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### Abstract

Drawing from experience of some of the developing and developed countries, the paper discusses some important theoretical and empirical issues relating to private higher education. The rapid growth in private higher education in recent years is associated with a few important features and problems. First, there is a significant shift from philanthropy to profits in setting up private institutions. Second, higher education systems in developing countries are more privatized than in advanced countries. Third, in many countries private universities account for a larger number of total universities, but they account for a smaller number of enrolments. Fourth, private higher education is marred by issues such as fees, autonomy, equity and academic excellence and relevance.

The notion that higher education is a 'market' needs to be unpacked, because the system doesn't look like the market portrayed in any Economics 101 textbooks. (David Kirp, 2003, p. 2)

### INTRODUCTION

The two most important and powerful phenomena of the 21st century that most countries of the world are influenced by are privatization and globalization. The waves of privatization and globalization are so powerful that few societies feel that they can stand apart from them, and within each society few sectors can remain untouched by them. In a sense, both became truly global. The two phenomena are closely interrelated, mutually reinforcing each other. This short paper examines the issue of privatization in higher education. Drawing from experience of some of the developing and developed countries, the paper discusses some of the important theoretical and empirical issues relating to private higher education and offers valuable insights into the problem for sound policy-making on the subject. This short paper can claim to be neither comprehensive in the coverage of issues, nor exhaustive in the discussion on them. Also, it presents a generalized picture, although there can be significant differences between different countries and contexts.

Private higher education is not a new phenomenon in many countries. It has existed for several decades, and even a few centuries. To start with, higher education used to be in many ancient societies largely with private individuals and organizations, as universities and colleges were set up by private individuals and trusts. Later the state realized the externalities and the nature of the public good of education, and found it necessary to provide it, as education was found to be beneficial to the whole society, not just to those who acquired it, and that left to private individuals, education would not develop at socially desirable optimum levels. Thus, governments entered into the education sector. Private education continued later to co-exist along with the state sector, but it remained peripheral and public higher education was generally dominant, with a very few exceptions. However, the nature and pace of growth of private education during the recent decades are very different from what they were earlier. As Altbach (1999, p. 1) observed, 'private higher education is one of the most dynamic and fastest-growing segments of postsecondary education at the turn of the 21st century.'

### TYPES OF PRIVATE HIGHER EDUCATION AND THEIR SIZE

Private education originated and grew in the past mainly for reasons of charity and philanthropy on the one hand, and to support governmental efforts in the spread of education on the other. Institutions were set up by private individuals and religious and other bodies and they functioned within the accepted framework of government rules and regulations, though they were completely funded by the private sources. Their mission was to serve the public good. Several well-known institutions in North America, Europe and in many other developed and developing countries belong to this category. Latin American countries have had a long history of private higher education institutions founded mainly by religious bodies.

A second type of private institution emerged later with state funding. Such institutions are

privately managed, but financed by the state to a considerable extent. Private individuals and bodies put in a limited amount of resources particularly for the development of buildings and basic infrastructure, and to maintain them for a short period with their own funds supplemented by student fees; later the state would provide funds to meet nearly the total requirements of the institutions. Such government-funded private institutions are also large in numbers in many countries. As they receive substantial state aid, they are subject to government control, rules and regulations and are therefore largely akin to government systems of higher education in several respects. Their mission is avowedly both public and private: in terms of ownership they are public corporations or constitutional entities; their source of revenue is mainly public, but some tuition is charged and some cost-sharing mechanisms are also adopted. Norms of management are largely academic in nature, though principles of private business management are also adopted. Normally profit has not been a characteristic feature of these two types of private institutions.

The emergence of the third type of private institution that does not rely upon state support, nor is based on the principle of charity and philanthropy, is a relatively recent phenomenon. These institutions also, in fact, receive huge *hidden* subsidies from the state in the form of land and material at concessional prices and tax rebates. However, these subsidies are rarely accounted, and these institutions behave as if no state support is ever received. The rate at which such private institutions are growing is indeed amazing, and this in fact marks one striking dimension regarding the recent general expansion of private higher education globally. The mission of these institutions is to deliver a *product*, and to serve the private interests of the students – the *consumers, clients* and *owners* of the institutions – the three *stakeholders*. They are mostly for-profit, the source of revenue is mainly tuition, they are those least controlled by the state, and they are operated like business firms, borrowing norms from business management to a large extent. Having a community of scholars on the campus is not an idea to be cherished in such institutions. Social reform is not only not their concern (see Kirp 2003, p. 254), but also they may even be against such ideas. They belong to what Tilak (1991) has described as the ‘extreme form of privatization’, or what Johnstone (1999) has described as of ‘high private’ nature. Such universities can be regarded as ‘entrepreneurial institutions’ (Raines and Leathers 2003). The emergence and rapid growth of such universities can be found in almost all kinds of societies – developing and developed, market as well as socialist and communist, small as well as big, and economies in transition as well as others. Even those countries where private

education was not allowed by law for a long time (for example China and Russia) have had to relax their laws. Exceptions are very few, while there are many such institutions not only in the USA, but also in growing numbers in Brazil, China, Malaysia, the Philippines, Ukraine, India and so on. The University of Phoenix, the Hamburger University and the DeVry University are some of the prominent examples of such commercial universities (see Kirp 2003). This kind of institution represents the phenomenon of commercialization of higher education.

Global trends suggest that private higher education characterized by philanthropy is mostly replaced by profit-seeking private higher education, and as a result, philanthropic private education is becoming almost an endangered species. State-supported private higher education is no longer regarded as a desirable form of private education; in fact, it is no longer regarded as private education. With huge state subsidies and the application of government norms and regulations, they in fact represent a form of pseudo-privatization, causing distortions in the allocation of public resources, and often resulting in ‘public pauperization and private enrichment’ (Tilak 1991). Neither is the state willing to support any more private institutions nor, more importantly, would the new private institutions like to seek state support, as for example in India. The new market-oriented profit-seeking private higher education has grown in the recent past at a very rapid rate in both developing and developed countries. The new global developments, including the WTO and GATS (General Agreement on Trade in Services) in higher education, and the accompanying phenomenon of internationalization of higher education, also contribute to a higher pace of growth of private higher education. In the emerging framework of the WTO/GATS, several countries find it difficult not to allow and to promote private higher education.

Yet another important type of privatization of higher education is financial privatization, that is, increased levels of cost-sharing or cost-shifting in public institutions. In fact, there are many other faces, forms and dimensions of privatization (Williams 1996). However, these and related aspects are deliberately kept outside the scope of this short paper.<sup>1</sup>

Table I.7.1 presents an idea of the magnitude of the private higher education systems in a cross-section of countries. The figures in the table do not make any distinction between the three types of private education described above. However, the data show that there are major national variations. Based on the degree to which they are private, some systems can be described as ‘private-peripheral’, some as ‘private-complementary’ and some as ‘private-dominant’ (Geiger 1987; Umakoshi 2004).

TABLE I.7.1

## Private higher education in selected countries

Country	Private higher education institutions as % of all higher education institutions	Year	Enrolment in private higher education institutions as % of total enrolment	Year	Private universities as % of all universities	Year	Enrolment in private universities as % of enrolment in all universities	Year
<i>Predominantly private (private higher education institutions as % of all higher education institutions: <math>\geq 50</math>)</i>								
Chile	93.3	2000	71.0	2000	75.0	2000	58.9	2000
Malaysia	92.2	2000	39.1	2000	41.7	2000	7.5	2000
Brazil	88.9	2003	70.8	2003	51.5	2003	56.7	2003
Japan	86.3	2000	77.1	2000	73.7	2000	73.3	2000
Georgia	84.8	2000	23.8	2000	–	–	–	–
Slovenia	81.9	2001	4.3	2001	–	–	–	–
Philippines	81.0	1999	76.0	1999	–	–	–	–
Mexico	69.1	2002	33.1	2003	72.7	2002	41.8	2003
Thailand	68.0	2001	19.0	2001	48.9	2001	16.8	2001
Poland	64.2	2001	29.6	2001	6.3	2000	3.5	2000
Portugal	64.2	2001	28.5	2001	37.0	2001	19.4	2001
Mongolia	64.2	2003	26.0	2003	27.2	2003	8.3	2003
Estonia	60.0	2001	25.2	2001	–	–	–	–
USA	59.4	2000	23.2	2000	74.6	2000	35.3	2000
Romania	59.3	2001	28.9	2001	–	–	–	–
Venezuela	56.6	2004	41.3	2005	54.2	2004	21.2	2005
Hungary	54.4	2004	14.2	2004	–	–	–	–
Moldova	50.0	2001	22.6	2001	–	–	–	–
<i>Moderately private (private higher education institutions as % of all higher education institutions: <math>25 \leq 50</math>)</i>								
Argentina	42.9	2000	25.7	2001	55.0	2005	14.4	2003
Uruguay	42.9	2000	10.0	2000	88.9	2000	12.0	2002
Latvia	39.4	2001	12.7	2001	–	–	–	–
China	39.1	2002	8.9	2002	0.6	2002	–	–
Russia	37.1	2001	10.0	2001	–	–	–	–
Kenya	34.2	2000	9.1	2000	70.0	2000	19.3	2000
Czech Rep.	33.3	2001	1.0	2001	–	–	–	–
Germany	29.5	2003	3.7	2003	24.8	2003	1.0	2003
Belarus	26.3	2001	13.0	2001	–	–	–	–
<i>Predominantly public (private higher education institutions as % of all higher education institutions: <math>&lt; 25</math>)</i>								
Israel	14.0	2004	11.0	2004	0.0	2004	0.0	2004
Bulgaria	11.4	2000	11.3	2000	9.8	2000	11.1	2000
Slovak Rep.	10.0	2001	0.7	2001	–	–	–	–
Croatia	9.5	2001	1.4	2001	–	–	–	–

Source: PROPHE (Program on Research on Private Higher Education, State University of New York at Albany) at <http://www.albany.edu/dept/eaps/prophe/data/PROPHDataSummary.doc> (February 2005).

In as many as 18 out of 31 countries, the higher education system can be described as ‘predominantly private’ – with more than 50 per cent of the institutions being private. However only in four countries, viz., Brazil, Chile, Philippines and Japan, does enrolment in private institutions account for more than 50 per cent (they are, in fact, above 70 per cent) of the total enrolment. At the extreme level, while 82 per cent of the institutions of higher education were private in Slovenia in 2002, they accounted for only 4 per cent of the enrolments. All this highlights some serious maladies associated with private higher education. If only the universities and the enrolment in universities are

considered, the degree to which they are private is much smaller, and it is confined to a smaller number of countries. Only in Brazil, Chile and Japan do enrolments in private universities account for more than 50 per cent. There are, however, still a very few countries such as Germany, Greece, Canada and Australia where higher education is completely or nearly completely public and private higher education does not exist. Thus, the spread of private education is higher among non-university level tertiary institutions than in the case of universities.

As mentioned earlier, the figures in Table I.7.1 do not distinguish between the different types of private higher

education. Some available evidence that makes the distinction between state-supported private and the other private institutions is given in Table I.7.2. The data refer to enrolment in 'type A' and advanced research programmes otherwise known as 'ISCED 5A' (see OECD, 2004). The 'other' private institutions are termed as 'independent private' institutions. Available data are not very clear, particularly with respect to the blank cells in the table. Categories which are marked blank might have been included under either of the other two categories. Subject to this limitation, we note that independent private institutions seem to account for a large proportion of enrolments in Korea and Japan among the OECD countries, and in Philippines, Indonesia, Brazil, Paraguay and Chile, among others.

On the whole, it is interesting to note that higher education systems in developing countries are, in a sense,

more privatized than in developed countries. In fact, in many advanced countries more than two-thirds of the students are enrolled in public institutions; in some countries the corresponding proportion is more than 90 per cent; and in a few cases it is more than 95 per cent. Even in the USA, though more than three-quarters of the universities are private, more than three-quarters of the students in higher education are in public institutions. Altbach (2002, p. 10) dispels the popular impression: 'while many look to America's impressive private higher education sector ... [o]nly 20 percent of U.S. enrollments are at private colleges and universities, whereas in several Asian countries 80 percent study at private institutions.' A disproportionately larger number of students is enrolled in private universities in the Philippines, Indonesia, Brazil, Chile, Peru and Jordan, for example, than in, say, most advanced countries.

TABLE I.7.2  
Distribution of enrolments in tertiary education (type A and research) 2002

	Public	Government-supported private	Independent private		Public	Government-supported private	Independent private
<i>OECD Countries</i>				<i>Non-OECD Countries</i>			
Korea	22.7		77.3	Israel	11.7	76.3	12.0
Japan	27.5		72.5	Chile	31.5	22.1	46.4
Netherlands	29.2	69.6		Philippines	31.9		68.1
Belgium	41.5	58.5		Brazil	32.6		67.4
Mexico	66.3		33.7	Indonesia	33.5		66.5
Poland	71.6		28.4	Paraguay	43.1		56.9
Portugal	72.3		27.7	Peru	58.8		41.2
USA	76.0		24.0	Jamaica	68.4		31.6
Hungary	85.9	14.1		Jordan	71.4		28.6
Norway	87.6	12.4		Malaysia	77.0		23.0
France	87.8	0.8	11.4	Uruguay	86.2		13.8
Spain	87.9		12.1	Thailand	86.9		13.1
Finland	89.8	10.2		Argentina	87.0		13.0
Iceland	90.2	9.8		Russian Federation	88.7		11.3
Switzerland	90.4	6.8	2.8	Tunisia	100.0		
Austria	92.7	7.3					
Italy	93.5		6.5				
Ireland	94.0		6.0				
Sweden	94.1	5.9					
Turkey	96.0		4.0				
New Zealand	97.3	1.4	0.6				
Czech Rep.	98.3		1.7				
Slovak Rep.	99.3	0.4	0.3				
Denmark	99.5	0.5					
Australia	100.0						
Canada	100.0						
Germany	100.0						
Greece	100.0						
Luxembourg	100.0						
UK		100.0					
OECD mean	79.0	10.3	11.4				

Source: Education at a Glance. *OECD Indicators*, OECD, 2004, p. 290.

The only exceptions among the advanced countries are South Korea, which was classified as an OECD country only recently, and Japan. The shares of private enrolment in higher education in Japan, Korea and Taiwan are among the highest in the world. In a sense, the Korean and Japanese experience combined seems to be in sharp contrast to the traditional welfare-state approach – not to mention the traditionally important role of the state in the provision of education that dominates the pattern of educational development in European societies such as Germany, Sweden, Switzerland, Italy and the UK, and in the United States and Canada as well.

The growth rate of private higher education institutions in some countries is so high that the private higher education system may eventually dominate the whole higher education scene, if not totally replace the public higher education system in the very near future. Their numbers are already sizeable in several countries – not only Japan, Korea, Chile, the Philippines and Brazil, but also India, where in states such as Andhra Pradesh, Karnataka and Maharashtra, more than 70 per cent of the colleges belong to the third type of private institutions (Tilak 1999).

## WHY PRIVATE EDUCATION?

Growth in private higher education can be explained in terms of either ‘excess demand’ or ‘differentiated demand’ (James 1993). In many countries, particularly developing countries, there exists excess demand for higher education, over and above the quantum that the government provides. The excess demand is met by the private sector. Since there exists huge excess demand, the private sector is also growing very rapidly even in those countries where the higher education system used to be largely public, such as Malaysia. Alternatively, private education has grown in response to differentiated demand in some developing and many developed regions of the world. The government monopoly of provision of higher education may not satisfy the demand for different types and qualities of higher education. Demand for, say, religious education, or for a different quality of education from the one provided by public education, is generally met by the private sector. Many private universities founded earlier in the West and also in Latin America are sponsored by religious bodies and some are specialized institutions, like business schools.

In general, private higher education is favoured essentially from two points of view: (a) governments do not have adequate resources to fund higher education, and hence it is important to encourage the growth of private higher education; and (b) private higher education is, by

nature and definition, desirable, as it promotes competition and thereby improves the efficiency of the whole higher education system. While those who believe in (a) can be regarded as ‘pragmatists’ or realists, the others are well known predominantly as neoliberals, even though some of them are outside the circles of neoliberal economics. The pragmatists argue that private education provides opportunities in a constrained environment and complements government funding. The neoliberals argue further that private higher education is, by nature, academically excellent, socially equitable and financially efficient. It provides education which is closer to the needs of the labour market, it provides healthy simulation through competition, and the competitive marketplace will have great incentives to meet the needs of all students more fully than otherwise. It improves productive efficiency through a more effective use of resources, maximizing educational outcomes for given resources; it offers freedom of choice to parents and young people; and it improves equity in the system, as it caters to the needs of affluent students – as they pay for it, the public resources can be confined to the poor in the public education systems.

Even though the underlying assumptions of the two schools of thought are different, both are unanimous in unambiguously arguing in favour of private higher education. The neoliberal policies of the Bretton Woods institutions, viz., the World Bank and the International Monetary Fund, also provide a very strong fillip to the growth of private higher education in developing countries, and policies of financial stringency being adopted by the developed countries intentionally or unintentionally encourage the same trends in those countries, resulting in the emergence of different kinds and forms of private higher education institutions and also producing different kinds of effects (Johnstone 1999).

## FEES, EQUITY, AUTONOMY AND EXCELLENCE

While there has been a significant growth in private higher education, particularly independent private education that does not rely on state support, it is marred by several issues such as equity, fees, autonomy, and academic excellence and relevance, some of which are closely related to each other and are mutually reinforcing.

First, a large majority of the private higher education institutions are largely financed by tuition payments from students. As they tend to rely solely upon student fees, since state support is no longer available or accepted on the one hand, and philanthropy is drying up on the other, student fees at levels equivalent to, if not above, the costs

of higher education have been the order of the day. For example, it is reported that universities like the University of Phoenix charged above US\$40,000 per annum for tuition, in other private universities in US annual tuition was above \$20,000, while in many public universities, it was below \$10,000 (in around the year 2000). As the CFS (2000) observed, 'the basic purpose of a private university is "return on investment" or in the words of the Fraser Institute "to reap magnificent profits". Since such profits can only be realized with high user-fees, private universities normally charge outrageously high tuition and service fees.' This has dreadful consequences for equity, producing serious negative effects on the access of the economically weaker sections of society to higher education. The high fee rates exclude the middle and lower income groups from seeking admission in these institutions. In fact, these institutions also use high levels of fees as a mechanism for keeping their education elitist and restrictive. The high levels of fees in private institutions also induce public universities to raise their fee levels considerably, though not to the level of the private institutions. All this makes higher education increasingly more inaccessible to the economically weaker sections of society. Some private universities established earlier and not necessarily seeking profit, such as Harvard, Stanford, Princeton, Chicago and the MIT in the USA, have huge endowment funds; they offer scholarships to students, and attract the most talented students and teachers. They do not necessarily fall into the modern type of private institutions that are more commercial and less academic in their functioning.

Thus, the private higher education institutions of the modern type perpetuate inequalities in the system. Educational inequalities contribute to economic inequalities, which in turn, further accentuate inequalities in access to higher education, which further contribute, in a cyclical fashion, to inequalities in occupational achievements, in earnings, and in socioeconomic spheres as a whole. This is the greatest danger of the private higher education institutions. Even the strong proponents of even a mild form of privatization of education admit that privatization of higher education is socially and economically divisive. Obviously, the market orientation of these higher education institutions does not seem to allow them to be concerned with issues such as equity. In fact, with respect not only to equity but to every aspect, the approach of a private higher education institution is of a business type. Every department, whether it is the admissions office or a research department, is expected to work as a 'profit centre' and is supposed to raise as much revenue as possible.

A closely related issue refers to autonomy. Autonomy includes academic autonomy, administrative autonomy

and financial autonomy, which need to be distinguished. In many countries, most higher education institutions – public and private – enjoy a considerable degree of autonomy, particularly academic autonomy. They also enjoy some degree of administrative and financial autonomy. It is generally held that private higher education institutions enjoy a much higher degree of autonomy. This is true in the case of private institutions that do not receive any public funds, but those that receive considerable amounts of public resources might function less autonomously. However, laws relating to profit-seeking and non-profit-seeking higher education institutions govern many aspects of private higher education. Such laws in some countries are very strict, and in others they are vague and liberal, but many profit-making higher education institutions are found to be ignoring the laws, necessitating frequent judicial intervention, as in the case of India. Since many private institutions do not necessarily seek government recognition, and with the relaxation of the restrictions on the conventional use of terms like 'university' and 'degree', they tend to behave indeed more autonomously and with less control by the government.

The general trend is, however, for governments to grant more autonomy to, and demand increased accountability of, higher education institutions. In granting autonomy, generally more autonomy is allowed in academic matters, a fair degree of autonomy is also allowed in managerial aspects, but tight controls are imposed on financial aspects, particularly to prevent (a) levying of exorbitant fees, (b) unfair practices in the mobilization and utilization of funds, and (c) provision of cheap-quality education. In general, governments' efforts to control and regulate private higher education are highly resisted; and governments' ability in developing countries to effectively regulate the emergence, growth and functioning of these institutions is extremely restricted. Unregulated private education also causes imbalances in manpower production, creating mismatches between demand and supply. Hence, it may have to be noted that autonomy has limits, and autonomy without accountability is counter-productive.

An important consequence of the growth of private higher education institutions and their concern more for financial and managerial efficiency than for academic growth is massive erosion in the quality and standards of higher education. Despite flourishing growth and government support, private institutions in Asian and Latin American regions have failed to become top-quality institutions such as the ones founded in the USA. The universities in Korea are found to be producing 'half baked graduates', necessitating huge investments by the government and the industry in R&D (Linsu 1998). This is

because economic considerations dominate the whole approach in these institutions; economic ability to pay replaces the criterion of merit in admissions in higher education; irrespective of a student's academic level, in many countries he or she achieves admission provided the fees are paid. Further, private institutions can also be financially efficient, by reducing costs through not necessarily desirable mechanisms. All this shows what happens when quality controls are weak and profit motives dominate other considerations.

Further, the need to raise financial resources and the profit-seeking motive also influence the quality of the academic fabric of education, leading to a greater focus on marketable and revenue-generating courses of study and neglect of scholarly areas of study and research. Since higher education is allowed to be guided by market signals, most higher education institutions tend to concentrate on revenue-generating fields, such as management courses, including hotel management, computers and information technology, fashion technology, and so on, some of which cannot even be categorized as higher education (Béteille 1995). There is a danger that literature, humanities, social sciences, and even pure mathematics and biological and physical sciences will be relegated to the rear positions, if they do not become 'dead languages' altogether. Postgraduate and advanced research programmes are also traded off in favour of revenue-generating undergraduate courses. As Clark (1995, p. 159) notes, humanities and social sciences are thrown aside; doctoral programmes not only in social sciences but also in physical sciences are 'surprisingly weak', most advanced-level education is 'radically underdeveloped', and the research-teaching-study nexus has become highly problematic. This is believed to be mostly attributable to the increasingly dominant role of the private sector in higher education. Such trends can also eventually cause serious and critical imbalances in the economy in terms of national manpower needs.

Although private higher education is associated with several maladies, and much of the claimed superiority of private education over public education can be proved to be a myth (see Tilak 1991), the claim that it does offer choice to the individual students and parents is argued to be tenable to some extent. Does private education really offer a choice to the students? It does. But as the World Bank (2002, p. 73) admitted, 'from an equity perspective, increased institutional choice for students is meaningful only for those who can afford to pay tuition at private institutions'. For others, the choice is meaningless. Similarly, it is also not tenable to argue that private universities will contribute to healthy competition in higher education and thereby improve efficiency, as public and private univer-

sities behave quite differently, and if there is any competition at all it would be 'unfair' competition to the disadvantage of both, but mostly of the public universities.

The growth of private higher education institutions has a contagious effect on public higher education. Public institutions tend to compete with private institutions and to adopt similar approaches including corporate culture, raising resources through tuition and other mechanisms, focusing on revenue-generating courses at the cost of scholarly disciplines of higher education and research, and finally forgetting that higher education institutions are different from business organizations. Even the 'profit syndrome' seems to be no longer uncommon in many public institutions. There is also a direct adverse effect of private institutions on public higher education institutions. Through the mechanisms of market incentives, private institutions attract qualified and good teachers, leaving public universities with teachers of poor talent.

Finally, an important consequence of the rapid growth of private higher education is the acceptance of the idea of higher education as a private good that benefits the students only, rather than the classical notion of higher education as a 'public good' that benefits the whole society. Higher education, a public or quasi-public good, turns out to be a luxury good that middle and even upper middle income classes may not afford, and a private good that becomes a monopoly of the rich; and all externalities associated with it would disappear.

## SUMMARY AND CONCLUSION

While private education is not a new phenomenon, the nature of current private education is very different from that of the past. The nature and rate of growth are unanticipated (Levy 2004). Private higher education characterized by philanthropy is mostly replaced by profit-seeking private higher education. State-supported private higher education is no longer regarded as a desirable form of private education; in fact, it is no longer regarded as private education. In resource-scarce developing economies the state is no longer willing to support private institutions and, more importantly, the new private institutions do not wish to depend upon state support. The new type of profit-seeking private higher education has grown in the recent past at a very rapid rate in both developing and developed countries.

Private higher education is favoured from two points of view: (a) pragmatists argue that governments do not have adequate resources to fund higher education, and hence it is important to encourage the growth of private higher education; and (b) neoliberals and the like argue

that private higher education is, by nature and definition, desirable, as it promotes competition and thereby improves the efficiency of the whole higher education system. They further argue that private higher education is, by nature, academically excellent, socially equitable and financially efficient. Even though the underlying assumptions of the two schools of thought are different, both strongly plead in favour of private higher education. The neoliberal policies of the Bretton Woods institutions, the recent developments relating to the WTO and GATS in higher education and the accompanying phenomenon of internationalization of higher education also provide a very strong fillip to the growth of private higher education.

Private higher education is inflicted with issues such as fees, autonomy, equity and academic excellence and relevance. Private higher education institutions tend to rely solely upon student fees, which are equivalent to, if not higher than, the costs of higher education. This has terrible consequences for equity, producing serious negative effects on access of the economically weaker sections of society to higher education. Further, the need to raise financial resources and the profit-seeking motive also influence the quality and the academic texture of the education edifice, leading to a greater focus on marketable and revenue-generating courses of study and neglect of scholarly areas of study and research. The issue of autonomy also figures prominently in the growth of private higher education, and governments' efforts to control and regulate it are highly resisted. Private education causes (a) inequalities between the affluent and the economically weaker; (b) geographical inequalities between rural and urban areas, as it is metropolitan and urban areas that attract the private sector, leaving rural areas far behind; (c) imbalances between various disciplines of study in universities; and (d) imbalances in manpower production, creating mismatches between demand and supply.

The costs of private higher education are too severe to bear and the benefits of public higher education are too many to forgo by any civilized society. Although many seem to be recognizing this, the forces of privatization are so strong that few countries are in a position to withstand the wave. There are national variations in the approach of the state to private higher education: some governments have adopted policies to promote private higher education, some to regulate the growth; many have adopted laissez-faire policies, but very few have been able to adopt and continue policies that virtually ban the growth of private higher education. Many governments have also adopted policies favouring private higher education more out of compulsion than any strong conviction. In fact, governments in many countries are in a confused state. They are not able to withstand the powerful winds of pri-

vatization; nor are they able to continue to follow the traditional welfare state policy in higher education. As a result, what one notices is a confused situation: some policy documents favour 'privatization but not commercialization', some favour 'private participation but not privatization' and some others are keen on 'not private participation but public-private partnership'. Similarly, some also feel that private education is desirable, but not profit-making private education; some feel that it is okay for private institutions to generate 'surpluses' but not profits; and some find no problem with profits but are against 'exorbitant' profits. It may be necessary to note that there is not much difference in practice between these several forms; and even if there is some difference to start with, it will be difficult to have one and contain other forms. All non-philanthropic private contributions are proving to be detrimental to the growth of a healthy higher education system that contributes to the development of a humane society. But the systems are rapidly changing. Is this the same evolutionary change – a change from philanthropy to profits – which Veblen (1918) forecast long ago as a change from academic to entrepreneurial universities?

## NOTE

- 1 Some of these aspects are discussed in other papers in this volume.

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