I.3 GLOBALIZATION AND MARKETS: CHALLENGES FOR HIGHER EDUCATION

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Abstract

The object of this paper is to reflect upon the intersection of, and explore the interconnections between, globalization and higher education. It outlines the essential characteristics of globalization, with an analysis of its dimensions and implications (in particular, exclusion). It shows that, over the past three decades, globalization has been associated with uneven development and asymmetrical consequences for both countries and people. This sets the stage in the wider context of development. The paper then develops an analytical framework to consider how globalization relates to and influences the world of higher education. It argues that the retreat of the state and the advance of the market have changed the national context, and that the spread of markets is beginning to exercise a significant influence on higher education. There are inherent dangers to such commercialization, but there are also some opportunities to learn from markets. This paper also shows that the gathering momentum of globalization, which has changed the international context, is beginning to reshape higher education. The associated globalization of education has major positive and negative implications for development. Markets and globalization together could transform the world of higher education. However, education as business, particularly in universities, is not conducive to economic development and social progress. Therefore, countries should formulate policies for higher education in the pursuit of development, so as to minimize the dangers and capture the opportunities created by markets and globalization.

INTRODUCTION

The spread of education in society is at the foundations of success in countries that are latecomers to development. The most striking examples in recent history are the success stories in East Asia that are now perceived as role models. Education is both a means and an end. It is a means of raising levels of productivity and mobilizing the most abundant resource in economies – labour – for the purpose of development. It is an end in so far as it makes a basic contribution to improving the quality of life for people as individuals and for society at large. The essence of development, after all, is the well-being of humankind. Development must therefore provide ordinary people with the rights, opportunities and capabilities they need to exercise their own choices for a decent life. Education is critical in every dimension. The relative importance of its components may change over time: from primary education and adult literacy to vocational education, higher education, technical education or professional education. Nevertheless, investing in human beings is always important, at every stage of development. The returns to society may accrue after a time lag but are always high. In the quest for development, primary education is absolutely essential because it creates the base. Higher education is just as important, however, for it provides the cutting edge. And universities are the lifeblood of higher education. Islands of excellence in professional education or scientific research are valuable complements but cannot replace universities, which provide educational opportunities for people at large. Such broad-based higher education alone creates capabilities at a micro level that provide the foundations of development at the macro level. This is, perhaps, among the most important lessons to emerge from the experience of latecomers to industrialization during the 20th century.[1]

In reflecting on the future at this conjuncture, it is imperative to recognize that globalization and markets are not only shaping the process of development everywhere, but are also transforming the world of higher education at a pace that would have been difficult to imagine just two decades ago. The retreat of the state and the advance of the market have changed the national context, while the spread of markets is beginning to exercise a significant influence on higher education. At the same time, the gathering momentum of globalization, which has changed the international context, is beginning to reshape higher education. Markets and globalization together have the potential to bring about profound changes in higher education,

which could be negative or positive, but education as a business concern cannot be conducive to development. The object of this paper is to reflect upon the intersection of, and explore the interconnections between, globalization and higher education in prospect, rather than retrospect, situated in the wider context of development.

The structure of this paper is as follows. The first section outlines the essential characteristics of globalization, with an analysis of its dimensions and implications (in particular, exclusion) to set the stage. The second section considers the development experience of the world economy during the last quarter of the 20th century to show that globalization is associated with uneven development and asymmetrical consequences for both countries and people. The third section develops an analytical framework to consider how globalization relates to, or influences, the world of higher education. The fourth section examines what globalization means for higher education in different spheres, with some reference to the implications of markets and commercialization for universities. The fifth section focuses on the globalization of higher education and discusses its consequences for both people and education in the development process. In conclusion, the final section addresses a question that is simple enough to pose but difficult to answer: what is to be done?

GLOBALIZATION: DIMENSIONS AND IMPLICATIONS

Globalization means different things to different people. What is more, the word globalization is used in two ways, which is a source of some confusion. It is used in a *positive* sense to *describe* a process of integration into the world economy, and in a *normative* sense to *prescribe* a strategy of development based on a rapid integration with the world economy.

Even its characterization, however, is by no means uniform. It can be described, simply, as an expansion of economic activities across national boundaries. There are three economic manifestations of this phenomenon – international trade, international investment and international finance – which also constitute its cutting edge. But there is much more to globalization. It is about the expansion of economic transactions and the organization of economic activities across the political boundaries of nation-states. More precisely, it can be defined as a process associated with increasing economic openness, growing economic interdependence and deepening economic integration in the world economy.

Economic *openness* is not simply confined to trade flows, investment flows and financial flows. It also extends to flows of services, technology, information and ideas across national boundaries. But the cross-border movement of people is closely regulated and highly restricted. Economic *interdependence* is asymmetrical. There is a high degree of interdependence among countries in the industrialized world. There is considerable dependence of developing countries on industrialized countries. There is much less interdependence among countries in the developing world. Economic *integration* straddles national boundaries as liberalization has diluted the significance of borders in economic transactions. It is, in part, an integration of markets (for goods, services, technology, financial assets and even money) on the demand side, and, in part, an integration of production (horizontal and vertical) on the supply side.

The gathering momentum of globalization has brought about profound changes in the world economy, which are clearly reflected in its three important dimensions: trade, investment and finance.[2] The second half of the 20th century witnessed a phenomenal expansion in international trade flows. Consequently, an increasing proportion of world output entered into world trade. The share of world exports in world gross domestic product (GDP) rose from 6% in 1950 to 14.3% in 1975 and 20.2% in 2000. For the industrialized countries, this proportion increased from 13.6% in 1975 to 16.7% in 2000. For the developing countries, this proportion increased from 17.5% in 1975 to 31.2% in 2000. The story is almost the same for international investment flows. The stock of foreign direct investment in the world, as a proportion of world output, increased from 4.4% in 1960 to 6.1% in 1980 and 20% in 2000. Over the same period, world foreign direct investment flows as a proportion of world gross fixed capital formation rose from 1.1% in 1960 to 2.3% in 1980 and 22% in 2000. The growth in international finance has been explosive – so much so that, in terms of magnitudes, trade and investment are now dwarfed by finance. The expansion of international banking is phenomenal. The international market for financial assets has experienced similar growth. There is a growing international market for government bonds. The size of international foreign exchange markets is staggering. Global foreign exchange transactions have soared – from US$60 billion per day in 1983 to US$1.49 trillion per day in 1998. By comparison, in 1997, world GDP was US$82 billion per day and world exports were US$15 billion per day, while the foreign exchange reserves of all central banks put together were US$1.55 trillion.

Such aggregates do not reveal that the spread of globalization is uneven. The exclusion of people and countries from the process is a fact of life. Consider some figures, for 2000, on international trade, international

investment and international finance, which constitute the cutting edge of globalization.[3] Industrialized countries accounted for 64% of world exports, while developing countries accounted for 32% and transitional economies for the remaining 4%. Industrialized countries accounted for 82% of foreign direct investment inflows in the world economy, whereas developing countries accounted for 16% and transitional economies for the remaining 2%. Industrialized countries accounted for 95% of cross-border mergers and acquisitions in terms of purchases, whereas developing countries accounted for just 4% and transitional economies for a mere 1%.

This sharp divide between rich and poor countries is no surprise, but the spread of globalization is just as uneven within the developing world. No more than a dozen developing countries are an integral part of the globalization process: Argentina, Brazil and Mexico in Latin America; and China, Hong Kong, India, Indonesia, South Korea, Malaysia, Singapore, Taiwan and Thailand in Asia. During the 1990s, these countries accounted for 70% of total exports from the developing world and 75% of manufactured exports from the developing world, absorbed almost 72% of foreign direct investment flows to the developing world and received about 90% of foreign portfolio investment flows to the developing world.[4] Countries in sub-Saharan Africa and West Asia are simply not in the picture, and many countries in Latin America, South Asia and the Asia-Pacific region are left out altogether. The exclusion of the least developed countries, everywhere in the world, is almost complete.

The exclusion of poor countries and people extends beyond trade, investment and finance, in so far as their access to globalization is exceedingly limited in terms of communication and technology. Indeed, the excluded are barely connected with the globalized world. For example, in 2000, the distribution of internet access was most unequal: of the world's internet users, 75.8% were in the industrialized countries, 18.4% were in Asia, just 4.6% were in Latin America and the Caribbean, and a mere 1.2% were in Africa.[5] Similarly, in 1999, the access to telecommunications systems was most unequal: there were 100–125 telephone lines per 100 inhabitants in the countries of the Organisation for Economic Cooperation and Development (OECD) compared with 25 telephone lines per 100 inhabitants in the rest of the world. The difference was much greater in other modes. In the OECD countries, for every 100 people, the number of personal computers ranged from 25 to 30 while the number of mobile phones ranged from 20 to 40. In the rest of the world, the number of personal computers and mobile phones per 100 people was less than 5.[6] These are averages for the non-OECD world. Obviously, such access was probably far less in most developing countries and minimal in the least developed countries.

Globalization has, indeed, created opportunities for some people and countries that were not even dreamed of three decades ago. But it has also introduced new risks, if not threats, for many others. It has been associated with the deepening of poverty and the accentuation of inequalities. The distribution of benefits and costs is unequal. There are some winners: more in rich countries than in poor countries. There are many losers: numerous both in rich countries and poor countries.[7] It is perhaps necessary to identify, in broad categories, the winners and the losers. The asset-owners, profit-earners, rentiers, the educated, the mobile and people with professional, managerial or technical skills are the winners, whereas the asset-less, the wage-earners, the debtors, the uneducated, the immobile, the semi-skilled and the unskilled are the losers.[8]

At the same time, globalization has introduced a new dimension to the exclusion of people from development. Exclusion is no longer simply about the inability to satisfy basic human needs in terms of food, clothing, shelter, healthcare and education for large numbers of people. It is much more complicated. The consumption patterns and lifestyles of the rich associated with globalization have powerful demonstration effects. People everywhere, even the poor and the excluded, are exposed to these consumption possibility frontiers because electronic media have spread the consumer message far and wide. This creates both expectations and aspirations. But the simple fact of life is that those who do not have the incomes cannot buy goods and services in the market. Thus, when the paradise of consumerism is unattainable – which is the case for common people – it only creates frustration or alienation. The reaction of people who experience such exclusion differs. Some seek short cuts to the consumerist paradise through drugs, crime or violence. Some seek refuge in ethnic identities, cultural chauvinism or religious fundamentalism. Such traditional or indigenous values are often the only thing that poor people can assert to bring identity and meaning to their lives. Outcomes do not always take these extreme forms, but globalization inevitably tends to erode social stability.[9] Thus, economic integration with the outside world may accentuate social tensions or provoke social fragmentation within countries.

In this context, it is essential to recognize that economics provides a critical but limited perspective on globalization, which is a multidimensional phenomenon. It extends far beyond the economy to polity and society. It would be no exaggeration to say that the whole is different from, and possibly greater than, the sum total of its parts. The multiple dimensions – political, social and cultural – deserve mention, even if briefly.

In the political dimension, the momentum of globalization is such that the power of national governments is being reduced through incursions into hitherto sovereign economic or political space, without a corresponding increase in effective international cooperation or supranational government to regulate or govern this market-driven process.[10] Simply put, there is a mismatch between economies that are global and polities that are national or local.[11]

In the social dimension, a market economy may be seen as a necessary and indeed desirable attribute of globalization, but the creation of a market society may not be a desirable outcome. If the pursuit of material well-being becomes a dominant and, for some, exclusive objective, then the culture of materialism or simply the quest for money might spread into all spheres of life. A reasonable utilitarianism could then be transformed into Narcissist hedonism. The norms and values that are the foundations of civil society, in which individuals have an obligation to society, could be eroded. Social norms and social institutions, so essential for the market economy itself, could be weakened.

In the cultural dimension, the global spread of cultural impulses is at least as important as that of economic impulses. Youth culture in cities everywhere, across the world, is globalized, as manifested in jeans, T-shirts, sneakers, jogging, fast food, pop music, Hollywood movies, satellite television, 24/7 news channels, the internet and so on. Consumerism is indeed global. Even corruption and crime have become similar everywhere. The communications revolution and the electronic media have played a key role in all this. But modernity and tradition do not always mesh together, and this could plant seeds of conflict in societies. What is more, the homogenization of culture associated with globalization is not desirable, for cultural diversity is as important as biodiversity.

GLOBALIZATION: CONSEQUENCES FOR DEVELOPMENT

The globalization process, which gathered momentum during the last quarter of the 20th century, has brought about profound changes in the international context. It could have far-reaching implications for development. The reality that has unfolded so far, however, belies the expectations of ideologues. The development experience of the world economy from the early 1970s to the early 2000s, which could be termed the age of *globalization*, provides cause for concern, particularly when compared with the period from the late 1940s to the early 1970s, which has been described as the *golden age of capitalism*. Any such periodization is obviously arbitrary, but it serves an analytical purpose.[12]

Growth did not accelerate. It slowed down. During the 1960s, the average growth rate of world GDP per capita was 3.5% per annum. Deceleration set in thereafter. The average growth rate of world GDP per capita was 2.1% per annum during the 1970s, 1.3% per annum during the 1980s and 1% per annum during the 1990s.[13] This growth was more volatile than in the past, particularly in the developing world.[14] It was also unevenly distributed across countries. Between 1985 and 2000, the growth in GDP per capita was negative in 23 developing countries, 0.2% per annum in 14 developing countries, 1.2% per annum in 20 developing countries, 2.2% per annum in 12 developing countries, and more than 5% per annum in just 16 developing countries. Over the same period, growth in GDP per capita was negative in 17 transition countries and 1.8% per annum in 22 industrialized countries.

Available figures suggest divergence, rather than convergence, in income levels between countries and between people. Economic inequalities increased in the late 20th century as the income gap widened between rich and poor countries, between the rich and the poor in the world's population, and also between rich and poor people within countries. The ratio of GDP per capita in the 20 richest countries to GDP per capita in the poorest 20 countries of the world rose from 54:1 during the period 1960–1962 to 121:1 during the period 2000–2002.[15] The income gap between people has also widened over time. The ratio of the average GNP per capita in the richest quintile of the world's population to that of the poorest quintile of the world's population rose from 31:1 in 1965 to 60:1 in 1990 and 74:1 in 1997.[16] Income distribution within countries also worsened. This is borne out by a study on trends in income distribution from the 1960s to the 1990s for 73 countries comprising developed, developing and transitional economies. It shows that income inequality increased in 48 countries, which account for 59% of the population and 78% of the PPP-GDP in the sample of 73 countries. Income inequality remained the same in 16 countries, which account for 36% of the population and 13% of the PPP-GDP in the sample of 73 countries. Income inequality decreased in just 9 countries, which account for 5% of the population and 9% of the PPP-GDP in the sample of 73 countries.[17] The increase in income inequality was striking in some industrialized countries. Between 1975 and 2000, the share of the richest 1% in gross income rose from 8% to 17% in the USA, from 8.8% to 13.3% in Canada and from 6.1% to 13% in the UK.[18]

The incidence of poverty increased in most countries

of Latin America, the Caribbean and sub-Saharan Africa during the 1980s and 1990s. Much of Eastern Europe and Central Asia experienced a sharp rise in poverty during the 1990s. However, East Asia, Southeast Asia and South Asia experienced a steady decline in the incidence of poverty during this period. Most of this improvement, however, is attributed to changes in just two countries with large populations (China and India).[19]

The employment situation during the last quarter of the 20th century provides a sharp contrast with the preceding quarter century, during which full employment was almost the norm in industrialized countries. Unemployment in industrialized countries has increased substantially since the early 1970s and has remained at high levels since then. During the 1980s and 1990s, the unemployment rate was in the range of 10% in the European Union and about 7% in the OECD countries. The exception is the United States, where the unemployment rate remains around 5%. In contrast, Japan has witnessed a sharp increase in the unemployment rate from near zero to more than 5%.[20] In developing countries, employment creation in the organized sector continues to lag behind growth in the labour force, so that an increasing proportion of workers are dependent upon low-productivity and casual employment in the informal sector. Inequality in terms of wages and incomes has registered an increase almost everywhere in the world. This has been associated with an increasing casualization of the workforce: employment opportunities in the organized sector have stagnated, so labour absorption is possible largely in the informal sector of economies.

It would seem that globalization is characterized by uneven development. For a few rich countries and rich people, it has led to prosperity. For many poor countries and poor people, it has led to marginalization if not exclusion. The benefits have accrued essentially to the industrialized world and a small number of developing countries. For many developing countries and their people, the process of integration with the world economy has not yielded benefits in terms of economic growth or poverty reduction, either because they did not create the necessary preconditions or because the process of integration was too rapid. The least developed countries and their people have simply been marginalized and almost excluded from the process.

In retrospect, it is apparent that globalization has been associated with simultaneous, yet asymmetrical, consequences for countries and people. There is inclusion for some and exclusion or marginalization for many. There is affluence for some and poverty for many. There are some winners and many losers. The celebrated economist Joan Robinson once said: 'There is only one thing that is worse than being exploited by capitalists. And that is not being exploited by capitalists.' Much the same can be said about markets and globalization, which may not ensure prosperity for everyone but may, in fact, exclude a significant proportion of people.[21]

It would seem that globalization has created two worlds that co-exist in space even if they are far apart in well-being. For some, in a world more interconnected than ever before, globalization has opened the door to many benefits. Open economies and societies are conducive to innovation, entrepreneurship and wealth creation. Better communications, it is said, have enhanced awareness of rights and identities, just as they have enabled social movements to mobilize opinion. For many, the fundamental problems of poverty, unemployment and inequality persist. Of course, these problems existed before, but globalization may have accentuated exclusion and deprivation, for it has dislocated traditional livelihoods and local communities. It also threatens environmental sustainability and cultural diversity. Better communications, it is said, have enhanced awareness of widening disparities. Everybody sees the world from the viewpoint of their own lives. Therefore, perceptions about globalization depend on who you are, what you do and where you live. Some focus on the benefits and the opportunities. Others focus on the costs and the dangers. Both are right in terms of what they see. But both are wrong in terms of what they do not see.

On balance, it is clear that both countries and people suffer from exclusion.[22] Too many people in poor countries, particularly in rural areas and the informal sector, are marginalized if not excluded. Too few share in the benefits. Too many have no voice in its design or influence on its course. There is a growing polarization between the winners and the losers. The gap has widened between rich and poor countries, between rich and poor in the world's population, and also between rich and poor people within countries. These mounting imbalances in the world are ethically unacceptable and politically unsustainable.[23]

TOWARDS AN ANALYTICAL FRAMEWORK

An obvious question arises. How can this globalization process relate to, let alone influence, the world of higher education? The simple answer lies in two factors underlying the process of globalization. For one, globalization is driven by market forces – whether the threat of competition or the lure of profits. For another, globalization is driven by the technological revolution in transport and communications, which has set aside geographical barri-

ers so that distance and time matter little. Economic analysis also enables us to provide a more complete and analytical answer.

In any economy, education is an integral part of the social infrastructure and an essential component of social consumption. Until not so long ago, most education was produced and consumed within national boundaries. It was what economists describe as 'non-traded'. In this attribute, education in general and higher education in particular were not significantly different from services as distinct from goods. Services possess two unique characteristics. First, the production of a service and its consumption are, as a rule, simultaneous, because services cannot be stored. Second, the producer and the consumer of a service must interact with each other, because the delivery of a service requires physical proximity.

In principle, it is possible to make a distinction between traded services, non-traded services and tradable services. In the world we knew just a quarter of a century ago, education was essentially non-traded across borders. But globalization has changed the world since then. The distinction between traded, non-traded and tradable services, which was always far from clear, has become more blurred on account of rapid technical progress and the changes in organization and production that the world economy witnessed during the late 20th century.

Trade in services may be defined as international transactions in services between the residents of one country and the residents of another country, irrespective of where the transaction takes place. International trade in services so defined can be divided into four categories:

1. those in which the producer moves to the consumer;
2. those in which the consumer moves to the producer;
3. those in which either the producer or the consumer moves to the other; and
4. those in which neither the consumer nor the producer moves to each other.[24]

In the first three categories, physical proximity of the producer and the consumer is essential for the international service transaction to take place. This is in conformity with the characteristics of services. In the fourth category, however, such physical proximity is not necessary and international trade in services is similar to international trade in goods.

Conventional examples of international trade in services fit into each of these categories. Guest workers, body shopping,[25] hotel chains and department stores are examples of situations in which the producer of a service moves to its consumers. Tourism provides the most obvious example of situations in which the consumer of a service moves to the producer. Higher education is the other traditional example, as students from all over the world move to study at Harvard or MIT in the US and at Oxford or Cambridge in the UK. Entertainers, performing artists and professional athletes provide examples of situations in which either the producer moves to the consumer or the consumer moves to the producer. Traditional banking, shipping and insurance services provide examples of situations in which neither the consumer nor the producer moves to the other, as these services can be disembodied from the producer and transported to the consumer.

Over the past two decades, there has been a discernible increase in the possibilities for international trade in services, without any perceptible decrease in the degree of restrictions on such trade, which is attributable to technological change on the one hand and a near-revolution in transport on the other.[26] Taken together, these developments have had the following consequences: first, non-traded services have become tradable; second, some altogether new services have entered the realm of international transactions; and third, the possibilities for trade in erstwhile traded services have become much larger. The technological revolution in transport and communications has made hitherto non-traded services tradable, either by a dramatic reduction in the cost of transport, which increases the mobility of the producer and the consumer of a service, or by developing means of communication, such as satellite links or video transmissions, which eliminate the need for proximity between the producer and the consumer of a service. At the same time, the revolution in telecommunications and information technologies has created an altogether new species of traded services.

These developments have transformed not only the possibilities but also the realities of higher education transactions across national boundaries. For a long time, as a service, higher education was tradable in one category alone – where the consumer of a service moved to the producer – as students from different parts of the world went to study in premier universities, mostly in industrial societies. Of course, there is a rapid expansion and diversification of this process in terms of student numbers and geographical spread. But that is not all. Cross-border higher education transactions have entered each of the other three categories:

1. those in which the producer moves to the consumer, as universities, particularly those in English-speaking industrial societies, have established campuses in different parts of the world;
2. those in which either the producer or the consumer moves to each other, as universities run short courses or summer schools either on their own campuses or in facilities leased in students' home countries; and
3. those in which neither the producer nor the consumer

moves to each other, as distance education, satellite television and open courseware dispense with the need for physical proximity between the teacher and the taught.

IMPACT OF GLOBALIZATION ON HIGHER EDUCATION

The spread of markets and the momentum of globalization during the past two decades have transformed the world of higher education almost beyond recognition. Market forces, driven by the threat of competition or the lure of profit, have led to the emergence of higher education as business. The technological revolution has led to a dramatic transformation in distance education as a mode of delivery. This is discernible not simply in the national context, but also in the international context, with a rapid expansion of cross-border transactions in higher education. It is clear that markets and globalization are transforming the world of higher education. The ways and means of providing higher education are changing. But the process does not stop there. Markets and globalization are shaping the content of higher education and influencing the nature of institutions that provide higher education.

In reflecting on the content, it is appropriate to make a distinction between higher education, professional education and distance education. These are neither mutually exclusive nor exhaustive, but the distinction is useful for analytical purposes.

In the world of higher education, markets and globalization are beginning to influence universities and shape education, not only in terms of what is taught but also of what is researched. In the sphere of teaching, there is a discernible departure from the liberal intellectual tradition in which education was about learning across the entire spectrum of disciplines. Students' choices were shaped by their interests. There was never perfect symmetry. Even so, universities endeavoured to strike a balance across disciplines, whether literature, philosophy, languages, economics, mathematics, physics or life sciences. But this is changing, as students and parents display a strong preference for higher education that makes young people employable. The popularity and availability of courses are thus being shaped by markets. Student employability is not simply a force that is pushing to create more places for vocational courses in higher education. It is also inducing universities to introduce new courses for which there is a demand in the market, because these translate into lucrative fees as a major source of income. Similarly, markets are beginning to exercise an influence on the research agenda of universities: resources for research in life sciences, medicine, engineering and economics are abundant, while resources for research in philosophy, linguistics, history and literature are scarce. There is a premium on applied research and a discount on theoretical research.

The world of professional education is also being influenced by markets and globalization. The obvious examples are engineering, management, medicine and law. Markets exercise some (albeit limited) influence on curricula. Furthermore, globalization is encouraging the harmonization of academic programmes. The reason is simple. These professions are becoming increasingly internationalized. Therefore, the context is more global and less national, let alone local.

The world of distance education is somewhat different and could provide a silver lining to the cloud. Market forces and technical progress have opened up a new world of opportunities in higher education for those who missed the opportunity when they finished school or did not have access earlier. Of course, these opportunities come at a price that may not be affordable for some, particularly in developing countries or transition economies.

All this suggests that globalization is changing the form and shaping the content of higher education. At the same time, markets are beginning to influence the nature and culture of universities, which are the most important institutions in higher education.

There is a discernible commercialization of universities, although it is at its early stages and has not yet spread everywhere. Even so, it is important to analyse the underlying factors.[27] The process began with the resource crunch in governments that led to a financial squeeze on universities. It coaxed universities into searching for alternative sources of income. Entrepreneurial talents, which were rewarded by the market and admired by some in society, legitimized such initiatives in universities. The importance of traditional academic values diminished as competition among universities for scarce resources intensified. This sequence of developments came to be juxtaposed with the emergence of a wide range of opportunities for universities to earn money in the marketplace, based on their comparative advantage in knowledge with enormous potential for applications in management and technology.

Such commercialization has been reinforced by the forces of supply and demand. On the demand side, there is a burgeoning desire for higher education that is driven by a combination of individual aspirations and corporate needs in a changed national and international context. On the supply side, higher education almost everywhere is dominated by large public universities, which are some-

what inefficient and resistant to change. The safeguards implicit in academic freedom and the security guaranteed by tenure appointments, taken together, often create situations in which professors and administrators are not quite accountable to students, let alone to society. In developing countries, the problem is compounded because the opportunities for higher education in public institutions are simply not enough.

If we read between the lines, the situation in higher education is not very different from that of the healthcare sector before the advent of private enterprise. Unless corrections are introduced, the world of higher education might be caught in a pincer movement. At one end, the commercialization of universities means business in education. At the other end, the entry of private players into higher education means education as business. There are inherent dangers to such commercialization, but there are also opportunities to learn from markets.[28] It is clear that dangers and opportunities are closely intertwined in this process of change. These emerging realities cannot be ignored because the world of higher education is at some risk. The culture of markets and the advent of commercialization could erode both values and morality, which are the lifeblood of higher education.

GLOBALIZATION OF HIGHER EDUCATION

There can be little doubt that the globalization process is exercising a significant influence on the world of higher education. But that is not all. At the same time, there is a globalization of higher education, which, in turn, has significant implications. It has implications for people and countries, as well as for higher education and development. Let us consider each in turn.

In considering what the spread of globalization into higher education could mean for people and countries, there are three important manifestations worth noting.[29]

First, the *globalization of education* has gathered momentum. This has two dimensions. The proportion of foreign students studying for professional degrees or doctorates in the university system of the major industrialized countries – in particular the USA – is large, and more than two-thirds of these students simply stay on. The situation is similar in Europe, albeit on a smaller scale. At the same time, centres of excellence in higher education in labour-exporting developing countries are increasingly adopting curricula that conform to international patterns and standards. Given the facility of language, such people are employable almost anywhere.

Second, the *mobility of professionals* has registered a phenomenal increase in the age of globalization. It began with the brain drain. It was facilitated by immigration laws in the USA, Canada and Australia that encouraged the entry of people with high skills or professional qualifications. This process has intensified and diversified. It is, of course, still possible for scientists, doctors, engineers and academics to emigrate. But more and more professionals – such as lawyers, architects, accountants, managers, bankers and those specializing in computer software and information technology – can emigrate permanently, live abroad temporarily, or stay at home and travel frequently for business. These people are almost as mobile across borders as capital.

Third, the reach and spread of *transnational corporations* is worldwide. In the past, they moved goods, services, technology, capital and finance across national boundaries. Increasingly, however, they have also become transnational employers of people. They place expatriate managers in industrialized and developing host countries. They recruit professionals from both industrialized countries and developing countries for placement in corporate headquarters or affiliates elsewhere. In developing countries, they engage local staff who acquire skills and experience that make them employable abroad after a time. They move immigrant professionals of foreign origin, permanently settled in the industrialized world, to run subsidiaries or affiliates in their countries of origin. They engage professionals from low-income countries, particularly in software but also in engineering and healthcare, to work on a contract basis on special non-immigrant status visas, a practice that has come to be known as 'body shopping'. This intra-firm mobility across borders easily spills over into other forms of international labour mobility.

The professionals at the top of the skills ladder are almost as mobile as capital. Indeed, we can think of them as globalized people who are employable almost anywhere in the world – and the world, so to speak, is their oyster. In a sense, it is a part of the secession of the successful. The story is similar but not the same for contract workers or those involved in body shopping, for they are somewhere in the middle of the skills ladder. In both cases, however, the globalization of higher education has made this possible. Nevertheless, there is a crucial asymmetry. The investment is made by the home countries. The returns accrue to the host countries. This process is associated with the privatization of benefits and the socialization of costs. For the home countries of these people, there is an externalization of benefits and an internalization of costs.

The World Trade Organization (WTO) regime and the General Agreement on Trade in Services have major implications for higher education that need careful con-

sideration. This multilateral framework embodies the most-favoured-nation clause and the national treatment provision. The right of establishment, or commercial presence, for service providers is also integrated into the agreement. This is not yet universalized, but allows for sector-by-sector negotiations. Higher education is on the agenda. A multilateral regime of discipline for international trade in higher education services is therefore on the anvil. A discussion of higher education in the context of the WTO would be too much of a digression, but I would like to highlight two possible implications and consequences for higher education in the wider context of development that relate to the quality and nature of education.

In developing countries, the globalization of higher education is influencing the quality of education in two ways. There is a striking proliferation of sub-standard institutions charging high fees and providing poor education. There is little if any accountability to students because, in most developing countries, there are no consumer protection laws or regulators for this market. Such an adverse selection of service providers in higher education is a real problem. Of course, there are some good institutions entering the domain of providing higher education across borders, but these are few and far between. Unfortunately, even these institutions are susceptible to the practice of double standards: the global and the local. It might be unfair to cite examples, but it would be instructive to compare the academic content and standards of the programmes run by such reputable institutions through campuses at home, through distance education and on campuses abroad. Clearly, unfettered markets without established regulators in higher education are bound to have an adverse effect on the quality of education.

The globalization of higher education is also changing the nature of higher education in the developing world. Its links with and relevance to the society in which the higher education is provided are somewhat tenuous, because its content and scope are determined in industrial societies. What is more, there is a clear and present danger that an internationalized higher education system may stifle rather than develop domestic capabilities in the higher education systems of the developing world, particularly in the least developed countries.

CONCLUSION

In a world of unequal economic and social opportunities, higher education provides the only means of faring better, whether we think of people or of countries. Theory and evidence both suggest that the development of a physical and social infrastructure, particularly in education, creates the necessary *initial conditions* for a country to maximize the benefits and minimize the costs of integrating with the world economy in the process of globalization. Thus, for countries that are latecomers to industrialization and development, a premature, passive, market-driven insertion into the world economy, without creating the *initial conditions*, is fraught with risk. It is not just about an unequal distribution of costs and benefits between people and between countries. The spread of education in society is critical. So is the creation of capabilities among people. In this, higher education provides the cutting edge. It is at the foundations of development in countries that are latecomers to industrialization. This is the essential lesson that emerges from the success stories of Asia in the second half of the 20th century.

At the beginning of the 21st century, it is clear that the wealth of nations and the well-being of humankind will depend, to a significant extent, on ideas and knowledge. In the past, land, natural resources, labour skills, capital accumulation and technical progress were the sources of economic growth and economic prosperity. In the future, knowledge is bound to be critical in the process of economic growth and social progress. Without corrections, the widening gap between the haves and the have-nots could then be transformed into a widening gap between the 'knows' and the 'know-nots'.

The most appropriate conclusion is provided by an old Buddhist proverb: 'The key to the gate of heaven is also the key that could open the gate to hell.' Markets and globalization provide a mix of opportunities and dangers for higher education. I have not provided an answer to the question I posed at the outset: what is to be done? However, a simple prescription would be appropriate. We should not allow markets and globalization to shape higher education. Instead, we should shape our agenda for higher education so that we can capture the opportunities and avoid the dangers unleashed by markets and globalization.

NOTES

1 See, for example, Amsden (1989) and Wade (1990).
2 For a more detailed discussion, as also for sources of the figures cited in this paragraph, see Nayyar (2006).
3 For figures on the share of country groups in world exports, see UNCTAD, *Trade and Development Report 2003*. For figures on the share of country groups in foreign direct investment inflows, as well as cross-border mergers and acquisitions, see UNCTAD, *World Investment Report 2002*.
4 The share of these 12 countries in total exports and manufactured exports from developing countries is calculated from data in UNCTAD *Handbook of Statistics 2002*. Their share in foreign direct investment inflows to the developing world is calculated from data in the UNCTAD *World Investment Report 2002*. The figures on the share of these 12

countries in portfolio investment flows to the developing world refer to the period 1992–1997 and are drawn from UNCTAD, *World Investment Report 1998*, p. 15.

5 The International Telecommunication Union (ITU) reports that, in 2000, the number of internet users in the world was distributed as follows: 137 million in North America, 110.8 million in Europe, 38 million in Japan, 8.2 million in Australia/New Zealand, 71.3 million in Asia, 17.7 million in Latin America and the Caribbean, and 4.6 million in Africa.

6 See Observatoire de la Finance and UNITAR, *Economic and Financial Globalization: What the Numbers Say*, New York and Geneva, 2003, p. 23.

7 For a critical perspective on the implications of globalization for development, see Stiglitz (2002), Nayyar (2003) and Kaplinsky (2005). See also World Commission on the Social Dimension of Globalization (2004).

8 For a more detailed discussion, see Nayyar (2003).

9 This argument about reactions in the form of chauvinism or fundamentalism is set out by Streeten (1996), who also cites Benjamin Barber, *Jihad vs. McWorld*, Random House, New York, 1995, on this issue. The hypothesis that there are actual or potential sources of tension between global markets and social stability is developed, at some length, by Rodrik (1997).

10 For a discussion on the intersection between the economic and the political in the context of global governance, see Nayyar (2002a).

11 Cf. World Commission on the Social Dimension of Globalization (2004).

12 The quarter century that followed the Second World War was a period of unprecedented prosperity for the world economy. It has, therefore, been described as the *golden age of capitalism*. See, for example, Marglin and Schor (1990) and Maddison (1982). The *age of globalization*, however, is not a phrase that has been used in the literature to describe the world economy during the last quarter of the 20th century. It was suggested in an earlier paper by the author (Nayyar, 2003), as this periodization facilitates comparison.

13 For the figures on growth rates in GDP per capita cited in this paragraph, see Nayyar (2006).

14 For figures on the volatility of growth in the world economy during the period 1975–2000, see World Bank, *World Development Indicators 2003*. For figures on the volatility of growth in developing countries during the period 1980–2000, as compared with the period 1960–1980, see UNCTAD, *Trade and Development Report 2003,* p. 59.

15 From 1960–1962 to 2000–2002, in constant 1995 US dollars, GDP per capita in the 20 richest countries rose from 11,417 to 32,339, while GDP per capita in the poorest 20 countries barely increased from 212 to 267 (World Bank, *World Development Indicators 2003*).

16 For 1965 and 1990, these ratios are obtained from UNCTAD, *Trade and Development Report 1997*, p. 81. For 1997, the ratio is obtained from UNDP, *Human Development Report 1999,* p. 3.

17 See Cornia and Kiiski (2001).

18 See Atkinson (2003).

19 For supporting evidence, see World Bank, *World Development Report* and *Global Economic Prospects*, various issues.

20 Cf. International Labour Organization (ILO), *Global Employment Trends* and OECD, *Employment Outlook*, various issues.

21 For a more detailed discussion, see Nayyar (2007).

22 For a detailed discussion and figures, see Nayyar (2003) and Nayyar (2006).

23 This proposition is set out, as also explained, in the Report of the World Commission on the Social Dimension of Globalization (2004).

24 For an economic analysis of international trade in services, see Nayyar (1988).

25 For example, the practice of engaging professionals from low-income countries, particularly in software but also in engineering and healthcare, to work on a contract basis on special non-immigrant status visas.

26 See Nayyar (1988).

27 For a perceptive analysis and lucid discussion, see Bok (2003).

28 For a more detailed discussion of dangers and opportunities, see Bok (2003) and Nayyar (2008).

29 For an analysis of cross-border movements of people in a globalizing world, see Nayyar (2002b).

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