

ment funding and external borrowing—two Inter-American Development Bank projects (U.S.\$8 million in 1971, and U.S.\$8.5 million in 1976) and two World Bank projects (U.S.\$3.5 million in 1987 and U.S.\$28.5 million in 1996).

The scheme has been redesigned a number of times. At first, it was managed by the SLB and funded by government budgetary allocation. In 1993, the Bankers' Association (and its members) was brought in to subscribe an Education Bond issued by the SLB. The trust fund was managed by the West Indies Trust Company and the loans were processed by the SLB, while the government guaranteed principal and interest in the event of default. This scheme proved to be unsustainable for the above-mentioned reasons.

In 1996, the arrangement was changed once again. The SLB continued to determine eligibility of applicants, but commercial banks played a key role. The banks assessed whether the loan recipients could provide collateral. If they could, the banks would assume repayment risks; if not, the government would guarantee the principal and interest. The banks also handled disbursement and collection and were compensated by administrative fees. Interest rates were fixed and capitalized during the course of study, but were floated at 5 percentage points above the passbook saving rates after the student graduated. The interest rates were positive and above inflation rates but were still below the market lending rates. This scheme, however, was not successful because the banks did not find it profitable, classifying almost all loans as government guaranteed, while students were outraged to be asked to

provide collateral.

In 2000, the design was again restructured to centralize administration in the SLB from application processing to disbursement and collection in order to make it easier for students to deal with only one organization and for the SLB to have a greater sense of ownership and accountability. The long-term goal is to convert the SLB into a self-funding organization that will borrow from the private sector and sell its loans to a secondary market. The government's role is to reinsure to facilitate liquidity. Thus far, only centralization of administration has been achieved. Collection must be improved before the student loans will be seen as profitable on the secondary market.

Given the long history of providing student loans, many lessons have emerged: how interest rates should be set, how to involve the private sector, and how to improve administrative efficiency by using technology to assist loan processing, disbursement, and collection. The administrative capacity of the SLB, together with the existence of institutions for tracking repayment in society (such as credit bureaus), is critical in determining whether a certain design can be implemented. Ultimately, the sustainability of a student loan scheme hinges on whether the economy is growing, whether students can find employment, and whether emigration is common among graduates from tertiary education institutions. If a student loan scheme is financially unsustainable, governments would be well advised to meet the demand for higher education while containing costs through lower cost alternatives, such as distance tertiary education or twinning programs with other universities to make it more affordable for students.

Putting Reality Ahead of Myths: A Key to Reform in Latin America

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Myth, Reality, and Reform

The quest for increased reform in Latin American higher education requires sober but balanced assessment of its reality. Myths have their purposes, but the weight of myth over reality in assessing higher education in Latin America disguises the nature and depth of problems and sheds little light on what has been achieved to date and can realistically be achieved in the near future. Central to an accurate view of both the present and a much-improved future is understanding and appreciating the different functions of higher education. This process is hampered by the overarching myth that a classical university

of academic excellence is the appropriate model—desirable and realistic—for higher education throughout Latin America.

These themes of myths versus reality are central to a new book aimed at both analysis and policy for Latin American higher education (*Myth, Reality, and Reform: Higher Education Policy in Latin America*, by Claudio de Moura Castro and Daniel C. Levy, distributed by Johns Hopkins University Press for the Inter-American Development Bank). The book is a longer, more scholarly version of the Inter-American Development Bank's first strategy paper on higher education. Although the focus is on Latin America, much of the evaluation and prescription, notably including the discussion of functional differentiation, could be relevant more widely.

Twin myths often dominate assessment of the performance of higher education in Latin America. One, common within the region's universities, minimizes deficiencies and the need for major change. The other, common in critiques disseminated by governments and international financial institutions, bashes the system and seeks change through the

introduction of externally developed policies. Identifying existing positive features, with an eye toward how they might be supported while weaker features are reformed, would be a more effective approach to assessing the higher education systems. In fact, performance is very diverse. As functions themselves vary across nations, sectors, institutions, and units within institutions, it is vital to identify patterns of success and failure and distinguish between the real and perceived functions undertaken.

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A tentative typology lays out four major functions: academic leadership, professional development, technological training and development, and general higher education. (The authors will further define and explore these functions in a forthcoming *IHE* article). General higher education is the most vexing function, not well understood in the region. It is a postsecondary education that typically purports to be professional in its curriculum, method of instruction, and rhetoric. Instead, general higher education ends up being “quasi-professional,” in that it produces graduates who do not find employment directly related to their fields of study. Unfortunately, this usually means that general higher education is weak by default, instead of strong by design.

Failure to identify the different functions also contributes to sloppy assessment and a lack of appropriate policies. Ironically, the lack of clarity leads to both insufficient criticism, as institutions hide behind rationales that do not fit them, and excessive criticism, as institutions appear to fail in their ostensible missions while performing other less conspicuous though equally credible ones.

The stakes are high. There will soon be some 10 million students enrolled in higher education throughout Latin America, which will necessitate large public and private expenditures. Higher education policy must be linked to development and to building societies that are more productive, informed, prosperous, just, fulfilling, and democratic. The high stakes underscore the importance of rejecting the myth that higher education is not relevant to national development or that the state or society does not directly influence or impact higher education. Equally misleading, however, is the myth that higher education will improve dramatically if only it is expanded and nourished solely by an increase in public funds.

Achievements and Problems

The myth that Latin American higher education is a failure overlooks many salient achievements. First, significant change has occurred, defying stereotypes of stagnation. Much of this change has come through calculated public policy reforms. Several countries have launched national policy initiatives that move away from “statist” policies and a focus on public institutions and, instead, open systems to more competition and institutional differentiation. Less appreciated is that much change has come outside such reforms and legislation, indeed often in spite of laws and national rules. A prime example of largely unplanned change to date is the stunning growth of private higher education. Another is the emergence and growth of new fields of study. The bulk of enrollments are no longer in law, medicine, and civil engineering but are moving increasingly toward commercially oriented fields that have not been mandated by government manpower planning. Another significant accomplishment of Latin American higher education that defies negative stereotypes is that graduates, instead of languishing in unemployment or in menial jobs, do significantly better than their less-educated peers on the job market. Individual rates of return for higher education remain high. Professional education remains strong in many places, and the limited pockets of true academic leadership are expanding.

For many people, higher education has also been a major vehicle for social mobility. It has often been an arena for social interaction and national integration. It has also been a venue for political participation that has, at least sometimes, been quite a positive factor for freedom and democracy. Universities have been centers for the development of ideas and of intellectual and cultural life.

The negative myths of Latin American higher education frequently ignore or downplay such positive achievements, by comparing actual performance to idealized expectations—such as the miraculous impacts higher education would have on economic development or social progress. Unreal expectations include catching up to higher education levels in the First World or the extraordinary notion that virtually all higher education should be modeled after the research university. When these expectations are unfulfilled, higher education then appears to be failing its students and communities.

There are, of course, significant problems in Latin American higher education. First, on average, educational quality is low. Second, teaching and learning often remain locked in old pedagogical practices. Third, enrollments and institutional proliferation have greatly exceeded the financial and human resources needed to sustain the quality of higher education offerings. Fourth, inefficiencies and inequities are rampant, as are political conflicts, which often block academic change. Fifth, higher education faces a crisis of legitimacy in how it is perceived by the state and

by much of society. Of course, some failings are the result of or are exacerbated by forces outside higher education's control, while others result from inefficiencies within institutions and systems.

Functional Differentiation

To move beyond a general listing of achievements and problems, the analysis must turn more specifically to real institutions and functions. To date, the university myth has been such that assessments focus too much on universities and on their purported aims rather than on their real functions. In reality, academic leadership as it is conventionally associated with the term university remains poorly developed in Latin America. Most of what higher education does, even most of what universities do, does not involve academic leadership. Much of the best academic work being done in Latin America (meaningful publications, scholarly dialogue and evaluation, and rigorous graduate education) is now performed outside universities, with the exception of a few places.

Latin American higher education either greatly distorts its actual performance in order to claim compliance with a university ideal or else it is judged a failure. Unfortunately, too many one-size-fits-all public policies treat different institutions, units, and individuals the same. Public policy often glorifies and rewards places that purportedly (but rarely, in fact), display academic leadership. This public recognition undermines other university functions as well as other institutions that truly are academic leaders yet lack the official title of "university." Universities are often lavished with rights and resources while other institutions are blocked from sources of funding or the granting of graduate degrees. This situation creates incen-

tives for the worst sort of mimicry. Rather than pretending that all higher education institutions do or should pursue the same ends, scholars and policymakers need to deal more with higher education's true functions.

One approach is to regard four of the functions listed above as essential to modern higher education and its role in national development. It is, therefore, important to minimize invidious comparisons among the functions. This means rejecting the common tendency to regard academic leadership as the *best* or *highest* and either technological or general education as the *worst* or *lowest*. Instead, the main policy rationale for analyzing specific functions is to help match performance with appropriate mechanisms, rules, and incentives. Policies or programs that suit one function may be pointless or even detrimental for others. Although figuring out what will work best is not easy, it is worth doing to move higher education policy forward from a one-size-fits-all policy.

For each of the four functions—academic leadership, professional development, technological training and development, and general higher education—a parallel set of questions requires consideration. What is the proper balance between achievements and problems, and what are the key variables that determine that balance? Which public policy is most effective for addressing present problems and for helping institutions to carry out their mix of functions? Consideration of such crucial issues as subsidization, incentives, and quality control shows that public policies appropriate for one function are quite often inappropriate for others. Thus, instead of trying to design national policy and legislation for a mythical university that will fulfill the singular function of academic leadership, macro and micro policy needs to become much more realistic and to discriminate depending on the particular function. ■

Higher Education and the New Mexican Government

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On July 2, 2000, after 70 years without change in the political composition of the federal government, Vicente Fox, the candidate for Partido acción nacional (PAN—National Action Party) and the Alianza por el cambio (Alliance for Change) was elected president of Mexico for a six-year term. This change has produced a feeling of hope and considerable concern about the future of the country. How will higher education change as a result of the politi-

cal changes? Will this be the beginning of a new era of public policies that are radically different from those of the PRI, the party that governed Mexico for the past 70 years. Will there be continuity in the trends observed in the 1990s?

The 1990s

The past decade saw a huge growth in Mexican higher education. The national enrollment went from 1,200,000 to nearly 2,000,000—a growth of 66 percent. At the beginning of the decade, 14 percent of the college age cohort in Mexico was enrolled in some kind of higher education. By the year 2000, this had increased to 20 percent. Seventy thousand new academic positions were needed, and the number of institutions of higher education went from 800 to 1,250. The main catalyst for growth in the previous decades had been the public sector. In these 10 years, the expansion occurred with a large push from the private sector: 47 percent of all new places in higher education were generated by private institutions, and 60