

## Chapter Three

### Redefining Public and Private in Asia Pacific Higher Education

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#### *Introduction*

Higher education institutions throughout the world are engaging the challenges they face within a context of competing public and private spheres. As we have indicated in other chapters, the core concepts of “public” and “private” carry a set of critical meanings concerning the conduct of life within the state and the ways authority is constituted in a society and given issue through the rule of law. These concepts also have a reality in social life—a way of being in practice—that is far more complex and ambiguous than suggested by their formal and legal constructions. This often has been the case in most societies, as the needs for institutional flexibility at a given historical moment cannot be readily resolved at the interface between formal public or private institutions as constituted.

We are familiar, for example, with situations in which the state weakens in its ability to create and exercise authority, a condition that allows various kinds of “grey” institutions to arise, or practices to exist outside the realm of state enforceability. These may promote the exchange of various goods, currencies and services outside the reach of the state that permits their private acquisition free from state control and taxation. Indeed, ancient as well as modern states come replete with such practices, recreating what economists and sociologists

term an “informal” economy (ILO, 2002). However, even within the formal institutions of the state it is often useful to define and develop institutions that are neither of the state, nor of the private sector. In the United States, for example, *public corporations* are authorized by law and often provided public money to operate, but are overseen by a board acting on behalf of the public within a realm of private authority. Such entities exist across the society from healthcare to energy provision. Indeed, the much-celebrated American private university is in reality something of a hybrid structure itself. It requires authorization by the state to operate and may choose to subject itself to various forms of governmental regulatory activity by accepting and administering federally funded student loans or research dollars.. It may also open itself to regulation through quasi-public authorities such as voluntary higher education accreditation agencies.

The range of novel organizations emerging throughout the dynamic Asia regional economy (Sun, 2003) has an analogue in higher education. The very social, cultural and economic complexity of Asian nations brings diversity to the practices of higher education, especially in the current context of pressing challenges to provide capacity and access, to align graduates with social needs, and to assure quality. Compounding this situation are the many national differences in how states developed and embraced higher education as a set of practices and a social good. . As our other chapters make clear, even where strong central states sought to develop higher education primarily as a vehicle to assure cultural conservation and the perpetuation of elites, the patterns of higher

education provision that have emerged over the past three decades do not neatly conform.

In practice, knowing whether a Higher Education Institution (HEI) is nominally public or private may carry little significance. As important as these terms may be in shaping the meta-discourses of society, in many contexts they, , increasingly are losing their descriptive and analytical edge.

In the material that follows we explore some of the many differences included within the terms public and private. We have sought to identify some common pathways that HEIs have taken in trying to resolve many of their common challenges. Often these pathways are provided by national policy reforms that alter existing patterns of central governmental authority, and encourage HEIs to explore new institutional relationships in search of enhanced capacity. The categories and data that follow make no pretense toward comprehensiveness. Rather, they seek to expand the reader's frame of differentiation for what in practice constitutes public and private higher education in Asia Pacific.

### ***Part One: Differentiating Institutions***

Our task in this section is to initiate a typology that identifies some of the major organizing and structural elements in public and private higher education. One can specify some fundamental features of an "ideal" type of both a public and private HEI. A public HEI is one that is:

- "owned" by the state,

- governed by a branch of government,
- regulated by rules developed through governmental authority,
- funded mostly or entirely from government, and
- organized to accept students and conduct research in response to some element of governmental direction.

We might call this a “pure” public HE institution.

In contrast, a private institution is one that is:

- owned by a group or individual (though typically its activities are authorized by law),
- funded through private sources including student fees,
- free to hire and evaluate its own personnel,
- responsible to attract and accept students from the general population on the basis of criteria it establishes (though possibly aided by governmental devices such as national examinations), and
- governed by and reports to a board of trustees or governors.

Similarly, we might term this a “pure” private institution. Various mixed-mode institutions developing throughout the region possess some of these elements, but not all. If we were to view these two institutional types as defining ends of a continuum, our perception is that very few institutions any longer meet all of criteria for either the public or private ideal type.

We have found it instructive to construct a typology of higher education institutions based on a set of core structural, regulatory and operating criteria. Conceptually, we have sought to identify the range of institutional types currently

operating in the region. Empirically, we identify one or more examples of institutions that match a given criterion. The result of this exercise appears as Appendix One.

Part Two, of this chapter discusses some implications of this range of institutional diversity for higher education in the region,, returning our attention to how the elements of public and private affect patterns of providing education as a public good, or as a market commodity. Before embarking on the task it is useful to clarify the primary concepts with which we wish to work.

### **Ownership**

The ownership of a HEI is one of its central defining characteristics, historically determining how other elements of institutional structure or practice will take place. Public ownership throughout the world has been most common, generally through the instrumentality of the state. Conventionally, primary or total funding came from the state and any “revenues” accruing to the institution, such as student tuition and fees, either remained with the institution or were returned to central governmental coffers.,.

Public Institutions can be national in scope, such as U.S. military academies, Japan Imperial Universities, or national universities in Korea, China or India. Public institutions can also be sub-national, gaining their authority and support from governmental subunits, such as American states and cities, or provincial and municipal governments in China, Japan, and elsewhere. They may also be *transnational*, operating outside a home nation either as a single

entity or, as we discuss below, in conjunction with another institution or set of institutions.

Private ownership may take multiple forms. The major distinction for private HEI's is whether they are proprietary and profit making, or not. Private HEI's may be proprietary, with ownership concentrated in a single person (a common pattern in Korea), or corporate in form. In both instances, proceeds from institutional endeavors (profits) may be extracted from institutional practices and deployed for further private use. Non-profit private institutions historically have clustered into those associated with a faith-based enterprise (e.g., Catholic universities in the Philippines and the U.S.), or those chartered by the state to serve a public purpose, albeit while functioning in the private sector. Usually these institutions operate without direct public funding, as is case with the bulk of U.S. private universities.

### **Source of funds**

A HEI has to have one or more sources of funds for its physical, operational and developmental expenditures. In its "pure" form, a state institution receives most or all its funds from the government whereas a non-state institution raises its funds from private sources. But in reality, most HEIs have diverse sources of funds. The following analysis suggests the range and diversity of funding sources for state and non-state institutions.

State institutions can receive both direct and indirect state funding. Direct funds are disbursed by government either through line-item budgets or block grants. Any unused funds in line-item budget allocations have to be returned to

the government at the end of the financial year. To cite a different practice, in the University of California system, even line-item funds at the campus level can be carried forward at the discretion of the chancellor, although the system office can over-rule this practice if need be; these were part of the decentralization reforms that shaped the university in the 1980s and 1990s. In other large U.S. systems, government-appropriated monies cannot be carried forward from one fiscal year to another, but so-called special funds can be created that are not so bound and to some extent also are fungible. For example at the ten campus system of the University of Hawaii, normal tuition revenues are held within a special fund and some programs are allowed to develop special tuition funds for executive programs that are in effect fungible.

In contrast to line-item budgets distributed on an annual basis, block grants usually are given as a lump sum for a certain period of years so that any unspent funds can be carried over to the following year. Public universities in Singapore are given block grants instead of line-item budgets, for example. Some state institutions obtain a majority of their funds from the state while other state institutions receive only minority state funding and rely heavily on private funds. At the University of California the percentage of state funds is about 20 percent and in steady decline. In Australia, Malaysia, Singapore and Japan, granting various degrees of autonomy to public universities progressively reduced direct state funding and corporatized universities, forcing them to seek other sources of funding. Indirect state funding can take the form of research

grants, contracts and student support such as government scholarships, loan guarantees and financial aid.

Some state institutions may receive funds from multiple governmental levels. Regional universities in Thailand, state universities in the Philippines and provincial universities in China receive funds from municipal and provincial or local levels of government. Some state institutions in China have been able to obtain long-term construction loans through the private banking industry

Non-state institutions receive most of their funding from private sources including student tuition, business donations, contracts, university entrepreneurial activities and philanthropic donations. In some countries such as Japan, South Korea, Taiwan, and India, private universities also receive government subsidies.

### **Regulation**

Another defining characteristic of a HEI is formal control of the institution. Through the wide-range of variation in practices, the critical questions are: who actually controls the institution with respect to expenditure, types of educational programs offered, terms and conditions of employment and student admission? It is critical to know whether such controls are internal or external to the institution and direct or indirect.

With respect to the expenditure of funds (perhaps the bedrock of the regulatory relationship for any public HEI) government can control exactly how an institution spends its annual budget through strict public finance management systems such as line-item budgeting. But in other cases, the expenditure of public funding is less restrictive, including block grants, research grants,

developmental grants and similar financial mechanisms. Within the private sector funding may also range from unrestricted to highly restricted funding.

Direct government regulation is accomplished in every country through a government regulatory framework for the establishment, funding, monitoring and assessment of its HEIs. National universities are established by governmental ministries, usually the Ministry of Education or Ministry of Higher Education. In ex-socialist countries such as China, Vietnam and Cambodia (but also those influenced by this practice such as Indonesia), other ministries also established HEIs in specific disciplines to prepare graduates for the respective ministry. In some countries, ministry control of public institutions is both direct and strong, such as those in Indonesia, Singapore and Vietnam. In China, education reform has limited the role of governmental agencies other than the Education Ministry. In Japan, the Education Ministry itself has been assigned other functionalities creating a Ministry of Education, Culture, Sports, Science and Technology. In countries that follow the British tradition, university grants commissions (UGCs) are a buffer between the government and HEIs. Most of the countries in South Asia such as India, Bangladesh, Pakistan and Sri Lanka have their own university grants commissions. UGCs have great authority over HEIs in allocation of public funds, types of awards conferred and educational programs offered, tuition and fees, and many other aspects of higher education.

In many countries external quality assurance agencies and accreditation bodies are established to control the quality of HEIs through mainly indirect means. Some quality control agencies are quite independent of government,

including the Australian Universities Quality Agency (AUQA), Japan University Accreditation Association (JUAA), and Philippines Accrediting Association for Schools, Colleges and Universities (PAASCU). Others are less independent of government, often functioning as integral parts of the education ministry. Examples of this kind include the Badan Akreditasi Nasional Perguruan Tinggi (BAN-PT) in Indonesia, the Malaysia Qualification Agency (MQA), the Higher Education Evaluation and Accreditation Council of Taiwan (HEEACT), and the National Institute for Academic Degrees and University Evaluation (NIAD-UE) in Japan. In Thailand the Office for Quality Assessment and Accreditation is organized to report directly to the Office of the Prime Minister, outside Education Ministry reporting channels.

Indirect regulation works in multiple ways for both state and non-state institutions that receive grants from either public or private sources. Each is subject in some ways to expenditure audits. In the United States, where the bulk of higher education research funding comes from both competitive and non-competitive grants at federal and state levels, governmental audit is broad, rigorous and consequential.

Other forms of regulation include public or private boards of trustees which govern HEIs in both public and private sectors. Corporatized public universities in Malaysia and autonomous universities in Indonesia are governed by public boards of trustees that usually consist of representatives from various stakeholders drawn from academia, business, and government. In the United States, where virtually all public universities are legal creations of state

governments, the prevailing practice is for the governor to appoint a board of regents or trustees (usually with the advice and consent of one branch of the legislature) that serves for fixed terms and to whom effective public authority has been delegated. In a few states having complex multi-campus systems (e.g., North Carolina and Florida) each campus will also be governed by a second, local board, also appointed by state public authority. Non-state institutions are governed by private boards, which may consist of shareholders of publicly listed companies, family members of individual proprietors, elders from a particular religious order, major financial contributors, or even stalwarts of a political party, depending on the ownership of the institutions.

In the case of multinational university entities, the governing body can be complex as well as innovative. For example, Universitas 21 is governed by a Board of Chief Executive Officers (Presidents or Vice Chancellors) from twenty-one member universities based in thirteen countries. The International Islamic University Malaysia operates under the direction of a Board of Governors with representatives from the eight sponsoring governments and the Organization of the Islamic Conference (OIC).

### **Market distinctions**

The market environments in which higher education institutions operate vary by country. Regulatory frameworks set up by governments or relevant authorities to supervise, monitor and assess higher education institutions vary in turn according to the market conditions prevailing in a particular country context.

These minimally can be categorized across a continuum anchored at one end by unfettered markets and at the other end by controlled markets.

Free market examples, while conceptually easy to specify, are more difficult to locate in practice. Their most distinctive feature is the existence of minimal conditions for entry into the market. The least developed countries in the region such as Cambodia, Nepal, Pakistan, Bangladesh and many of the Pacific countries have higher education markets that are approximating these. In such circumstances where the market for higher education is itself quite undeveloped, few restrictions exist in the form of regulations for the establishment of private higher education institutions, either domestic or foreign.

A mixed market has partial free entry into some segments while others are regulated to a greater or lesser degree. In the middle-income countries, such as Malaysia, Thailand, Indonesia, and the Philippines, state regulations place conditions on the establishment and operation of non-state higher education institutions that limit their degree of market freedom. For example, foreign branch campuses in Malaysia may only be set up by universities invited to do so by the government.. Many of the ex-socialist countries in the region are also subjected to mixed market conditions. In China, the higher educational market is heavily regulated by government with free entry permitted only to the second tier segment of *minban* universities. Similarly, the tightly governed educational market in Vietnam is only open in the universities segment that is people-funded. Such “peoples-funded” universities were modeled after the Chinese *minban* university (described at length by Ka Ho Mok in Chapter Two). Translated,

*minban* means literally “people run.” In China the term allowed the government to experiment with the market while still highly regulating the terms under which the *minbans* operated. In a different set of circumstances, the relaxation of market restrictions in Taiwan after 1996 created conditions that led to the very rapid expansion of HEIs.

Most of the countries with mature higher education systems such as Australia, New Zealand, Singapore, India, Japan and the Republic of Korea have a controlled market for higher education. There are various governmental rules and regulations to follow and conditions to be fulfilled before a non-state higher educational institution can be set up in these countries. The higher education market in the Philippines over the past 50 years has depended in large part on the whims of the prevailing political parties—sometimes controlled and at other times permissive.

### ***Part two: Public-Private Partnerships***

Public and private partnerships are cooperative ventures between the state and private businesses intended to spread financial risks between the public and private sector while expanding access and capacity. The liberalization of higher education in the region has resulted in a wide range of innovative public-private partnerships taking increasingly complex forms, as outlined below.

#### **State/provincial governments and private companies**

Where higher education has been decentralized from the central government to the state or provincial governments, local governments have partnered with private companies to set up higher education institutions such as provincial

universities in China, deemed universities in India, and state universities in Malaysia.<sup>1</sup>

### **Public universities and private companies**

When public universities are corporatized, they may form partnerships with private companies to engage in market-related activities. In China, private colleges have become affiliated with state universities, as have high schools. Australian public universities have established off-shore campuses in Malaysia, Vietnam and Thailand. These off-shore campuses are often joint ventures between the Australian universities and private companies in the host countries. For example, Monash University Malaysia is a joint venture between Monash University in Australia and the Sunway Group in Malaysia.

### **Public universities and private colleges**

In countries such as Malaysia and India certain private colleges are not allowed to confer degrees. These colleges will franchise degree-awarding educational programs from public universities, either domestic or foreign, and offer them as twinning or credit-transfer programs.

### **Consortia of public universities**

The establishment of consortia of public universities to offer educational programs through distance learning modes is becoming increasingly popular. The Open University Malaysia is owned by a private company set up by a consortium of 11 public universities to run open distance learning programs. Universitas 21 is another consortium of 21 universities that offers distance education programs throughout the world.

### **Non-profit private universities**

Many non-profit private universities set up by communities can be found in ex-socialist countries such as Vietnam and China. In Vietnam, semi-public higher education institutions are built, managed and operated by the state in cooperation with economic sectors, social organizations and individuals. Similarly, the *minban* schools in China are established by social, professional and economic organizations and are run on a full cost recovery basis, with all income derived from student fees. Most private universities in the United States are non-profit, although many elite universities among them have become very wealthy through the accrual of large endowments.

In addition to these, other forms of public and private partnerships in higher education have emerged which are more amorphous and do not involve any specific institutional linkages. For example, private universities in Japan and India are provided public subsidies. Japanese private universities receive as much as 25 percent of their budget through public subsidies, but in return they are subjected to tight governmental regulations on the size of their student enrollments and the types of academic programs they can offer.

In many countries of the region one finds faculty members with positions in public or state HEIs who also teach or work part-time in private institutions, a practice, that is common in Indonesia, Cambodia, Vietnam and Laos. The respective governments permit this practice because it can be seen as an aid in kind from the government to the private higher education sector, and thus a contribution to expanding higher education access and capacity. It is also implicit

recognition of the limited capacity of governments to provide salaries at an appropriate level.

An increasingly common form of cross-sector cooperation and an aid in kind is government loans to students studying in private institutions. In Malaysia, students enrolled in accredited programs in private institutions are entitled to apply for government loans. In the United States, where loans exist throughout all sectors, institutions wishing to provide students with government loans must be accredited by a body recognized by the U.S. Department of Education.

The practice of outsourcing to private companies is becoming increasingly popular among public universities. For example, public universities in Malaysia engage private companies to provide student services such as running student canteens and building student dormitories. This practice at times overlaps with the establishment of industrial parks and incubators by public universities to promote public and private partnerships in research, in particular short-term applied research geared towards the development of marketable products. In the United States combinations of public and private universities operate research laboratories and facilities with governmental departments or private companies under complex contractual relationships. These ventures may not contribute directly to “the bottom line” in a conventional sense, but they enormously expand the universities’ research capacities and ability to generate jointly-funded budgetary support for staff. Technology transfer and other intellectual agreements are looked on as a growing source of HEI income. In China entire

branch campuses may be built through a cooperative combination of government (often local or provincial government) and the private sector.

It is increasingly common for faculty to position themselves as having expertise to sell in private markets. After the corporatization of public universities in Malaysia, for example, faculty members have been allowed to sell their expertise through consultancies and offering other professional services for hire. In particular, medical doctors are allowed to offer private consultation to their patients for a certain number of days per week while continuing to work in public universities. These practices are common in U.S. universities including those with faculty unions, which routinely allow faculty members to designate up to eight hours a week for private consulting activity. Also in the U.S. complex intellectual property agreements exist between universities and faculty that allow faculty to own or share patent rights to discoveries.

In the U.S. the rapid growth of private for-profit HEI's focused on adult learners has stimulated new growth in older parts of public and private universities that offer "extension" education, traditionally non-degree supplemental education for adult learners. Given changes in the marketplace these units within conventional universities in many cases have become important "profit centers" contributing significant income to "regular" university schools and colleges.

***Part Three: What—then—is public and what private?***

It seems clear to us that the answer to this question largely lies in the specific usage of these important terms in social discourse. Within each term lies a

distinct historical value that maintains a core moral and ethical virtue. When many people employ the term “public” with respect to an institution, they imply that it operates and produces outcomes that contribute to the overall good of the collectivity (municipality, state, province, or nation) for which such a public stands. The values attached to ideas of the public go beyond the rational to the aspirational character of nations and societies. Here we sensibly can use it as an adjective, in terms such as public good, public purpose, or even public responsibility.

To the term “private” attach other connotations. These particularly are associated with the rewards that can and should come to the efforts of individuals to work, create and preserve not only their own fortunes, but the individual and aggregated goods produced by and for their societies. Between these poles of public and private lie the critical but dynamic endeavors of institutional construction and preservation that forge the balance between the two.

It seems also clear, however, that the evocation and utilization of these important values is fully up for grabs in the contemporary era. Those seeking to gain position in this dynamic struggle selectively and strategically deploy these terms to maximize their own advantages. The resulting contests in many arenas—social, political, economic—have generated a kind of *de-facto* currency for these terms never far removed from their instrumental value.

Angelo Armenti, Jr. has documented this recently in a particularly arresting way. Armenti is the long-serving president of California University of Pennsylvania founded in 1852. It is one of the 14 state-owned universities and

former state teacher's colleges that comprise the Pennsylvania State System of Higher Education. California University, Armenti suggests, has fallen victim to "being privatized without a plan," by which he means that it like many other American public universities has been subjected to such persistent reductions in public funding support from the state that it no longer deserves to be known as a public university (Armenti, 2008). Administrators and trustees of many such ostensibly public universities have argued this designation needs to at least reflect the current empirical state of affairs, which is far closer to "state-assisted" than "state-supported." Funding alone is rapidly creating *de-facto* privatization of much public higher education in the United States. As these trends are adopted by numerous national governments committed in belief and the policy to the principle that they no longer can fund the majority of higher education, these institutions also will become essentially privatized, no matter what terminology governments use to describe them.

In the Asia Pacific region what we typically have viewed as hard and fast distinctions between public and private institutions is fundamentally changing, resulting in the rise of novel hybrids such as the *minban* which can be free-standing or attach itself to prestigious universities such as Beida and Tsinghua. Though apparently novel institutions, they function within a broader public policy context in ways not so different from higher education institutions established in the past—such as those created through state industrial policies in various countries to produce science, technology, engineering and mathematics (STEM) graduates. That is, they were publicly funded but designed to serve distinct

private interests. Increasingly it would seem to us that translating the discourses of public and private within a higher education context may require asking other kinds of questions of an institution: Do the outcomes produced serve demonstrable interests of the public? Or, do they primarily serve private interests—outcomes that individuals and private capital can “take away” from institutional interactions to further capitalize?

### ***Conclusion***

The changes we have observed and documented in higher education throughout the Asia Pacific must be seen as an admittedly small and selective sample of those taking place across the full range of institutions in the region. It is clear that to have a complete understanding of what constitutes a public or private institution in the future, we will need to ask extensive questions about how it is owned, managed, and operated, how it produces its outcomes, and with whom it accomplishes these things. And while these changes can be expressed and ordered by broader conceptualizations, such as neoliberalism, it is further clear that ideology and political principle themselves play a relatively limited role in motivating and producing the specific kinds of institutional arrangements that result.

Rather, this entire process appears to be a massive, uncoordinated exercise in pragmatic adaptation. In country after country, higher education institutions have reacted to changes in national public policy articulated through their educational ministries and in response to signals broadcast through emergent market related institutions. The result has been an explosion of variety

that has cut loose the conceptual anchors by which we customarily have understood the meaning of public and private.

Two research tasks emerge from this array of social transformation. One is to continue the process begun in this brief chapter: to further conceptualize and describe the range of institutional innovation. The second, perhaps more demanding, task is to ask how this panoply of institutional differentiation affects what these institutions do and what they should do to continue to be regarded as embodiments of the production and dissemination of knowledge.

In important ways the very nature of how social institutions are conceived and constructed at the interface between government and society, and between the historic public and private sectors, is rapidly changing. Our languages and perceptions of public and private do not keep pace with the rate of such changes. Consequently, we often are at a loss on how we should analyze and regard the resultant institutional inventions. Should, as is illustrated by the financial crisis of 2008, these new institutional forms and practices be subject to new forms of regulation or left to the market to work its ways? And, if they should be regulated, who should monitor such new institutions and practices and by which criteria? Given the massive governmental intervention in financial institutions in the fall of 2008, some of our most fundamental assumptions about public and private sectors may prove to be open to reassessment in ways that move far beyond the path that neoliberalism has taken us over the past three decades.

Our argument is that the coming decade is likely to witness more rather than fewer such changes—in economic institutions, in health care, in housing and

transportation, and in education. In this sense we underscore that our received notions of public and private are subject to continual change and constantly demanding new tools to identify, describe and analyze them.

## References

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<sup>1</sup> A "deemed university", a term used almost exclusively for universities in India, is autonomous, can offer its own curriculum, and must do research. It cannot be an "affiliate university", allowing others to affiliate with it, which is the dominant university model in India.

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**Appendix One About Here**