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REIMAGINING INDIA: MORE MARKET, LESS GOVERNMENT

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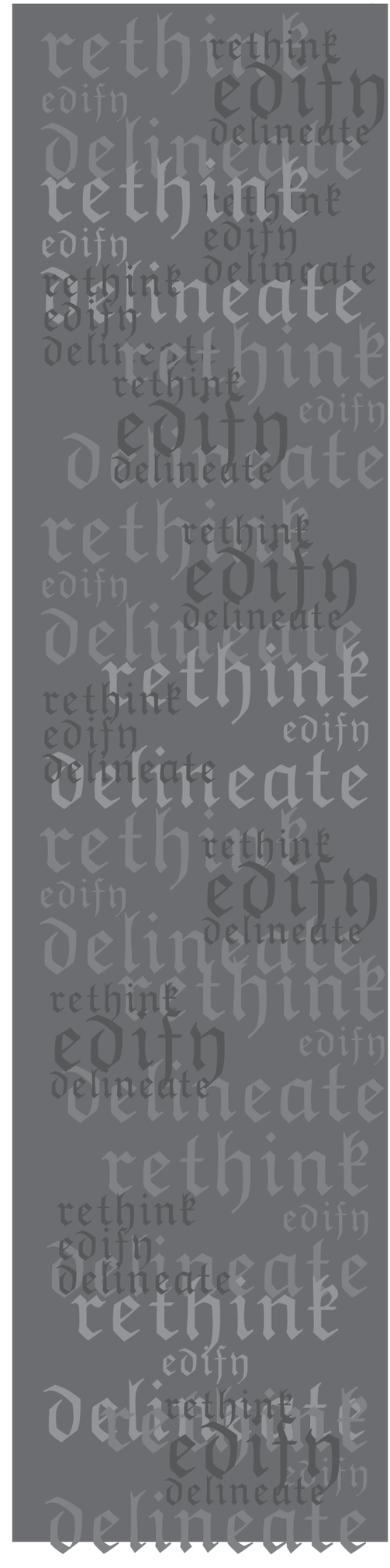

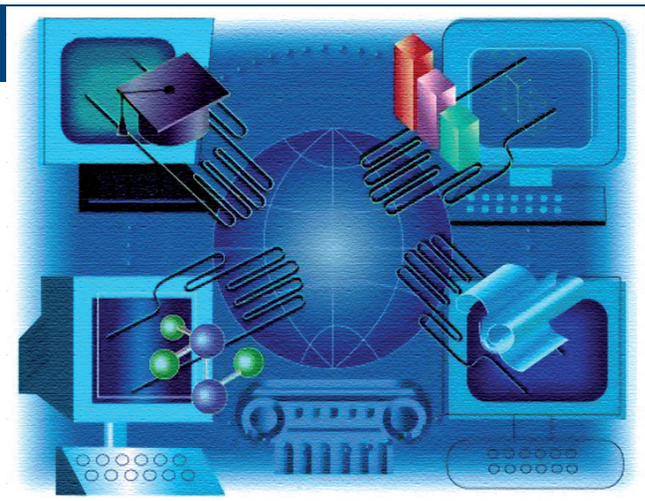

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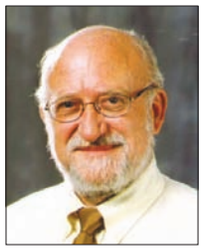


International Trade in Higher Education: What Should India Do?

"Higher education should be left to private enterprise and for meeting national requirements whether in the various industries, technical arts, belles-letters or fine arts. The State Universities should be purely examining bodies, self-supporting through the fees charged for examinations. Universities will look after the whole of the field of education and will prepare and approve courses of studies in the various departments of education. No private school should be run without the previous sanction of the respective Universities. University charters should be given liberally to any body of persons of proved worth and integrity, it being always understood that the Universities will not cost the State anything except that it will bear the cost of running a Central Education Department.The foregoing scheme does not absolve the State from running such seminaries as may be required for supplying State needs."

-Mahatma Gandhi, Harijan, 2 October 1937

At independence, India had twenty universities; today there are 348. From a rate of attendance of less than one percent, today it is 12 percent. Between 1990 and 2000 the number of students in higher education grew by 113 percent. Providers are diverse. Approximately one third of the students attend non-government institutions and 63 percent attend institutions financed by state governments. Of the world's most famous scientists and economists, many received their training in India. Indian higher education appears healthy. But according to some estimates India needs at least 150 new universities. Although enrollment (12 percent) is higher than at any time in India's history, it is less than any OECD country and has even fallen behind that of China (with 16 percent). Less then 2 percent of the students in India have an opportunity to attend any of the top universities sponsored by the national government. Only $US 406 is spent/year on the typical university student in India. This includes expenditures for electronic libraries, books, research laboratories, physical infrastructure, and salaries. The typical student in China has seven times more resources at his disposal. The typical student in Malaysia has 30 times more resources available, and a student in Canada has 37 times more resources available. Though overall growth in the last ten years has been rapid, universities with advanced research programs grew by only 51 percent; in the Russian Federation they grew by 113 percent, in China by 167 percent and in Malaysia by 200 percent. Though foreign universities are higher in cost, 160,000 students leave India each year seeking higher education elsewhere. Over 5,000 Indian students arrive annually to study in the U.S., where the price of attending universities is higher than anywhere in the world. They do this because they cannot find a university in India comparable in quality.

Figure I: Ranking Of Asian Universities By Size Of Bandwidth

Rank	Multi-Disciplinary Schools	Internet Bandwidth per student (kbps)	Overall Rank 2000
1	Sun Yat-sen University (Taiwan)	33.53	20
2	Kyungpock National University	27.76	35
3	Chungnam National Unviersity	20.84	50
4	Australian National University	19.58	8
5	Taiwan Normal University	19.02	37
6	Seoul national University	17.14	4
7	Tsing Hua University(Taiwan)*	14.77	18
8	Chonnam National University	14.77	1
9	Tohcku University (Japan)	13.52	34
10	Tianjin University (China)	11.84	2
11	National University of Singapore	11.54	46
12	University of Wollongong	10.81	54
13	University of Adelaide	7.1	5
14	Nagoya University	6.92	45
15	Central University (Taiwan)*	6.88	26
16	Nagoya University	6.58	11
17	Central University (Taiwan)*	6.12	24
18	University of Melbourne	6.06	9
19	Kasetsart University	5.56	63
20	Chao Toung University (Taiwan)*	5.5	28
21	Monash University	5.14	30
22	Chonbuk National University	5	43
23	Taiwan University*	4.1	12
24	Pusan National Unviersity	3.99	39
25	City University of Hong Kong	3.9	27
26	Hckkaido University	3.81	19
27	Southeast University (China)	3.56	60
28	Chung Hsing University (Taiwan)*	3.35	65
29	Keio University*	3.24	22
30	Hanyang University	3.16	38
31	University of Western Australia	2.89	23
32	Sungkyunkwan U niversity	2.83	33
33	Ewha Womans University	2.46	32
34	Macquarie University	2.32	56
35	Ritsumeikan University	2.18	67
36	Waseda University	2.13	29
37	Chinese University of Hong Kong	2.1	6

Figure I: Ranking Of Asian Universities By Size Of Bandwidth (Contd.)

Rank	Multi-Disciplinary Schools	Internet bandwidth per student (kbps)	Over all Rank 2000
38	University of Hong Kong	2.05	3
39	Korew University	2.04	414
40	Cheng Kung University (Taiwan)*	1.6	16

Although there are many famous Indian scientists and economists, they often teach in foreign universities. They do this because universities in India cannot offer comparable research facilities, programs with comparable innovation, or comparable levels of remuneration. When one ranks a nation by the number of citations to its published scientific literature, citations from India in 2005 ranked number 21, accounting for only 1.1 percent share of the total. The scarcity of world class faculty in Indian universities is one explanation for the fact that of the applications for patents India accounted for only 0.5 percent., and of the 'capacity to innovate' in 2005 India ranked 50. No Indian university appears in the ranking of world universities; and no university appears in the top ranked universities in Asia in terms of what is now considered a sine qua non of university quality: bandwidth (Please refer Figure -I). Of the top ranked 77 universities within Asia, the highest university in India only ranked number 40. Only two universities were even considered (See Figure-II). It is unfortunate but nevertheless it is fair to characterize universities in India as being 'asleep', while universities in other countries quickly pass by.

In Medieval Europe it is said that plagues were accompanied by numerous theories of 'what went wrong'. Some attributed impending catastrophe to insufficient piety. If citizens repent they said, their futures would brighten. The problems of Indian higher education are similarly accompanied by theories of 'what went wrong'. Some theories hold that international evidence to the contrary is irrelevant and that there is nothing wrong. Others suggest that the problems can only be solved if India does more of what it has done in the past --- finance higher education largely from public tax resources, control prices, limit providers and forbid foreign competition. And then there are some theories which point to the unmitigated success of India's entry into telecommunications. When allowed in, foreign providers quickly rejuvenated India's ancient telecommunications sector thus making it possible for entrepreneurial spin-offs, which spurred India into high economic growth and a decline in poverty. Why couldn't international competition not jump start the Indian higher education sector as it has other

Figure II. Asia Week: Multi-Disiplinary Ranking: Top 77 Universities in Asia

Country	Number (Percentage)	Highes Rank
Korea	13(16.9)	4
Japan	11(14.9)	1
Australia	10(13.0)	8
Taiwan	10(13.0)	12
Thailand	5(6.5)	51
Philippines	4(5.2)	48
New Zealand	4(5.2)	21
Indonesia	4(5.2)	61
Hong Kong	4(5.2)	3
China	4(5.2)	42
Malaysia	3(3.9)	47
India	2(2.6)	40
Bangladesh	1(1.3)	64
Singapore	1(1.3)	5
Sri Lanka	1(1.3)	77

Source: www.asiaweek.com/features/universities2000/school/multi.overall.html

Figure III: Pros And Cons For Opening India To International Trade In Education

Cons	Pros
Loss of public good character	Increased efficiency, quality and choice
Only serves individual needs	Consistent with human rights
Rewards universitites independent of the broad public good	Breaks the monopoly of having low quality universities define what whould be learned
Weakens public funding	Strengthens public funding because it would strengthen public confidence through increased accountability
Eclipses the public sector by the private sector quality	Strengthens the public sector due to competition

sectors? There are two paths in Indian higher education policy: to continue to protect it or to open it up to international competition with all of the impending implications. The answer will determine India's future. So what should India do? One problem is that the arguments for and against opening India to higher education trade is generally made by two divergent groups of stakeholders. Macro-economists generally favor international competition; education policy officials generally do not. It might be useful to place each of their arguments on the table and analyze them one by one (Please do refer Figures- III and IV).

Higher Education As A Public Good

Those who oppose international trade in higher education will argue that higher education is a public good and that opening up India to international providers would threaten the maintenance of the public interest. Those who favor international trade will point out that overtly sectarian or philosophically dangerous providers can be controlled through the accreditation process. Further, they will argue that competition stimulates efficiency, wider choice, and higher quality (as it does in many sectors). In their view these characteristics are part of public interest. Is it in the public interest, they ask, to allow access only to low quality, inefficient and a narrow choice of professional programs?

Individual Vs. Social Needs

Those who oppose say that international trade would serve only the needs of the individual and that service to the community, a natural part of higher education, would be lost if trade barriers were liberalized. Those who favor point out that at present human rights are being abrogated. All individuals have the right to education they might say, and if one individual wishes to study in a field provided by a foreign university, what right do we have as a

Figure IV: Pros And Cons (Contd.)

Cons	Pros
Leads to "Knowledge Capitalism"	Leads of the strengthening of non-resourced subjects through cross-faculty resource transfer
Trade Related Aspects of Intellectual Property Rights (TRIPS) would exclude low income scholars by maintaining high prices for curriculum materials	Adhering to TRIPS would increse access to high quality products by insuring incomes from their sale. Hence it would increase supply, the choice of products, and lower the real price
Since knowledge is public good, reforms in education finance with decrease access to public good	Public goods are never free. Reforms in education finance will increase the income to public and private producers. Hence, it will increase the supply and access to a public good.
Threatens the "Social contract" in which the present generation finances future generations	Strengthens the social contract by increasing access, quality and equity (through cross-subsidization)
Trade jeopardizes human rights because it contradicts national commitments supporting free education	Trade would increase human rights by allowing access to education where it is currently denied of unavailable

democracy to limit that access to education? The same might be true to textbooks, foreign faculty, internet facilities and the like. Limitation of education trade itself is an abrogation of human rights.

Universities Would Be Rewarded Independent Of The Public Good.

Those who oppose would say that universities should be rewarded for their research and teaching independent of their abilities to generate revenue; if foreign competition were allowed then Indian universities would have to follow commercial rather than intellectual incentives. Those who favor say that competition is necessary to break what is now a monopoly. If only low quality institutions are available, there is little incentive to imp rove. Instead of being a threat to intellectual incentives, foreign comp etition may be an essential ingredient to stimulate it.

Up for consideration should be changes in the entire legal structure, which would allow the creation of endowments often from the overseas diaspora (something China has mastered) and a new tax regime which encourages donations and gifts to education from both citizens and firms

International Education Trade Would Weaken The Case For Public Funding

Those who oppose would point out that public funding is essential for university development and if foreign competition were allowed the case for more public resources would weaken. 'Let the private sector provide the facilities', the politicians might say, 'Now we can allocate resources to problems other than higher education'. Those who favor argue the opposite. They say that foreign competition would strengthen the case for public funding, not weaken it. It would strengthen the case because it would increase public confidence in the higher education sector because of increased accountability. Why should the public allocate additional resources to a sector crippled by low quality and inefficiency? Wouldn't the public be more likely to allocate resources to a sector in which it had more confidence? And wouldn't open competition help stimulate the supply response in which they could be more confident?

Public Wector Quality Would Be Eclipsed By Private Sector Quality

If foreign competition were allowed, what India now thinks of higher quality would be eclipsed by foreign private providers. Imagine Oxford in Madras, or Harvard in Bangalore? For economic reasons, there is little likelihood that a high quality provider will open a multi-faculty university. Most would open programs highly specific to vocations such as engineering or business. However narrow the presence of international providers would strengthen the quality of current universities because of the competition. They would be more likely to study the syllabi, student services, faculty productivity and other indicators of quality if there is competition than if there is not. Those who argue for international trade would say that it is essential for maintaining the quality of the current public universities.

International Trade Leads To 'Knowledge Capitalism'

Critics argue that trade in education would result in having knowledge pursued if it results in remuneration and ignored if it does not. They ask if it is right for professors to be better rewarded by virtue of the fact that their subject is in higher market demand. They ask what will happen to the pursuit of truth if it is subject to a price. Others respond by pointing to the fact that knowledge can not be immune from its market value. There is no hiding the fact that the demand to study history is less than the demand for commerce. However, competition need not lead to a diminishment of history or other non-revenue producing subject. The major managerial challenge in any university is how to cross-subsidize faculties, or transfer resources

within the institution to support under resourced but important subjects. Without cross-subsidization, a university cannot successfully compete. Hence they would argue that international trade and the success of mastering the modern art of university administration is the key ingredient preventing 'academic capitalism'.

Trade Related Aspects Of Intellectual Property Rights (TRIPS) Excludes Low-Income scholars from successfully marketing their own curricula

Critics worry that international trade in education would lower access to local curricula; international property rights agreements would protect the privileged and freeze-out those who have not yet broken into the market. They imagine that there will be an avalanche of foreign books, guidelines, and syllabi entering India, making it difficult for local students to be educated with local materials. Those who favor open trade say that adhering to agreements on intellectual property would increase access to high quality pedagogical materials because it would insure income from their sale. In turn this would increase the incentive to write new curricula, and would lead to greater supply, wider choice, and lower real prices. In their vision, Indian producers of curricula would compete successfully, placing the Indian student consumer at a distinct advantage over a circumstance in which there would be no competition.

Privatization Of Education Finance Will Decrease Access To A Public Good

Critics argue that international trade in education will lead to privatization, meaning that it will lead to an increase in the proportion of higher education finance from sources other than government. They say that the higher the privatization the lower the access to a public good. They say that privatization helps exclude the poor since they are the ones who least can afford it.

> The problem is that the arguments for and against opening India to higher education trade are generally made by two divergent groups of stakeholders. Macro-economists generally favor international competition; education policy officials generally do not

Those who argue in favor of trade point out that no public good is 'free'.

They believe that reforms in education finance will increase the revenue for both public and private educational providers; hence, it will increase the supply and will increase access to a public good. Recent international research on stratification and higher education suggests that higher education expansion reduces inequality; greater privatization is associated with higher levels of expansion and higher levels of social equity. The opposite is also true: control of expansion is associated with a monopoly of state financing, and hence with greater inequality of access.

Trade Threatens The 'social Contract' Between Generations

If trade leads to greater privatization (higher portions of the university budget from sources other than government), students will have to pay tuition. To do that they will have to rely on the generosity of their families, hence the present generation is expected to finance the education of future generations; and the social contract is broken. Proponents of more open trade counter with a question and a statement. The question is: when did it become true that the present generation should not sacrifice to help pay for a future generation? Isn't that how generations have been organized since the beginning? Also, for those who cannot afford the tuition there would be scholarship aid. Therefore with tuition there would be more equity, and more equity would help to strengthen the social contract between generations.

Trade Jeopardizes Human Rights Because It Contradicts National Commitments For Free Education

Critics point to the Declaration of Human Rights and other legal contracts associated with the United Nations to suggest that if higher education is not

free of private cost it constitutes an abrogation of human rights. Those who favor open trade point out that the UN statements on education apply to mandatory education but not necessarily all education. But they also say that trade would increase human rights because it would allow access to education when currently denied, unavailable, or too costly.

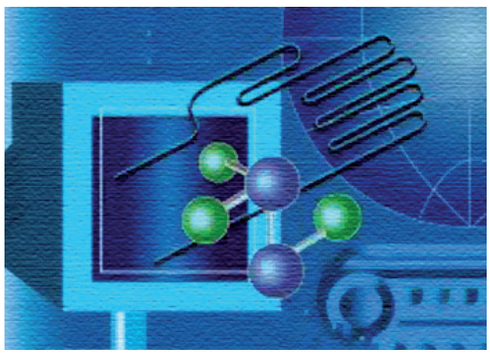
Trade Will Lead To Education Corruption

Trade leads to greater privatization, and greater privatization leads to a decline in professionalism. The profit motive is behind corruption; hence trade will lead to greater corruption of education. Proponents of open trade acknowledge the fact that education corruption is becoming more common and is a serious problem. But they point out that it occurs in local systems without any education trade. They also point to recent evidence suggesting that having international providers in local education markets puts a break on corruption. Students tend to demand an institution free of corruption and may frequent international higher education providers in part because they adhere to standards of professional conduct in the foreign nation where they are accredited. When international providers of higher education services offer programs free of corruption local universities will have to respond with an environment similarly corruption-free.

Three Universal Ambitions For Higher Education And A Universal Dilemma

Today virtually every country has three ambitions for higher education. First is the demand for greater access. And in every country the portion of the age cohort with access to post secondary education of some kind is on the increase.

Second is the ambition to improve quality. Over the last decade there has been a revolution in the criteria that help define quality. Higher education quality now requires electronic modernity in classrooms, dormitories, libraries, science laboratories, study halls. Students are often older, work part time, and live far away from campus. High quality syllabi are no longer based on textbooks but on the most up-to-date information from print and electronic sources. Students in a modern university need to have access to curricular information wherever they live or travel. Classroom instruction has changed. Class time is no longer devoted to providing information for students; instead it is devoted to the analysis of information absorbed prior to class. The internet and other forms of electronic information have changed the academic library and enhanced its quality. There is less need for faculty or students to visit the physical place. A high quality academic library used to be defined by the quantity of its 'holdings'; now it is defined by the quantity of its access to information. The difference is enormous. Every high quality academic library has enough money to join exclusive 'information networks' where holdings are shared with one another, for a fee. Networks of academic libraries are trans-national, and cover university libraries in Europe, Asia and North America. Access to information is what separates the excellent libraries from the mediocre. All acad emic services, both teaching and bibliographic, are delivered through broadband facilities. Universities with low bandwidth cannot compete in quality with universities with large bandwidth. A third common ambition is to improve equity, that is, to offer scholarships and fellowships to the able students from impoverished families or from disadvantaged regions. First class universities will have enough resources to offer about one third of the students' scholarships or fellowships from their own resources. Taken together, all three ambitions are expensive and there are few countries where all three can be financed out of public resources alone. With the increase in student numbers and with



If foreign competition were allowed, what India now thinks of higher quality would be eclipsed by foreign private providers. Imagine Oxford in Madras, or Harvard in Bangalore?

rising expectations for improvements in quality and in equity, public resources are insufficient. The scarcity of public resources is likely to be permanent and this poses a dilemma: how can higher education successfully finance its own objectives, including the traditional objectives for serving the public good?

Summary

Many university managers welcome the freedom to compete and lobby governments into changing legislation to make it possible. No rector or university president who has visited universities in other countries is unaware of the responsibilities and privileges of university managers in less restrictive environments. Public authorities in India should not just allow foreign universities into the country and neglect to significantly reform the legal environment in which Indian universities are asked to operate. That would neither be fair nor intelligent. Up for consideration should be changes in the entire legal structure which would allow the creation of endowments often from the overseas Diaspora (something China has mastered) and a new tax regime which encourages donations and gifts to education from both citizens and firms. Great universities, even public universities, need not depend on government financial allocation, but rather generate their own revenues though careful management. It is important to remember that new university management is the key to success. Old management styles will likely fail. There are thirty programs offering PhD degrees in university management in the United States of America, with one (Vanderbilt University) which offers a doctorate in university advancement (how to raise money). Shouldn't similar programs be available in India? But in essence India has no choice but to invite competition into higher education. No university can be competitive today unless it has access to its own resources. The best universities have to be wise in the re-allocation of the resources they raise to help preserve their public good function. To be sure, institutions will differ in how successful they are in financing their own objectives. Some are slow because they may not recognize that to be of high quality, all universities have to take finance and management into their own hands.

Some could see this 'privatization' trend as being reprehensible, and will want to call for more piety and a return to traditional sources of finance, i.e., from greater allocations of public expenditures at the expense of other public priorities. But others see this trend as no more than a long overdue professionalization of higher education in the legitimate pursuit of excellence. They do not see this as a threat or as 'copying of the West', but rather as a successful model without geographic origin in which all higher education systems must participate in order to address what is now a universal dilemma of public resource inadequacy and high public demand for quality. IER

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