

to stand out for the comparatively limited presence of private higher education. Japan is a leading case of a much more ample and established private higher education sector evolving roles largely in response to wider (non-higher education) policy changes.

And the U.S. case, despite vital exceptional characteristics in other respects, bolsters our observation about systems with established private sectors and, moreover, bolsters our general theme about private roles that are not centrally designed or anticipated. The roles pursued by U.S. private higher education have continued to increase and change. This has occurred partly through evolution of existing institutions. Moreover, as some private institutions die, others are born, and the mix of roles changes. The most striking recent growth, as in many countries with much less extensive private higher education traditions, lies in for-profit higher education. The for-profit surge comes as a surprise (a true surprise, since the for-profit forms are multifaceted) especially after many observers thought that legal and media reactions to U.S. "diploma mills" had led by the 1980s to an unfavorable climate for for-profit higher education. Alongside the for-profit surge, U.S. (and other) private nonprofit institutions became much more entrepreneurial, in many respects like for-profit institutions.

For such a major evolution in U.S. private higher education roles, no higher education master plan inaugurates or basically maps the way, notwithstanding the common existence of statewide higher education coordinating boards and plans. And even though there is much more literature on U.S. than on other private higher education sectors, analysis of roles is largely reactive: scrambling to try to figure out what is going on. This is a common sign that change proceeds without a central blueprint.

Especially where private higher education sectors are new, but also where new roles emerge within established sectors, the element of surprise is often reflected in the marginality of law. National laws do not provide the blueprint for role emergence. Instead, private roles often emerge in gray zones neither covered clearly nor forbidden by law. Similarly, legitimacy is commonly questioned as private higher education introduces elements many do not associate with traditional or "proper" higher education. The new roles emerge not from central agreement in launching them, but from initiatives from many whose pursuits may be unaccepted by others. This is typical of private, voluntary, scattered actions neither directed nor anticipated by a central authority.

For elaboration of all the dimensions mentioned in this article, see Daniel Levy, "Unanticipated Development: Perspectives on Private Higher Education's Emergent Roles," PROPHE Working Paper #1, 2002 <<http://www.albany.edu/~prophe>>. ■

## Measuring Market Reliance and Privatization in Higher Education

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Over the past two decades or so, an increasing number of countries have been debating whether to rely on market forces to achieve key policy objectives in higher education. But these "privatization" debates have lacked a clear definition of what it means to rely on market forces in shaping higher education policies and trends. This article seeks to clarify how to measure the degree to which different countries rely or do not rely on market forces.

### *Funding of Institutions*

The most obvious indicator of the relative reliance on market mechanisms is how much of the overall funding for higher education comes from government sources. A totally private system would entail no government support for institutions or for the students attending them in the form of student aid, with all institutions deriving all their resources from private sources, including fees. A totally government-funded system would be one in which all institutions are public and depend entirely on government support.

While there has undoubtedly been a worldwide trend toward privatization over the past several decades, it is equally true that higher education systems in most countries remain primarily dependent on government for their revenues. Existing data sources and studies, although incomplete, suggest that most higher education institutions worldwide rely on government for more than three-quarters of their revenues. But there are a number of notable exceptions, principally in countries with relatively high proportions of private institutions where private sources account for more than half of all revenues, including the United States and the Philippines.

### *Institutional Autonomy*

A more subtle measure of the reliance on markets is the amount of autonomy institutional officials have in financial matters. Most prominent of these is the discretion they have in deciding how to spend the funds they receive from whatever source, including government. In a market-based system, institutions would have full control of their budgets with no

oversight from government, while a government-controlled system would involve strict controls and a high degree of micromanagement from the government or its agents. Even in a system where public funds predominate, however, institutions can have autonomy if they receive government funding in a lump sum with few strings attached.

Another measure of autonomy is whether institutions are free to set their own fees. One might presume that private institutions immediately fall into the autonomous category when it comes to fees while public institutions would not, but the story is not so simple. In some countries such as the Philippines where private higher education accounts for more than two-thirds of all enrollments, private institutions are not free to raise their fees at will and must subscribe to government rules and limits. Conversely, officials of public institutions may be responsible for setting fees, although usually within government rules or ranges.

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A corollary measure of autonomy is what happens to government funding when public institutions increase their fees. A system in which institutions have discretion but government funds are reduced on a one-to-one basis as fees are increased could be fairly characterized as a heavily regulated one, while a system without a “penalty” for increasing fees could be characterized as one in which market forces predominate.

#### *Financial Aid*

Although the issues of autonomy and how institutions are funded are more typically associated with questions of market mechanisms, student financial aid policies and programs can also exhibit these properties as well. Such an analysis might begin by asking what proportion of all government funding is provided in the form of student aid rather than the support of institutions. Systems that provide a higher share of funding through student aid can fairly be characterized as being more market-based than those in which all or virtually all government support goes directly to institutions. Another related issue is the mix of scholarships and loans, with systems that rely more on loans than grants being more market-based, compared to programs more slanted toward scholarships or other forms of nonrepayable aid. For countries in which student loans are provided, those that have higher levels of public subsidy could be referred to as more government oriented than loan programs with little or no subsidy.

One advantage of taking this “quantitative” approach is that it would allow for the development of an index of privatization in which countries or other government entities such as state or provincial governments could be compared in their reliance on market forces for the carrying out of government policies. Countries with a higher level of privatization as measured on the index would be those in which private resources represent a higher proportion of all higher education revenues, public and private institutions have a relatively high level of autonomy in their spending and fee-setting policies, and there is a relatively high level of reliance on student loan programs with relatively low subsidies. Conversely, countries with a high level of government support and regulation of their institutions and low levels of student aid, particularly loans, would be characterized through the privatization index as largely government controlled and funded.

Such an index would also be useful in taking a look at whether a country’s level of privatization had changed over time. One could see through changes in the index whether a country had increased in its level of privatization over time and peg these changes to shifts in policies. The index would be a better indicator of a country’s changing reliance on fees, for example, than government pronouncements or the issuance of white papers. Thus, by facilitating comparisons among countries and longitudinal studies within countries, the development of a privatization index might represent a fruitful avenue for further data collection and analysis that would clarify and enhance the multiplying conversations around the world on market reliance in higher education.

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## Humanizing the Spectre of the Higher Education Market

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Higher education is increasingly in demand around the world. Lauded as the key to progress in the 21st century, higher education is now aggressively sought out as a factory churning out workers for the New Economy, an incubator of thoughts and experiences that form active citizens, and a place of discovery that fuels societal progress.