

CHAPTER 1

Globalization: What does it Mean for Higher Education?

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Globalization is centre-stage in the contemporary world. It interests almost everyone. Education, alas, is back-stage somewhere in the midst of the props. It interests some of us. Globalization and education, together, is a relatively unexplored subject, particularly among economists. The object of this essay is to reflect upon the intersection of, and explore the interconnections between, globalization and higher education in the wider context of development.

The structure of the paper is as follows. Section I outlines the essential characteristics of globalization, to set the stage before the play begins. Section II develops an analytical framework to consider how globalization relates to, or influences, the world of higher education. Section III examines what globalization means for higher education in different spheres. Section IV analyses the implications of markets and commercialization for universities which are, perhaps, the most important dimension of higher education. Section V seeks to focus on the globalization of higher education, to discuss its consequences for people and for education in the process of development. In conclusion, Section VI attempts to address a question that is simple enough to pose but difficult to answer: what is to be done?

GLOBALIZATION: MEANING AND DIMENSIONS

Globalization means different things to different people. What is more, the word globalization is used in two ways, which is a source of some confusion. It is used in a *positive* sense to *describe* a process of integration into the world

economy. It is used in a *normative* sense to *prescribe* a strategy of development based on a rapid integration with the world economy.

Even its characterization, however, is by no means uniform. It can be described, simply, as an expansion of economic activities across national boundaries. There are three economic manifestations of this phenomenon – international trade, international investment and international finance – which also constitute its cutting edge. But there is much more to globalization. It is about the expansion of economic transactions and the organization of economic activities across political boundaries of nation states. More precisely, it can be defined as a process associated with increasing economic openness, growing economic interdependence and deepening economic integration in the world economy (Nayyar, 2006).

Economic *openness* is not simply confined to trade flows, investment flows and financial flows. It also extends to flows of services, technology, information and ideas across national boundaries. But the cross-border movement of people is closely regulated and highly restricted. Economic *interdependence* is asymmetrical. There is a high degree of interdependence among countries in the industrialized world. There is considerable dependence of developing countries on the industrialized countries. There is much less interdependence among countries in the developing world. Economic *integration* straddles national boundaries as liberalization has diluted the significance of borders in economic transactions. It is, in part, an integration of markets (for goods, services, technology, financial assets and even money) on the demand side, and, in part, an integration of production (horizontal and vertical) on the supply side.

It is essential to recognize that economics provides a critical but limited perspective on globalization which is a multi-dimensional phenomenon. It extends much beyond the economy to polity and society (World Commission on the Social Dimension of Globalization, 2004). And it would be no exaggeration that the whole is different from, possibly greater than, the sum total of its parts. The multiple dimensions — political, social and cultural — deserve mention, even if briefly.

In the political dimension, the momentum of globalization is such that the power of national governments is being reduced, through incursions into hitherto sovereign economic or political space, without a corresponding increase in effective international cooperation or supra-national government, which would regulate or govern this market-driven process. Simply put, there is a mismatch between economies that are global and polities that are national or local (World Commission on the Social Dimension of Globalization, 2004).

In the social dimension, a market economy may be seen as a necessary, indeed desirable, attribute of globalization but its creation of a market society may not be a desirable outcome. If the pursuit of material well-being becomes

a dominant, for some an exclusive objective, the culture of materialism, or simply the quest for money, might spread to all spheres of life. A reasonable utilitarianism could then be transformed into Narcissist hedonism (Baudot, 2000). The norms and values which are the foundations of civil society, where individuals have an obligation to society, could be eroded. Social norms and social institutions, so essential for the market economy itself, could be weakened.

In the cultural dimension, the global spread of cultural impulses is at least as important as that of economic impulses (Streeten, 2001). The culture of the young in cities everywhere, across the world, is globalized, manifest in jeans, T-shirts, sneakers, jogging, fast foods, pop music, Hollywood movies, satellite television, 24 × 7 news channels, Internet and so on. Consumerism is indeed global. Even corruption and crime have become similar everywhere. In all this, the communications revolution and the electronic media have played a key role. But modernity and tradition do not always mesh together. Global integration sometimes accentuates divides within countries, as ethnic, cultural or religious identities capture those excluded from, or alienated by the process, which could create conflict in societies.

TOWARDS AN ANALYTICAL FRAMEWORK

There is an obvious question that arises. How can this process of globalization relate to, let alone influence, the world of higher education? The simple answer is in two factors underlying the process of globalization. For one, globalization is driven by market forces, whether the threat of competition or the lure of profits. For another, globalization is driven by the technological revolution in transport and communications which has set aside geographical barriers so that distance and time matter little. But economic analysis also enables us to provide a more complete, analytical, answer.

In any economy, education is an integral part of the social infrastructure and an essential component of social consumption. And, until not so long ago, education was mostly produced and consumed within national boundaries. It was what economists describe as non-traded. In this attribute, education in general and higher education in particular were not significantly different from services as distinct from goods. Services possess two unique characteristics. First, the production of a service and its consumption are, as a rule, simultaneous, because services cannot be stored. Second, the producer and the consumer of a service must interact with each other because the delivery of a service requires physical proximity.

In principle, it is possible to make a distinction between traded services, non-traded services and tradable services. In the world we knew, just a quarter of a century earlier, education was essentially non-traded across borders. But globalization has changed the world since then. The distinction between

traded, non-traded and tradable services, which was always far from clear, has become more blurred on account of the rapid technical progress and the changes in the organization and the production that the world economy witnessed during the late 20th century.

Trade in services may be defined as international transactions in services between the residents of one country and the residents of another country, irrespective of where the transaction takes place. International trade in services so defined can be divided into four categories: (a) those in which the producer moves to the consumer, (b) those in which the consumer moves to the producer, (c) those in which either the producer or the consumer moves to the other, and (d) those in which neither the consumer nor the producer moves to each other (Nayar, 1988). In the first three categories, physical proximity of the producer and the consumer is essential for the international service transaction to take place. This is in conformity with the characteristics of services. In the fourth category, however, such physical proximity is not necessary and international trade in services is similar to international trade in goods.

It is possible to think of conventional examples of international trade in services in each of these categories. Guest workers, body shopping, hotel chains, and department stores are examples of situations where the producer of a service moves to its consumers. Tourism provides the most obvious example of situations where the consumer of a service moves to the producer. Higher education is the other traditional example as students from all over the world move to study at Harvard or MIT in the United States and at Oxford or Cambridge in the United Kingdom. Entertainers, performing artists and sports persons provide examples of situations where either the producer moves to the consumer or the consumer moves to the producer. Traditional banking, shipping and insurance services provide examples of situations where neither the consumer nor the producer moves to the other, as these services can be disembodied from the producer and transported to the consumer.

In the past two decades, there has been a discernible increase in the possibilities for international trade in services, without any perceptible decrease in the degree of restrictions on such trade, which is attributable to technological change on the one hand and a near-revolution in transport on the other (Nayar, 1988). Taken together, these developments have had the following consequences: first, non-traded services have become tradable; second, some altogether new services have entered into the realm of international transactions; and third, the possibilities for trade in erstwhile traded services have become much larger. The technological revolution in transport and communications has made hitherto non-traded services tradable either by a dramatic reduction in the cost of transport, which increases the mobility of the producer and the consumer of a service, or by developing a means of communication, such as satellite links or a video transmission, which eliminate the

need for proximity between the producer and the consumer of a service. At the same time, the revolution in telecommunications and information technologies has created an altogether new species of traded services.

These developments have transformed not only the possibilities but also the realities of transactions in higher education across national boundaries. For a long time, as a service, higher education was tradable in one category alone where the consumer of a service moved to the producer, as students from different parts of the world went to study in premier universities mostly in industrial societies. Of course, there is a rapid expansion and diversification of this process in terms of student numbers and geographical spread. But that is not all. Cross-border transactions in higher education have entered into each of the other three categories: (i) those in which the producer moves to the consumer, as universities, particularly those in English speaking industrial societies, have established campuses in different parts of the world; (ii) those in which either the producer or the consumer moves to each other, as universities run short duration courses or summer schools either in their own campuses at home or in leased facilities abroad in the home countries of students; and (iii) those in which neither the producer nor the consumer moves to each other, as distance education, satellite television or open courseware dispense with the need for physical proximity between the teacher and the taught.

IMPACT OF GLOBALIZATION ON HIGHER EDUCATION

The spread of markets and the momentum of globalization, during the past two decades, have transformed the world of higher education almost beyond recognition. Market forces, driven by the threat of competition or the lure of profit, have led to the emergence of higher education as business. The technological revolution has led to a dramatic transformation in distance education as a mode of delivery. This is discernible not simply in the national context, but also in the international context with a rapid expansion of cross-border transactions in higher education. It is clear that markets and globalization are transforming the world of higher education. The ways and means of providing higher education are changing. But the process does not stop there. Markets and globalization are shaping the content of higher education and exercising an influence on the nature of institutions that impart higher education.

In reflecting on the content, it is appropriate to make a distinction between higher education, professional education and distance education. These are neither mutually exclusive nor exhaustive. But the distinction is useful for analytical purposes.

In the world of higher education, markets and globalization are beginning to influence universities and shape education, not only in terms of what is

taught but also in terms of what is researched. In the sphere of teaching, there is a discernible departure from the liberal intellectual tradition where education was about learning across the entire spectrum of disciplines. Choices of students were shaped by their interest. There was never a perfect symmetry. Even so, universities endeavoured to strike a balance across disciplines, whether literature, philosophy, languages, economics, mathematics, physics or life sciences. But this is changing, as students and parents display strong revealed preferences to demand higher education that makes young people employable. The popularity and the availability of courses are thus being shaped by markets. The employability of students is not simply a force that is pushing to create more places for vocational courses in higher education. It is also inducing universities to introduce new courses, for which there is a demand in the market, because these translate into lucrative fees as an important source of income. Similarly, markets are beginning to exercise an influence on the research agenda of universities as resources for research in life sciences, medicine, engineering or economics are abundant, while resources for research in philosophy, linguistics, history or literature are scarce. There is a premium on applied research and a discount on theoretical research.

The world of professional education is also being influenced by markets and globalization. The obvious examples are engineering, management, medicine or law. For one, markets exercise some, albeit limited, influence on curricula. For another, globalization is coaxing a harmonization of academic programmes. The reason is simple. These professions are becoming increasingly internationalized. Therefore, the context is more global and less national, let alone local.

The world of distance education is somewhat different and could provide a silver lining to the cloud. Market forces and technical progress have opened up a new world of opportunities in higher education for those who missed the opportunity when they finished school or those who did not have access earlier. Of course, these opportunities and access come at a price which may not be affordable for some, particularly in developing countries or transition economies.

MARKETS AND COMMERCIALISATION OF UNIVERSITIES

The preceding discussion suggests that globalization is changing the form and shaping the content of higher education. At the same time, markets are beginning to exercise an influence on the nature and the culture of universities which are the most important institutions in higher education.

There is a discernible commercialization of universities, although it is at its early stages and has not yet spread everywhere. Even so, it is important to analyse the underlying factors (Bok, 2003). The process began life with the

resource crunch in governments that led to a financial squeeze in universities. It coaxed universities into searching for alternative sources of income. Entrepreneurial talents, which were rewarded by the market and admired by some in society, legitimized such initiatives in universities. The importance of traditional academic values diminished as competition among universities for scarce resources intensified. This sequence of developments came to be juxtaposed with the emergence of a wide range of opportunities for universities to earn money in the market place, based on their comparative advantage in knowledge that had an enormous potential for applications in management and technology.

Such commercialization of universities has been reinforced by the forces of demand and supply. On the demand side, there is a burgeoning desire for higher education which is driven by a combination of individual aspirations and corporate needs in a changed national and international context. On the supply side, higher education, almost everywhere, is dominated by large public universities which are somewhat inefficient and resistant to change. The safeguards implicit in academic freedom and the security guaranteed by tenure appointments, taken together, often create situations where professors and administrators are not quite accountable to students let alone society. In developing countries, the problem is compounded because the opportunities for higher education in public institutions are simply not enough.

If we read between the lines, the situation in higher education is not very different from the milieu in the health care sector before the advent of private enterprise. Unless correctives are introduced, the world of higher education might be caught in a pincer movement. At one end, the commercialization of universities means business in education. At the other end, the entry of private players in higher education means education as business. There are dangers inherent in such commercialization, but there are also opportunities of learning from markets (Bok, 2003).

It is worth reflecting on the dangers. What can we lose? First, markets should not decide on academic curricula or research agenda. The reason is simple. Teaching and research cannot be simply about use-value and exchange-value. Second, management methods of business are not appropriate for universities. The objectives cannot be efficiency or profits. The practices cannot be incentives or disincentives in the form of rewards or penalties. The performance criteria cannot be fewer teachers per student, higher fees per student or lower costs per student. Third, markets and commercialization could unleash some dangers that may not have surfaced yet in most places. In principle, there is a danger that academic standards may be undermined particularly in admissions which could spill over in appointments and research. Similarly, there is a danger that individual conduct may be driven by self-interest, rather than common cause, where earning more money or exploiting

graduate students becomes a temptation. This could erode the ethos of collegiality and the sense of community that are so essential in the teaching-learning process. The ultimate danger lies in the erosion of values and ethics in the university community. That could damage the credibility, if not the reputation, of universities which perform a critical role as guardians in open societies. Indeed, the integrity and the independence of intellectuals in universities, respected by citizens and society, constitute an institutional mechanism of checks and balances in a political democracy.

It is worth thinking about the opportunities. What can we learn? First, it is essential to recognize the importance of competition. It is almost always realized in research. But it is sometimes missing in teaching. It must be stressed that the significance of competition extends much beyond markets or profits. Universities are not in the business of profit. Yet, competition between universities for academic excellence is essential. Second, it is important to recognize that incentives and disincentives matter, not simply for decreasing costs or increasing efficiency but also for performance in a qualitative sense. The moral of the story is not that Presidents, Rectors or Vice-Chancellors should be rewarded with stock options when their universities do well or that universities should be closed down like firms when they are doing badly. But there are lessons to be drawn about the importance of incentives and disincentives that emerge from the experience of corporate entities in the marketplace. Third, it is critical to accept that striving to improve quality is a continuous process in higher education as much as it is elsewhere or in the marketplace. Markets in which firms compete for consumers ensure that product quality improves over time. But universities are slow to learn and to adapt so that academic curricula and teaching methods change slowly. In fact, the institutional mechanisms for quality consciousness and quality improvement are few and far between. Fourth, universities must recognize that it is imperative to be responsive and accountable to students and society. Ironically enough, tenure appointments, academic freedom and university autonomy — that are at the core of the concept of universities — often diminish the accountability of individuals in the university community to the institution and the accountability of the university as a collective to its students as individuals. The dangers and the opportunities for universities implicit in markets and commercialization are presented in somewhat caricature form if only to highlight their significance. Universities have continued to provide centres of academic excellence in spite of their structural rigidities and governance structures. This is because the nature of incentives in university systems is much more subtle than in corporate hierarchies (Bok, 2003). The quintessential academic is motivated by the thought of coming up with an original idea, writing an influential book, publishing a much cited paper in a refereed journal, discovering the unknown, or inventing something. Similarly, recognition in the

form of invitations to conferences, or awards and honours based on peer review, is also perceived by traditional academics as more important than material incentives or rewards. Alas, this world has changed, slowly but surely, in the past quarter of a century. The very same structures that produced academic excellence are doing so less and less.

It is clear that dangers and opportunities are closely intertwined in this process of change. We cannot afford to ignore these emerging realities because the world of higher education is at some risk. The culture of markets and the advent of commercialization could erode both values and morality that are the life blood of higher education. Universities must endeavour to create a milieu — by rethinking procedures, systems and governance — that reinforces intellectual standards and rejuvenates the quest for academic excellence.

GLOBALIZATION OF HIGHER EDUCATION

There can be little doubt that the process of globalization is exercising a significant influence on the world of higher education. But that is not all. At the same time, there is a globalization of higher education that, in turn, has significant implications. It has implications for people and for countries. It has implications for higher education and for development. Consider each in turn.

In considering what the spread of globalization into higher education could mean for people and for countries, there are three important manifestations that are worth noting (Nayyar, 2002).

First, the *globalization of education* has gathered momentum. This has two dimensions. The proportion of foreign students studying for professional degrees or doctorates in the university system of the major industrialized countries, in particular the United States, is large and more than two-thirds simply stay on. The situation is similar in Europe albeit on a smaller scale. At the same time, centres of excellence in higher education in labour-exporting developing countries are increasingly adopting curricula that conform to international patterns and standards. Given the facility of language, such people are employable almost anywhere.

Second, the *mobility of professionals* has registered a phenomenal increase in the age of globalization. It began with the brain drain. It was facilitated by immigration laws in the United States, Canada and Australia which encouraged people with high skills or professional qualifications. This process has intensified and diversified. It is, of course, still possible for scientists, doctors, engineers and academics to emigrate. But there are more and more professionals such as lawyers, architects, accountants, managers, bankers, or those specializing in computer software and information technology, who can emigrate permanently, live abroad temporarily, or stay at home and travel frequently for business. These people are almost as mobile as capital across borders.

Third, the reach and the spread of *transnational corporations* is worldwide. In the past, they moved goods, services, technology, capital and finance across national boundaries. Increasingly, however, they have also become transnational employers of people. They place expatriate managers in industrialized and developing host countries. They recruit professionals not only from industrialized countries but also from developing countries for placement in corporate headquarters or affiliates elsewhere. They engage local staff in developing countries who acquire skills and experience that make them employable abroad after a time. They move immigrant professionals of foreign origin, permanently settled in the industrialized world, to run subsidiaries or affiliates in their countries of origin. They engage professionals from low-income countries, particularly in software but also in engineering or health care, to work on a contract basis on special non-immigrant status visas, which has come to be known as “body-shopping”. This intra-firm mobility across borders easily spills over into other forms of international labour mobility.

The professionals, at the top of the ladder of skills, are almost as mobile as capital. Indeed, we can think of them as globalized people who are employable almost anywhere in the world. And the world, so to speak, is their oyster. In a sense, it is a part of the secession of the successful. The story is similar but not the same for contract workers or those part of body-shopping, for they are somewhere in the middle of the ladder of skills. In either case, however, it is the globalization of higher education that has made it possible. But there is a crucial asymmetry. The investment is made by the home countries. The returns accrue to the host countries. This process is associated with a privatization of benefits and a socialization of costs. For the home countries of these people, there is an externalization of benefits and an internalization of costs.

The WTO regime and the General Agreement on Trade in Services have important implications for higher education which need careful consideration. This multilateral framework embodies the most-favoured-nation clause and the national treatment provision. The right of establishment, or commercial presence, for service providers is also integrated into the agreement. This is not yet universalized but allows for sector-by-sector negotiations. Higher education is on the agenda. Therefore, a multilateral regime of discipline for international trade in higher education services is on the anvil. It would mean too much of a digression to enter into a discussion about higher education in the context of the WTO. But I would like to highlight two possible implications and consequences for higher education in the wider context of development, which relate to the quality of education and to the nature of education.

In developing countries, the globalization of higher education is influencing the quality of education in two ways. It is striking that there is a proliferation of sub-standard institutions which charge high fees and provide poor education. There is little, if any, accountability to students because, in most

developing countries, there are no laws for consumer protection or regulators for this market. Such adverse selection of service providers in higher education is a real problem. Of course, there are some good institutions that enter this domain to provide higher education across borders but these are few and far between. Unfortunately, even these institutions are susceptible to the practice of double standards: the global and the local. It might be unfair to cite examples but it would be instructive to compare the academic content and standards of the programmes run by such reputable institutions through campuses at home, through distance education and in campuses abroad. Clearly, unfettered markets without established regulators in higher education are bound to have an adverse effect on the quality of education.

The globalization of higher education is also changing the nature of higher education in the developing world. Its links with and relevance to the society in which the higher education is provided are somewhat tenuous, because the content and scope is determined in industrial societies. What is more, there is a clear and present danger that an internationalized higher education system may stifle rather than develop domestic capabilities in the higher education systems of the developing world, particularly the least developed countries.

CONCLUSION

In a world of unequal economic and social opportunities, higher education provides the only access to faring better, whether we think of people or of countries. Theory and evidence both suggest that the development of a physical infrastructure and a social infrastructure, particularly in education, are the necessary *initial conditions* for a country to maximize the benefits and minimize the costs of integrating with the world economy in the process of globalization. Thus, for countries that are latecomers to industrialization and development, a premature market-driven and passive insertion into the world economy, without creating the *initial conditions*, is fraught with risk. It is not just about an unequal distribution of costs and benefits between people and between countries. The spread of education in society is critical. So is the creation of capabilities among people. In this, higher education provides the cutting edge. It is at the foundations of development in countries that are latecomers to industrialization. This is the essential lesson that emerges from the success stories of Asia in the second half of the 20th century.

At the beginning of the 21st century, it is clear that the wealth of nations and the well-being of humankind will depend, to a significant extent, on ideas and knowledge. In the past, it was land, natural resources, labour skills, capital accumulation or technical progress that were the source of economic growth and economic prosperity. In the future, knowledge is bound to be critical in the process of economic growth and social progress. Without correctives, the

widening gap between the haves and the have-nots could then be transformed into a widening gap between those who know and those who know-not.

The most appropriate conclusion is provided by an old Buddhist proverb which says that “the key to the gate of heaven is also the key which could open the gate to hell”. Markets and globalization provide a mix of opportunities and dangers for higher education. I have not provided an answer to the question I posed at the outset: what is to be done? But a simple prescription would be appropriate. We should not allow markets and globalization to shape higher education. Instead, we should shape our agenda for higher education, so that we can capture the opportunities and avoid the dangers unleashed by markets and globalization.

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