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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Composition based on a fragment of the mural by David Alfaro Siqueiros, “The people to the university, the university for the people. For a national neohumanist culture with a universal vocation”, located on the façade of the Rector’s offices of the National Autonomous University of Mexico.

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TABLE OF CONTENTS

HANS G. SCHUETZE AND GERMÁN ÁLVAREZ MENDIOLA

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.

H.G. Schuetze & G. Álvarez Mendiola (eds.), State and Market in Higher Education Reforms, 7–23.

THE TENDENCY TOWARD MARKETIZATION

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).