

# **Quality Assurance in a Highly Privatized and Marketized Higher Education System: The Case of Chile**

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## Acronyms and Abbreviations

### Spanish

### English

AFD	Aporte Fiscal Directo	Direct public grant
AFI	Aporte Fiscal Indirecto	Indirect public grant
CAE	Crédito con Aval del Estado	State guaranteed loan system
CNA	Comisión Nacional de Acreditación	National accreditation commission
CNAP	Comisión Nacional de Acreditación de Programas de Pregrado	Commission for the evaluation of undergraduate programmes
CONAP	Comisión Nacional de Programas de Postgrado	Commission for the evaluation of postgraduate programmes
CSE	Consejo Superior de Educación	Higher council of education
CFT	Centro de Formación Técnica	Technical training centre
CONICYT	Comisión Nacional de Investigación Científica y Tecnológica	National commission for science and technology
CRUCH	Consejo de Rectores de las Universidades Chilenas	council of rectors of Chilean universities
FC	Fondo Competitivo	Competitive fund
FDI	Fondo de Desarrollo Institucional	Institutional development fund
FIAC	Fondo de Innovación Académica	Academic innovation fund
HEI		Higher education institution.
IP	Instituto Profesional	Professional institute
ISI		International science index
LOCE	Ley Orgánica Constitucional de Enseñanza	Organic constitutional law on Education
MECESUP	Programa de Mejoramiento de la Calidad y Equidad de la Educación Superior	Higher education improvement programme
PHI		Private Higher Education.
PSU	Prueba de Selección Universitaria	University entry test
QA		Quality assurance
RICYT	Red de Indicadores de Ciencia Y Tecnología	Ibero-American network of science and technology indicators
SIES	Sistema de Información de la Educación Superior	Higher Education Information System

## 1. Introduction.

The universalization of Higher Education (HE) has a global scale, and is changing the way HE has been historically approached.

In the case of Latin America, in the last four decades - a short time in comparison with the 400 years of history of the universities in the continent - the HE enrollment rate, according to the data from UNESCO (2011), rose from 1,9 million in 1970 to about 25 million in 2011. In the same period, the Gross Enrollment Rate grew from 6% in 1970 to more than 40% in 2011. As a whole, the continent is close to 50% enrollment, but many countries, such as Cuba, Venezuela, Argentina, Uruguay and Chile have surpassed this percentage in recent years

To confront the growing demand for HE, systems in Latin America and around the world are becoming more complex and diverse. This diversity in Latin America is also evident; in recent years hundreds of new institutions have been established, reaching in total about four thousand universities and about twelve thousand non university institutions in the whole continent (RICYT 2011). The provision open to private initiatives of HE, in a continent traditionally open to the private sector, is now more than ever relevant in terms shape and size in relation to the system. PHE seems to be now more than ever a relevant actor.

The stage of HE as an elitist space for the highest intellectual and cultural activities, is staying behind, and is ing to a stage where HE is a massive space, that offers room for heterogeneous student's demands, diverse and more and more related with professional training. In words of Brunner (2011) in Latin America "the Humboldtian university is lagging behind, in Latin America are being multiplied without counterpart the purely docent institutions, they (...) act as agencies of socialization instruction and certification. They produce technical and professional personnel, in a standardized format, following a well structured sequence of training and activities" (Brunner 2011, p. 19)

An implication of making HE "massive" or "universal" is that the activities that those institutions performed in the past cannot be assumed any more as sufficient to satisfy the diverse demand of new stakeholders (Levy, 2002; Altbach, 2008). As the elitist notion of HE changes, it has also changes the idea of "quality" closely related to the activities of an elite group.

This research will study in detail two broad areas of research and debate, areas that go beyond the interest in academia and flow in the political life of the countries: privatization of HE and the concerns and discussion about quality. The analysis will focus on a Latin American country that, I propose, has unique characteristics that allows for the analysis of both phenomena, Chile.

### 1.1 Private Higher Education and the question of quality in Chile.

In May 2011, students from the so called "traditional" universities in Chile - a group of 16 of the oldest, most prestigious and state funded institution - initiated a series of mobilizations to demand several changes in the national HE system. In few weeks, secondary students and teachers unions joined the protests, being more than seven months in strike. The protests inspired and triggered similar demonstrations in Brazil, Colombia, Ecuador and several countries from Central America.

The Chilean Rectors Conference, The Ministry of Education, the Professors Associations, researchers, and the society in general were surprised by massive demonstrations, bringing more than 1 million people to the streets in a country of 16 million. Among the several demands of the students, there are two questions that have remained central issues: the high prices of tuitions in the public and the private sector of HE, and the decline of "quality" in education. The ubiquitous slogan still is in the air: "Public, free and quality education"

Chile has been considered by many and for a long time a "model economy" (OECD, 2009; The Economist, 2011). The recognition of the successful Chilean economy is the result of profound and shocking reforms which took place in the 70's and the 80's. Those reforms, under a military dictatorship, transformed Chile into a capitalist, market oriented economy. The deep reforms not only transformed the economy, but transformed the society. It is correct to assert that the most important changes in the 17 years of military

government were not the economic reforms, but the social reforms. The change in the foundations of the three pillars of social welfare - health, education and retirement - changed the country. These systems were reformed, allowing private investment and participation in all stages.

In the area of education, the reforms in the primary and secondary education allowed the private investors to create schools and receive money from the state, with loose supervision or and basic financial regulation. The reforms introduced the “voucher” system, under the assumption that students and parents will have the option to choose, creating competition between the schools, which supposedly would result in several advantages, including quality improvement.

In HE, the big national state universities were divided into regional institutions. The original eight public institutions became 16 institutions (SIES, 2011). The technical and vocational institutions were totally privatized. The state funding for universities was reduced and tuition fees were introduced. From the 95% of the budget cover by state funding in 1970, it dropped to the current 14% (Meller,2011; Anuario, 2009). In 1981 the government allowed the creation of private institutions, increasing the number of institutions from four in 1980 to 42 1990, and 35 in 2010. The growing demand for HE, from less than 150.000 enrolled in 1980, to 300.000 in 1990 to 1,000,000 in 2010 (SIES, 2011), was mainly absorbed by the private institutions. They account now for more than 67% of the students in the HE system.

In the early 2000's, the growing concerns about the HE system opened the door to reforms intended to regulate the system. The landscape of self organization of the system, marked by a growing concern about the “quality” of the institutions and programs by the authorities, created the conditions for the government to follow the “international trend of Quality Assurance (QA)” (LeMaitre, 2004). The QA system was funded in the year 2000, and adjusted and reformed in 2004 and 2008.

## **1.2 A methodological note.**

This thesis will, through the analysis of the characteristics of the parts of the Chilean system of HE, draw conclusions about the system itself, so a short introduction to the methodology of a systemic approach is necessary.

The encyclopedia of HE identifies the two major great structural elements in the HE systems: first , the institutional fabric, the building blocks which make up the HE system and the second the administrative structures, the superstructure of governance, administration and finance at the national level (encyclopedia, 1992).

The characterization of a system from a structural point of view, considering the HE system as a function of the institutional fabric in a given administrative structure, is widely used in most reviews of national systems as the encyclopedia of HE, the hand book of HE, the OECD – World Bank national reviews or in the UNESCO information.

Teichler (2007) states that any attempt to describe shape and size of a HE system must address a broad range of features, including the number of institutions, the characteristics of academic staff and students; the system must be defined according to its position in the overall educational system; the formal structural elements must include, among others, a typology of institutions. The author also considers that other debates of the configuration, that “cannot be measured clearly and tends to be inter-subjective” (Teichler, 2007, p.3) must be also considered in the description of the system.

In this argumentative line, for the purpose of this research, it is relevant not only to identify and classify the features of size and shape, but also those features that can make it possible to, for example, locate the analyzed system in one of the two major types that this research addresses (public- private). The same is true for the analyses of the issue of quality; besides the characteristics of the features of size and shape, other features at the institutional level must be considered to draw meaningful conclusions about the system.

In this perspective, the Chilean national system of HE will be analyzed through the analyses of shape and size, taking in consideration the characteristics of the parts that compose the system. As the research point to two different areas - first to establish the level of privateness or publicness of the Chilean system, and

then the current state of QA in the system - the results are divided in two parts. The first deals with the privatization issue and the second with the quality issue.

### **1.3 Objectives of the study**

The previous paragraphs may seem enough to define the Chilean system as a predominantly privatized system. But the complexities of the debate about what is public and what is private make indispensable a deeper analysis of the issue. It is necessary to analyze the role of the most influential factor in a HE system, the state. It is necessary to observe the financial aspects, the governance aspects, the missions.

This thesis will look to answer the question: Is the Chilean HE system a predominantly privatized and marketized HE system? To answer the basic question, this research will also answer: do they do different things? Does the difference matter? Is a national system more or less privatized or statized and why does it matter? What implications does it have? The analysis of the characteristics of the HE system in Chile will guide the research to define its levels of privateness or publicness.

The authors and works in the area of PHE will be reviewed, with special attention to the works of two relevant researchers, Bruce Johnstone and Daniel Levy. The former is currently director of the Program for Research in PHE from Albany University. The research will try to answer questions about the level of privatization of the system, using the a typology of four broad categories as proposed by Johnstone (1998, 2011) and Levy (1986, 1990, 2002)

Among the implications that can be observed in the international literature, discussion of the private sector frequently raises concerns about quality. The whole movement of QA is somehow related to the marketization and privatization of the HE systems (Green, 1994). In the literature reviewed there is no consideration of the characteristics of privateness or publicness at the system level. Quality in private education has not been highlighted as a particularly relevant issue or trend, nor do any of the authors stress any significant importance of distinctive characterization of the quality issue in a marketized or privatized HE system, as it is going to be argued is the case of the Chilean system.

This thesis not only will discuss around the question of “quality” but will also analyze the “quality” in close relation to the research in the field of PHE, and markets of HE. In the case of Chile, the OECD (2009, 2010), Lemaitre (2009, 2004), and Brunner (2008, 2010) have stated the core importance of the progress of QA. Beyond just an accreditation scheme, they propose that the characteristics of the HE system, as well as new concepts, methodologies and practices should be considered, but there is no specific considerations related to the private nature of the system.

The research questions that will guide this research will be: What are the structure, configuration and stage of development of the Chilean QA? What is the level of penetration of the QA schemes at the institutional and program levels in a highly privatized system? Does the Chilean QA scheme consider the market characteristics of the Chilean HE system?

To introduce the answers to those questions, the second part of this work will analyze the most relevant literature in the two areas of research addressed in this thesis. After establishing the characteristics of the Chilean system and state its level of privateness or publicness, the second part will analyze the Chilean system of QA at two levels, the system and institutional levels. As there is no research available at the moment considering broader views of the “quality issue” in Chile, I propose first an exploration and description of the current situation of the issue of quality in Chile, to follow with the analyses in statistical terms.

### **1.4 Structure of the thesis.**

This structure of the thesis will be divided in two broad areas corresponding to the main topics. From this perspective, the first part of the work, PHE (first part of chapter 2 and chapter 4) will serve as the base for the second part, the discussion on quality. Although it may look like two separate areas during the development of the text, the reader must keep in mind that the two topics are closely interrelated, and the references to each other will be continuous especially in the second part (second part of chapter 2 and



chapter 5)

The second chapter of the thesis will be divided into two parts, the first reviewing the relevant literature on PHE, marketization of HE and the criterion and characteristics of privateness and publicness at institutional and system level. The second part of the chapter will analyze the question of quality in HE, reviewing the relevant literature that includes from the conceptualization to the international experiences on QA schemes.

The third chapter will introduce several relevant aspects to analyze the two researched aspects in the chosen country, Chile, and its' HE System.

The fourth chapters will, first, present the methodological aspects of this research, then the results and discussions of this part that deal with the level of privatization of the Chilean HE system,

The fifth chapter will present the methodological aspects of the research, followed by the results and discussion on the issue of quality, according to the results of the previous chapter. This chapter will also discuss in general the implications and developments on quality of HE in the Chilean privatized system.

## **2. Literature Review.**

### **2.1 Private Higher Education (PHE).**

PHE can be framed in a wider discussion, a discussion about the “question of the market”, which is a debate that includes the privatization and marketization. This issue has been identified as one of the most important trends in HE at the global level by several authors, among them the following:

Dill (1997) states that in the major reforms to HE being introduced throughout the world, market and “market life” policy instruments are assuming increasing importance.

de Boer et al, (2002) in a complete review of the relevant literature up to the year 2000, identified among other change agents in HE, the marketization in HE (including changing roles of national governments), and the advancement of the network society or economy, consortia, public private partnerships and transnational cooperation.

Vincent-Lancrin, of the OECD’s CERl (Centre for Educational Research and Innovation) identified, as driving forces that will affect HE in the future, HE funding difficulties, new public governance, and the diversity of providers including private institutions. (Vicent–Lancrin 2004).

In a UNESCO inform, Altbach et al. (2009 p. 15) state that “The growth of PHE worldwide has been one of the most remarkable developments of the past several decades.”

At the same time, the OECD (2009 p.47) identifies the “Use of cost-sharing between the state and students as the principle to shape the sector’s funding”, a clear statement of the decreasing role of state in the financial support of the institutions.

While the question of the market is a trend than can be firmly established in a review of the international literature, the discussion itself is composed of interrelated spheres of debate. This means that in countries with a long tradition of public education, some authors identify the forces of marketization as the most important issue in the “question of the market” debate.

In the other hand, in countries with a longer tradition of heterogeneity of providers, the rise of the PHEIs and the “privatization” of the already private institutions are relevant topics.

In both cases the debate has much more in common that it seems, and in most countries the center of the debate is the problematic question: what is public and what is private in HE? To answer this question, let’s first focus on the roots of the “question of the market” and the two lines of analysis, privatization and marketization.

#### **2.1.2 Private and Privatization.**

The exclusive and long lasting tradition of public universities in most countries in the world, especially Europe, made the discussion about the peripheral phenomenon of PHE unnecessary and irrelevant. The discussion became more and more important when external forces, some related to demographics, others to economic, social and political demands, brought into the scene such issues as massification, funding,

access, equity and quality (Altbach, 2009, OECD 2010).

The first question to deal with when talking about PHE is the challenge of understanding what is *public* and *private* in HE. The sole conceptual debate of the terms may set us up in a bipolar perspective. But the evidence shows that what is commonly assumed as *public* or *private* becomes less clear when different dimensions of analysis are introduced. Therefore, it seems to be more clarifying to analyze the phenomena in a continuum of *publicness and privateness* (Levy 1990, 1992)

Let's focus on the term "private". The term commonly refers to the denotative definition, usually describing legal status of a given HEI. A simple denotative definition of an institution according to its legal status is a necessary but not a sufficient standing point. In order to understand the blurred limits between the private and the public, and how it shapes a national systems of HE, the denotative definition is a good point to begin a more complex discussion of the characteristics of private and public institutions in a given country, and how they define a system of HE.

In short, the sole definition of "private" does not give insights about the levels of *publicness* or *privateness*, which can be better understood as a continuum. As the sole term *private* doesn't give enough details about the related process, neither gives lights about *privatization*. While the first defines a given condition, the second refers to a process that can be observed at the institutional and at the system level, a process that can include institutions that are legally private or legally public institutions. The same is true for and systems that are commonly referred to as public or private.

Privatization in HE has been defined by Johnstone (2011 p.1) as "a process or tendency of colleges and universities (both public and private) taking on characteristics of, or operational norms associated with, private enterprises". Privatization implies an orientation to the student as client and a consumer, and in this logic, HE takes the form of a product. In this sense, an institution assumes practices of a corporation and other institutions become competitors to who dispute the market niches. As with any market dispute, the fight needs aggressive marketing practices and client engagement.

Privatization in institutions also suggests the adoption of a series of business practices in administration of facilities and personnel, continuously assessed by accountability measures. The governance becomes "top down" management, losing the units of the institution the previous autonomy in administrative matters. Dill (1997) states that the use of market competition in academic labor markets, institutional finance, student support, and the allocation of the research funds are evident in the HE policy of many different nations as proofs of privatization of the systems.

In table 1, Johnstone (2011) summarizes different dimensions to analyze the question of publicness and privateness in a given HE institution. From a perspective of a continuum, going from "more public" (publicness) to "more private" (privateness), the table proposes 5 dimensions or criteria to locate a given institution in four steps towards "High publicness" or "high privateness". A simple exercise may show that the same institution, for example, in the dimension of "ownership" may be publicly owned (high publicness) but in the dimension of "sources of revenues" can show characteristics of high privateness, if economically relies totally from private sources and mostly tuitions fees. This example demonstrates the argument stated before, the blurriness of the simple categorization of "Public" or "private".

The debate of the dimensions at the institutional level helps to clarify and understand conflicts between the dimensions. Besides, a consistent analysis, in each of the categories proposed in table 1, in most of the HEI of a system, may result in the characterization of the system as more to the side of "highly privateness" or the opposite.

Table 1- Privatization in HE as Direction or Tendency on Multiple Dimensions

Dimensions	High "Publicness"			High "Privateness"
	Continuum of Privatization [Greater Privatization -->]			
1. Mission or Purpose	Serves a clear "public" mission as determined by the faculty or the state.	Mission is avowedly both public and private, but as defined by faculty.	Mission is mainly to respond to student's private interests, mainly vocational.	Mission serves private interests of students, clients, and owners.
2. Ownership	Publicly owned: can be altered or even closed by the state.	Public corporation or constitutional entity.	Private non-profit; clear public accountability	Private for-profit
3. Source of Revenue	All taxpayer, or public, revenue.	Mainly public, but some tuition, or "cost sharing."	Mainly private, but public assistance to needy students.	All private revenue: mainly tuition-dependent.
4. Control by Government	High state control, as in agency or ministry.	Subject to controls, but less than other state agencies.	High degree of autonomy; control limited to oversight.	Controls limited to those over any other businesses.
5. Norms of Management	Academic norms; shared governance, anti-authoritarianism.	Academic norms, but acceptance of need for effective management.	Limited homage to academic norms; high management control.	Operated like a business; norms from management.

Source: Bruce Johnstone (2011)

### 2.1.3 Marketization and New Public Management.

*Privatization* and *marketization* are terms frequently used, sometimes interchangeably, and are often loosely defined. Both terms may come from different disciplines (economics or political science, for example) to describe recent changes in provisions of HE systems. Donnison argues that the terms itself conveys a strong ideological charge, "its meaning is at best uncertain and often tendentious" (Donnison 1984, p. 45, cited by Flynn 1988)

Some authors have claimed that has been New Public Management (NPM), which introduced the concept of "marketization" in HE (Steuer, 2005; Johnstone et al., 2003). In fact, when observing table 1, towards the right side (*privateness*) it is possible to identify many of the policies that have been pushed by the NPM.

The NPM has been conventionally understood as "the recipe" for correcting the perceived failings of traditional public administrations (Wedlin, 2008). In all areas of public administration, efficiency, quality, customer-responsiveness and effective leadership are the usual promises of NPM.

The NPM policies in HE have taken different forms around the world. Steurer (2005, p.5), identifies the common denominator to be the "focus on management, not policy, and on performance appraisal and efficiency. NPM is basically about focusing upon efficiency; it favors the governance mode of markets to the one of hierarchies. In other words, the guiding principle of NPM is efficiency, best served by competition as a guiding governance mechanism and effectively supported by the leitmotiv of "getting prices right". Steurer (ibid.) identifies typical policy instruments of NPM as the "marketization" or outsourcing of particular services, the market-testing of public agencies (i.e. public agencies compete with

private enterprises), the privatization of state-owned firms (a rather recent phenomenon), and the further disaggregation of departmental structures into service agencies, each responsible for a specific product, practices also described in table 1.

In the same line of arguments, Wedlin (2008) states that marketization entails two important components: “first, an increasing presence and acceptance of a market ideology, and secondly, market oriented reforms with the expressed aim of developing markets as the prime institutional arrangement. The commercialization of the activities of the university, not only teaching but also sports, information technologies, services and the market oriented applications of research”. (Wedlin 2008 p. 144)

In short, in HE, marketization can be understood as a form of privatization, and, as a concept of New Public Management (NPM), can be defined as the use of markets, or market type mechanisms, with the (explicit or implicit) aim of improving public sector activities, including the production of public goods. It is important though, to have in mind that Marginson (1999) considers that privatization and marketization may not be two processes inextricably linked, implying that it is possible to have privatization without marketization. Indeed, in the case of Australia he claims that state subsidies to the private sector may actually protect it from market forces. On the other hand, marketization of the state sector may make resort (resorting?) to the private sector less attractive to some parents. However although there may be tensions between privatization and marketization, they are more likely to complement rather than compete with each other.

#### **2.1.4 Causes and effects of privatization and marketization.**

For Johnstone, market capitalism and the principles of neo-liberal economics are the forces driven the privatization process (Johnstone, 1998), although he warns us about the fact that “Much of what may look like the agenda of the neo-liberal economist may also be more opportunistic than ideological. With taxes increasingly avoidable and otherwise difficult to collect, and with competing public needs—e.g. basic education, public health, public safety, transfer payments, and public infrastructure—so compelling in all countries, an increasing reliance on tuition, fees, and the unleashed entrepreneurship of the faculty may be mainly the only alternatives to a totally debilitating austerity” (p. 5).

Besides the macro ideology of capitalism, different authors (Johnstone, 1997; Levy, 1986, 1990, 1992; Brunner, 1997; Neave, 1997; Chevaillier and Eicher, 2002) have identified interconnected forces pushing the reforms, which have driven processes of marketization of HE in many countries, implying a market oriented (privateness) view rather than a public oriented view (publicness). Some of them are:

- The massification of HE,
- The spread of market discourse and the use of the economic market as a model for political and administrative relationships,
- The changing view of HE from a purely public service to be financed from the state purse to a semi-public service, the costs of which should be borne by all stakeholders, that is, by all of those who benefit from its outputs,
- The changing balance of private and public funding,
- The rising costs of expanded tertiary education systems, linked to a ‘financial crisis’ resulting from increasing demand coupled with increasing costs,
- Pressure for management efficiency in the face of widened access and reduced resources,
- The increasing number of private providers of HE and research,
- The rise of a global market for education and research,
- The increasing regulatory and policy pressures.

Johnstone (1997), Whitty et al. (2000), Wedlin (2008) have mentioned as changes and consequences of those policies in HE systems the following:

- Students contributions become a significant source of funding for the institutions, tuition and fees, intended to finance the academic and non academic costs.
- Commercialization of research and instruction.

- Support and strength of the private sector, including both non-profit and proprietary providers.
- Decentralization of the political decisions processes and an increase of the institutional autonomy to institutions.

The introduction of the market logic in HE implies the development of privately owned institutions. Systems, which may have relied only on the public institutions, force them to compete and adopt the practices, most of the time, against the long traditions of “doing”, and they have to start adapting practice from the corporate world. From the perspective of the state, De Groof, Neave and Svec (1998), and Neave (1998) frame all of these changes as a wide transformation that encompasses changes from the “regulatory” to the “evaluative state”, a transformation accompanied by the introduction of the market as a main force in the regulation of HE.

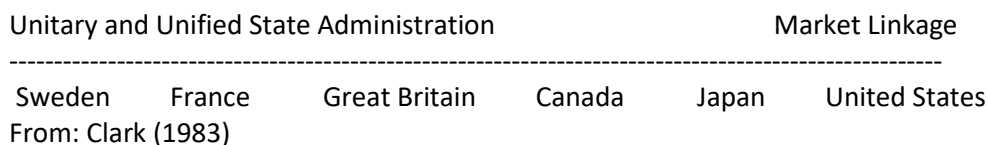
The implementation of the practices that withdraw the role of the state from HE, and encourage public institutions to compete and resemble private entities may end up in a vague impression of what is public and what is private, leaving the “who is who”, and “who does what” in the air.

### 2.1.5 From the institutional fabric to the system: from publicness to publicness.

A classical analysis framework of the national education systems was proposed in the fifth chapter of “The Higher Education System”, by Burton Clark (1983). In this seminal work, Clark intends to answer the question of how HE systems are integrated and how they order themselves. In his view, “tasks proliferate, beliefs multiply, and the many forms of authority pull in different directions. Yet in each case, some order emerges in various parts” (Clark, 1983 p.136).

Clark proposes that the contribution of the different patterns of coordination that operates in each national system. He identifies three ideal types: the state system, the market system and the professional system, each of them intervening and interacting to accomplish the academic function.

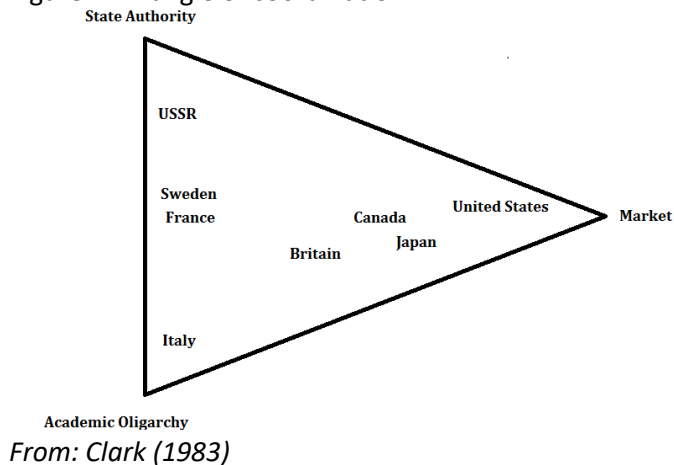
The simplest application of the scheme proposed by Clark, is to distribute the national systems in a continuum in which, at one extreme the system is highly regulated and planned, and in the other extreme the system has a lack of regulation or planning, coordinated mainly by the market. According to Clark (p. 138, 1983), in the 80’s, some national systems can be distributed in the continuum as:



A third coordination pattern introduces more complex coordination dynamics, in which besides the state-market coordination, the interest groups that act through the organizations, what Clark called “the academic oligarchies”. The professional coordination acts through the different forms of academic authority, the personal and collegiate.

The original proposal of the coordination triangle, locating different national systems of HE, according to the combinations of state-market-profession that prevailed in the early 80’s was as follows:

Figure 1. Triangle of coordination.



The corner of "the market", a focus of this work, is an order produced by the integration of individuals, groups and organizations in an unregulated exchange scheme; "exchange is a basic form of interaction that stands in contrasts to authoritative command" (Clark 1983, p. 162). The coordination is not given by a super structure of authority, but is the result of a set of exchanges of the actors of the system

Already in the corner of "the market", besides the works of Johnstone (1995,2011) before addressed, a relevant system of analysis is one proposed by Daniel Levy. In his series of analyses of PHE in Latin America, Levy (1986, 1990, 1992) proposes that the state and the private sphere, or in other words, the state and the market spheres, are blurrily reflected in the national HEIs. Those institutions, as many others in a country's life, do not always behave as public or private in spheres institutions.

Levy (1986) proposes that in order to analyze the institutional fabric of the system in terms of public and private, the analysis "needs to compare *publicness* and *privateness*. Therefore in order to evaluate privatization the privatization in qualitative as well as quantitative terms, private and the public can be defined in ideal typical terms of their publicness and privateness" (p. 16). In this sense, he proposes an indispensable and crucial approach to consider at least four criteria of analysis:

1. Legal status: this criterion must consider the legal status as defined by the extant usage and the national legal framework the HEI's
2. Financial sources: the criterion must consider the source of funds as a dichotomy of public or private sources.
3. Control: This criterion, beyond the difficulties of determining the actual control of a given institution, must address the forms of control at the formal structures of the institution and system.
4. Mission: the criterion intends to answer the questions: Do private and public institutions actually do different things? Do they serve different clientele? Do they contribute in different ways to the public interest? This criteria must characterize what institutions and he system does.

Levy (op. cit.) proposes that all those criteria must be drawn in a continuum with the ideal extremes, as types useful to a useful characterization of an active process, and would serve to research, orient data collection and provide options to comparative statements. These criteria are very similar to the dimension that Johnstone proposed, and already mentioned in table 1. Although Johnstone focus the analysis in the institutions and Levy in a wider view in institutions and the system, it is feasible to combine both perspectives in a systemic view, methodology t be used in the next chapters.

## 2.2 Quality in HE.

### 2.2.1 Is there such a thing?

A basic function of language is to classify and order the surrounding world in our minds. In this sense, the words, as a double articulated entity comprising sounds and meaning, serve the purpose of classify physical and cultural objects in the different drawers of our mind's paradigms. The comprehension of the meaning of a word is intrinsically linked with our ability to use it and act accordingly (Pinker 1994)

In sciences, the clear statement of the meanings is one of the basic steps in the definition of the object of the study in the Cartesian method. So, it is expected that any serious attempt to study "quality" of "something" must introduce the study with the definition of it. From the perspective of linguistics, a word can be defined in several ways. The most widely used and the most referred to in defining words is the lexical definition, also called the dictionary definition or denotative definition. In the Oxford English Dictionary (Oxford 2010), quality is defined as:

*"From Old French qualite, from Latin qualitas (translating Greek ποιότης), from qualis 'of what kind, of such a kind*

*1 -The standard of something as measured against other things of a similar kind; the degree of excellence of something. General excellence of standard or level*

*2 a distinctive attribute or characteristic possessed by someone or something:Most of the times, the definition of Quality is a mixture of denotative plus Intentional (defines all properties that an object requires to be part of the field of the definition), Ostensive (defines the object by giving examples) and Operational definitions (defines the object referring the way it is measured or how it works.)"*

The above contextualizes and introduces the first argument of this thesis. Quality is, what in semantics is called a meta-concept, a concept which, by means of use and transmission, has become complex and conveys a set of semas (semantic attributes) so varied that can even be contradictory. A typical example of meta-concepts are "beauty" or the word "honor", both concepts that in any dictionary are defined in several ways, not giving a clear definition of what it actually is. Nevertheless, the meanings are so powerful and the concepts so emotionally appealing that, in the case of "honor" the word has triggered homicides, suicides and wars. Any attempt to work with the semantics (meaning) of a meta-concept must refer to the broad meaning of it, delimitating it to avoid the use of the raw concept.

Accordingly, from this perspective, to address the question of quality in reference to something, in this case HE, it must be addressed as quality-in-higher-education.

### 2.2.2 Quality in Higher Education.

The specialized literature grounds the analysis of the "quality issue" in the basic fact that there is something; there is a thing called "quality in HE".

At the same time, in the literature in the area of quality in HE makes clear the first conceptual framework to situate ourselves: any attempt to give a single and clarifying definition of quality in HE is impossible. The notion of quality in HE depends on the many subjective views on the purpose of HE. Brennan (1992, p.13) states that " there are (at least) as many definitions of quality in HE as there are categories of stakeholders (such as students, teaching staff, scientific communities, government and employers) times the number or purposes or dimensions, these stakeholders distinguish"

Clifton and Blackburn (Clifton & Blackburn, 1985 cited by Brennan 1992 ) propose as a point of departure an argument in close relation with the Brennan's: Quality has a national (cultural) dimension. This means that any approximation to quality in HE must be delimited by national systems and take into consideration the interests and views of the many stakeholders and dimensions of that particular system.

Westerheijden (2007) distinguishes two different approaches to quality in HE. The first is the deductive approach, where he looks for concepts derived from the theory in the disciplines of pedagogy, education and economy. In pedagogy and education he finds the transformation argument, which proposes that a student is actively changing during their own educational process, which makes the question about the process of education irrelevant on its own. The research about the educational process will collide with

the “black box” of the subject, and the researcher will only be able to see the input and the output. So, any attempt to address “quality” must first deal with other complex phenomena, not yet solved. In the search for theories on which to base an analysis of Quality in HE, Westerheijden states that the economist’s views of education as a service must take into consideration that it is a complex kind of service, that “by its very nature is not easily amenable to market coordination” (2007, p. 16). From the economic perspective, students, teachers, parents, government or other stakeholders may have different notions of the subjective appreciation of quality, and then they may be driven by consumption motivations (immediate satisfaction) and not by investment motives (lifelong valuable competences). In general, the author states that the “customers” and “consumers” don’t fit with the traditional notion of “client” in economics, and proposes that economic theories intended to the issue of quality must look first at the multitude of stakeholders.

There is a notion that the role of HE is mainly to provide education and to produce educated individuals, and the approach to assure quality assumes that both, process and product can be assessed to evaluate the “quality”. For this reason, “quality in higher education” looks to assess at the process and the products: the educational process (whatever it is), and the educated individuals (whatever they are). It is also clear that the pre-system individual characteristics will have a determining effect in the graduates, but as input characteristics, most quality assessment schemes consider those as context variables (Brennan, 1992).

Other understandings of quality from the economics theory mentioned by Bogue (1998), include the following:

- “Conforms to specifications”, when a product or service that meets design specifications can be classified as a quality product or service (Crosby, 1984).

- The concept of “fit for use”, when a product or service that satisfies the customer’s or client’s expectations is a quality product or service (Guaspari, 1985).

- The idea of “program or institutional effectiveness”, when an individual or organization achieves its mission and goals is a quality program or institution (Green, 1994).

- The concept of “continuous improvement”, an organization that creates a climate for constant improvement is a quality organization (Deming, 1986).

- The “multiple factors consideration”, when quality is a multifactor concept involving not only fitness for use but also reliability, durability, esthetics, and so on (Garvin, 1988).

More discussion about the economic arguments is provided in the next pages, especially the role of competition in market driven HE systems and its relation with quality.

### **2.2.3 Terminology.**

Teichler (2007), when analyzing the accreditation processes in Europe, states his concerns about Quality Assurance (QA) in the form of accreditation as the most “relevant, suitable and useful instrument of assessment” (p. 55). Although Teichler recognizes that, despite the previous existence of evaluation schemes, since the late 1990’s the accreditation schemes have spread.

The rapid adoption of QA schemes not only in Europe, but also in the Americas, Asia and Africa has been widely documented (INQAAHE, 2010; OECD, 2002; UNESCO, 2007; Schwarz et al 2004; Lemaitre, 2008) and have created a specialized jargon that is also helpful to clarify, through the terms that reflect the institutionalization of the processes intended to deal with quality, what is the quality in HE.

The following terminology is a collection of terms used by different authors and publications: El-Khawas, 2006; Brennan 1992, 2007; Conrad, 1985; Sadlak, 2007; Westerheijden, 2007; INQAHEE, 2011 and OECD 2002:

- Quality Assurance (QA): General term for the schemes that address the quality issue, especially towards the societal interests, in the system level. It is referred to governmental policies that call on institutions of HE to submit to some form of external scrutiny in order to provide public proof of their service to society.

- Quality control: Part of the schemes of QA at the institutional level, stressing measurement and maintenance of current standards in the “production” of education.



- Quality management: The planning and leading of the quality control, the structured leadership pushing the possibilities of enhancement and change.
- Quality improvement: Also called quality enhancement, refers to policies that call for systematic actions to improve academic institutions.
- Quality assessment: External QA schemes when focusing on the qualitative and quantitative measurement. It is frequently used as a synonym of evaluation, and usually refers to identifying and evaluating the technical aspects of teaching and learning. It is the process of the systematic gathering, quantifying, and using of information in view of judging the core activities of a HEI.
- Quality audit: Evaluation mechanism that investigates quality management within institutions.
- Accreditation: Compresses quality assessment and quality audit, but leads to a formal statement of reaching a given quality standard. Can be at the institutional or at the program level, and gives official recognition by the competent authorities. It is often based on a self assessment, followed by an external review. In some countries, it includes the initial governmental approval, or licensing, of an institution.
- Accountability: In the broadest sense, refers to the general trend of governmentally initiated actions to place new obligations on institutions of HE. Governmental policies to address accountability may be directed towards institutional performance. It has been described as the practice of the “evaluative state”.

#### **2.2.4 Causes and development of the emergence Quality Assurance (QA) schemes.**

Although QA schemes have rapidly spread around the world in the last 20 years, there are some causes that seem to be common, but also many factors that have a regional dimension.

QA began in the US as a self-regulatory activity organized by non-governmental associations. (Rhoades et al, 2002). The oldest QA scheme, in the form of accreditation, was established in the United States in late 1800s. A group of non-governmental regional associations was created to oversee the accreditation of institutions, when in 1787 the legislation required the state board’s college of regents to visit and review every college in the state annually. Other early accreditations include some medical schools around 1900, and by 1909 the North central Association of Colleges established minimum standards for compliance (Myers 1998).

In the 1980s, in US, QA began to be introduced and implemented at the state level, and state boards and legislatures began to emphasize and to connect assessment and accountability. At the institutional level, quality review processes began to take on new meaning and to be exercised through different mechanisms and processes in the context of strategic management efforts to refocus institutions, where the resources were allocated according to performance measures. So, from self-regulation, at the national level the QA schemes became more related with efficiency, competition and accountability.

Rhoades et al. (2002) believes that in the US, the different managerial waves from the 1960’s have taken different forms and results. The emphasis on quality as a core function of management has influenced the development of new forms of QA in terms of who is doing assessment: evaluation of academic work is increasingly being done by nonacademic professionals, so-called managerial professionals, a category of employee in the U.S. that is growing far more rapidly than faculty (Rhoades 1998; Rhoades et al 2002).

In Europe, accreditation and assessment is a new phenomenon, the first countries being the UK, Netherlands, France, Hungary and Portugal (Teichler 2007b, Schwarz et al. 2004). In the framework of the Bologna Process, some authors have identified, since the beginning of the 1990’s, a growth in quality assessment practices, including soft policy measures based on voluntary accreditation and external examining systems over institutions and study programs (Sadlak, 2007). Nowadays, all European countries have QA schemes, with variations fitting the particularities of national HE systems (Cavalli 2007). The European Association for QA in HE was established in 2000 with the support of the European Commission, to promote European cooperation in the field of QA in HE acting as a major driving force for the development of QA across all the Bologna signatory countries.

In the old continent, the emergence and practice of QA practices have close connections with strategic management (Cave et al. 1997), although both are a much more recent phenomena than in the US. QA

was introduced into policy discussions and institutional practices in the early 1980s, and quality control mechanisms (as independent quality audit standards and units) were created in first place in the United Kingdom and in the Netherlands (Van Vaught 1988).

Van Vaught (1988) cited by Rhoades (2002) agree that the discussion of QA was related to limitations of public expenditures and demands for greater accountability in HE, and also was related to governmental policies introducing more self-regulation into HE. The integration of European countries in the Bologna process introduced an international dimension that pressed homogenization of QA schemes.

In Latin America, as in Europe, QA schemes have been developed in close linkage to the needs and characteristics of the HE systems. The differences appear basically in their functions and assigned purposes, the methodological frameworks and in the use of the results (Lemaitre 2004, Zapata 2007). By 2010, all Latin American countries have QA schemes.

At the international level, in a UNESCO publication, Martin (2007) identifies the internationalization forces, in a scenario where public and private international providers are opening branch campuses in other countries or entering into franchising arrangements with local universities as a driver of QA. The same author emphasizes the role of private education in the emergence of QA; for her, the acceptance of PHEIs, as the response of national systems to satisfy the social in the face of massification pressures in a context of a restricted financial budget, a main cause of the emergence of QA schemes. "The expansion, diversification and privatization of HE systems have generated growing concern worldwide for the quality of HE processes and outputs, in both developed and developing countries. Many of them are currently in the process of devising new systems of external quality management at the national level" (Martin 2007, p. 28).

For Lemaitre et al. (2003) and Westerheijden (2007) QA can be seen as policy intents in order to support transparent quasi-market, under the ideas of new public management. The idea is also proposed by Neave (2006) in the concept of the "evaluative state", which entails a change in the roles of the governments and the relation with the societies.

Coinciding with the former arguments, a global evaluation is given by Teichler (2007), who identifies several causes for the emergence of QA. Among them are the changes in the regulatory logics of HE systems emerging in the mid 1980's and at the end of the 20<sup>th</sup> century; the end of political regimes and their effects on HE systems; the growth of a "black sheep" sector of new private institutions; a process of decreasing trust in the government and declining confidence in self regulation; the growing emphasis on market forces and the efforts to strengthen management power in HE; and the idea that managerialism, or a strong university management, could significantly improve the effectiveness and efficiency of the HE system. Teichler also mentions the notion of international competition; he proposes that in a context of globalization and internationalization forces, systems with more regulation than just the governmental, have a higher reputation.

### **2.2.5 How is quality addressed?**

At the national level, as a construct of national policies, the issue of quality is basically related to the conception of the evaluative state. The transformation from the 'regulatory' to the 'evaluative state' that Neave (1998) and Groof, Neave and Svec (1998) propose, sets the general framework of how quality is addressed in a given country.

While the regulatory state prescribes the processes by which institutions function to produce outputs through an array of detailed legal instruments including laws, line-item budgets, guidelines and rules, the evaluative state, on the other hand, sets forth institutional missions, qualitative and quantitative input and output targets and confines itself to evaluating achievements, while allowing institutions to determine their own ways of achieving those missions and targets.

In this sense, national governments have created the conditions for the institutionalization of the practice of QA. This doesn't mean that the state itself has funded QA agencies to regulate the activities, but certainly some kind of QA related policy can be observed in most of the world (INQAAHE 2011).

This thesis has already emphasized the complexity of the concept of quality and QA concepts. The way that countries establish their frameworks and processes to define and measure quality may give more insights into this complex issue. There is a prior differentiation in the national QA schemes according to who is assessing quality: external or internal bodies.

External QA, are the systems external to HEIs, which take the form of QA agencies. They differ from the internal QA systems of the institutions, and both are in a continuous interaction.

Institutional and program QA are the core of most national schemes of HE QA, although both process deals with different levels. The institutional QA treats the entire institution as a single operating unit, reviewing and examining how the unit operates as a whole. Program QA needs discipline specific expertise and generally focuses on minute details of each study program.

The International Network for QA Agencies in HE (INQAAHE), has more than 250 agencies from more than 60 countries, and has developed a list with the most common areas of analysis and criterion for institutional assessment, also the base of program QA (INQAAHE, 2011b p.23):

- The defined mission of the institution: An institution's mission statement should define its purpose within the context of HE, the nation and region, the population(s) being served and what it plans to accomplish.
- Institutional governance and administrative structure: Governance and administrative structures must be designed to allow for appropriate information gathering and decision-making processes for policy development, in keeping with the goals, type, and size of the institution. There must be clear lines of authority, as well as shared ownership in establishing services and maintaining qualified faculty to promote learning, research and scholarship.
- Basic curricular requirements for qualifications: Institutions require that all students complete a set of curricular requirements that represent the institution's definition of the minimum college-level knowledge and skills required for a degree. Such general education requirements often include curricular requirements related to oral and written communication skills, quantitative reasoning, basic scientific principles, critical thinking, technological competence, and an understanding of citizenship and ethical behavior.
- The number and array of academic programs or fields of study: Institutions use their mission statement to define the types of educational programs to be offered, whether limited to undergraduate education or including graduate degree and advanced certificate programs. The institution should have the expectation that all programs will have clearly defined objectives for the required curriculum and student learning goals that are consistent with the mission of the institution.
- Financial resources and issues of institutional stability: Institutional stability requires sound financial planning that is consistent with the mission and goals of the institution. Institutions must demonstrate that they continuously analyze their financial portfolios and update their financial plan to insure sufficient funding to carry out their mission and support the programs offered to students.
- Physical facilities: Institutions, whether they offer traditional classroom-based education or an online learning experience, should be able to document that their physical plant or facilities are maintained to safely and adequately provide access to learning resources, instructional equipment, library facilities, and to serve as a base for key personnel.
- Student support services: Institutions provide student support services that foster each student's ability to achieve their goals and those of the institution. Examples of such services are student advising or counseling, grievance and complaint procedures, secure maintenance of student records (with appropriate policies for the release of such information), and technological learning support systems.
- Teaching and learning resources: Because teaching and learning are central to the mission of any

institution, attention is given to the quality and qualifications of the professionals who teach across the educational offering and the support provided for student learning. Institutions are expected to document sufficient numbers of qualified faculty/academics to assure the coherence and continuity of programs. Faculty and staff development provisions may also be examined by external QA agencies to insure that adequate measures are taken to develop teaching skills, conduct research, or serve as mentors to new faculty and students. In addition, institutions are expected to document access to learning resources, such as the information resources or laboratory facilities that support student acquisition of knowledge and skills.

- Internal QA and accountability systems: Assessment and evaluation occurs at multiple levels of institutional operations through the development of a process that examines the institution's overall effectiveness in achieving its goals. The results of assessment and self-evaluation are used by the institution to determine if it is indeed meeting its goals and to make changes when necessary to improve its operations and further advance student achievement and learning.

A conclusion after reviewing of all these areas and criterion is that they are broad enough to allow wide interpretations and to offer enough space to any observation. Therefore the QA system relies on the development of national standards, and especially on the functions of the peer reviewers, which are at the end the key actors in the QA schemes. The mixes of subjective and inter-subjective methodologies are the most common practice of QA at the intuitional and program levels.

### **2.2.7 Quality of HE in Market Conditions.**

In economics, the “invisible hand” is the term used to describe the self-regulating nature of the markets. The metaphor, first introduced by Adam Smith, is used to explain that by trying to maximize their own gains in a free market, individual ambition benefits society, even if the ambitious have no benevolent intentions.

In his famous example Smith (1776) states that a butcher does not supply meat based on good-hearted intentions, but because he profits by selling meat. If the meat he sells is poor quality, he will not have repeat customers and thus, no profit. Therefore, it's in the butcher's interest to sell good meat at a price that customers are willing to pay, so that both parties benefit in every transaction.

The assumption is simple: in market conditions, competence benefits consumers, by reducing the price and enhancing the quality of the products. Can the arguments of enhancement of quality in market conditions be applied to quality in HE? In other words, is the quality of meat somehow related to the quality of HE? Moreover, can education be treated as a market good or service?

Among economists, the question of education as a public or a private good has triggered much of the discussions in economics of education since the 1960's (Carnoy 1998). The theory of human capital, which considers the relationship between the investments and benefits from an economic perspective, has provided inconclusive responses, and the primacy of social benefits or the private benefits of education seems to be ultimately defined by ideological positions of the authors.

However, it is clear that HE involves long term and short term benefits to individuals and societies. The short term benefits are strongly related to private benefits, and the long term to the public benefits. In this line, Westernheijden (2007) proposes that different stakeholders focus their assessment of quality on the long term or short term benefits of HE. For example, in the case of the teaching function of HE, students may over-appreciate consumptions motives, as immediate satisfaction, enjoyable lectures, reasonable exams, good facilities, and the general experience. Teachers, policy makers and governments may overemphasize long term benefits in their judgments of quality, so they assess the long term valuable competences and skills, demanding examinations, sustainability of the process or academic excellence.

Discussing the voucher system in schooling, Friedman (1980 p.156) stated that “If the consumer is free to choose, an enterprise can grow in size only if it produces an item that the consumer prefers because of either its quality or its price.” Friedman proposed that, in relation with the educational institutions,

students and their parents “voted with their feet” meaning that the individuals’ freedom to choose, in absence of the state regulations, would select the best, and the poorest quality institutions would disappear.

In this argumentative line, in a national system that functions close to Clark’s corner of “the market”, consumers and providers are supposedly able to freely interact and exchange, with the “quality” of the product being a natural result of that interaction. There are several problems that emerge in this consideration.

First, the main obstacle again is how the different interacting parts understand quality. The traditional approach to quality in competitive markets is more related to the characteristic of the products and how this is received by the consumers. To go deeper into this is futile when it is assumed that a more fundamental question must be answered, mainly, who is the consumer and what are they “buying”

Second, as derived from the public / private good debate, the consumers of HE cannot be easily identified. From a given perspective, students are the main consumer. From a different perspective, private and public employers are also the “clients” of the system, because are indirectly paying for the education of the student. The many individuals of a society become the consumers when the role of the graduates in the societies is considered, (e.g. medical doctors). If other missions of HEIs, such as research or the formation of the elites is considered, then the consumers of HE are even less clear.

Thirds, as any textbook of economy teaches, the role of information is essential in markets (e.g. Samuelson, 1985; Fischer, 1990). Some authors (Arai, 1998; Carnoy et al., 2000; Meller, 2011) have identified that in a market of HE, there is an insoluble asymmetry of information: the consumers don’t have access to the most important characteristics of the “product” to be bought, meaning they don’t have access to the characteristics of the attributes of the educational process they are going to be part of. Any evaluation of the “quality of the education” could only be made after the process. And even having the possibility for this, the incontrollable forces of reputation, labor markets of other may affect the judgment of the educational process. The information that other stakeholders may manage, including the HE institutions, can greatly surpass the information about the attributes of the educational “product”.

Finally, the notion of competition among institutions must be put under the microscope. In the complex dynamics of prestige, the competition between institutions takes many forms that are not necessarily related to “quality”. Historical causes, social dynamics and subjective appreciation (international rankings, for example) can affect competition. HEIs may not compete by reducing prices and enhancing quality, but the opposite, raising prices to gain higher socio-economic segments and reducing the academic requirements for the complacency of the clients. In summary, the complexities of the introduction of market logics in HE do not give clear answers to the problematic issue of quality. Much evidence seems to indicate that competitive markets of HEIs do not seem to have produced quality as a natural product. The emergence of QA initiatives in almost every national HE system- including some in the very axis of the market in Clarke’s triangle as Japan, Korea, USA or Chile - seems to be good proof of that.

### **3. Country profile**

#### **3.1 General information.**

Chile is a located in southern South America. The country has a long coast with the South Pacific Ocean to the west and borders with Argentina, Bolivia and Peru.

The population of Chile is 16,4 million people, the seventh largest population in Latin America. The population growth rate is 0,88 and the fertility rate is 1,96. The population between 0-14 years is 23,2 %; between 15 and 64 is 67,8%; and 65 or older is 9, 1%. The average life expectancy is 77.34 years. The official language is Spanish, and most Chileans define themselves as Catholics. Over 96% of the population over 15 years can read and write. (OECD, 2009a).

According to the National Constitution, Chile is a democratic republic, divided into executive, legislative, and judicial branches, where the President is the head of state and the head of the government. The National congress is the representative of legislative power, and the Supreme Court is the representative

of the judicial power. Chile has a long democratic tradition, broken by terms of dictatorships. Between 1973 and 1989, a dictatorship ruled the country, introducing major economic and political reforms. Between 1990 and 2010, a coalition of centre-left political parties called “concertación” held the government. Since 2010, a centre-right coalition holds the government.

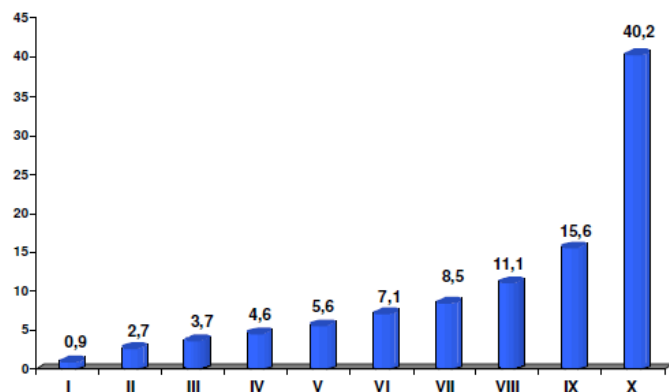
Chile has a market economy, and according to the OECD is “Latin’s America most successful economy” (OECD 2009a). Since the economic reforms in the 1970’s, the Chilean economy is characterized by a high level of economic opening, and it is often said that it is the country with more bilateral and regional trade agreements in the world (CIA, 2009). Chile has trade agreements with the United States, European Union, Japan, China and 53 other countries or organizations. The greatest part of the Chilean economy is based on exportation of natural resources. Minerals, fruits, wine, wood and salmon account for most of the export incomes (OECD, 2007).

The GDP is 245.1 billion and the GDP per Capita (PPP) is USD14,900. Although the GDP per capita (PPP) in Chile is one of the highest in Latin America; the income distribution is the second most unequal in the region after Brazil (OECD, 2009a). Compared to other OECD countries, the GDP is closer to countries like Poland or Estonia. The economic development of Chile has been consistently applauded by international organizations such as The World Bank (World Bank 2009), the International Monetary Fund and the OECD (OECD 2007).

### 3.2 Income inequality

A very relevant characteristic of the Chilean economy in relation to the educational system is high income inequality. Even the GDP per capita in Chile is the highest in Latin America (14,900 USD PPP); the distribution of income places Chile among the 20 most unequal countries in the world (OECD 2011), in a selected group of African and south American countries. In the world context, the GDP per capita is closer to countries such as Poland or Estonia but the income inequality measured by the GINI index is 0.57, which is similar to the income in Lesotho, Liberia or Nicaragua (World Bank 2012).

Figure 2: Autonomous income distribution (all the income that a household receives, including wages, salaries, profits, rents, interests and pensions) by decile of per capita autonomous income 2009 (percentage).



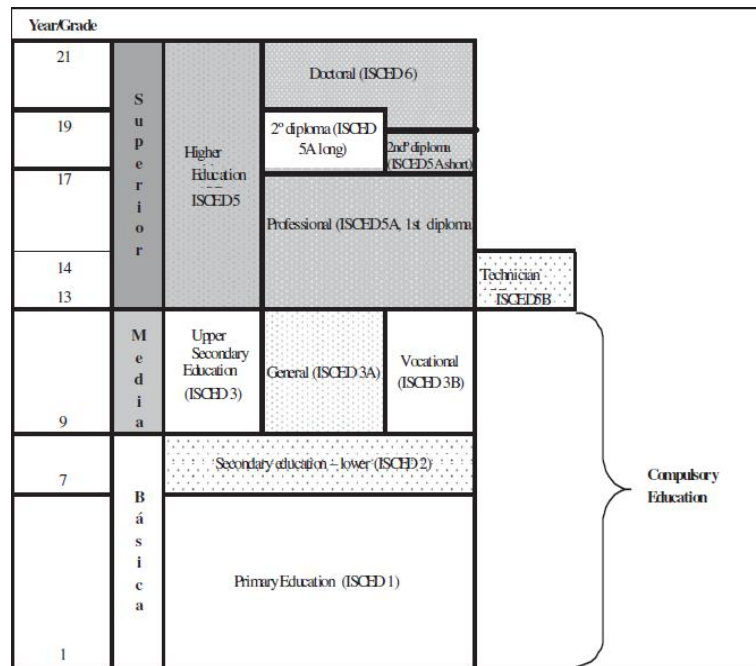
Source: CASEN (2009)

The national survey for socioeconomic characterization shows that (figure 2), the percentage of the income that the richest 10% of the population receives is almost 45 times the percentage of the national income that the poorest 10% receives (Casen 2009). The figure shows that the richest 10% of the population gets 40% of the national wealth. As Figure 2 shows the amount of money that, on average, the poorest 10% of the population receives is around 175 Euros per capita per month, while the richest 10%

receives approximately 4.540 Euros per capita per month (considering the exchange rate by July 2011 of 650 Chilean pesos per 1 euro).

### 3.3 Chilean educational system.

Figure 3. The structure of Chile educational system.



Source: OECD (2009)

In Chile, children begin compulsory education (which lasts 12 years) at age six. The educational system is divided into primary education (8 years) and secondary education (4 years). In terms of the International Standards Classification of Education, the first 8 years of education comprises ISCED 1 and ISCED 2, and the 4 years that follow are ISCED 3, and can be either ISCED 3a or ISCED 3b. In Chile, students finish their compulsory education at age 18. After completing the 12 years of compulsory education, students obtain the *Licencia de Educación Media* (Certificate of Secondary Education), which allows them access to tertiary education (for entrance to universities it is necessary to take a national selection test). Primary and Secondary schools are divided into three categories: a) municipal, run by the municipalities, no fees, attended by lower socio economic income students; b) private subsidized, managed privately, broad variation in the tuition they charge, and receive public subsidies; attended by lower to medium socio economic income students c) private paying, higher tuitions, attended by high socio economic income students.

#### 3.3.1 Public and Private Education.

Chile was one of the first countries to implement the “voucher system” proposed in the 1960’s by the economist Milton Friedman, proposing a “way to increase school quality, control public spending on education, and privatize the delivery of schooling” (Carnoy 1998, p.3). In Friedman's proposal, each child would receive a check (voucher) from the government to be used at any school, public or private. The voucher plan rests on a foundation of five claims. The first is that school choice increases the total welfare of families who send their children to school. The second is that social costs, from increasing choice through privatizing public education, are minimal. The third is that privately managed education is inherently more effective and cost-effective in producing learning. The fourth is that public schools competing for pupils with private and other public schools will become more effective. And the fifth is that

a privatized and competitive education system is more likely to improve social mobility for the children of low-income families

Many authors claim that the voucher system has not produced the promised increase of students' (or parents') choice, and that the competition among private and public schools has not increased quality. It is also claimed that the forced competition of public schools with other educational options have seriously damaged the secular public education system. (Carnoy 1998, 2000, Carnoy et al 2000, Bellei 2009, Elacqua 2004)

### 3.3.2 Segregation in primary and Secondary

Major reforms in the educational system were made in the 80's, under the rule of a dictatorial government. The change that is most relevant for the topic of this thesis was the introduction of the General Law of Education (LGE), which, among other aspects, opened the primary, secondary and higher education to private providers, decentralizing the administration of the public schools from the ministry to the city's municipalities. According to Valenzuela (2011), The introduction of a voucher system, where public and subsidized private schools would receive a fixed amount of money per each student, has been identified as a cause of the high segmentation of the educational system. In a study based in the results of the PISA test 2009, Chile is the second of 65 countries (after Peru) with the most segmented schooling system, meaning that during all their years of schooling, 30% of the lower and 30% of the highest social classes will have only classmates from their own socio-economic class.

The segmentation of students according to their economic level is also correlated to the "quality" of the education that those students receive.

Chilean students' performance in PISA 2009 showed strong variation between the kind of school attended, which is predictable considering the classification of schools according to the socio-economic status of the students. Students in private paying schools did significantly better than those in private subsidized schools who in turn did significantly better than those in municipal schools.

The results of the national standardized test System for Assessment of the Quality of Education (SIMCE) - a test intended to assess the level of learning based on the national curricula - is applied to students in the second year of secondary education every year, and demonstrates the different results of achievement according to the socio-economic group (SIMCE 2010). Table 2 shows these results. The students belonging to a lower socioeconomic level, attending public schools, score worst in language and math than the average. The students attending private or semi private schools perform better in language and math, both extremes being part of a continuum from low results – poor students and high results - rich students.

Table 2: SIMCE score in language and math by socio economic group.

Socio-economic group	Language and communication	Math
Low	225	210
Medium Low	239	229
Medium	265	261
medium high	288	269
<i>high</i>	307	325

Source: Waissbluth (2010)

The likelihood of completing primary and secondary education varies according to the socio-economic level of the student. In 2006, only 62% of the population aged 20-24 from the poorest 20% had completed secondary education compared to 96% of those from the richest 20% (OECD 2009). Accordingly, the students attending in the public system's municipal schools are the least likely to graduate from secondary school and get the *licencia de educacion media* certificate which is the minimum requirement for entering



HE.

### 3.3.3 Admission to the university.

After completing the 12 years of compulsory education, students obtain the which allows them to access tertiary education. In addition to the certificate of secondary education, a group of universities (mostly the institutions funded before the reforms of 1982, called “traditional universities” or CRUCH universities) require the Test of University Selection (PSU), a standardized assessment which is composed of language, math and other disciplinary tests. These tests, taken by more than 250.000 students every December, show the achievements in a scale going from 150 to 850 points.

Most of the “traditional universities” plus a small group of private nontraditional universities (those funded after 1982) require at least 450 points to submit an application, although most of the programs in the CRUCH universities require more than 500 points, and to be admitted to the most prestigious institutions requires between 600 and 800 points. As Table 3 shows, the achievement in the PSU is highly correlated to the familiar household income, and as with the SIMCE test, the results are more favorable to the students of higher socio-economic background.

Table n°3. Student achievement in the PSU according to the household income.

PSU points	Household income: Less than 250.000 clp	Household income: More than 1.200.000 clp	total students
Less than 450	43%	4,10%	81.700
450-600	49,30%	33,30%	126.200
601-700	7,60%	42,20%	36.100
More than 700	0,20%	19,30%	7.400
total students	142.100	17.110	251.400
% of total students	56,50%	6,80%	100%

Source: Waissbluth (2010)

Besides the long lasting effects that the socioeconomic segmentation of primary and secondary schools may have on the Chilean society, the stratification according to economic situation is correlated with the results of the student’s admission tests, required by the most prestigious institutions of the HE system. This means that the complete system of education shows an important degree of socio-economic segmentation according to the educational institution. Again, as Table 3 shows, the scores in the standardized admission test are correlated to the socio-economic level of the students; those students attending private and semi private schools, belonging to high income families, obtain in average higher scores in the PSU (university selection test), allowing them to be admitted in a high prestige institution.

### 3.4 The Higher Education system.

#### 3.4.1 Historical development of the Chilean system of Higher Education.

Although the first university in the current system was founded in 1622 in the Spanish colonial era (Rodriguez et al 1973), it is often considered that the first university in Chile was the Universidad de Chile founded in the capital, Santiago de Chile in 1842. Almost 100 years later, in 1947, the second public university, the Universidad Tecnica del Estado was founded, also in Santiago. During this period, three private catholic universities were established: the Universidad Catolica de Chile, in Santiago (1888), the Universidad Catolica de Valparaiso (1925) and the Universidad Catolica del Norte in Antofagasta (1956). In addition, three private secular institutions were founded: the Universidad Federico Santa Maria in Valparaiso (1931), the Universidad de Concepcion (1919) and the Universidad Austral in Valdivia (1954). Brunner (1992) identifies as characteristics in this stage of development the low inter-institutional

differentiation, the high intra-institutional differentiation, the professional orientation of education, the coordination of the institutional hierarchies and the market of student demands, and a slow expansion and an endogenous modernization.

Since the foundation, all institutions, public and private (religious and secular) were dependent on public funding. The institutions were organized in the light of the disputes between the state and the ecclesiastical power. The students did not pay, evidence of the early view of the HE as a right, and the state as the responsible for education. The slow growth of the demand of HE, allowed a smooth provision, the gross enrollment rate (GER) in 1935 was de 1.4% (age group 20 – 24). In 1946 was 2% and 1957 3, 5%.

In 1954 the *Consejo de Rectores de las Universidades Chilenas* ( the rectors council of Chilean universities) was created, and the first president was the rector of Universidad de Chile.

In this stage, besides a fundamental financial role, the state did not play any other active or significant role in the development of HE. The council was funded as an autonomous, self-governing institution, but was supported by public money and performed several important roles in Chile's HE system, including the administration of the university admission systems.

The low percentage of students of the relevant cohort in HE contributed to the general idea of the universities as "excellence institutions", as they were actually elite institutions for a small group of the society. Brunner (1992, 2007) believes that the financial issues, plus the elitist nature of the institutions, contributed to the low differentiation among institutions; even the newer institutions replicated the model of the two oldest institutions.

The public institutions funded several regional branches in 12 different cities. By 1965, there were 19 regional branches. The heterogeneity of the institutional structure gave opportunities for intra-institutional differentiation, pressing the university to accomplish different missions, including the fulfillment of regional needs. The number of students had an important increase, but the Gross Enrollment Rate was still low, and clearly still constituted what Trow would designate as an elite system of HE (Trow 1973): 5,6% in 1965 (PIIE, 1984: 582).

Brunner (2007) states that the initial group of institutions differentiated themselves in the prestige they had, according to the oldest to the newest. At the same time, each institution gained a space of prestige in the regional spheres, coming with the support of the state.

The academics and students that the institutions attracted had a potential impact on their reputation. The contest among institutions was not incentivized by competition for funding, but inter-institutional competition for prestige. The changes and innovations came exclusively from the internal dynamics. The public expenditures on HE in 1960 was about 0,75% of the GDP (Brunner 1991).

After the international student movement of 1968, the political demands for democratization of the university in Chile led to a rapid increase in the funding to support the also rapid enrollment. Between 1965 and 1973, the public expenditures rose from 0,99% to 2,11% of the GDP (Arriagada, 1989). By 1973 there were 155.000 students in the HE system, with a Gross Enrollment Rate of about 16,8%; a figure which represents the transit from an elite to a mass HE system (Trow, 2000).

The foundations of the current system of HE date back to September 1973, when a military coup imposed a military dictatorship which lasted for 17 years. The anti-Marxist nature of the dictatorial government defined most of the national policies towards the HE system, questioning the situation of HE in the political, governmental, financial and ideological aspects (Brunner 2009).

The concept of "human capital" appeared for the first time in the political discussions, as an echo of the new ideologies of the ruling class. The military government employed a group of economists known as the "Chicago Boys", a group of graduates from the Chilean Universidad Catolica with masters and PhD's from Chicago University. By grace of the military, now they had the chance of apply most of the neoliberal policies of Milton Friedman (Friedman himself visited Chile and met Augusto Pinochet in 1975).

The critical view of the state's role in all the university affairs, plus the impulse of the neoliberal ideology, resulted in a complete agenda of reforms in 1980. Araneda (1982, cited by Brunner 2009) identified the principles of the reforms:

- HE is open to the market, freedom to create and manage educational institutions.
- Diversification of HE, creating 3 kinds of institutions: universities, professional institutes, and technical training centers.
- Incentives to create new HEIs.
- Competence between institutions as the key to enhance quality.
- New financial system for the universities.
- Separation of the two state universities into regional branches.

Growing from the eight state universities in 1980, by 1989 the system was diversified to include more than 22 institutions with state financial support, 40 universities, 80 professional institutes and 168 Technical Training Centers. This means that between 1980 and 1989, the end of the military regime, 310 HEIs had been created with no more regulation than the market forces.

In the 1990's and 2000's the government began to introduce new regulations, especially in terms of new financial resources accompanied by supervision of processes. The first QA agencies were created in the 2000's, with several modifications in recent years. The diversification of provision, meaning the entrance of private institutions, and the accreditation processes have been identified by the Chilean rectors as the most important factors in modeling the current HE system (Brunner 2009, Lemaitre 2011).

*Table 4. Total enrollment and Gross Enrollment Rate by years in Chilean HEI.*

Year	Total Enrollment	GER
1935	6.283	1,4
1940	7.846	1,7
1945	8.893	1,8
1950	14.917	2,7
1955	19.749	3,5
1960	24.703	4,0
1965	41.801	5,6
1970	76.946	9,2
1975	147.049	16,2
1980	118.878	10,8
1985	201.140	11,8
1990	249.482	19,5
1995	343.120	28,4
2000	425.660	32,5
2005	663.679	38,2
2010	940.164	40,8

*Elaborated with data from; Brunner 1987, 2009. Anuario 2008, OECD 2009*

### **3.4.2 HE System Configuration**

The tertiary education system has three kinds of institutions: The Universities (course length is five years of education), offering ISCED 6 and 6b according to the UNESCO classification; the professional institutes (course is four years of education), classified as ISCED 5a; and the technical training centers (course length is two years of education), classified as ISCED 5b. Masters (two years length) and Doctorates (four years) are awarded only by the universities, and both require a university degree (Chilean ministry of education, 2007.)

In Chile there is no specific law of HE, and the legal framework for education, is the *Ley General de Educación* (General Law of Education) () which came into force in September 2009 (Diario legal, 2009) after a long debate to solve the question of the role of the state and the private role in education, and still is the main point of divergence between right and left political parties.

Regarding the financial status of the tertiary education institutions, the Universities, which provides academic, professional or technical qualification can be publicly funded universities or private universities. Publicly funded universities are also called “traditional universities”, and were founded before 1980 (Brunner 1999). Traditional universities offer undergraduate and postgraduate degrees, and are the institutions in which most of the research is made. Private universities emerged after 1980, and concentrate mostly on undergraduate teaching; few of these institutions have postgraduate degrees or research programs. All universities are by law nonprofit institutions. The professional institutes can provide technical and professional degrees but not academic degrees, and technical training centers, which can provide technical degrees, but not academic degrees, are all private, and the law allows them to be for profit institutions (Chilean ministry of education, 2007).

#### **4. Public or private Higher Education?**

##### **4.1 Methodology.**

###### **4.1.1 Purpose and objectives.**

The objective of this section is to characterize the Chilean HE system as predominantly public or private. For the analysis of the characteristics of the Chilean system, this will include the categories of analysis stated and backed by two researchers, Levy (1986, 1990, and 2002) and Johnston (2011) and presented in detail in chapter 2. The results may indicate that the Chilean HE is highly privatized and marketized, or the opposite, highly state run and planned, or perhaps it is a mixed and balanced system.

There are four specific objectives of this section:

First, this work will analyze the legal status of the institutions to define, according to the evidence available, the legal status according to two closed classes: public or private.

Second, the analysis will look to characterize the financial structure of the HE system. Two levels of analysis will be addressed. On one hand, the monetary flows in the whole system, and on the other, the institutions will be classified according to the source of their finances, defining those receiving funds from the state and those receding funding from private sources.

Third, the analysis will deal with the control of the system, in order to identify those forces tending to the public control and those steering the system according to private interests. The issue will be address in two levels: at the national level, or governmental control, and at the institutional level.

The fourth and last objective is to identify if the missions of the institutions are different, and analyze how they correspond to the public or private roles of HE.

###### **4.1.2 Research question**

Is the Chilean HE a predominantly highly privatized and marketized HE system?

###### **4.1.4 Hypothesis**

The Chilean HE system is a predominantly privatized and marketized HE system.

###### **4.1.5 Data collection and analysis.**

The main sources of data are the statistics data collected and published yearly by the *Sistema de Informacion de Educación Superior* (Information System of HE), a Chilean agency dependent on the Ministry of Education and published yearly (Ministerio 2008, SIES 2011). Other sources are the National Council for Education (CNED 2011) and the reports by the OECD (2009, 2010) and UNESCO (2009, 2010). All databases are publicly available and referred to in this work.

Data has been also collected from the national laws available in the national congress library (BCN 2011), publications of national and international organizations, national and international reports, and publications or national and international authors have been considered.

The model of analysis used in this thesis has been discussed in the previous chapter and corresponds to the categories and criteria proposed by Johnston (2011) and Levy (1986; 1992). Levy originally proposed 3 categories of analysis: financial, governance, and function. Later, in the book *Higher Education and the state in Latin America, Private Challenges* (1986), Levy proposed an analysis of the national systems under the four criteria (the three criteria stated before, plus the legal status of the institutions), centering the analysis on the historical development of each criteria in several institutions.

In his 1986 book, Levy makes a prior analysis of Chile, but as the country profile shows (chapter 3), the Chilean landscape of HE has greatly changed in 20 years. A new look at the quantitative and qualitative indicators under the categorizations proposed by Levy is highly relevant. To analyze the four criteria, the descriptive statistics at institutional and national level will be contextualized having in mind the two major criteria of analysis: privateness or publicness. The use of statistics to picture national systems is a method of analysis is predominantly used in the literature to describe national systems of HE in national and international publications.

## **4.2 Results.**

The results of the analysis according to the four criteria proposed by Levy will be presented in the following order: first, the system will be analyzed in terms of the legal status of the institutions, second in terms of the financial structure, third in terms of control and finally in terms of the missions.

### **4.2.1 According to the Legal Status:**

In Chile, there is no specific law regulating HE. The law 18.962 of March 1990 (Ley 18.962), or the “Constitutional Organic Law of Education” is not a specific law of HE, but is the most important in terms of the legal constitution of the HEIs. In Title III, paragraph 1, the state recognizes the following HEIs:

- a) Universities
- b) Professional institutes
- c) Technical training centers
- d) Non-civil HEIs (police and armed forces, strategic studies) (In this analysis, only the non military HEIs will be considered).

The Chilean law makes a clear distinction about the legal status of the institutions. In Article 30, the law establishes that the Public (*estatales*) institutions can only be created by a law of the republic. Any university or other kind of HEI (the “non – public” institutions) must be established as a private corporation. In the case of universities, the law establishes that the private institutions must be non-profit (Ley 18.962)

Table 5 shows the number of institutions that have been created by laws of the republic, and thus can be classified as public or state- institutions. The table also shows those which have been established legally as private corporations.

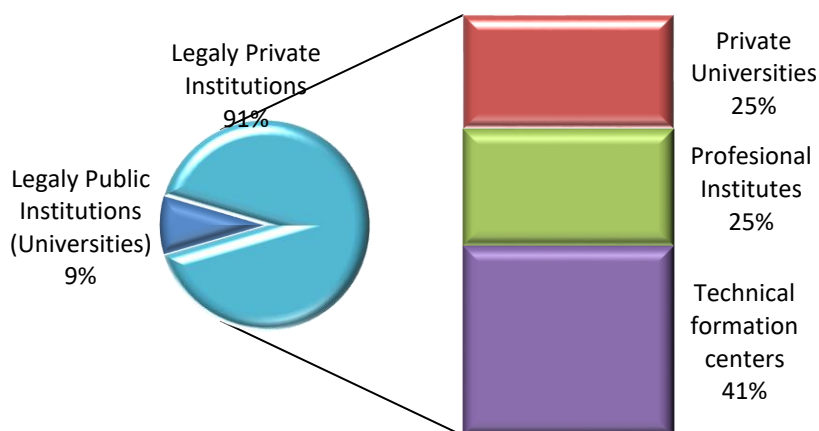
Table 5. Number of institutions according to their legal status.

	Public	Private	System
Universities	16	45	61
Professional institute	0	45	45
Technical training center	0	73	73

Elaborated with data from SIES (2011)

The universities that are legally defined as public institutions constitute only 9% of the total number of HEIs of the country; the other 91% of institutions are legally private. This 91% is composed of the three kinds of institutions that the law defines, and they have different kinds of private legal constitutions (foundations, corporations, societies). Figure 4 shows the percentages of those institutions.

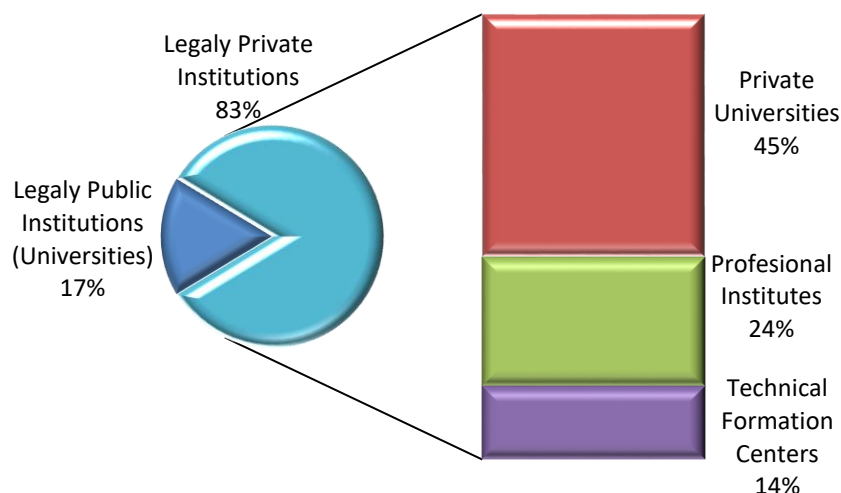
Figure N°4. Institutions by legal status.



Elaborated with data from SIES (2011).

In the next page, Figure 5 shows that only 17% of the total numbers of students are enrolled in public institutions, which are all universities, while more than 80% of the students are enrolled in private institutions, and among those institutions is the are the universities the kind of PHE that concentrates more students.

Figure nº5 Students enrolled by type of institution and legal status.



Elaborated with data from SIES (2011).

The results of the analysis of the number of students enrolled by type of institution, also shows that by 2011, most of the students are enrolled in institutions that are legally private institutions. Table 6 indicates that, from 940,000 students, 425,000 of them are enrolled in private universities, making this the largest group when analyzing by kind of institution and legal status.

Table 6. Number of students in the institutions according to the institution's legal status

	Public	Private	System
Universities	162.200	425.097	587.297
Professional institutes	0	224.301	224.301
Technical training centers	0	128.566	128.566
Total	940.164		940.164

Elaborated with data from SIES (2011).

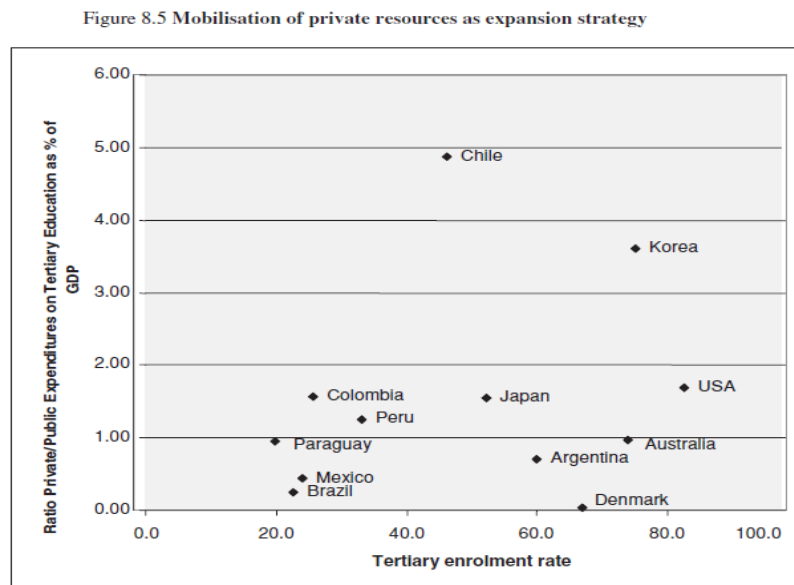
#### 4.2.2 According to the financial sources:

##### 4.2.2.1 Public expenditure.

To have the information in context, it is useful draw an international comparison of the financial characteristics of the HE system. In 2010, Chile became a member of the OECD; consequently, the comparison with developed economies is highly relevant.

By 2010, as a portion of the GDP, the total expenditure in education (primary, secondary, tertiary) was 6,4%, compared with an OECD average of 5,7%. At the HE level, Chile's total (private and public) expenditures was 1,6% of the GDP for HE type A (OECD average was 1,2%) and 0,4% of the GDP in HE type B.

Figure 6. Ratio of private vs. public expenditures on HE as % of GDP.



Source: OECD and UNESCO statistics 2008.

Source: OECD 2009.

The international comparison suggests that Chile is a special case in public expenditure in HE. The total public expenditure of the country as percentage of the GDP is 0,32% - much lower than the OECD average of 1,2% - and has been argued to be the lowest proportion of public expenditures in the world (Meller 2011).

The ratio of private vs. public expenditures in Chile is the highest among the OECD countries. As Figure 6 shows, the proportion of private expenditure seems to be the highest among OECD and UNESCO countries (OECD 2009b, UNESCO 2010). The figure shows that Chilean HE has a very low proportion of public funding, and a particularly high proportion of private expenditures (OECD 2009, P.23).

At the system level, the public expenditures in HE take three forms:

- The CRUCH institutions, or the “traditional” universities, receive direct funding through the “Direct Public Grant”. Inside the CRUCH institutions, public universities receive between 5,6% and 33,1 % (average 17,5%) of their annual budget from the government (CRUCH 2009, OECD 2009b). In average, public universities cover 43% of their budgets with self-generated resources (selling services), and 40% with tuitions fees.
- Funding based on goals and performance. The CRUCH institutions have access to competitive funding, directed to the institutions that can attract students with higher admission tests points, to institutions that can present institutional development projects, or to those that can present research projects. The funding is restricted to non CRUCH private institutions.
- Students scholarships. Several state funded scholarship programs mainly support students attending CRUCH institutions. Although the scholarships are endorsed to the students, and they can use them in any institution, the higher-than-average academic characteristics of the scholarship holders bring them to the most prestigious institutions.

#### 4.2.2.2 Private expenditure.

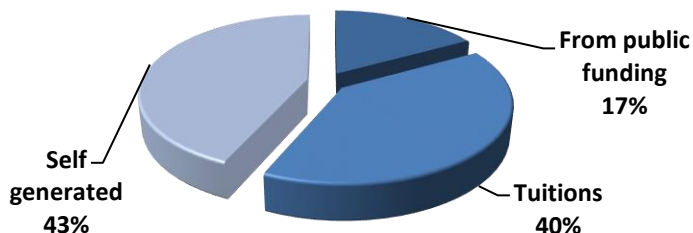
As mentioned, Chile has the lowest public share in education expenditures than any other OECD country (Figure 6), with public spending for tertiary education being markedly low (0,32%), below the OECD and EU averages of 1,3% and 1,1% respectively. On the other hand Chile’s share of private funding of



educational institutions is higher at the tertiary education level than other countries.

At the institutional level, the analysis of the funding structure of public universities, the only kind of HEI that is publicly owned, shows that the contribution of the state to finance public institutions is, covers in average, 17% of the budget. This means that public institutions rely in private funding, which takes two forms, tuition fees and self generated incomes. The funding of public institutions clarifies the minor role of the state in the economic support of HEI, confirmed when the funding analysis is made at the system level.

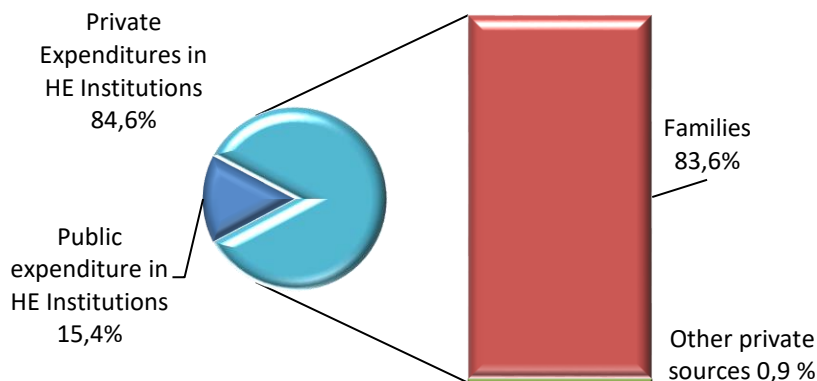
Figure nº7. Source of funding for Legally Public institutions.



Elaborated with data from OECD (2009)

As Figure 8 shows of the total expenditure on HE, private sources in Chile reach up to 84,5%, whereas the OECD average is 27%. This figure is higher than countries like Korea (60.5% private sources) or the United States (68.4% private sources) (OECD, 2009b; OECD, 2008c). From the 84.6% of funding that comes from private sources, 83,6% comes from families, and just 0,9% comes from other private sources. In contrast, in Korea, family income accounts for 55,6% of the private expenditures, and in the United States, family income accounts for 35,1% of the private expenditures.

Figure nº8 Public vs Private expenditure in HE institutions.



Elaborated with data from OECD (2009)

Chile has been said to be the country with the highest private financial contribution to the HE system in the world (OECD 2009b, Meller 2011), which Table 7 confirms, when taking into consideration the expenditures in tuitions as a percentage of the GDP per capita of Chile in public and private universities. In Chile, students spend roughly 30% of the GDP per capita in universities, more than Japan, Korea or the United States (OECD 2009).

The ratio of the expenditure shown in Table 6, plus the fact that the main sources of private funding are tuition fees, makes Chile a unique case. Chile was the first country in Latin America to introduce tuition fees in public tertiary education institutions, in the early 1980s. Today, it is still the only country in the

region with significant fees at the undergraduate level. Beyond the Latin American region, Chile stands out among the few nations in the world where students and their families pay more than USD 1.000 a year to study at public universities, as illustrated in Table 8.

Table 7. Tuition fees as percentage of per capita Gross National Income.

Country	Public Universities	Private Universities
Australia	11.3%	21.9%
Canada	10.0%	n/a
Japan	11.8%	18.5%
Korea	16.3%	31.1%
New Zealand	6.5%	n/a
United Kingdom	5.2%	4.9%
United States	11.4%	42.0%
Italy	3.3%	11.5%
Netherlands	4.4%	4.4%
Israel	12.0%	29.2%
<b>Chile</b>	<b>27.9%</b>	<b>32.0%</b>

Source: OECD 2009b.

Table 8. Tuition fees in OECD countries at undergraduate level.

> USD 5 000	USA (5 027)
USD 3 000-4 000	Australia (3 855), Canada (3 464), <b>Chile (3 140)</b> , Japan (3 920), Korea (3 883)
USD 2 000-3 000	Israel (2 658), United Kingdom (1 859)
USD 1 000-2 000	Italy (1 017), New Zealand (1 764), Netherlands (1 646)
USD 500-1 000	Austria (837), Belgium (574), Spain (795)
< USD 500	France (160), Turkey (276)
No significant fees	Czech Republic, Denmark, Finland, Ireland, Iceland, Norway, Poland, Sweden

Source: OECD 2009

#### 4.2.3 According to Control:

##### 4.2.3.1 System level (public governance)

The main educational authority is the ministry of education, and consequently the public governance of HE in Chile is led by the ministry of education and its dependent bodies. The policies, evaluations, disseminations and financial resources for public institutions depend greatly on the ministry. Other related governmental agencies such as the Higher Council of Education, The National Council for Scientific and Technological Research and the National Accreditation Commission (Ministry 2008)

The Council of Rectors (CRUCH) plays an important role in the governance of the 16 public universities and the nine private universities that are part of it. The council is a key actor in the policy debates that affect the whole system; it is reputed for being the exclusive club of the oldest and most prestigious institutions. The competitive funds are among the programs managed by the ministry, clearly showing some of the characteristics of marketization of the system. The MECESUP, a program devoted to improve the quality and performance of HEIs, and the Institutional Development Fund (*Fondo de Desarrollo Institucional, FDI*) and the state scholarships to students with high performance are among the most representative competitive funds.

The state control through funding schemes is more visible in the CRUCH institutions. Those universities are the only ones receiving direct subsidies, and apart from the exclusive competitive funds that they can apply for, their students are still the only ones eligible for some scholarships and the more favorable and state-guaranteed loans. This direct and indirect dependence on funding makes the CRUCH institutions more sensitive to the government control.

For the non private institutions, the Higher Council of Education (*Consejo Superior de Educación, or CSE*) is

responsible for authorizing and licensing new HEIs. The Council's principal tasks are to evaluate and approve or reject institutional projects of private institutions that aspire to official recognition and licensing. It also has important functions regarding basic education, but has no direct influence over universities or other autonomous HEIs. The council also plays a role in the National System of QA in HE, reviewed in detail in the next chapter of this thesis.

#### **4.2.3.2 Institutional governance and management.**

The HEIs are governed according to their public or private nature. There is wide variation even inside the public or private categories, but it is possible to identify the following characteristics (CRUCH 2011, MINEDUC 2008, OECD 2009b).

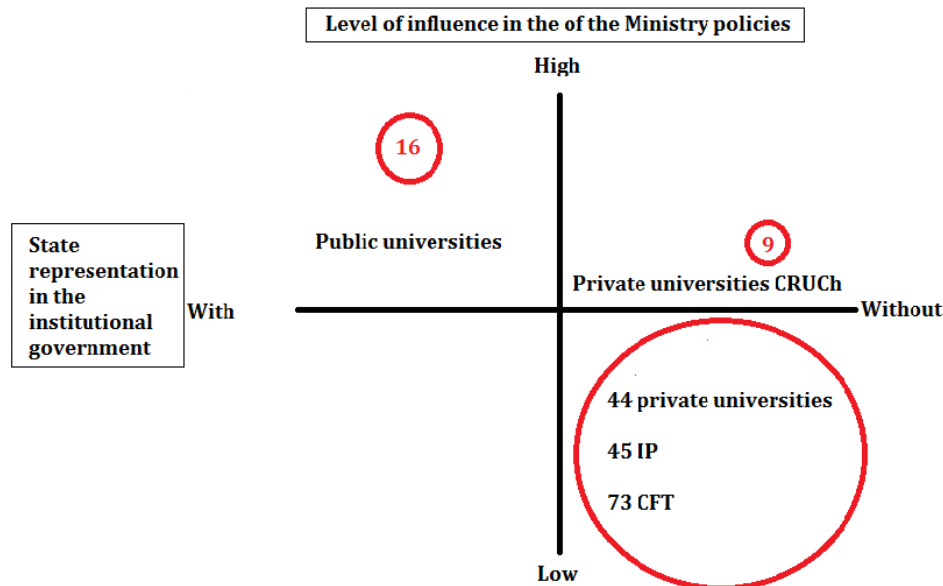
Public universities are under the authority of a governing board, composed of a number of government representatives nominated by the President of the Republic and some external members nominated by the Academic Council. The Rector is elected by the vote of the university academic staff of the different departments and faculties, and then sanctioned by the President of the Republic. The rector holds the power in a system of hierarchical authority and is responsible for the management of the university, governing with the support of the Deans, Department Directors and other authorities. Several universities include a student representative but not always with the right to vote in the governing boards.

Private universities have different modes of selection for their rectors. A prior distinction can be made between catholic and other institutions. In catholic institutions, the appointment of the rector depends on the bishop in the diocese, or on the Vatican. Other private institutions have authorities that represent the owners of the institution. Private universities are ruled by a board and a designated rector. Some private universities have collegiate bodies that participate in the selection of departmental directors or deans; in others, these collective bodies are limited to advisory tasks. In the professional institutes and in the technical training centers, there are no accounts of collegiate bodies of decisions, as they are managed centrally by representatives of the owners.

Considering the former arguments, I propose to locate the institutions in a continuum of four dimensions of control, in two axes, shown in Figure 9: The horizontal axis, which shows the representation of the state government in the institutional governance bodies, and the vertical axis, representing the degree of influence of the policies of the national ministry of education.

In Figure 9, there are 16 public universities located in the "more public" quadrant and the 162 other institutions are in the "more private" quadrant. The nine private universities that belongs to the CRUCH are in a quadrant where the private control of the institution has a public counterpart, mainly by their dependence on the funding (and the policies related) controlled by the government. More expansive analysis will be offered in the conclusions.

Figure 9. Representation of universities in a conceptual map, with axes of state representation and level of influence of the ministry of education.



Elaborated with data from the SIES (2011) CRUCH (2009)

#### 4.2.4 Mission:

Do private and public institutions actually do different things? Do institutions have different missions according to their private or public status? Do public institutions serve “the public interest” and private institutions serve “private interests”?

Levy (1986, 1990, 2002) identifies a main criterion to address the missions of the institutions: what they do, and to whom they serve (clientele). The clientele the universities serve will be analyzed, in three aspects. First, what are the institutions doing? What is the socio-economic profile of the students attending those institutions? Related with the same topic, what is the level of segregation of those institutions?

Table n° 9. Students enrolled in HE intuitions according to secondary school attended.

	Students from Public Schools	Students from Semi Private Schools	Students from Private Schools
Legally public	32,6%	52,3%	15,1%
Legally private	31,1%	51,7%	17,2%

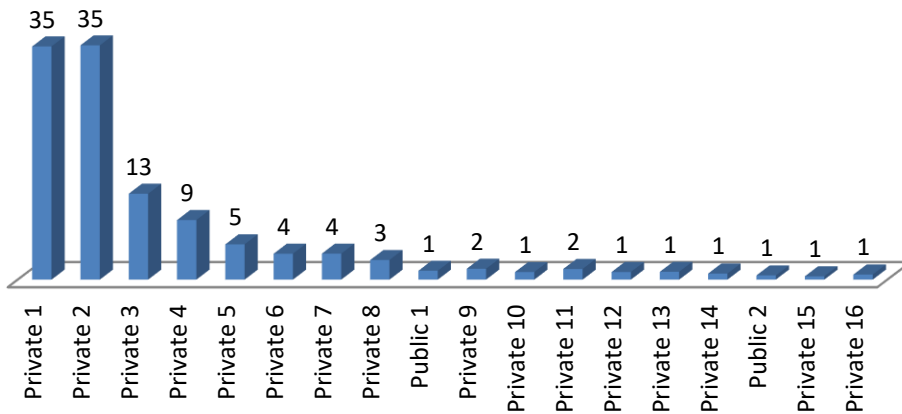
Elaborated with data from SIES 2011.

Table 9 presents the percentages of students from three different kinds of secondary schools. As presented in the country profile, in Chile, the three kinds of schools (public, semiprivate and private) have a strong correlation with the socio-economic level of the students and their families. The table shows that there is no clear difference in the number of students enrolled in institutions that are legally private or public. In short, both types of HEI, in the general picture, serve the same clientele.

A closer look at the institutional level shows that, when analyzing the ratios of students with origin in private schools versus the ratio of students from public schools, it is the private universities that enroll more students from private schools. In Figure 10 evidences that, from the 18 HEIs with a higher ratio of students from private schools vs. those from public schools, 16 institutions are PHE institutions and only

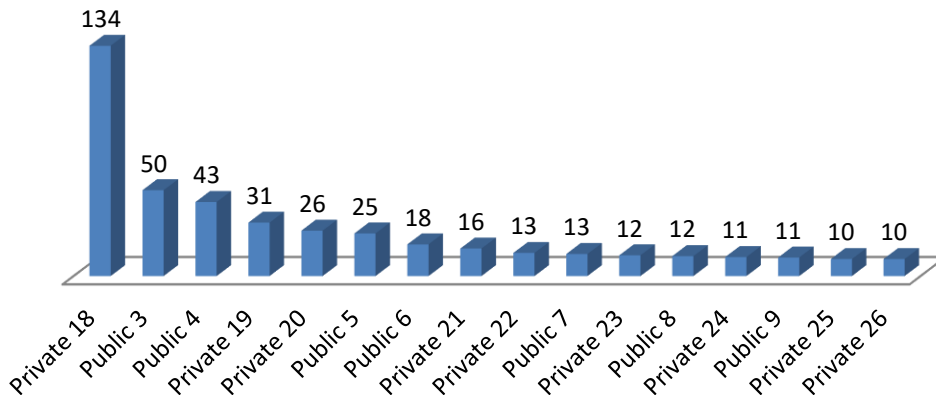
two are public institutions. If we look at the tow highest ratios, it is possible to observe that two private institutions (labeled as institutions 1 and 2) have 35 students from private secondary schools for each student from public school; while in the figure the public institution with higher ratio is 1 student from private school sharing the room with 1 student from a public school. This makes clear that some PHE institutions concentrate more students from higher socio economic backgrounds.

Figure 10. Ratio of students from private vs. public secondary schools, by legal status of HE institutions.



Elaborated with data from SIES 2011.

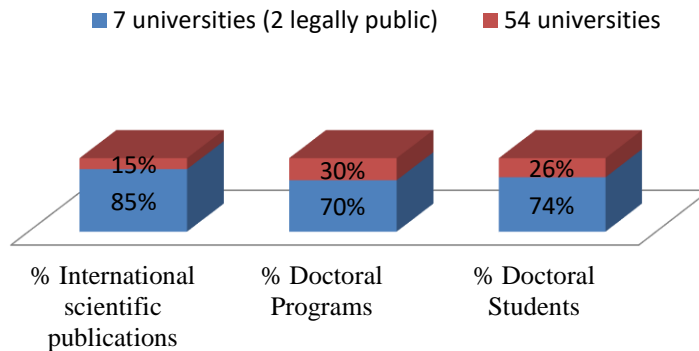
Figure 11. Ratio of students from public vs students from private secondary schools, by legal status of HE institutions.



Elaborated with data from SIES 2011.

Figure 11, on the other hand, shows graphically the ratio of students from public schools vs. those from private schools. Among the 18 institutions with a higher ratio of students from public schools, 9 are PHE institutions and eight are public HE institutions. The institution with the highest ratio is a public institution, where 134 students from public institutions share classrooms with one student from a private institution. The number tends to be similar in the rest of public or PHE institutions.

Figure 12. Selected research indicators.



Elaborated with data from: RICYT 2011

A second criterion used to identify the mission of a given institution is to look at the institutional activities. As teaching is the basic activity of all HE institutions in the country, a look into the research activities, and especially basic research, offers good insights about what a university does in producing public goods. Basic research has been defined as a public good, (Stiglitz, 1999, Wedlin 2008). Public goods have two characteristics: “First, the consumption of the good by an individual does not detract from that of another; and, second, it is impossible or at least very difficult to exclude anybody from consuming the good” (Samuelson 1985). According to Pinstup (2000 p. 1), “most knowledge derived from research fulfills the first condition: whether or not I know something does not detract from the ability of others to have the same knowledge. However, generators of knowledge, e.g., research institutions, or distributors of knowledge, e.g., scientific journals or newspapers, may attempt to limit access to specific knowledge to those who are willing to pay”.

In this argumentative line, relevant research activity suggests that a given institution is doing research considered a “public good”. Figure 12 shows three relevant research indicators of Chilean HEIs. As the graph evidences, in 2009, just seven universities concentrated 85% of all the publications in international journals, 70% of the PhD programs and 74% of the doctoral students. Five of those institutions are legally private institutions, all of them belonging to the CRUCH, or so called “traditional universities”.

#### 4.3 Discussions and conclusions

Chile has a long history of PHE institutions, practically since the beginning of the HE system. Those historical institutions plus the newly created ones, as the of this work shows, have gained predominance in many aspects of the system.

The goal of this chapter of the thesis is to characterize the Chilean HE system as predominantly public or private. The task may have had clearer results and would imply a simple discussion if only one, or each one, of the criteria stated would have been considered. But the complexity of the four criteria doesn’t allow just simple verdicts as “private” or “public”. Each of the criteria, which are at the same time specific objectives of this research, contributes to draw a more complete vision of the complexity of the private / public debate.

First, the analysis of the legal status of the institutions looked to define, according to the legal status of the HEI, two closed classes: public or private. The results of the data analysis show that the institutions of HE that are legally defined as public institutions constitute only 9% of the total number of HEIs in Chile, and all are Universities. The other 91% of HEI are all legally private, composed of the three kinds of institutions, universities, institutes and technical Training centers.

The clearly dominant number of private institutions over the public institutions is the echo of the national policies towards HE imposed after 1973. After 1980, no university was actually created and the new public universities corresponded to the former regional campuses of the national institutions. Non-university HEIs were privatized and the low number of private institutions grew exponentially after the new set of regulations that entered in force in 1981, allowing and incentivizing private initiatives in primary, secondary and tertiary higher education.

The legal regulation, accompanied by decreasing funding for public institutions stimulated the growth in number of PHEIs, but also in coverage. The result is that by 2011, most of the students in Chile are enrolled in institutions that are legally private institutions.

The simple and clear legal definition of public and private of the institutions becomes blurry when the analysis introduces variables pointing to the financial structure of the system. The data makes clear the extremely low, in international comparison, expenditure of the Chilean state in HE. The total public expenditure of the country as percentage of the GDP is 0,32%, much lower than the OECD average of 1,2%, and has been argued to be the lowest proportion of public expenditures in the world (Meller 2011). This means that in general, public and PHEI have a small part of the national budget that they can aspire to receive.

Again, the political reforms after 1973 have played an important role in the low expenditure in HE. The ideology of the “Chicago Boys”, including the considerations of education as a private investment, pushed strict reforms in the state policies towards the expenditures in HE. Just considering the number of HEIs and the students enrolled in them, the system shows a clear tendency to the side of the privateness.

At the institutional level, the blurry limit between legally public and private becomes evident in the analyses of the funding from the state. PHEI receives direct funding from the state if they are part of the CRUCH. The “direct public grant” guarantees that every year, based on a historical criterion (meaning if the institution was founded before 1981), the HEI receives a direct contribution from the state. The percentage of this state contribution is similar in private and public HEI; they receive between 5,6% and 33,1 % (average 17,5%) of their annual budget from the government (CRUCH 2009, OECD 2009b).

Private and public HEIs compete amongst themselves for state funding by attracting students with high points in the national admission tests, by presenting institutional development projects, or by participating in research projects. The state backed credit system and scholarship system, intended to support students but transferred directly to the institutions, is another form of funding transference from the state. All this competition puts public and private institutions in similar conditions of funding, except by the low state contribution.

Public and private institutions also compete for private funding, mainly the contributions from students, but also by attracting funding from individuals, foundations or corporations. As presented, most of the budget in private and public HEI comes from private sources.

All this makes clear that the low contribution of the state, not only to the public universities, but for the whole sector, makes the private function the most relevant in terms of financial means for the HEI. The system, in this respect, clearly shows a tendency to the side of the privateness.

The state is not a relevant actor in the financial aspect, but is it in terms of control of the system and the institutions? In other words, is the control of the system and the institutions responding to the public or private steering?

At the national level, The Ministry of Education, the head of the public governance of HE has a set of policy instruments that allows it some level of control over the institutions and the system. First, as the state body granting the legal authorization for the establishment and functioning of the HEI, the Ministry plays a fundamental role in the regulation of the whole system. Second, the economic funding capacity, allowing the ministry to transfer funding to HEI according to the priorities and regulations set by the government, sets different levels of control over private and public HEI, especially the universities. In any case, non university HEIs are not under the funding schemes, and thus are excluded from the possibilities of steering from the ministry. In this sense, it can be agreed that the public power prevails over the private control

of the whole system, but in general terms is still very limited.

The system fabric, the institutional level, seems to be, as Figure 9 presents, mainly out of the state public control. In Chile, the low funding and loose control of the system is accompanied by great levels of autonomy of the institutions. State functions oversee the private activities, functioning as a regulator. In the conceptual map (Figure 9) with the axes of “state representation in the institutional government” and “level of influence of the ministry policies”, most of the institutions are in the quadrant of “low state influence” and “without state representation”. This means that most of the institutions of the system, and thus most of the individuals involved in HEI, are in a quadrant of higher privateness. Let’s remember that Johnston (2011) identifies a system of HE in the “privateness tendency” if the kind of control that the state has over HEI is as any other private business, as the case of Chile.

Public and private HEIs are under limited control of the public government, and respond in many senses to private interests, especially institutions that are legally private. The system, in this respect, shows a tendency to the side of the privateness.

The last aspect analyzed with the intent to identify if the institutions are actually doing different things, if they have different missions. If private and public institutions actually do different things, they should have different missions according to their private or public status and serve different sectors. The data shows that public HEIs and private HEIs don’t show clear differences in this respect.

As the Table 7 presented, private and public HEIs are, in the big picture, serving the same communities of students. However, the analysis of ratios of students from different socio economic origins (reflected by the secondary school attended) shows minor differences in the concentration of those students. It seems clear that some private HEIs concentrate more students from a high socio economic level, while some public HEIs more concentrate students from lower socio economic levels. A more detailed analysis may show that, although private HEIs may be serving students from lower socio-economic status, the prestige of those institutions (or the “quality”) of them may be lower than the private HEIs attracting students from higher socio economic levels.

In the general picture, independent of the “quality” of the institution, private and public HEI serves the same students. In this sense, the system tends towards publicness.

The relevant research indicators analyzed for the Chilean system shows that just seven universities, (five legally private and two legally public) concentrate 85% of all the publications in international journals, 70% of the PhD programs and 74% of the doctoral students. In these terms, private and public institutions are not different, and there is a prevalence of PHEIs producing research as a public good. Again, under this criterion, the system tends towards publicness.

So, is Chilean HE a highly privatized and marketized HE system? As Table 10 summarizes the results of this part of the thesis, showing the results of the analysis of Chile’s HE system in the four categories, the Chilean system of HE presents a high level of privateness in three of the four categories, and some level of publicness in one of the categories. The hypothesis is correct and, the Chilean HE system is a predominantly privatized and marketized HE system.



Table 10. Results of the analysis and levels of publicness and privateness of Chile's HE.

Categories	High "Publicness"			High "Privateness"
	Continuum of Privatization [Greater Privatization -->]			
	Minority of HEI are	Few Public	Few institutions of	Most of the system is
1. Legal Status. (Ownership)	Publicly owned.	corporation or constitutional entity.	the system are Private non-profit:	composed by Private for-profit institutions
2. Funding (source of revenue)	Low contribution from taxpayer, or public, revenue.	There are no institutions in the "cost sharing" Scheme.	Mainly private, There is public assistance to needy students by loans and scholarships.	All HEI are dependent on private revenue: mainly tuition-dependent.
3- Control	Low state control, as in agency or ministry.	Some public HEI are subject to controls, but less than other state agencies.	All HEI enjoy high degree of autonomy; some control limited to oversight.	For non university HEI the controls limited to those over any other businesses.
4-Missions	No institution serves a clear "public" mission as determined by the faculty or the state.	Mission is avowedly both public and private. Some institutions perform research.	Most HEI mainly to respond to student's private interests, mainly vocational. Public and PHEI serve the same group.	Many HEI serves private interests of students, clients, and owners.

## 5. Quality in a Highly Privatized System.

One of the two main objectives of this research is to know what quality is in a HE system that, as the previous chapter proposed, has special characteristics in term of its privatization and market orientation. In this part of the thesis an inductive approach will be used, this means that in order to analyze the concept of "quality" in Chilean HE, first it is going to be described the observable evidence that emerges after looking at the Chilean HE system and its conceptualization of quality.

### 5.1 Methodology.

#### 5.1.1 Purpose and objectives.

The objective of this section is to analyze the issue of Quality in the highly privatized Chilean HE system. The first part of the research will draw a general landscape of the Chilean QA scheme. In order to do this, the available literature will be reviewed to describe the national QA scheme. Additionally, statistical data (quantitative measures) will be reviewed in order to identify the level of penetration of the QA schemes in Chilean HEIs, and the analyses will be draw from the institutional to the system level. A second step will be to evaluate how the concept of quality is used in the Chilean HE market conditions.

#### 5.1.2 Research questions.

¿What is the structure, configuration and stage of development of the Chilean QA? ¿What is the level of

penetration of the QA schemes at the institutional and program levels in a highly privatized system? Does the Chilean QA scheme consider the privatized and marketized characteristics of the Chilean HE system?

### **5.1.3 Hypothesis**

The Chilean QA scheme has low penetration and low consistency, and does not consider the characteristics of a highly privatized system.

### **5.1.4 Data collection and analysis.**

In order to analyze the level of penetration, the main source of data is the national statistics on QA provided by the National Accreditation Commission (CAN, 2011). Other sources of the data for this analysis are collected and published yearly by Chilean agencies, the Ministry of Education (Ministerio 2008, SIES 2011) and the National Council for Education (CNED 2011)

## **5.2 Results.**

### **5.2.1 Analysis of the development and current state of Quality Assurance.**

As described in the country profile, the reforms in the 1980's changed the Chilean HE system in terms of size and shape. By 1989, there were more than 270 university and non university HEIs (Ministerio 1994). In the new context of privatization of the system, the oldest universities, created before the reforms, remained in a blurry state of privateness / publicness. In the new context of institutional diversity, they were grouped in the CRUCH which became a club that entailed prestige and state sponsored privileges. On the other hand, the new private universities coexisted in a dynamic market where they grew, merged and disappeared in relatively short periods of time, with little intervention of any state authorities.

The non university sector of HE was opened to the private sector, becoming diversified and extremely active in terms of institutional "life-span", again with institutions being created, merged, closed or changed in few years.

Some authors (Lemaitre 2011 p. 76) state that by the end of the 1980's, most of the private institutions were publicly considered as institutions for "stupid rich people" - unselective institutions for those who could pay, but did not have the requisites to be admitted in a CRUCH university. In this scenario, especially non university but also university institutions closed by financial reasons, causing impact in the general public. The doubts about the regulation of the system reached the government in the late 1990's; in the words of the former Minister of Education: "The system has grown in a framework of deregulation that may end up affecting the quality of the educational provision, and, therefore, the role of higher education in the country. In consequence, the role of the State is to push towards the main purpose of enhancement of quality and equity in higher education" (José Pablo Arellano, June 1997, cited by Zapata 2008).

The first timid regulatory attempts of the government were in 1990; the Organic Constitutional Law (Ley, 1990) established the first basic QA schemes, called "licenciamiento" which basically established minimum conditions for the creation and establishment of new institutions.

After 1990, the democratically elected governments initiated a series of important reforms in the educational system. Parallel to the state efforts to regulate, some institutions began early initiatives towards the implementation of quality control and quality management measures, especially some CRUCH universities, including the creation of networks in certain disciplinary fields (Kells, 1993)

By 1998 the government, with the support of the World Bank funded MESESUP program, established the National Commission of Accreditation of Programs (CNAP) and the National Commission of Accreditation of Postgraduate programs (CONAP), both depending on the National Council of Education (CNE). The political discourse remarked that all reforms would be done under the basic principles of self regulation and with respect for the institutional autonomy and the institutional diversity, intending that "any public policy would suppress or limit all the advances in diversification and freedom" (Arellano 1997, cited by Zapata 2008).

After several years of development in which national and international experiences were observed, and

as a result a strong core of criteria, methods and technical documentation was accumulated, the CNAP initiated a pilot project in 2001 for voluntary institutional accreditation. In a few years most of the universities (private and public) joined the accreditation system.

By 2002, a National System of QA was discussed and presented in the national congress, becoming a law in 2006. The national law of QA created the National Commission of Accreditation (CNA), responsible for the assessment at the institutional and program level. The CNA (as the founding bodies, the CNAP and the CONAP) expanded their work at national and international level. Several publications have highlighted the leading role of the Chilean experience in QA in the region (Lopez 2003, OECD 2008b).

In the case of Chile, the change of the regulations in the early 1980's, meaning the opening of the educational provision to the private sector in an totally unregulated scheme for many years, produced the consequent lack of trust of the state in the activities, leaving behind the idea of the "invisible hand" and making clear that a visible hand was needed. But the lack of trust in the private sector was not the only cause; the NPM ideas have played also an important role (Lemaitre 2009, Brunner 2008)

### **5.2.2 Current Quality Assurance scheme in Chile.**

As mentioned, several authors agree that the new private sector in HE, which started after the political, economic and social reforms in the 1980's, were the main cause of the emergence of a QA scheme. Accordingly, the governmental policies have been directed to introduce regulation in the system, intending to steer a heterogeneous mixture of institutions of diverse origins, locations, legal statuses, financial structures and overall of very distinct prestige.

There are a series of financial regulations that, indirectly, are intended to enhance quality through competition.

-The Indirect State Funding (AFI), which are financial resources assigned to the institutions able to attract the students with higher points in the national selection test (PSU). This is mostly going to universities.

- The Direct State Funding (AFD), which incentivizes university institutions to enhance performance indicators.

-The Institutional Development Fund (FDI), which intended to compete and present projects for infrastructure development.

-The continuous enhancing of HE, which intended to promote innovation through several competitive funding finance initiatives.

- Performance agreements between government and institutions, where the government compromises funding if there are visible results of activities.

- Several competitive research and development funds, mainly administrated by the CONICYT.

- State backed funds, which considers only those students from accredited institutions as eligible.

### **5.2.3 The Procedures of the Quality Assurance scheme.**

There are 3 organizations involved in QA, in a hierarchical structure with the highest level at the ministry of education.

The initial authorization, or licensing of institutions of HE is the responsibility of the National Council of Education (Consejo Nacional de Education), which depends on the Ministry of Education, and is the highest body in the national QA scheme at all levels of education (CNED 2011).

The governmental body in charge of QA in HE is the National Accreditation Agency (CNA). The agency has as main mission "to verify and promote the quality in HE" (CNA 2011). The CNA is in charge of the institutional accreditation of universities, professional institutes and technical centers. The agency also has the missions maintaining and spreading information about the accreditation resolutions. The other important role of the CNA is the resolution of authorizations and supervision of accreditation agencies in charge of undergraduate programs.

The accreditation agencies are in charge of the assessment of programs offered by autonomous institutions and the accreditation decisions of undergraduate, magister and health specialization. The

agencies have to follow the requisites, bases and conditions defined by the law and supervised by the CNA. Currently there are eight accreditation agencies, with national coverage and specialization according to disciplinary fields.

### **5.2.3.1 Accreditation of institutions.**

The CNA has developed five areas of accreditation for institutions (CNA 2011b). Areas 1 and 2, “Institutional Management” and “Undergraduate Teaching” are the minimum requirements to obtain accreditation, in the case that an institution decides to be accredited (institutional and program accreditation are voluntary). Areas 3, 4 and 5 are optional areas of accreditation.

1) Accreditation of Institutional Management: Has the objective to evaluate the policies and mechanisms that organize the actions and resources -financial, human and material- of an institution, in function of the mission, and of the declared objectives of the institution. Among the aspects of the assessment are:

- a) The institutional organization, considering the norms, distribution and control of the internal functions of the organization;
- b) The government system, considering the different instances of decision-taking, at the central level and in different units of the institution;
- c) The norms and procedures associated with the selection, contacting and evaluating the management, administrative and academic personnel;
- d) The planning, execution and control of material and financial resources of the institution, including the mechanisms to ensure institutional stability and viability;
- e) Diagnostic, planning, follow-up and adjustment of the development priorities defined by the institution;
- f) The intuitional analysis of its capacities and the availability of information needed for the management.

2) Accreditation of undergraduate teaching. The assessment has as the goal the QA of the group of policies and institutional mechanisms that reflects the process that lead to the completion of the program. The assessment has a special emphasis on the design and approval of the program offered, the accomplishment and follow up, the analysis of results and mechanisms to review and modify the curricula. Pedagogical methods, material and human resources assigned to the programs are also considered. Among the aspect of the assessment are:

- a) The design and provision of undergraduate programs, what programs are offered and how they are offered. Also, review of the curricular aspects, including the profile of the graduates, and the follow-up of the process;
- b) The teaching process, including the selection and admission systems, the pedagogic methods, and use of ICT;
- c) The academic staff, qualifications, assessment, recruiting and evaluation systems.
- d) The students, progress, services, follow-up of graduates;
- e) The use of process and results for the assessment for enhance quality of the teaching.

3) Accreditation of Postgraduate Teaching: An institutional level, postgraduate teaching accreditation considers all the levels of postgraduate studies. The CNA gives the initial approval to the institution to be assessed at the master and doctoral levels. The assessment considers the following aspects:

- a) Criterion of internal and external institutional offers, considering relevance and pertinence of the programs according to the institutional objective;
- b) Criterion to ensure the adequate academic staff in doctoral and master programs;
- c) Criterion for infrastructure resource distribution;
- d) Links that the programs have with areas of research and development.

4) Accreditation of Research: To obtain accreditation in the area of research, the institution must develop systematic activities in research, with long term projects with a close connection to the national science and technology system. The evaluation considers the institutional policies and mechanisms intended for

QA in research. In addition it evaluates:

- a) The institutional policy of research development and its application according to the standards of the discipline's scientific community;
  - b) Participation in open and competitive funds at national and international level;
  - c) The results of research projects, publication and patents;
  - d) The links of the research with teaching and postgraduate students;
  - e) Research impact at a national and international level.
- 5) Accreditation of Community Outreach. This refers to the different nexus established with the disciplinary, artistic, technological, productive or professional community. In this respect, the institutions must have systematic institutional policies and mechanisms in order to assure quality, considering:
- a) The design and application of an institutional policy, including the evaluation of institutional enhancement;
  - b) Formal instances and formal mechanisms for linkages with the community;
  - c) The adequate provision of financial resources for community outreach;
  - d) The linkage of those activities with the teaching activities in under or postgraduate studies.

#### **5.2.3.2 Accreditation of programs:**

M.J. Lemaitre, former director of the CNA, stated that the assessment of programs offered by autonomous accreditation agencies "is made against explicit expected learning outcomes and quality criteria defined by the corresponding disciplinary and professional reference groups, and to provide public assurance regarding their compliance with those quality criteria. The main objectives are to promote quality and to provide information to the public" (Lemaitre 2011, P.243).

The evaluation of programs is carried out by accreditation agencies, which are independent bodies that run under the authorization of the CNA. The assessment of the programs culminates with an accreditation resolution (accredited or not accredited), and with a period of validity that goes from one to five years, according to the criteria of the evaluation agency.

The Accreditation agencies follow an authorization process which includes an evaluation of the agencies area of expertise, and the following aspects:

- The missions, objectives and constituents of the agency;
- The standards and criterion for evaluation of the programs must be equivalent to those established by the can;
- The qualifications of the members of the different accreditation councils;
- The suitability and independence of the accredited institution from the accreditation agencies;
- Internal systems to ensure independence from the institutions. The agency must present a list of potential peers for each area of accreditation;
- The peers in the evaluation process must be high level academics and professionals, with corresponding credentials in the area;
- The agency must publish the fees and charges for their services, and have standardized contracts.

According to the CNA (Reglamento 2010) the agencies must have as part of the quality assessment process:

- Clear standards and criterion for the evaluation of the programs;
- Applicable and verifiable procedures for accreditation, and at least one instance of self evaluation and another of external evaluation. Additionally it must consider the mechanisms to submit claims in case of disagreements;
- The procedures, manuals and instruments of evaluation must be, according to the law, equivalent to those defined by the CNA;
- Provide public information about the tasks of the agency, including detailed information about the accreditation processes conducted.

Table 9 presents a chart of the processes and responsible agencies in the Chilean QA scheme, and identifies

the objectives, focus, criteria and expected results of each process.

*Table 11. Results of the analyses of Processes and Agencies in the current Chilean QA scheme.*

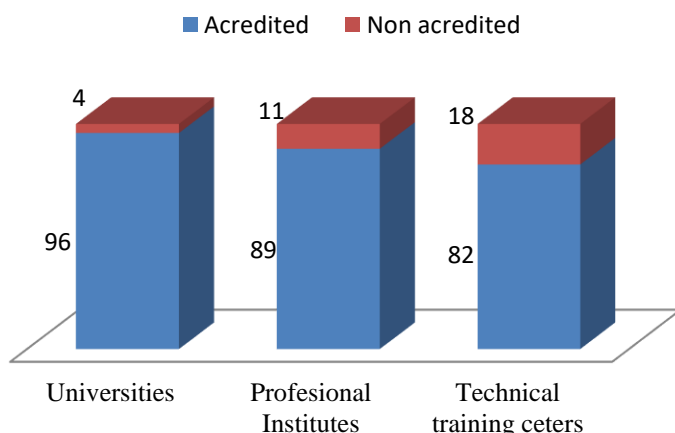
<b>Process / in (Agency charge)</b>	<b>Objectives</b>	<b>Focus</b>	<b>Criteria</b>	<b>Results</b>
Licensing (CSE)	Control and enhancement of quality and self regulation	Holistic, considers the institution and the programs.	Are associated to several areas (10-12) linked to the development of the institutional project.	Approval of the institutional Project and advancement informs. Granting of legal rights.
Institutional Accreditation (CNA)	Evaluation and enhancement of quality at the institutional level.	QA process and mechanisms in the areas of Institutional management and undergraduate teaching. (+ alternatives)	Mission and institutional proposes. Design, implementation and adjustment of QA policies.	External evaluation informs. Accreditation up to 7 years.
Program Accreditation (authorized agencies and CNA)	Evaluation and enhancement of the quality at of the institution's programs.	Proposes and graduate profiles. Quality of the programs, inputs, process and outcomes.	Proposes and programs profiles. Criteria are defined by the academic community and the CNA.	Evaluation Informs and external evaluation. Accreditation decisions up to 10 years.

#### **5.2.4 Statistical Analysis of Quality Assurance schemes penetration in the system.**

According to the CAN (2011), almost 85% of all HEI's in Chile are officially accredited. Only 15% of the institutions are not accredited, and correspond mostly to the non university HE sector. On average, almost 90% of the total numbers of students are enrolled in accredited HEIs, leaving more than 10% enrolled in institutions that have no accreditation. It is important to remember that, as mentioned in the previous section, accreditation is a voluntary process for institutions.

When comparing the three different kinds of institutions, the universities are the kind of institution that present a higher number of students attending accredited institutions. Figure 13 shows, more than 96% of university students are enrolled in an accredited HEI; on the other hand, only 82% of the students attending the 2-year Technical Training Centers are doing so in accredited institutions.

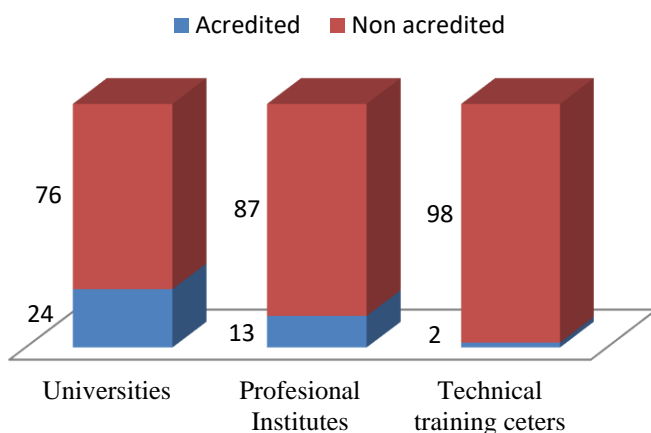
Figure 13. Percentage of Students Enrolled, by Type of Institution and Accreditation Status.



Elaborated with data from CNA (2011)

A very different story appears at the intuitional level: the data, illustrated in Figure 14, shows that only 24% of the programs in universities, 13% of the programs in professional institutes and 2% and Technical Training Centers are accredited. Again, programs are not required by law to be accredited, as it is a voluntary process. The data from the CNA indicates that the percentage of students enrolled in accredited programs is similar to the percentage of accredited programs in each type of institution: 21% of the total are enrolled accredited programs in universities, 15% of the total are enrolled accredited programs in professional Institutes and 2% of the total are enrolled accredited programs in Technical training centers.

Figure 14. Percentage of Accredited Programs, by Type of Institution.



Elaborated with data from CNA (2011)

### 5.3 Discussions and Conclusions.

The first goal in this section aimed to examine the stages of development, structure and configuration of the Chilean QA scheme. To do this, the literature review clarifies the chronological development and the current state of the QA scheme in Chile.

The change in the regulations at the beginning of the 80's transformed the Chilean HE into a highly privatized system with a clear tendency to a competitive market-like culture. The rapid growth of institutions that produced the opening of the HE system to the private investment responded in part to the demands for inclusion of groups that had previously been excluded, but also incentivized the demand through aggressive marketing campaigns.

The massification of HE meant that the idea of HE, and especially university studies as a privilege of the elites and thus closely related to "high quality", changed. At the doors of universal HE, the massification of HE meant for many a decline in the "quality". Of course, a decline of quality may mean that the worst students were admitted, or that students were admitted into the worst HEI, that the students received worse lectures or that students were, at the end, worse graduates. The term "may mean" is used because all of the former or none of the former could have been evaluated in the system.

As the analysis of the literature shows, by 1989 there were no studies, research or data available that would allow drawing any conclusions about the aspects of quality that raised the concerns of the authorities, and resulted in the creation of a QA scheme. The public assumption that the newly created private institutions were HEI for "stupid rich people" (Lemaitre 2011 p. 76) was not backed by evidence. Then, the simple assumption that more providers of education in a deregulated market would mean a decline of the quality, whatever it meant for the authorities, was enough to fund a new regulatory scheme. The creation of state regulation responded, on one hand to political views with respect to the role of the state in certain areas of national life, particularly education. The Ministry of Education of the center-left coalition made this clear when stating that "...the role of the State is to orient towards the central purpose of enhancement of quality and equity in HE" (José Pablo Arellano, June 1997, cited by Zapata 2008). But on the other hand, the creation of a QA scheme in Chile responded to an international trend of creating national QA schemes, with diverse experiences from Australia to the European Union.

The introduction of the QA schemes in 1998 was made by adjusting the international experience, but overall respected the national configuration of the system, which was deregulated, competitive and open to private investment. The creation of the state agencies for QA - the CNAP and later the CNA - considered in all steps, that the market of HE should be respected, and any new law should primarily respect the autonomy of the HEIs. This resulted in the fact that the accreditation is, and was since the beginning, a voluntary process that HEIs may choose.

The international trend of New Public Management (Westerheijden, 2007) and the "evaluative state" (Neave, 2006), were among the trends that played an important role in the creation of the Chilean QA scheme (Lemaitre et al., 1995). However, the Chilean HE System had singularities since the 1980's that place the "evaluative state" in an isolated corner. The master principle of regulating (or deregulating) the HE system was the principle of HE as a private investment. HE at the end was a business between privates: a relation between the HEI and the student. The results in Chapter 4 clearly show that the role of the state in the four analyzed criteria has been reduced since the 1980's.

This means that the introduction of a QA scheme in Chile had to take the rules of the market into consideration. Nevertheless, the government and the HEIs agreed on a system in which all seem to win: the State regulates activities that are highly sensitive and relevant at the national level, and HEI consider the introduction of a QA scheme as a marketing tool: accreditation would give legitimacy to the less prestigious and new institutions in the eyes of the consumers.

The evidence demonstrates that the level of penetration of the QA schemes at the institutional and program levels is very low, so the hypothesis is confirmed.



## 6. Final Discussion and Conclusions

The current national QA scheme has two fundamental pillars. The first responds to the functions of the state agencies in charge of QA: licensing and accreditation of institutions and programs. The second pillar is linked with the first, but is based on competition in the market of HE: competition for funds, students and prestige, and includes the use of accreditation resolutions as a marketing tool.

The first pillar (licensing and accreditation), shows some incompatibilities with the second pillar (market competition) in the privatized and marketized Chilean HE system. The argument here is related with the nature of market competition. Assuming that there are actually problems with the quality of HEI, the need for a regulatory system is evidence of a basic failure in the assumption of the economic theory of a market, which asserts that simple competition among providers will result in high quality services.

If the quality of the institutions has demonstrated to be lower than desired by the authorities, then the competitive market in HE has failed, and the introduction of a regulatory scheme, without any substantial modification of the failed system, will not solve the problems. We have to keep in mind that a QA scheme is a voluntary external regulation, which intends to produce long term changes in the institutions but is not an integral part of the system.

The peripheral role of the QA scheme is shown section 5.2.4. The official data demonstrates that 85% of the institutions have some degree of accreditation. This means that those institutions at least meet basic standards of institutional accreditation and undergraduate teaching (that accreditation may have been granted anywhere from two to seven years). But the data also shows (Figure 14) that very low percentages of programs have been accredited. The National Agency of Accreditation intends to “contribute to the development of the quality of the higher education system” (CAN 2012, p. 1), but the evidence of the low penetration of QA at the program level suggests that the mission of the CNA has not been accomplished in the aspect that is most relevant for students.

When comparing the three different kinds of institutions, the universities are the kind of institution that present the highest number of accredited programs. The data (Figure 15) shows that only 24% of the programs in universities are accredited. The numbers are extremely low in the non university programs as well: just 13% of the programs in professional institutes and 2% and technical training centers are accredited. Again, programs are not required by law to be accredited, as it is a voluntary process.

This demonstrates that the QA scheme not only has low penetration, but also has not succeeded in the task of assuring quality for the students if, as the CNA itself considers, the primary function of the HEI is teaching (CAN 2010). The external QA scheme, an important part of the role of the State as a regulator and facilitator of information, is therefore not accomplishing its goals. If the state can solve the information asymmetries of the market, where institutions and students are the two sides, the external QA scheme is not doing its part.

The last question that this thesis sought to answer is if the Chilean QA scheme considers the privatized characteristics of the Chilean HE system. If we agree that by definition State regulation goes against the higher premises of the markets, then the answer is that the QA scheme does not consider the HE system as a market, or does not believe in the benefits of a market in terms of quality.

Accordingly, the governmental policies have been directed to introduce some regulation in the system, intending to steer a heterogeneous mixture of institutions of diverse origins, locations, legal statuses and financial structures, and overall of very distinct prestige. A close look at the Chilean QA scheme shows that the State is fostering competition, including between legally public and private HEIs. The competitive funds for those institutions allow them to attract better students, produce research or development projects. At the same time, the accreditation system itself gives the institutions more tools to compete among themselves in given market niches: geographic and disciplinary.

In the case of Chile, the “invisible hand” that would result in quality services, shows some of the problems already stated in the literature. First, the different actors in the market seem to have different understandings of quality. The consumers - the students - are willing to pay for institutions and programs

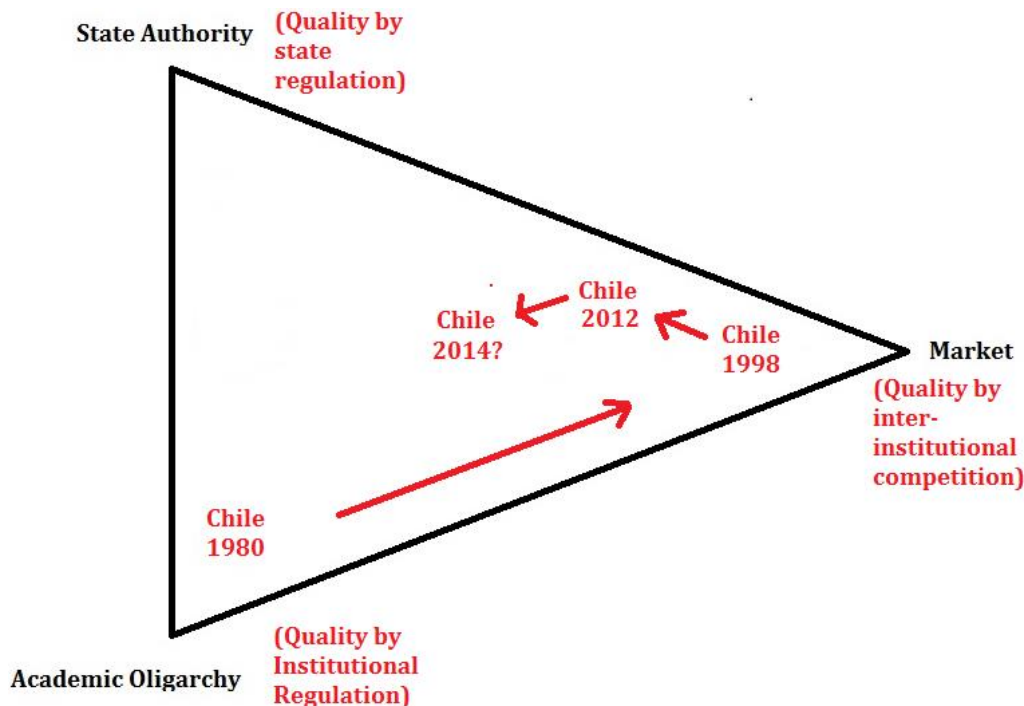
without any accreditation from the state agencies. Institutions invest large amounts of money to promote their characteristics of quality, even when they are not accredited. Second, the information asymmetry in the system of HE, stated among others by Arai (1998), Carnoy et al. (2000) and, Meller (2011), means that the information about the service that HEIs offers, and the knowledge that the consumers (students) have about it, has not been clarified by State regulation in the form of external QA. Students are still applying en masse to institutions that may not be “quality institutions” according to state standards (meaning not accredited), paying high prices that, as the data shows, are the highest in the world in relation to the GDP per capita.

In market conditions, the competition between institutions takes many forms that are not necessarily related to “quality”. Most of the PHEIs bet on the reputation, historical causes, social dynamics, subjective appreciations, price competition and the offer of social prestige. HEIs and the HE system as a whole don’t count with a set of measures that may allow subjective comparisons -for example standardized tests - that could then be correlated with other perceptions of different dimensions of quality.

In summary, the complexities of the introduction of market logics in HE do not give clear answers to the problematic issue of quality. The evidence seems to indicate that in the case of Chile, competitive markets of HEIs have not produced quality as a product. The statement of Friedman that students “voted with their feet” (1980 p.156) is true, but may not be related with quality.

According to the evidence emerging from the analysis in Chapters 4 and 5, referring to the privatized and marketized system and the quality assurance scheme, it is possible to use the “triangle of coordination” originally proposed by Clark (1983) to draw the evolution of the Chilean system of Quality Assurance according to the three corners. The graphic description is given in Figure 15.

Figure 15. Clark’s triangle of coordination and stages of quality regulation in Chile.



In 1980, the “quality” portion of the system was constituted by the exclusive HEIs that about the 10% of the relevant cohort attended (Table 4). As stated in the previous paragraphs, quality is assumed to be an attribute of the exclusive, of the elites. Therefore, quality relied on the institutions and its oligarchies. The institutions decided all stages of quality, from admission to the length of the programs, including curricula

and professorships.

As the whole system was reformed and moved to the “market” corner, the market mechanisms, meaning inter-institutional competition, was the regulator of quality: the quality should result from competition. By 1998, the system was questioned by the authorities, and a national QA scheme was funded. By 2012 the responsibility for quality of the system moves towards the authority of the State, with the creation of a State run office for QA.

The protests and social convulsion described in the introduction forced new laws that on one hand will regulate HEIs, both private and public, to make them more accountable to the public. The non-profit nature of the institutions will be enforced by a new regulation agency called the “superintendencia de educacion superior” (superintendent of HE) which is planned to begin working in 2012 and will be fully endowed with new tools to inspect the system’s HEIs in 2014. On the other hand, the law will force programs and institutions into accreditation, and this will be a requirement to admit students eligible for state backed loans. New self regulatory practices will be pushed and certified by the government, allowing the institutions to demonstrate their quality.

All of this means that by 2014, the regulation of quality of the system will move to a more centered position, in which the forces of the market will still be predominant, but the state and the oligarchy of the institutions will have a more important role.

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