions (for middle-term aims and action plans) and conducting complete performance evaluations afterwards, on the basis of which the government could decide whether their activities should proceed or not. This discussion crystallized into the General Law of Administrative Corporations enacted in 1999, which stated that administrative corporations will deal with public matters that need not be carried out by the government itself, but that are also not expected to be performed by the private sector (Article 2). The real aim was apparently "to do more with less".

Discussions around corporatization of national universities

This new scheme of Administrative Corporations caused serious discussions on university reform matters. Universities should be the center of knowledge and thus should be run by their own decisions, not by the direction of the government, especially for teaching and research activities. Academic freedom and university autonomy (in the old sense) would be seriously challenged by this new scheme. On the other hand, however, national universities had been tightly controlled by the government in terms of systemic and financial aspects. Thus the majority of university people thought that becoming a corporation might make their universities more autonomous than remaining within the government as branch organizations under the Ministry.

During 1999-2003, there were tough negotiations, and finally in 2004, national universities were reformed to be National University Corporations, which were different from the General Administrative Corporations, under which system, university autonomy was reflected in terms of the appointment of university presidents, making middle-term (6 years) plans of action, evaluation of academic performance, etc.

The scheme and effects of corporatization

In the scheme of the National University Corporations, the government-university relationships are as follows: (1) each university has its six-year action plan, such as improving the quality of teaching, performing more research activities, reducing the number of employees and so on, and the plan must be approved by the Minister of Education; (2) the results of the six-year plan must be evaluated by the panel within the Ministry; (3) external administrators must be involved in university governance; (4) so-called "faculty autonomy" will be replaced by presidential initiatives, which means that the decision-making is not controlled by faculty meetings but by the presidents supported by executive directors appointed by the presidents; and (5) the government will provide funds that may vary depending on the results of the Ministers' Reviews.

In spite of getting autonomous status, National University Corporations rely on governmental subsidies (*Uneihi-Kofukin*) for their main source of revenue. Thus national universities will face difficult situations if they lack money for their operations. Because the university corporation scheme does not mean privatization of national universities, public universities cannot raise students' tuition at will or increase in other ways their endowments that play important roles in private institutions. Each institution instead will compete with the other national universities for the limited public resources under a competitive framework. University administration will change drastically later in terms of financial aspects and then it will change the relationship between universities and government.

NEW RELATIONSHIP BETWEEN UNIVERSITIES AND GOVERNMENT

More than six years have passed since the corporatization of national universities was implemented in 2004. In this period, a lot of changes have occurred. In the same year as the corporatization, the new accreditation system started and all universities and colleges in Japan, both public and private, had to be evaluated and accredited by one of four authorized accreditation agencies. Failure of evaluation is a serious disadvantage for the institution; thus universities become very careful to maintain their administrative and teaching quality and their levels of efficiency. In addition, many varieties of competitive grants for improving teaching and curriculum (GP) encouraged universities to apply for this funding. Indeed, competitive external resources have increased in number and amount in these several years, while block funding grants given to national universities decreased nearly seven percent between 2004 and 2010. Academic staffs have experienced a new level of activity since corporatization as they are required to do more with fewer resources.

University autonomy in the old sense was a symbol of the protection of university professors against undue government pressure, not for presidents or deans. Faculty meetings, consisting of professors and sometimes of junior academics, had played the critical role in the decision-making process in Japanese universities before corporatization. Although faculty meetings were set up within universities and colleges to discuss important matters for the institutions as required by Article 93 School Education Law (which covers all schools including universities and colleges) these meetings were sometimes regarded as a serious obstacle for prompt decision-making by presidents and deans. This was because faculty meetings tended to deal with administrative and managerial matters in addition to academic affairs without having responsibility for management.

In the framework of corporatization of national universities, however, the final decision-making must be made by the president of each university, supported by board members appointed by the president. Although managerial council and faculty senate are consulted by the president regarding managerial matters and academic matters respectively, the responsibility of presidents became far greater. National universities have reformed their internal governance structure greatly. The new autonomy, thus, is accompanied by “responsibility” and “accountability” because it is supported by public resources and the nature of university activities, both research and teaching, are also public goods for society.

CONCLUSION

This is a difficult time for universities in Japan to be able performing their mission well under the prevailing economic conditions. But it is not unreasonable to believe that, with the help of the new governance structures, i.e., the new university autonomy, they will manage to improve their situations in the future. Additionally, government, industry and even the general public must share some of the responsibility in improving the environment surrounding universities. By doing so, they can adapt well to today’s globalized and knowledge-based society.

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4. CONCLUSIONS

WIETSE DE VRIES AND MARIA SLOWEY

CONCLUDING REFLECTIONS. BETWEEN HUMBOLDT AND NEWMAN: MARKETIZATION AND GLOBAL CONTRIBUTIONS IN CONTEMPORARY HIGHER EDUCATION

THE GLOBAL ENVIRONMENT

The relationship between the state and the market in higher education has been a central concern of comparative global reviews of the economic and social situation of higher education. A comprehensive analysis of international trends for UNESCO found that "almost everywhere",

> higher education institutions, systems, and the societies in which they operate are faced with a complex set of problems that turn on the common issues of inexorably rising per capita student costs, increasing enrolments, expanded roles for higher education, more demands for institutional accountability, limits on governmental taxing capabilities, and lengthy queues of socially and politically compelling competing public needs. (Altbach, Reisberg & Rumbley, 2009, p. 74)

In a similar vein, OECD's *Thematic Review of Higher Education* covering higher education policies in 24 countries identified one of the central challenges facing higher education as achieving an appropriate balance between the "priorities of individual institutions with the nation's economic and social goals" (OECD, 2008, p. 2).

In this book, researchers from different perspectives, and from different parts of the world, have sought to address and, in some cases, re-conceptualize this challenge. As we elaborate in this chapter, many contributors identified the primary tension as being between the aims of increasing participation (in developing countries) and widening access (in developed countries) versus an emphasis on the primacy of research in the traditional (public and private) university sectors. At the heart of many of these tensions lies what Scott refers to as a form of "policy gridlock" produced by a range of competing policies and policy drivers (2009).

Also at the heart of these tensions are important, but all too frequently neglected, *educational* questions about the distinctive purposes and nature of *higher* education. In the 19th century, the development of universities in the form we continue to recognize internationally in the 21st century, in countries affected by European colonial traditions, was strongly influenced by two competing visions of their purpose(s) as articulated by Wilhelm von Humboldt and John Henry Newman. At the risk of oversimplification, Humboldt's memorandum of 1810, *On*

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the Spirit and Organizational Framework of Intellectual Institutions in Berlin, emphasized the role of universities in research and the creation of new knowledge, underpinned by notions of self-formation or self-realization. In contrast, in the middle of that century, Newman's '*The Idea of a University*' emphasized the pastoral dimension, with a student-based approach to teaching and an emphasis on the moral dimension and socialization (for the elite).

One hundred and fifty years later, debate and conflict about the purposes of higher education continue. Should higher education be for all, or at least the majority, or for a small elite minority? Should all academic staff undertake research and, if so, what forms of research, and in which fields? What actually defines the "higher" dimension of higher education? To what extent is the long-held vision of the integration of research, teaching and scholarship as the defining characteristic of higher education still feasible – or even relevant? And, importantly – as highlighted in the contributions in this book – to what extent have dominant neo-liberal approaches to the policy and funding of higher education, evident in many countries, reduced questions of purpose to little more than utilitarianism?

At the heart of these tensions stands the central theme of the conference: the role of the state and the market in current higher education reform. Many chapters in this book have highlighted the fact that the market has become more important than the state. The central explanation for this shift has been the observed failure of the state adequately to organize national higher education. This shift, however, also introduces new themes for discussion: Is the market a better mechanism for reform than public policies? Is market-oriented reform compatible with the traditional forms of organization of higher education? A crucial question in this context is the definition of who, or what, is the market.

The analyses of the interaction between the state and the market leads to three matters fundamental to contemporary global debates about higher education, which are addressed in this book.

Firstly, different conceptions of the state, the market and "state-markets" lead to radically different conclusions. For some analysts, the market is viewed as a spontaneous form of social and economic organization, quite in the form of Adam Smith's invisible hand. For others, the market is the realm of all decisions not taken explicitly taken by the state. For still others, the market is a phenomenon that is in fact supported by the state, when public policies use market mechanisms for reform, or when market movements are mediated by state intervention. One way or the other, there is little doubt that there has been a significant cultural, political and economic shift in most countries leading to a dramatically expanding role of the market in higher education – through both the growth of private providers and the marketization of certain functions within public institutions. Furthermore, this increasing marketization of higher education has been facilitated, if not actually a result of, state and public policy.

Secondly, the legitimacy of claims of the distinctiveness of contemporary higher education institutions lies, to a considerable extent, in their particular role in the production and dissemination of knowledge. The sociology and politics of

knowledge – including the impact of the colonial and post-colonial "mind", the commodification of knowledge and the relative balance of power between disciplines – are therefore core to understanding the shape and trajectories of the development of higher education at national and international levels.

Thirdly, issues such as quality, access, accountability and the relationship of teaching and research figure prominently in the "reform" agendas of national governments and international agencies. Detailed analyses of the nature of responses by sectors or individual institutions to "reform from the top", however, can serve to highlight important structural, historical and cultural differences between countries.

These considerations are evidently different from those that shaped the visions of Humboldt and Newman for "intellectual institutions". At the heart of the change lies the shift from the university as the preserve of the elite, to large-scale, highly diversified "systems" of higher education institutions.

INCREASING PARTICIPATION

One of the central policy platforms of governments around the world over recent decades has been to find ways to increase participation rates in higher education, without proportionally increasing the level of public investment.

While equity issues are apparent, the central rationale for this expansion lies in the idea of the knowledge-based economy or knowledge society. Echoing numerous international documents and white papers, it seems clear that the expansion of higher education (in terms of levels of participation and research activity) is associated with economic and social development. This aim seems, at first sight, straightforward and of undeniable benefit socially, economically and personally. Expansion of higher education appears to be in the interest of all stakeholders: students, universities, the economy and society at large.

From a comparative perspective, however, as the contributors to this book have clearly shown, the starting point is evidently very different for different countries: whereas the age participation rate (of school leavers) in North America and many countries in Europe is over 60%, those of many other countries, including China, Brazil and Mexico, still remain below a 25% threshold.

A first concern, therefore, relates to the very significant gaps which exist between developed and less-developed countries, and the great challenge facing developing countries if they are "to catch up" with current dominant models of higher education. China, for example, seeks to create several "world class universities" and to have the largest system in the world, but the Germans are equally worried about their (traditional) share of world-class universities. Brazil and Mexico have special programs to incorporate minorities into their higher education systems. In turn, the Japanese worry about demographic trends and the declining number of 18-year-olds participating in higher education.

A second concern, however, is the question of how many students should be admitted to higher education. What is the limit – if any? Should higher education be for everyone? And if so, what form should it take? Here, the issue is less clear:

On the one hand, even countries with an age participation rate of school leavers of over 70% are seeking to include even more students (Canada and the USA). In this sense, there is an argument that higher education systems are, inexorably, moving from elite to mass and then to universal access (Trow, 2006). On the other hand, however, increasing enrolments pose special challenges and implications for all higher education systems. In fact, overall, *both* Humboldt's and Newman's ideas of the purposes of higher education are challenged, without, it appears, being replaced by a new vision for the 21st century.

The third concern relates to the extent to which private higher education (including for-profit institutions) is viewed in some states as 'inevitable' in order to achieve higher levels of participation. While in Europe, higher education has remained mainly public in terms of funding, many developing countries have promoted private participation in order to expand, even when only 25% of the relevant age group is currently enroled.

WHAT KIND OF HIGHER EDUCATION?

If, for whatever reasons – equity, social or economic – it is considered desirable for increasing numbers of students to participate in higher education, basic questions arise: where should they enrol; what should they learn; and, how can social equality, or at least fair access, be facilitated?

Here, a growing tension between "traditional" universities and the expanding and ever-diversifying nature of other higher education providers is evident. Not only is it proving impossible to accommodate expanding enrolments within the traditional sector (whether of Humboldt's or Newman's types) but, by many criteria, it is probably not desirable, as the purposes also are so varied. One response is to create (or reinforce) other types of public higher education institutions, with the mandate to deliver more specific, shorter-cycle, professional programs (for example, Fachhochschulen, Technological Universities and two-year colleges). Several countries have done so, with different degrees of success (for example, in Europe, the United Kingdom, Germany, Austria, and Ireland; and in the Americas, Mexico, USA, and Canada).

A second response is to respond to market demands, and to create new fields of study and diversify the options offered to students within existing universities. This seems to have been a generalized answer around the world: Most universities now offer over 50 undergraduate options for study plus a broad range of graduate programs, in contrast to the 20 or so options typically offered in the 1980s in some countries. Diversification in this sense seems to have different underlying logic: growing specialization or subdivisions of fields; creation of new, interdisciplinary options; and the incorporation of fields that were formerly not considered part of higher education.

Every answer, though, creates its own problems. One issue concerns the balance between steering students towards choices which best suit their needs, versus meeting identified national priorities. Many potential students are now faced with a wide variety of options without the information and impartial guidance on which to

make an informed choice. At the same time, debates about standards coupled with a limited supply of places mean that a significant section of potential students – many of those who have completed upper secondary school as well as many adults seeking to enter at a later stage – find it difficult, often impossible, to gain admission and achieve success in a traditional research university. This has led to a somewhat paradoxical situation: Until the 1970s, an upper secondary diploma (or its equivalent) granted almost automatic access to a university. Nowadays, however, while governments stress universal access, most research-oriented universities have become highly selective in order to try to protect (or enhance) quality. In practice, this means that public, research-based universities nowadays represent only a minority of total higher education enrolments. The introduction of market mechanisms thus has created a highly segmented and differentiated system.

A second problem lies in the growing complexity of the relationship between higher education and the labour market. A further paradox here is that while all countries stress access, at the same time there are alarming data about unemployment rates among graduates and about employers' perceptions of a lack of fit with labour market requirements. This, of course, comes back to questions about the core mission(s) of higher education argued by Humboldt and Newman. Does higher education continue to be primarily a mechanism for the social reproduction of elites? Is it still a locus for research and the discovery of new knowledge, and a forum for the enhancement of public knowledge and civic engagement? Or is it rather a type of advanced vocational training, preparing students for professional roles both in the private and public sectors? Or should it be able to comply with all these roles at the same time?

QUALITY AND THE MARKET

The response of universities to government policies and to perceived market demands raises significant questions of quality. A common trend is that all countries strive for "world class universities" with a strong research component and highly qualified academic staff. Many accreditation schemes are orientated towards this type of institution, and there is a growing frenzy around the world regarding rankings (Shanghai Jiaotong, *Times Higher Education* and others). Some governments and institutions even have adopted these rankings as their major public relations instrument to attract foreign students and academic staff.

At the same time, most governments have invested heavily in research capacity in recent years (in particular in the sciences, technology, engineering and mathematics), faculty improvement schemes, infrastructure and the like in order to compete in the international context. Thus while most (public) universities were created to serve a national and regional population, they now seek to attract students and academic staff from around the world. As such, the Humboldtian idea of a university seems very much alive: The quality of a university should be measured by its research productivity and its high standards for admission and graduation.

However, most students now enrol in institutions that are not "world class", not ranked in any list, and in many instances, not even officially accredited, such as in Mexico and Brazil. This not only applies to developing countries: The United States has some 50 universities in the top 200 of the *Times Higher Education Supplement* or the Shanghai ranking, but this is out of a total of around 5,000 universities. Most countries do not even have one institution in the top 200.

The dominance of league tables as a proxy for other quality mechanisms not only leads to debates regarding diversification (or differentiation) of higher education systems, but also to aspects such as stratification at international and national levels. As discussed by several contributors to this book, most systems have created new institutions to cater to new groups of students (and for supposedly new demands from the labour market). However, quality policies and prestige issues motivate these institutions (and their actors – students, faculty, staff) to strive to become like the established universities.

The result of the interaction between government policies and the market is a growing stratification of systems in almost all countries, and it seems to be eroding even the formerly egalitarian systems of some European countries. Thus, many systems now have first, second and third "classes" of institutions, even when in most cases all institutions prepare in the same way for the same professions. Institutional prestige, measured by very different criteria, has become a central theme.

This raises serious questions over the variable quality of higher education institutions and their impact in the labour market. Around the world, numerous accreditation agencies have sprung up, each with its own criteria. This, however, does not solve the problem: There are multiple signs of trafficking credentials and academic corruption; and diplomas handed out by dubious institutions, often called diploma mills, are a concern both in terms of "consumer" protection and as a reliable signal for prospective employers.

This raises a new discussion in higher education: The market seems to be the paramount way for growth and diversification, but at some stage, another actor has to guarantee that programs and institutions comply with standards. That other actor, almost inevitably, seems to be the state.

PUBLIC AND/OR PRIVATE

Within this context, the boundaries between, and within, public and private institutions become increasingly blurred. In most, but not all countries, private institutions now operate alongside public institutions, often under the same legal framework regarding recognition of degrees.

There remain, however, important differences between countries. One difference concerns the mix between public and private sources of funding. In some countries, almost all funding comes from public sources, even though part of the system is private. In others, there is a strong differentiation between public and private. In between, there is a growing diversification of funding schemes, aimed at different sectors and with different criteria.

The central question raised in these chapters, therefore, is: Who pays for what, and by what criteria? The related question concerns what shape future higher education systems might take? Governance structures – the theme of the 2010 Higher Education Reform Workshop (see Schuetze, Bruneau and Grosjean, 2012) – come into play here, as well as issues of accountability, international mobility and access.

Also, we see new regional groupings emerging in different parts of the world, with the Bologna Process in Europe perhaps as the archetype. According to the chapters in this book, three core topics can be discerned:

- *Curricular reform*: What should the curricular content of undergraduate and graduate programs be? Is there a way to compare the content of programs (majors) in different countries? Is mobility really possible without such information?
- *Graduation times*: The Bologna Process points towards a four-year undergraduate program, much like the United States model, followed by a one or two-year Master's; however, many countries continue to operate with five or six-year programs while others, for example England and Ireland, operate with three-year bachelors' programs.
- *Investment in research and development*: Some countries have particularly invested in the hard sciences, related to initiatives such as spin-off companies or research parks, directly oriented to applied research. In other countries, investment in scientific research has been low, and access and teaching is considered more important.

The above leads to increasingly complex governance structures,with moves from direct state intervention to "target oriented", "self-steering", and, crucially, increased competition among institutions. The result may be an overly complex multi-level model of government, with regulation not only taking place at the national but also at the state level, through a variety of contracts, pacts, and target agreements (often resisted by the professoriate).

The balance between state and market turns out indeed to be a difficult one. A central question, then, concerns the mix of public and private institutions, and the achievement of a working balance of diversification and differentiation. In all countries discussed in this book, there seems to be a permanent give-and-take between calls for more management/steering (at state and institutional levels) and calls for more market forces. This seems to be a permanent seesaw, with advantages and disadvantages. Market forces tend to lead to more vocational programs, at the expense of the humanities, social sciences and the natural sciences. They also favour those who are in a position to pay.

In turn, public policies internationally tend to stress priority areas, such as research, and also seek to foster equity. However, these policies frequently not only involve increased bureaucratic procedures but are often coupled with declining public investment.

With such competing objectives, it comes as no surprise, therefore, that they may not be successful in stimulating universities and other higher education institutions to change in the desired directions.

CONCLUDING REFLECTIONS

The chapters in this book point to trends towards convergence between higher education systems in terms of increasing diversification and differentiation, accompanied by – if not causally related to – the growing influence of national and global rankings, and what Marginson refers to as the "status incentive trap" (2011).

However, a closer look reveals different processes (and intentions) at play. Perhaps it is not wise to oversimplify our comparative analysis. Certainly, many chapters point to a blurring of the distinction between public and private sectors. Even in Europe, where, despite diverse educational traditions and systems, independent private institutions remain rare, we see a re-conceptualization of public responsibility, with higher education institutions being increasingly organized "as business-like organizations irrespective of whether they are public or private legal entities" (Hackl, in this volume).

A central question, therefore, concerns the extent to which the "classic" research university – whether of the type envisaged by Humboldt or by Newman – is compatible or not with the increasing marketization associated with the expansion of student numbers and the public policy focus on accountability and relevance. Such institutions tend to be the flagships of national systems, yet presently they represent a small – and declining – proportion of ever expanding, and increasingly diverse, systems of higher education.

This leads us back to fundamental questions about marketization and the purposes of universities and other institutions of higher education in the second decade of the 21st century. To what extent is it important that we have a vision for higher education? One historical analysis of the impact of the ideas of Humboldt and Newman, for example, suggests that American academics lived without the "idea of a university" for at least a century, and that the relative absence of an overarching vision may well have been an advantage as "there is very little prior constraint on experiment" (Rothblatt, 1989, p. 30).

Some chapters in this book do indeed show powerful trends in the direction of this dominant, market-oriented approach. Others still remain embedded in other traditions, and reveal complex interactions of the state and the market, in both public and private institutions. From this point of view, basic academic issues can only be addressed appropriately through state regulation.

Humboldt and Newman were clear about their (differing) visions of what a university should look like and what it should do. Are we? If not, does it matter? Or might a lack of vision carry serious educational and equity implications in the face of global market forces?

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