

THE UNIVERSITY IN TRANSITION

The Worldwide Movement in Private Universities

Revolutionary Growth in Post-Secondary Higher Education

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ABSTRACT. The end of the Cold War, which resulted from the collapse of communism and the spread of free market ideas in the former Soviet Union, China, and nations in Eastern Europe, has brought about many dramatic and momentous changes on the world scene. One remarkable development not widely recognized outside specialized academic circles is the emergence of new institutions of higher learning in the private sector of previously command economies and also in many developing countries that had been wedded to a culture of socialism for decades. The “privatization” of higher education is by all accounts a global phenomenon. Very few systematic studies of these new trends in private post-secondary education exist to date, although the impact of this development could be far-reaching not only for higher education but also for the social and economic development of many societies in the world. In this paper we attempt to analyze the phenomenon of new private universities in non-Western nations, focusing on the developing world in general, and Asia in particular. What missions have these institutions chosen? Which models are these institutions following? What challenges do they face?

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How are they coping with their relationship to existing public universities? How are they dealing with tuition and budgetary issues? What sources of funding are they tapping into? How are they dealing with issues of equity, excellence, and access? In the composition of their faculty, student body, and curriculum, are these institutions sufficiently international? How are the funding institutions and universities in the West helping these fledgling universities? Are these trends expected to accelerate in the future? We attempt to answer these questions within the context of a few case studies that reflect the breadth and diversity of this revolutionary growth in post-secondary higher education.

I

The Impact of the Worldwide Movement in Private Universities*Introduction*

THE COLLAPSE OF COMMUNISM in the Soviet Union and Eastern Europe has brought about many profound changes on the world scene. One remarkable development is the emergence of institutions of higher learning in the private sector. This "privatization" of higher education is nearly a worldwide phenomenon.¹ To our knowledge there has been no systematic study of this development, although these trends in higher education could have far-reaching consequences not only for higher education, but also for the social and economic development of many nations. In this paper we investigate a sampling of the newly established private universities in non-Western nations, mostly in the developing world. Although most of the growth in new universities is overseas, American institutions and individuals in the public and private sector are playing a major role in this revolution in higher education. The impact of the American universities is expected to be significant. Additionally, these trends have the potential to impact United States higher education in important ways. Referring to the growth of private universities in Asia, one author recently wrote:

One striking feature of the last decade has been the advance of the capitalist modes of production in almost all parts of Asia. This has been especially obvious in the states that formally abandoned socialism, but it has also been evident in those that officially maintain socialist regimes. More-

over, this development has been apparent even in countries that have long operated capitalist economies but have had government protected education systems. The chief manifestation of the change, as noted in previous issues of this publication, has been the advance of privatization in countries as different as Singapore and India.²

A World Bank publication further underlines the significance of these trends:

Private institutions are an important element of some of the strongest higher education systems to be found today... They can respond efficiently and effectively to changing demand, and they increase educational opportunities with little or no educational cost.³

Increasingly, since the collapse of the Berlin Wall, the mindset of policymakers all over the world, especially in the Third World, has changed to a greater openness in giving the private sector and free markets a chance to prove their efficacy. This is not to say that the old fears and suspicions have completely abated regarding the role of the free markets in exacerbating inequities, and the unequal distribution of resources to benefit the wealthy. But there is an increasing willingness to give free markets a second chance. In the 1950s and 1960s, the conventional wisdom among policymakers with respect to education was that it was a tool to create greater social (class) and economic equality. The university and higher education were considered "the great equalizers" because, with access contingent only upon merit, the poor had an available means for social and economic advancement. However, in the 1970s and 80s this notion changed. The prevailing notion was that the beneficiaries of university education should shoulder a greater proportion of the burden. In the 1990s, there has been a further shift in the consensus. Indeed, it is now believed that free access to higher education may worsen the social and income-earning inequities. Evidence shows that upper income groups have received a greater share of the benefits of education. Subsidizing university education would in fact worsen the income inequities. Therefore, the burden should be borne directly by the beneficiary and not the taxpayer. Increasingly, societies now regard higher education as more of a "private good" with not enough immediate and positive externalities (characteristics of a "public good") to justify public support.

II

**Factors behind the Recent Growth of Private Universities:
The Shift in the Political, Social, and Intellectual Climate
in Favor of the Private Sector**

SINCE 1990, NEW UNIVERSITIES in the private sector have emerged in countries as diverse as Bangladesh, Pakistan, Bulgaria, Hungary, Russia, Cyprus, and Bolivia, and are in the planning stages in Africa and other parts of the globe.⁴ Is there a common theme within this trend? Based on the timing of these developments, one can argue that even if these are disconnected events without a coherent plan or a well-defined agenda, they all are an outgrowth of the social, economic and political milieu of our times. It cannot be denied that the pendulum of opinion among people and governments worldwide has swung markedly away from the expectation that the state apparatus will deliver goods and services. Rather, it has shifted to a new faith in the efficacy of free market mechanisms to allocate resources most efficiently. Although this may have started earlier, it became visible in the Reagan-Thatcher era of the 1980s. It became more pronounced after the spectacular and rapid collapse of the Soviet empire, the meltdown of totalitarian Marxist regimes in Eastern Europe, and the open embrace of market reforms in China. Globally, in the closing decades of the 20th century, the social and intellectual climate worldwide has changed dramatically in favor of the private economy. Although many public sector companies have been privatized in both the North and the South following these political developments, to our knowledge no public university has yet been "privatized."⁵ Privatization in higher education has taken a different route. In some countries such as Bangladesh, the trend towards the privatization of education started at the bottom end, with primary and then secondary education. Currently, however, it is higher education that has increasingly become an arena for private and social entrepreneurship.

The Cultural Change Concerning Pedagogy

Several scholars who have studied the issue and participated in efforts to start new universities overseas have pointed out that an important contributing factor has been the general dissatisfaction with the pedagogical methods prevailing in the public universities, and a desire to

use modern teaching techniques. Stephen Baskerville, based on his teaching experience in the newer private universities in East-Central Europe, discussed the critical shortage of trained university teachers. He suggests that one legacy of communism was that quality teaching was discouraged. Teachers were poorly paid and not provided with any incentive to improve their pedagogy.⁶

Years of isolation had left teaching methods grounded in rote learning that seldom encouraged critical or creative thought by students or instructors (Baskerville 1997: 5).

The authors' experience in Bangladesh is consistent with this view. In the public universities, not only is there little or no emphasis on good teaching, but also the tenure system virtually guarantees life-long employment. Promotion is usually based on political considerations and seniority, with merit only a secondary factor. In the North South University, when students were given the opportunity to evaluate their instructors at the end of the first semester, it was a novel experience for the students, their parents, and for the local faculty. The prevailing academic culture just did not believe that students should be asked to evaluate faculty. The cost of poor pedagogy based on rote memorization became clear to many when these bright students went overseas for graduate studies, or found employment in the real world where problem-solving skills are of paramount importance. The founders of many new institutions understood that by adopting the American system of education, the new pedagogical methods would differ radically from those used in public universities. Many thought it would be impossible to reform the teaching methods with older faculty in place. Rather, they believed that an easier way to achieve their goal was to recruit younger faculty who had been trained overseas.

Realization of the Importance of Human Capital in Development

Ted Schultz, the Nobel Prize winning economist, is usually credited with popularizing the idea that of all the factors of production, the most important is human capital. Traditionally, both policymakers and economists have ignored this. For a developing nation trying to break out of the trap of poverty and underdevelopment in the shortest possible time, perhaps the most critical investment would be training and educating the workforce. Schultz's ideas have been around for some time but only

recently have they gained a large following in Third World countries, where formulas for success and shortcuts to economic growth and development are increasingly important. Following the success of the Asian tiger economies of Japan, Singapore, Hong Kong and South Korea, the new generation of leadership in Malaysia, Thailand, and Indonesia (sometimes called the “baby tiger” economies) attempted to accelerate development by investing heavily in education, especially higher education and technical training. Despite setbacks stemming from the recent financial and economic crises in those areas, the success of these efforts has not gone unnoticed in other Third World nations. This is one reason why there has been increased demand for university education. The private sector is now demanding access to higher education, an area previously monopolized by the public sector. In the new global economy, the growth of the information superhighway and the revolution in computing and communications have created a huge demand for the so-called “knowledge workers.” The perception is that private universities are in a much better position to react quickly to changes in the market like those that precipitated the recent financial crises, and to adapt their curriculum and programs to meet the needs of the labor markets. In Asian societies, where Confucian thought is influential, higher education has always been emphasized. What is new is that this culture has been reinforced by the growth in the middle class, usually composed of educated professionals, who now demand more and better schooling for their children. If such facilities are not available at home, the children are sent overseas at considerable cost to the family. The feeling is that investing in higher education is one of the best investments the family can make toward long-term economic and social well-being. In 1986, the Pokharan Steel factory in South Korea, the second largest in the world, established the Pokharan Institute. It was founded to keep the factory at the cutting edge of technology by meeting the immediate need for highly qualified engineers in specialized areas of steel manufacturing, and providing scientists with a facility to conduct state-of-the-art research and development.⁷

Breaking the Socialist Monopoly in Higher Education

This issue is somewhat connected to the first point. Despite the shift in public opinion away from the public sector and toward free markets,

the deeply entrenched academic groups in many societies refused to give up their faith in socialism. Universities in many countries continued to harbor faculty and staff members who for years had discarded their academic neutrality and professionalism in favor of strongly supporting socialism in teaching and in administrative policies. Such an anomaly had to be managed. The worldwide intellectual and material collapse of socialism provided business leaders and some intellectuals with a window of opportunity and common ground to break the stranglehold of socialist thought on higher education. For the founders of the North South University in Bangladesh, this was an important catalyst.⁸ There was a strong desire to produce graduates who understood and had faith in the free market system and in liberal democracy. Public education had become an education in socialism, especially in the liberal arts and the social sciences. The need and demand for managers and professionals, who understand and believe in the free market system, had become too great to ignore. Additional evidence of how a change in the prevailing ideology may have been a catalyst in the growth of private universities can be found in Eastern Europe, especially in the involvement of Western funding institutions and universities (both public and private). The most prominent effort has been made by George Soros, who made his name and fortune as an international currency speculator and later as a philanthropist. Through his Foundation, he directed hundreds of millions of dollars to the construction of private post-secondary institutions in Eastern Europe with the intention of rebuilding or creating civil societies across Eastern Europe and Russia in the post-communist period.⁹

Growth in the Power and Prestige of the United States

Another impetus was the increase in the stature of the United States as the only superpower and the leader of the free world. This leadership extended to the world of higher learning. In recent decades, American Universities, both public and private, have been the unchallenged leaders in the world of higher education. This provided strong incentive for others to emulate this model of higher learning, in which a unique and vibrant private sector works with the public sector. In addition, public and private universities in the United States have extended support to many of these newer universities. This comes partly from a desire to in-

ternationalize their curriculum; partly in recognition of their leadership role; partly from a long-term profit motive as the American universities increasingly face competition from Australian, Canadian and English universities for foreign students; and, finally, from the large number of foreign faculty who teach in the American universities.¹⁰

In the past, the U.S. Agency for International Development (AID) had established universities in foreign countries considered important strategically for United States foreign policy.¹¹ The difference between previous and present involvement is that recently the role of the United States government has been minimal and the effort has been almost entirely driven by the institutions themselves. There has been considerable funding of programs and institutions in the area of post-secondary education by U.S. funding organizations including the Ford and Rockefeller foundations, among others.¹² The United States remains the leader in the market for what has been called “knowledge workers” or “intellectual capital.” Movement of intellectual capital between the nations of the world has accelerated rapidly.¹³ The concern about “brain drain” has been somewhat replaced by the idea that such flows of intellectual human capital are inevitable—even beneficial. A process of osmosis may eventually replace it. That is to say a movement of intellectual resources in both directions. The best and the brightest go to the universities in the United States and Europe. Although some remain abroad, others return and are able to train future generations of scholars.¹⁴

Growth in International Education

A third factor was the increasing supply of educators from other countries trained in and familiar with institutions of higher learning in the United States. Having first-hand experience with American universities, convinced of the superiority of this model, and, in many cases, employed by United States institutions, these faculty members played a pivotal role in transplanting such institutions (with appropriate modifications) to other societies. Finally, the willingness of the faculty and administrators of American universities to globalize their institutions and provide a helping hand was also important. Some United States universities are motivated purely by financial considerations.

American universities were faced with budgetary cuts, greater accountability of tax-dollar subsidies, and a declining pool of local applicants due to demographic factors. Therefore, many U.S. universities, both private and public, viewed foreign students as a “cash cow;” a growth opportunity; a source of diversity; and a factor in the internationalization of their curriculum. The movement to globalize higher education was also a catalyst. Each year many students come from less-developed countries to the wealthier nations for higher education.¹⁵ At the same time, increasing numbers of American students and faculty (with the help of Fulbright and other public and private funding programs) have visited universities overseas. For countries such as England, Canada and Australia, export of higher education has become a billion-dollar growth industry. These countries have aggressively sold their products (an advanced degree or a diploma) through a variety of innovative channels to anyone able to pay. As a result, many highly innovative programs have appeared in the marketplace in recent years. One example is the “twinning” program in which, after completion of the initial training in the home country, students can go to the mother institution to receive final training and their degree. Increasingly, foreign universities from the United States, Australia and England have opened branch campuses in major cities in the Third World and are able to attract students by selling their “name brand.” Even entrepreneurs based in Asia have jumped on the bandwagon.¹⁶ Often they have a local partner and some profit sharing arrangement.¹⁷

Political Violence on Campus

In Bangladesh and Pakistan, a factor in establishing private universities was the total collapse of the public university system due to continued and violent political unrest on campuses. This was not a temporary aberration, but rather an endemic crisis. Historically, students’ political involvement resulted in important contributions toward the establishment of democracy and freedom in Bangladesh and other nations. However, the politicization of the students and their teachers has become a monster, devastating both the participants and the institutions in which it was created. The academic life of generations of

students in many public universities has been totally disrupted by endemic lawlessness and violence between the different factions among them. This is a complex issue, the analysis of which is beyond the scope of this paper. However, one implication of this self-destruction was the great national need and opportunity for opening new campuses in the private sector where violent student activism is curtailed. In this sense, the rise of private universities can be explained by the proverb “necessity is the mother of invention.”

*Willingness and Ability of Private Entrepreneurs
to Invest in Higher Education*

Another important factor in these positive trends in private higher education is the current willingness and ability of entrepreneurs to support these institutions. For any private institution of higher learning to become successful, a substantial amount of seed money is necessary. Usually the amount exceeds the giving capacity of any one person. The growth in private wealth in many of these societies, as a result of dynamism shown by the private sector, has encouraged this trend. In the case of Bangladesh, one such sector that has helped create many fortunes is the apparel export sector. The enormous wealth created by this industry has had a measurable impact on the distribution of income and wealth in the country, especially in urban areas where these companies are based. Higher income has resulted in an increasing demand for higher education for the children of the newly wealthy. In Bangladesh, the premier university in the country, Dhaka University, is able to absorb only 10,000 of the 80,000 applicants. Somehow the excess demand had to be met to prevent greater numbers of students from enrolling overseas for their post-secondary education.¹⁸

Patriotism and power also motivated the private entrepreneurs, to say nothing of self-interest. Good private universities strengthen the private sector in general. It proves that the private sector can effectively produce and deliver high-quality, advanced education, which the public sector—despite decades of monopoly—has often miserably failed to do. The graduates of private universities are also less likely to be ideologically attached to socialism. They have a world-view steeped in the values of capitalism and are currently in great demand

in the thriving private sector. In the future, this demand will grow. The prestige of their association with an institution of higher learning is attractive to many business leaders. Non-Western cultures hold higher education in particularly high esteem. Once accepted (after years of public sector monopoly), private universities promise to offer interesting opportunities.

Finally, many of the founders are successful entrepreneurs and leaders in their fields. Building new institutions is a challenge that appeals to them, as does association with a new university. The growth of international business should not be underestimated. The multinationals are increasingly in need of highly qualified people at the managerial level for their operations overseas. They have decided that, for the long haul, it makes sense to help create a local supply of this type of employee. In India, the IBM office has donated significant funds to the Indian Institute of Technology to develop their computer center.

III

New Private Universities in the Non-Western World: Case Studies from Bangladesh

NORTH SOUTH UNIVERSITY (NSU), Dhaka, Bangladesh,¹⁹ describes itself as the first and the largest government-approved private university in Bangladesh. In many ways, NSU is a pioneering institution in the Indian subcontinent and perhaps in all Asia. The people involved with the founding of the University were also the driving force behind the parliament's passage of the Private University Act of 1992. For the first time, this bill opened up the field of higher education to private sector entrepreneurs and leaders. Although there are several newly established private universities in Bangladesh, NSU remains the front-runner in terms of the number of students, academic standards, name recognition, and resources it has.²⁰ Established in early 1993, it presently enrolls over 2,000 students in four undergraduate and two graduate programs. The undergraduate majors are in business, economics, computer science and environmental studies. NSU has a center for environmental research and a modern, fully networked computing facility. It also rents several floors in a building in the city's prime business area, away from the public university campuses. The full-time faculty and

administrators are assisted by a large group of visiting faculty on leave or sabbatical from universities all over the world, especially from the United States. Its curriculum, books, and faculty training, have a strong bias toward the higher education system in America. The running budget of NSU is met by student tuition that is sufficient enough to leave a sizable surplus for the eventual purchase of land for a permanent campus.²¹ Tuition for four years is approximately \$10,000. Close to 10% of the student body receives some form of scholarship. Although faculty from the United States is actively recruited, the student body remains predominantly local. The group that worked to establish NSU had a number of concerns about the level of education at Dhaka University and other public universities. These concerns included the socialistic mindset that prevailed in academia, and the alarming exodus of local students to overseas institutions, especially to the United States and neighboring India for post-secondary education. In 1993, the year NSU opened its doors, it was estimated that more than 80,000 Bangladeshi students, whose tuition was paid by their parents, enrolled in Indian colleges to avail themselves of the kind of education not available in Bangladesh. The NSU board was concerned about the loss of foreign exchange through the “import” of education on such a grand scale and the influence of a foreign culture on an entire generation of young minds. The lack of innovation, resources, a scholarly environment, and laboratory and computer facilities, compelled the business leaders and concerned academics to take action.

An overview of the Bangladesh private university sector may be useful at this point. Although NSU was the first university to get the official government charter, there is competition in the market. In 1997, just five years after the passage of new legislation allowing the private sector to play a role in higher education, there were sixteen government-chartered private universities operating in Bangladesh. Several others operate without government permission. Private medical colleges that are affiliated with public universities do not need an independent charter to operate. In addition, there are sixteen applications in the pipeline and that number is increasing. However, the present government has refused to issue any more charters. It has made some attempts to consolidate the existing institutions, especially in the professional arena. The government also created a new framework,

the National University, from which two- and four-year technical and professional institutions can get charters. This has given rise to a spate of highly questionable institutions that are often bogus, fraudulent, for-profit organizations.

Independent University of Bangladesh (IUB) was established in 1994 and currently enrolls 1,000 students. It is the most expensive private university, and is located in rented buildings in Baridhara, the most expensive area in Bangladesh. IUB is considered one of the nation's best private universities. With an innovative curriculum that includes, for example, environmental programs, IUB seems to have a bright future.

The East West University in Gulshan was started by a retired civil servant who is currently on leave as the governor of Central Bank. The University has made substantial progress in buying land somewhat distant from the center of the city and is planning to expand aggressively once it builds a permanent campus. Established in 1996 and closely modeled after NSU, it presently enrolls approximately 800 paying students. The acting vice chancellor told us that the university intends to use only foreign-trained MBAs in order to reduce its dependence on expatriate faculty members with doctorates. The tuition is around \$2,000 per year and the campus is partially air-conditioned.

In addition to these universities, there are several private medical colleges and one engineering college newly established in the private sector. Generally, these institutions charge tuition that is exorbitant by local standards. They claim to follow the U.S. system of higher education (semester system, general education and broader curriculum, assessment, and specialization in administration)²² and tend to be market-sensitive in the majors and programs they offer. They employ mostly part-time and retired faculty. These institutions have no monitoring, and have agreements (usually hollow) with some foreign institutions.

IV

New Private Universities in the Non-Western World: Case Studies from beyond Bangladesh

KHALDUNIA UNIVERSITY²³ (named after the 14th century Islamic scholar, Ibne Khaldun) in Islamabad, was established in 1994 through the approval of a charter and a land grant by the government of Pakistan.

The founder of the University was a Pakistani educator named Muslehuddin Ahmed. Returning to his native country in 1989, after spending 30 years teaching in the United States, he found the country's higher education in turmoil. By 1993, 8,020 students from Pakistan were in the United States and 5,000 in the United Kingdom. Unofficially, the number of young people living abroad was much greater, and most young Pakistanis never return to their country after completing their education. Mr. Ahmed petitioned the Prime Minister's office for land, and was granted his request. He organized a group of academicians to prepare a feasibility study. According to its founding members, Khuldundia would be the first modern Islamic university that would work to synthesize "the inheritance of Islamic and South Asian civilizations in such a way as to find those humanistic and critical values which will be congruent with our modern needs" (p. 36). The university opened its doors to students in 1995. To date, \$3 million has been raised from private sources. The cost of annual tuition is \$4,000, waived for half the students admitted on the basis of merit only.

*The American University in Bulgaria (AUBG)*²⁴ was established in 1990 and has rapidly become a magnet for the best and brightest Bulgarian students, and many others from neighboring countries. It is located in a rural area 65 miles from Sophia. With academic assistance from the University of Maine, AUBG provides an American-style liberal arts education, with concentrations in humanities, social sciences and journalism. In addition to tuition, it is supported by the government (buildings, etc.), the United States Agency for International Development and private donors (most notably the Soros Foundation). With a student body of 750, and 50 full-time faculty, almost half on permanent appointments, it is a well-established institution. An important goal of the University is to be a role model in academic excellence for Bulgarian public universities. There is also a strong desire to act as a bridge between the American model of higher education and public universities in Bulgaria. The aim is to complement, rather than compete with, the established public universities, and to find a niche in national higher education. Tuition is \$7,500 per year for foreign students, with Bulgarian students paying only 5% to 15% of that amount. The foreign student population is expected to increase from 10% to 30%.

*University of Cyprus*²⁵ was established with the goal of sustaining Greek culture and providing an institution of higher learning where, in the future, all Cypriots can study. In 1991, the newly established University advertised worldwide to fill 50 faculty openings. More than 800 Greek-Cypriot scholars responded from all over the world. Despite the charter's requirement that instruction be given in both Greek and Turkish, currently the 1000-plus student body has access to courses taught in Greek only. In 1991, only two students were enrolled in the Turkish language program.

Corvin University,²⁶ Hungary, was established in 1989 by a group of Hungarian professors. Taking advantage of the attempts at privatization of industry by the first non-communist government in 40 years, they put forward an ambitious plan to establish the country's first private university. They believed that Hungary desperately needed a new generation of highly educated people—an elite—to lead the country out of its economic troubles. The goal was to provide an academic environment competitive enough to force state universities to become more cost-effective and improve their quality. A 1988 UNESCO study showed that Hungarian high school graduates were among the best in the world, but university graduates fared poorly. Corvin University's prospective students would face rigorous admissions tests and would have to demonstrate competency in a foreign language. The curriculum would be based on the European system ERASMUS, involving international studies and student exchange. The professors, selected strictly on the basis of publications, would be paid \$750 per month, five times the average salary at state universities. Tuition is expected to be \$1500 per year. This is very expensive compared to the state universities where there is no cost for tuition. In principle, the state has agreed to work on a legislative plan to provide legal cover to the University, but has refused to provide any financial support. Supporters believe that Corvin will become a new driving force behind change in higher education leading to new pluralism and a larger intellectual elite. However, detractors believe that such an institution will exacerbate the current problems of state universities by siphoning off the best students, faculty and other resources from the public institutions.

American University of Armenia (AUA),²⁷ established in 1991, was founded by two academicians from the United States who were visiting Armenia, their native country, after the devastating earthquake of 1988. They thought Armenian-American academicians might be able to help the country, following the dissolution of the USSR. They instituted the AUA, within which both hold high positions (president and dean of engineering). Although they still hold positions in the United States, they visit the AUA campus several times a year. The University of California chartered AUA and provides advice and technical assistance, although it does not offer any funding. The UC system also makes sure that the standards of admission, etc., are comparable to American institutions. The government, impressed by this American connection, made available to AUA the best building in town. The mission of the University is to train a nucleus of experts and leaders to guide the country through its crucial, post-independence transition. It features American-style programs (instruction is in English), operations and faculty governance. The focus is on master's-level programs in a few specialized fields—business administration, earthquake engineering, and industrial engineering. In 1993, sixty-four master's degrees were awarded. The University plans to add graduate degrees in agricultural sciences, environmental engineering, international affairs, public health and public policy, followed by undergraduate degrees in arts and sciences. Additionally, AUA has established an extension program offering extensive three-week courses in business, economics and planning. It has established a high-technology information center, and research centers where AUA faculty and students work with others from local institutions. The University also is helping the local state engineering university set up a modern laboratory.

United States AID has given \$950,000 through its American Schools and Hospitals Abroad Program. Other donations have been received from the Armenian General Benevolent Union in New Jersey. Most students receive financial assistance and many work part-time on campus in the computer center and library. Almost all of the faculty members are from American institutions. Because of cultural problems with transition, most professors try to teach problem-solving skills designed

to create independent thinkers and entrepreneurs who can build the new capitalist economy.

V

North South Differences in the Birth of New Private Universities

ONE IMPORTANT DIFFERENCE between private universities in the North and those emerging in the South is their relative age compared to the public universities. In the developed nations, private universities are older and relatively well established. Only lately did the state get involved in higher education. In contrast, with few exceptions, many of the existing universities in most countries in the developing world are in the public sector. Private universities became a force in higher education only recently, after historical political and economic changes.

The other interesting difference is in the justification for the creation of these institutions. Access to higher education was the main argument for involving the public sector in higher education in the developed North. The same argument is now being used in the South to support the rise of private universities. The supporters plead, with some justification, that these new institutions will help reduce the demand on the public university system, which simply cannot service the increasing need for higher education by the growing population, especially the middle class. Even if the new private institutions cater largely to the affluent segment of the student body, they will help reduce pressure on the public institutions. Each student enrolled in a private university supported by wealthy parents vacates a classroom seat and a bed in the dorm of a public university for a financially disadvantaged student.

VI

Private Universities' Impact on Economic Development

Institution Building

ONE OF THE SIGNIFICANT CHARACTERISTICS of underdeveloped economies is the absence of a sufficient number of institutions of socioeconomic development (Quddus, 1993). A good university is, above all, an im-

portant catalyst for social awakening and economic development. It produces graduates whose human capital is essential for the difficult process of nation-building. Graduates with problem-solving skills are in high demand by the private sector for positions such as managers and entrepreneurs. Good universities attract scholars and researchers who ask and answer difficult questions for society, encouraging the free flow of ideas, and carrying out research and development which results in innovations and new technology. There is little doubt that a mature, well-functioning university, which is faithful to its mission of educating the community (whether in the public or the private sector) is an important vehicle of social stability and economic progress.

Human Capital Formation

Without capital formation there cannot be economic prosperity. More important than physical capital, such as roads, bridges, and buildings, is human capital—the skill and education of the people of a nation. This is what a good university does best. In addition, for a country to develop, a critical mass of citizens must be trained to think. A university, with its liberal arts curriculum and atmosphere of free inquiry, helps enhance this essential body of thoughtful citizens through its young graduates who will become the future leaders of the country. In the West, the best universities have played a crucial role in the creation and dissemination of new technology. The new universities in the East should strive to follow this model.

Flow of New Ideas, Technology, and People

This is the age of information. Rapid and massive flows of data and information are the hallmark of the computer era. The process of economic development can be greatly accelerated in this new environment. A good university is not only a depository of existing data and information, it is a vigorous participant in creating new information and in disseminating and synthesizing new and existing information. In addition, the early confinement of knowledge to a few key players is now irrevocably challenged by the development of the worldwide information superhighway. The free flow of ideas is the best guard

against tyrannical rulers and inefficient bureaucracies and businesses. Universities will play significant roles in this age.

Foreign Exchange Gap

A large number of students leave the typical LDC in search of better and higher education in the West. Legions of students overseas receive support from their parents who pay tuition using foreign exchange. These funds could serve other urgent developmental needs of the country. If comparable education were available at home, many of these students would stay in the country and reduce the drain on scarce foreign exchange.

Brain Drain

The scarcity of foreign exchange pales when compared to the scarcity of trained manpower or "brain" from the LDCs. The pernicious impact of the loss of this resource is also much greater. Already, many of these newly established private universities have been able to provide salaries and working conditions that have attracted a large number of expatriate scholars and even foreign academicians. This is one of the most visible and encouraging measures of the success of these institutions. Literally thousands of the best and most qualified nationals have left the country in search of better living or working conditions. Many of them wish to return or to give something back to their native country. Private universities are the ideal antidotes to this common disease of developing countries. They can effect a significant reversal of the debilitating brain drain that afflicts all LDCs, against which they have been powerless for decades.

VII

Problems and Challenges

The Tuition Debate

ONE OF THE BIGGEST BONES OF CONTENTION between these new institutions, the local community, and the government is private university tuition. One question frequently asked of the board and university

officials in press conferences and interviews is “How can you justify charging an exorbitant annual tuition (equaling in some cases ten times the per capita national GNP) in a predominantly poor society?” Some responses to the query, by way of justification, are:

1. The cost of a good education is high, especially if it involves foreign curriculum, books and faculty. Since these are tradable, they have to be purchased at existing world prices.
2. Private universities in the West charge high tuition, typically much greater than public universities of comparable quality.
3. High tuition does not need as much justification as the low or nonexistent tuition charged by public institutions. The latter is simply a reflection of a government subsidy paid by taxpayers in the donor nations.
4. The costs of private education should be looked upon in comparison to the benefits. If the graduates of these institutions can look forward to a lifetime of substantially enhanced earnings as a result of this education, it is worth the cost. In other words, this can be considered an investment with a high sticker price, but the expected rate of return can justify the costs.

Serving the Elites?

This issue is related to the tuition debate. Since only the wealthiest parents (a tiny minority) can afford expensive tuition, these universities would be creating elite graduates, where their elitism is based not on merit but on their parents' wealth. This would defeat the historical role of higher education as a force in economic and social equality. Doors to these institutions would be closed to poor, albeit bright, students. Thus it would make the distribution of income worse than it is now, as the graduates from these schools, already from wealthy families, would get the best jobs in the country. These graduates would be solely interested in leaving the country or working for multinationals. Thus, the local economy and people would not benefit. The elitist argument is reinforced by the fact that the language of instruction in many of these universities is English, not the national language. In ad-

dition, the curriculum, the faculty and the resources are very different from those of the local public institutions.

In Eastern Europe, we see that many academicians who support the establishment of new private universities want them to be elitist. However, this is not in the sense of serving the needs of the rich only, or creating a class that serves the ruling class, but in the sense of meritocracy. These academicians believe that without creating an intellectual elite, it will be difficult to successfully carry out the difficult task of transition. Thus, these newly created institutions nurture the very bright. Specialized education remains unavailable to the general public at other institutions.

The Resource Constraint Argument

This argument goes as follows: It is accepted that the public universities have many problems that need to be fixed. However, starting private universities would only exacerbate these problems for the public institutions. First, the best and brightest faculty would leave the public institutions for the far superior pay and working conditions in the private institutions. Second, the best and the brightest students, who can afford to pay the tuition or perhaps get scholarships, would study in the private universities. Thus, there would be a brain drain from the public sector to the private. Solving one problem, in effect, would create more problems. Is it not better to try to fix the problem of the public institutions by attempting to increase the flow of public and private resources to these institutions? We may jump on the bandwagon of creating new institutions without adequate concern for their long-term viability, and later regret it.

Potential for Abuse

Can unscrupulous entrepreneurs defraud the general public through private universities? This is the worst fear of those who see in these trends an atmosphere of sharply reduced regulations and oversight containing the seeds of corruption and fraud in the private sector. Indeed, in India recently, the University Grants Commission, the only federal monitoring and policymaking agency in charge of all universities,

public and private, published a list of 24 “bogus” universities.²⁸ These institutions had been operating outside the framework established by the legislature and therefore, according to the law, cannot even legally call themselves “universities.” Under the 1954 law, the violating institution is fined only \$30 and no legal action can be taken to close it. As a result of this loophole and the tremendous demand for higher education, especially in areas such as commerce and medicine, fraudulent universities are proliferating in India and luring unsuspecting students with heavy advertising. It is clear that higher education in the private sector is vulnerable to abuse such as fraud, greed, and profiteering, just as in the public sector it is open to corruption, inefficiency, declining productivity and stagnation. Appropriate organizations to oversee the quality and integrity of such institutions have to be in place from the start. However, the model to be followed is that of self-monitoring as opposed to public sector interference. The latter can easily result in excessive bureaucratic interference as the following statement from a former president of the University of the East in the Philippines suggests:²⁹

We are sick and tired of being told that profits are evil, that we should not make a profit at all as if we should operate meaningfully at a loss, as if suffering a loss would make us better schools.

VIII

Conclusion

IN RECENT YEARS, the progress achieved in private higher education in the non-Western World is impressive by historical standards. Opening a new university is always a milestone, a step not to be taken without adequate preparation. However, taking advantage of unique windows of opportunity and a confluence of favorable forces, a host of new private universities has cropped up in various parts of the developing world. The landscape of higher education in these countries, and in the world as a whole, is richer as a result of this development. These new universities in the private sector are expected to bring an increased exchange of ideas and knowledge between the mature economies of the West and the struggling democracies and developing economies of the world. Already there has been some-

thing of a reversal in the international brain drain from the developing countries to the rich nations. The impact on the social and economic development of these societies could be far-reaching if these new institutions are built on solid foundations and efforts are sustained over time.

What about the future? One can safely predict that many more private, independent universities will start in nations that are fast integrating with the world economy after a hiatus—India, China, countries in Eastern Europe and perhaps even in Africa. Many of these nations may see the development of what Geiger calls “mass private sectors,” where hundreds of thousands of students are enrolled in literally hundreds of private institutions of higher learning.³⁰ The spread of new technology such as the Internet will certainly accelerate these positive trends. Through the medium of distance education (virtual universities), the global market for higher education is expected to grow quickly. The private and public institutions in the developed nations can help in many different ways for mutual gain. The most critical need of these new universities is for human capital—qualified faculty and administrators. With the development of the Internet the need for books and journals is not as great as in the past. The universities are one of the most important agents for change in a society. For economies in transition and resource-poor nations with underdeveloped political institutions, universities can be important catalysts in building a civil society, a necessity if liberal democracy is to flourish.

Notes

1. Megan Breslen in a recent article calls this the “Planet University phenomenon.” See *University Business*, January/February 1999 issue.

2. Bray (1998), p. 1.

3. World Bank (1994), p. 5.

4. We were told by an official at the University Grants Commission in Bangladesh that there are sixteen applications in the pipeline waiting for government approval (charter) on top of the twelve new public universities that are in the budget for the next five years.

5. Recently, Malaysia “corporatized” its major public university and announced plans to do the same with the other

6. Baskerville (1998) p. 3. He goes on to say that the quantity of faculty

who can teach graduate courses is low since very few new doctorates were being produced in the existing public universities.

7. The institute was ranked second in overall quality by Asia Week in its 1998 ranking of technical universities in Asia.

8. The authors were personally involved in establishing this university and worked with the founder-President of the institution for several years.

9. See Baskerville (1997).

10. There are many examples of how expatriate faculty members in the United States have been instrumental in getting their home universities involved in collaboration and exchange programs overseas. For example, North South University, Bangladesh, where individual faculty members from the University of Illinois at Urbana-Champaign and the University of Southern Indiana helped Muslehuddin Ahmed set up the university in 1993, and filled the position of teaching faculty, administrators, and advisors to the president. These faculty members also assisted in implementing faculty and student exchange programs between their home institutions and the new university they helped start.

11. Examples are the American universities in Beirut, Lebanon and Cairo, Egypt.

12. The local office of the Ford Foundation gave a grant of \$100,000 to NSU to develop its economic program and to buy computers for its state-of-the-art computer center.

13. See Kennedy (1998).

14. The third generation of such scholars in China has been influential in moving the Chinese universities towards the American model of Universities. See Yugui (1998).

15. Each year roughly half a million foreign students come to the universities and colleges in the United States and around 80,000 American students go overseas for part of their university education.

16. There is a private university run by Philippine Business group in Bangladesh.

17. The American Bangladesh University of Texas (AMBAT) is one example.

18. Not helping the situation is the fact that the price of public higher education is almost free. At zero price, the demand is expected to be large. But even by other standards, in this nation of 120 million people, before private universities started, there were only six public universities.

19. See Quddus (1993) for some of the problems faced by the North South University during its early months. A detailed report on this institution's academic programs can be found in Rashid and Gillespie (1993).

20. See Hopper (1998) for more details on the private university scene in Bangladesh.

21. NSU's tuition is around \$3,000 per year. This is not the highest for private universities in Bangladesh. The highest tuition is \$4,000 per year charged

by the Independent University of Bangladesh. Given the high tuition rates, the economics of establishing new private universities in Bangladesh are quite favorable.

22. Planet university, p. 30.

23. For more details, see Collett (1994).

24. For details on this university, see Woodward (1990).

25. For details on this institution, see Watzman (1994).

26. See Beck (1990) and Woodward (1993).

27. See Monaghan (1993) for details on this institution.

28. For details, see Dube (1995).

29. See Zwaenepoel (1975) p. 150.

30. The best examples are Japan and the Philippines. In Japan, between 1962 and 1968, 128 applications for university charters were approved out of 159 submitted (Geiger: 25). In the Philippines, the situation is even more dramatic. In the immediate postwar era, there was a doubling of private universities and colleges by 1951. Then, the numbers of these institutions grew exponentially from 184 in 1956, to 617 in 1969! The 40 largest institutions enrolled 40% of all students in private institutions, so that the average size of the remaining 577 institutions was 400 students or less. Some of these proprietary institutions such as Far Eastern University and the University of the East are distinctly capitalist, with their stock relatively actively traded on the Manila stock exchange (Geiger: 57–58).

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Table A.1

A Selected List of Private Universities Worldwide Established Since 1970

| Name | Country | Year Estab. | Web/Email Address |
|---|--------------------|----------------|--------------------------------|
| AMA International University Bangladesh | Bangladesh | 1996 | mailto:info@aiub.edu |
| East West University | Bangladesh | 1995 | mailto:mmusa@ewu.pradeshta.net |
| University of Asia-Pacific | Bangladesh | 1995 | mailto:uap1@citechco.net |
| Khaldunia University | Pakistan | 1994 | |
| Miyazaki International College | Japan | 1994 | http://www.miyazaki-mic.ac.jp/ |
| North-South University | Bangladesh | 1993 | http://www.northsouth.edu |
| Independent University of Bangladesh | Bangladesh | 1993 | mailto:herashid@iub-bd.edu |
| DongSeo University | Korea | 1992 | http://www.dongseo.ac.kr |
| University of Cyprus | Cyprus | 1991 | http://www.ucy.ac.cy/ |
| American University of Armenia | Armenia | 1991 | http://www.aua.am |
| Nara Institute of Science and Technology | Japan | 1991 | www.ad280.aist-nara.ac.jp/ |
| Central European University | Hungary/ Poland | 1991 | http://www.ceu.hu/ |
| Japan Advanced Institute of Science and Technology | Japan | 1990 | www.jaist.ac.jp/ |
| Aga Khan University | Pakistan | 1990 | |
| Chung Hua Polytechnic Institute | Taiwan | 1990 | http://ww.chpi.edu.tw/ |

Table A.1
(Continued)

| Name | Country | Year Estab. | Web/Email Address |
|--|-----------|----------------|--|
| Corvin University | Hungary | 1989 | |
| University of Notre Dame Australia | Australia | 1989 | www.ne.edu.au |
| Kwangju University | Korea | 1989 | www.kwangju.ac.kr |
| Near East University | Cyprus | 1988 | www.cypnet.com/.ncyprus/ neareast.html |
| Wakkanai Hokusei Gakuen Junior College | Japan | 1987 | www.wakhok.ac.jp/ |
| Hallym University | Korea | 1982 | www.hallym.ac.kr |
| International University of Japan | Japan | 1982 | www.iuj.ac.jp/ |
| East West University | USA | 1980 | http://www.eastwest.edu |
| University of Phoenix | USA | 1978 | www.uophx.edu/uop/flgettokn.htm |
| Kao-Yuan Junior College of Technology and Commerce | Taiwan | 1975 | http://www.kyit.edu.tw/ |
| Dokkyo University School of Medicine | Japan | 1973 | www.dokkyomed.ac.jp/ |
| Hachinohe Institute of Technology | Japan | 1972 | www.hi-tech.ac.jp/eindex.html |
| Hochinohe Institute of Technology | Japan | 1972 | http://www.hi-tech.ac.jp/ |
| Soka University | Japan | 1971 | www.soka.ac.jp |
| Cochin University of Science and Technology (CUSAT) | India | 1971 | http://attila.stevens-tech.edu/ fisthomas/cochinu.html |

Table A.2

A Selected List of Public Universities Worldwide Established Since 1970

| Name | Country | Year Estab. | Web Address |
|--|----------------|----------------|--|
| University Malaysia Sarawak | Malaysia | 1992 | www.unimas.my/html/aboutflunimas.html |
| University of the Philippines Manila | Philippines | 1979 | www.upm.edu.ph/ |
| University of South Bohemia | Czech Republic | 1991 | www.jcu.cz/ju/welcomeflgb.html |
| American University | Bulgaria | 1990 | www.aubg.bg/ |
| Cheju National University | Korea | 1982 | www.cheju.ac.kr |
| Pohang University of Science and Technology | Korea | 1986 | www.postech.ac.kr |
| Abant Izzet Baysak University | Turkey | 1992 | www.ibu.edu.tr/about.html |
| Alesund University | Norway | 1994 | www.hials.no/english/ |
| Australian Catholic University | Australia | 1991 | www.acu.edu.au |
| Griffith University | Australia | 1975 | www.gu.edu.au |
| Murdoch University | Australia | 1975 | www.murdoch.edu.au |
| Southern Cross University | Australia | 1974 | www.scu.edu.au |
| Bermuda College | Bermuda | 1974 | www.bercol.bm |
| Escola Tecnica Federal de Goia | Brazil | | www.etfgo.br |
| Universiti Brunei Darussalam | Brunei | 1985 | http://202.160.0.89 |
| Universidad Diego Portales | Chile | 1982 | www.mbulnes.ccentral.udp.cl |

Table A.2
(Continued)

| Name | Country | Year Estab. | Web Address |
|---|--------------|----------------|---|
| Universidad Latina de Costa Rica | Costa Rica | 1981 | www.ulatina.ac.cr |
| Girne American University | Cyprus | 1984 | www.burnova.ege.edu.tr |
| Naruto University of Education | Japan | 1981 | www.naruto-u.ac.jp |
| Osaka Kyoiku University | Japan | 1993 | http://Okumedia.cc.osaka-kyoiku.ac.jp |
| Toyama Medical and Pharmaceutical University | Japan | 1975 | www.toyama-mpu.ac.jp |
| Foshan University | China | 1995 | http://www.fosu.edu.cn/ |
| Vista University | South Africa | 1981 | http://www.vista.ac.za |
| University of Macao | Macao | 1981 | http://www.umac.mo/ |
| Temasek Polytechnic | Singapore | 1990 | http://www.tp.ac.sg/corporate |
| Paulo Fundaco Getulio Vargas | Brazil | 1974 | www.fgvsp.br |