

Public Intervention in Argentina: The Homogenous Expansion of the Private University market

Marcelo Rabossi^{a,*}

^a*Universidad de Torcuato Di Tella, Argentina*

At the beginning of the twenty-first century, growing fiscal deficits pushed governments to find alternative ways for funding higher education. Many public universities started charging tuition to close the funding gap from the government. On the other hand, a fast growing private sector that was now able to absorb the main bulk of a new demand for post-secondary education brought relief to public accounts. Both situations implied that parents and students now share costs. Also, the inability of governments to fulfill students' preferences in a highly politicized public university brought private institutions to the forefront.

In countries such as Japan, South Korea and Taiwan, for example, there is a long tradition of private education providers. In Latin America, since the 1980s, a tremendous shift from public to private higher education helped the region to change the paradigm of a dominant public provider (Altbach 1999). In some countries, the expansion of non-public options was also a State strategy for defending its role as the elite of the system. Brazil and Chile are two main cases in Latin America where the high bulk of students were absorbed by the private sector. Thus, in a hierarchical system, public institutions were able to remain at the top of the pyramid. In others countries of the region, such as Argentina and Uruguay for example, public institutions positioned themselves as the main suppliers for higher education while keeping its place as the elite of the system.

In this article, I analyze the expansion of the private market in Argentina. I begin by giving a broad overview about the early stages and late consolidation. The

expansion of the private university sector was from the very beginning a major public policy issue. Thus, it never took the state by surprise as happened in many Latin American countries. According to Levy (2006), private's roles surge mostly unanticipated, not following a systemic design. In the Argentinean case, the government was never taken off-guard. However, public policy measures were far from fostering private alternatives. Thus, we will see how, in a market with asymmetric information between providers and consumers of higher education, public intervention was effective to mitigate adverse selection situations (bad and good universities are perceived as equals by potential enrollees).

Early Attempts

The market for private university education in Argentina never found a fertile ground to challenge the public dominance. From the very beginning, the State perceived private options as a menace to the public objective of reaffirming a national identity. Several attempts to breaking the public monopoly systematically failed. The first one, led by the Catholic Church during the early 1900s, faced strong opposition. An anticlerical attitude from some members of the executive power was evident. Several decades later, there was again an attempt from the country's elite to overcome the public supremacy of higher education. This time some members of the scientific community during the mid 1940s tried to open a private option in order to isolate their academic work from the political struggles that dominated the national university (del Bello et al. 2007). They failed again. Only after difficult negotiations with the government, the first private university was allowed to open its doors in 1959.

*Corresponding author: Email: mrabossi@utdt.edu; Address: School of Government, Universidad de Torcuato Di Tella, Buenos Aires, Argentina.

By the time the private sector in Argentina was legally recognized, seven countries in South American had a private option. Only Paraguay (in 1960), Bolivia (in 1967) and Uruguay (in 1985) followed Argentina in terms of breaking the public monopoly (Levy 1986). As expected, and following the private trend that explains the expansion of the private sector in Latin America, the Church was the major force behind these early undertakings.

Characteristics of the Initial Expansion (1959-1975)

Private higher education in Latin America secured its presence with the initial steps taken by Catholic institutions. Religious universities, according to Levy (1986), paved the way for future developments. Non-secular elite institutions and demand absorbing private entities followed catholic pioneers.¹ There is no clear trend that can differentiate Argentina with the rest of the region in terms of the main forces behind the first expansion. The early Catholics, together with some semi-elite private institutions, began to operate widening private options beyond public alternatives. Under these dynamics, it is possible to infer that with some limitations, the three wave's expansion model identified by Levy (1986) emerged in Argentina within a span of ten years (1959-1969).

The strong presence of Catholic institutions during this beginning was evident. More than 60 percent of all universities in 1960 embraced the Roman credo. Some semi-elite then followed, but almost none of these institutions during this period can be easily classified within the patterns that distinguish a demand-absorbing sub-sector. Evidently, the main actor in charge of absorbing the main bulk of university's students in Argentina was the public sector, and particularly after 1973 when no new private universities were allowed to enter the market. This restriction was lifted in 1989.

In short, 16 years after the first opening we find a mature and consolidated private market in terms of the number of institutions. A total of 25 universities were created as alternative universities, ending the public monopoly that was defended for more than 130 years (Table 1).

TABLE 1
NUMBER OF PRIVATE UNIVERSITIES AND UNIVERSITY
INSTITUTES IN ARGENTINA, 1960-1975

Year	Universities and University Institutes	Variation	Private Enrollment/ Total Enrollment
1960	13	-	2.2%
1965	20	7	8.4%
1970	22	2	17.4%
1975	25	3	12.2%

Sources: Levy (1986), Balán and García de Fanelli (1993); del Bello and colleagues (2007).

Table 1 shows the rapid expansion during the first decade, not only in terms of supply (number of institutions), but also in the ability of the private sector to absorb new students (17.4 percent by 1970). The decline in 1975 is direct consequence of a national university that opened its doors to all students with the only prerequisite of having a secondary school diploma.

The Second Expansion: Early Freedom (1989-1995) and Late Control (1996 to the Present)

Attuned with a general reform to introduce market dynamics into public settings, with the aim of bringing about better cost efficiency, private alternatives found a friendly environment to expand. New universities were allowed again to offer their services, and the market witnessed the rise of a diversified academic alternative. Table 2 shows that from 1989 to 1995, 23 new institutions added heterogeneity to a system dominated by the public university enrollment. And although the 1990s was a decade of big expansion for non-public institutions, less than one-sixth of all students chose an education at a private university. However, for the first time in terms of supply, or the number of institutions, private universities outnumbered public ones (48 to 40).

On the other hand, the creation of the National Commission for University Evaluation and Accreditation (CONEAU) in 1996 put a stop to this vigorous initial growth. The CONEAU, an independent public organism that works within the Ministry of Education (ME), is the national agency responsible for evaluating

and accrediting all private universities in Argentina. Those institutions that do not get CONEAU's authorization are not allowed to operate. Thus, the agency can be seen as an attempt to set up a centralized system to control the quality of the whole system.

TABLE 2

NUMBER OF PRIVATE UNIVERSITIES AND UNIVERSITY INSTITUTES IN ARGENTINA, 1980-2009

Year	Universities and University Institutes	Variation	Private Enrollment/ Total Enrollment
1985	25	-	12.7%
1995	48	23	13.9%
2005	57	9	15.0%
2009	60	3	20.5%

Sources: del Bello and colleagues (2007) and Secretariat for Universities Policies (2010).

A New Public Agenda

The neoliberal wave that since the 1980s dominated the scene of public administration around the globe had among its main goals to "reinvent government" (Osborne and Gaebler 1993). The objective was, among other initiatives, to increase efficiency and transparency of public institutions by emphasizing customer oriented policies, accountability for results, and decentralization (Peters 1996). In higher education, surveys began to be used to obtain information about student satisfaction (Kuh 2005). Also, the growing popularity of funding public universities according to performance demanded both external accountability and internal improvement as central goals (Burke 2002). Decentralization, on the other hand, implied more institutional autonomy. However, more freedom had as counterpart more central control, particularly when universities were facing a decline in public trust. Accreditation agencies jumped into the Latin American scene during the 1990s under this logic, but also for solving a market problem.

A Market Problem or a Theoretical Approach Applied to Higher Education

Consumers of education need information about the quality of the service they are acquiring in order to maximize the benefit of their investments. However, if information is not symmetrically distributed between the supplier of education and the consumer of the service, the latter is facing a problem. In other words, information asymmetries can be seen as a market problem or failure. If during the transaction one party has better information than the other, we say that there is an asymmetry. This imbalance can generate adverse selection situation (individuals tend to evaluate good and bad services as equals). Then, the allocation and distribution of goods and services are subject to inefficiencies (Akerlof 1970; Spence 1973).

The theory of the "lemons market" by Akerlof (1970) departs from the idea that adverse selection situations will cause the market to be dominated by bad products (lemons). Specifically, if the buyer has insufficient or is unable to decode the information to distinguish between a good or a bad service, both will sell for the same price. When consumers are unable to distinguish the quality of the product before they make the decision of whether to buy it or not, the seller has enough incentives to pass off mediocre quality product as good ones. It is expected that if this happens, bad products will tend to dominate the market.

Although the logic of lemons describes behaviors found in the used market for cars, it may apply, with some limitations, to education. One main difference between both markets is that selling a used car is a one-shot game. The relationship between both seller and buyer finishes once the used car is sold. On the other hand, education can be perceived as a sequential or repetitive game. Universities build up their reputation for future demand based on today's quality. In other words, reputation can affect future developments. However, quality in education is not easily measurable; and if so, it is generally quantifiable only after the consumer has bought a big portion of the service. As in the used market for cars, there is a clear asymmetry between the institution and the potential buyer about the final quality

of the product. Even more, education is a complex and intangible service. University effort and quality is not fully observable to families and prospect students. On the other hand, succeeding in the university is determined by several non-organizational factors. Personal ability and motivation, and how students interact with other persons and the environment also matters (Tinto 1994). For example, if quality is defined in time to graduate, are those institutions where students take a shorter time period to graduate better than others? (Readings 1996). Thus, quality can be an elusive concept. If information between providers and customers are not symmetrically distributed and easy to decode, adverse selection problems can arise. If so, there is a need for a new actor to mediate between the university and the potential student, if the objective is to maximize both private and social benefits.

The existence of asymmetries of information between a provider and consumers is often used as a justification for government intervention, and particularly if we are dealing with a merit good as education (Mugsgraves 1959; Ver Eecke 1998).³ The government is the actor that has better access to information, and much better than potential consumers of education. Also, it has the legal means to make the disclosure of data mandatory to universities. Public intervention can then mediate between both agents (universities and potential students) providing reliable information. The goal is to arrive to a better selection from the consumers' point of view, and increasing the individual utility or welfare (Mann and Wüstemann 2010).

Regardless of rankings' reliability (administered by public or private organization), they provide information to students and families. In a competitive market with available information, we can expect that consumers of education will be inclined to pay more for a better service. This type of market coordination will not deter the appearance of lemon institutions, but will screen bad from good universities. As a result, high quality institutions will position themselves better. Finally, this will lead to a kind of stratifications of education regardless of their funding system.

On the other hand, accrediting bodies can be seen as public mechanisms, or institutions, to prevent lemon

universities. The stratification will still be present, but we can expect that the hierarchical pyramid in terms of their status will be relatively flatter. Though, in this kind of public coordination, we can expect a less heterogeneous market in terms of quality than in pure or competitive market coordination.

Accreditation Agencies to Solve a Market Failure

The rapid expansion of the private market of higher education was in many cases an unanticipated phenomenon that took governments by surprise, where the state role in planning was limited (Levy 2006). The increasing number of institutions added not only heterogeneity to the new public offer, but also different levels of quality among them. It is expected that under such situation, low quality institutions would have the conditions to thrive. In other words, and before an adverse selection situation, we expect that "lemon institutions" will tend to dominate the market, at least in the short run. Within an unregulated market, it will be difficult for a new private university to convince potential students that they are not the same as "other low quality private competitors." If informational asymmetries between buyers and sellers were high, it would be easier (and more profitable) to set up a low quality university and pretend to be an average institution.

To avoid these unwanted consequences, or market failures, the development of the private university sector during the 1990s was generally complemented with accrediting bodies to monitor the quality of programs and institutions. Their role was not only to set minimal standards, but to promote higher standards of quality among universities.

CONEAU: A Highly Centralized and Rigorous Public Accrediting Agency

CONEAU plays a decisive role during the long accreditation process all private universities in Argentina must pass, where institutions need a favorable report from this entity before receiving their definitive authorization. The National Executive Power grants the final recognition. Thus, while all public universities are na-

tional entities regulated by the same body of laws, norms, and decrees, private universities are also legally regulated through a centralized mechanism. And although these rules ended up limiting public-private distinctiveness and private growth, they also favor non-public organizations by legitimizing their role in the market. So, what was handed down as a legal restriction to stop private expansion, actually, has helped private institutions as they position themselves as reliable substitutes to public universities (Rabossi 2011). The role of CONEAU as a strict supervisor is out of question. Suffice to say that since its opening in 1986 to 2009, out of 88 authorization requests only 12 institutions got official recognition (CONEAU 2010). An extremely low proportion of full-time faculty members, deficient research planning, libraries with scarce or irrelevant bibliographic material, and a cash-flow plan denoting financial fragility are some of the most common causes that CONEAU found incompatible for allowing new universities to be part of the national system of higher education. In other words, lemons were not welcomed within the high standards promoted.

Conclusions

Previous to the creation of CONEAU, the ME in Argentina played a significant role as a tough supervisor. Strict entry rules for private options were set from the very beginning in 1959, although this regulatory trend did not imply a rational planning for the tertiary level. In any case, a rigorous legal framework prevented the creation of mediocre private higher education institutions. In contrast to what happened in Brazil and Colombia, just to mention two countries in the region where private universities were also thought as an alternative to decompress the public system, the market for private higher education in Argentina was restrictive. On the other hand, the Argentinian free-for-all public system put no entry barriers for any student holding a high school diploma. In other words, non-public options were never considered as substitutes to attract students that did not find a place in public institutions. In this environment, private alternatives also found a ceiling for its enrollment growth.

Furthermore, in comparison to other Latin American countries, these legal barriers have helped Argentina to develop a somewhat homogenous private system with high or reasonable standards of quality. We find that the quality gap between top ranked private universities and those at the bottom is smaller from other private systems in the region. In other words, dispersion in terms of quality is relatively lower. For example, this situation contrasts with what is happening in several countries of Latin America, such as El Salvador and Mexico, for example. In El Salvador, the opening of illegal institutions has not been an uncommon practice (Alba and Luna 2003). In this country, for example, the opening of more than 40 private universities during the 1980s and 1990s was a government strategy to weaken a public university controlled by the leftist guerrilla. Then, within a political more than a strategic planning, many of the new universities did not fulfill the minimum quality requirements (Elías Campos 2004). Later, the Ministry of Education closed down several institutions due to quality issues. Even today, more than half of all institutions in the current market are not accredited universities. In the case of Mexico, over the last decade the number of private universities grew considerably. By the end of 2009, there were more than 1,600 institutions that granted at least a *licenciatura* degree (bachelor), but less than half of them (538) had been evaluated in terms of the quality of their programs (Informador 2010).

However, by any means the restrictive policy in Argentina had the objective of fostering private elite undertakings. Enough will be to say that Argentina was unable to generate an elite private sub-sector with real impact in the market. In a system, the capacity of generating an elite sector is generally tied to the research activity developed by each institution. In Chile, for example, a group of private universities, specifically those privates that are part of the *Universidades del Consejo de Rectores*, get direct public funding. Thus, many of them are able to conduct serious research. On the other hand, public research money for private institutions in Argentina is scarce, or non available. Nonetheless, by limiting access, both the ME and CONEAU

avoided the appearance of low quality universities, or “lemon institutions.”

We can also speculate that the limited heterogeneity found in Argentina can be the consequence of having a single and national accreditation agency that sets the rules for the entire system. Also, the for-profit sector in Argentina was not legally authorized. In general, this market is exceptionally diverse, and in some instances considered as an inferior alternative (Kinser and Levy 2005; Cárdenas 2010). Thus, this can be another major characteristic of the system that has helped to restrict even greater homogeneity in Argentina and less dispersion in terms of quality. On the other hand, in Chile and Mexico, for example, we find a more heterogeneous private market in terms of quality, where several accreditation agencies at a regional level defined the patterns.

In short, we can enumerate several factors that have helped the private university sector in Argentina to be less heterogenic:

1. A ME that has been very strict to quality issues from the very beginning.
2. A free-for-all open public university dwarfed the development of a stronger private demand-absorbing subsector.
3. Uniformity of criteria in the creation of new universities.
4. Only non-for-profit universities are allowed, limiting a more heterogeneous private market.

In a country where rankings, public or privately administered, are not generally welcomed, government control and coordination was the main force that stopped the appearance of lemon universities. And while public intervention restricted the development of a more dynamic and heterogeneous private sector, by avoiding the presence of universities with a lack of rigorous academic standards, the state actually helped private institutions to legitimize their presence in a market where the national university is still perceived as the top quality university.

Notes

1. According to Levy (1986), the growth of the private university sector in Latin America occurred in three consecutive waves. The first one, the *Catholic Reaction*, depicted the role played by the Church in the creation of the first private institutions in the region. The second wave, the *Elite*, basically a secular phenomenon, is the reaction of a social group who saw their privileges in jeopardy by sharing their interests with lower classes in a politicized public university. The third and last wave, *Non-elite Private Alternatives*, describes the secular private development to give answer to the failure of the public sector.
2. The first post-colonial university to open their doors was the public University of Buenos Aires, funded in 1821. The current National University of Córdoba was in fact the Jesuit College, a religious institution created, among other objectives, to train officials for the Spanish crown and to dissuade the expansion of the Protestantism in the region. It began its academic activities in 1613. After the Jesuits were expelled from the continent in 1776, the institution was controlled by the Colonial government and renamed Royal University (Rebora 1987; Cano 1988).
3. In economics, a merit good is a commodity or product that an individual or a society considers to be intrinsically desirable. If left solely by market competition, the product will be underprovided. Government intervention is needed to secure its provision.

References

- Akerlof, George. 1970. “The Market for ‘Lemons’: Quality Uncertainty and the Market Mechanism.” *Quarterly Journal of Economics* 84 (3): 488-500.
- Alba, Francisco and Julio Luna. 2003. *Antecedentes, Situación Actual y Perspectiva de Evaluación y Acreditación de la Educación Superior en Centroamérica*. Caracas, Venezuela: UNESCO Instituto

- Internacional para la Educación Superior en América Latina y el Caribe (IESALC).
- Altbach, Philip G. 1999. "Private Higher Education: Themes and Variations in Comparative Perspective." In *Private Prometheus: Private Higher Education and Development in the 21st Century*, ed. Philip Altbach. Chestnut Hill, MA: Center for International Higher Education (CIHE).
- Balán, Jorge, and Ana García de Fanelli. 1993. *El Sector Privado de la Educación Superior: Políticas Públicas y sus Resultados Recientes en Cinco Países de América Latina*. Buenos Aires: Centro de Estudios de Estado y Sociedad (CEDES).
- Bello, Juan Carlos (del), Osvaldo Barky, and Graciela Giménez. 2007. *La Universidad Privada Argentina*. Buenos Aires: Consejo de Rectores de Universidades Privadas (CRUP).
- Burke, Joseph 2002. *Funding public colleges and universities for performance: Popularity, problems and prospects*. New York: The Rockefeller University Press.
- Cárdenas, José María. 2010. *La Universidad Latinoamericana en Discusión*. Caracas, Venezuela: IESALC.
- Comisión Nacional de Evaluación y Acreditación Universitaria (CONEAU). 2010. *Memorias Anuales*. Buenos Aires: CONEAU.
- Elías Campos, Adalberto. 2004. *Educación Superior Privada Universitaria en El Salvador*. Caracas, Venezuela: UNESCO IESALC.
- Informador. 2010. "Aumentan universidades privadas en México." [Informador.com.mx](http://informador.com.mx).
- Kinser, Kevin, and Daniel Levy. 2005. *The For-Profit Sector U.S. Patterns and International echoes in Higher Education*. Working Paper No. 5. Albany, NY: Program for Research on Higher Education (PROPHE), University at Albany.
- Kuh, George. 2005. "Using Student and Alumni Surveys." In *Achieving Accountability in Higher Education*, ed. Joseph Burke. San Francisco: Jossey-Bass.
- Levy, Daniel. 1986. *Higher Education and the State in Latin America: Private Challenges to Public Dominance*. Chicago: University of Chicago Press.
- Levy, Daniel. 2006. "The Unanticipated Explosion: Private Higher Education's Global Surge." *Comparative Education Review* 50 (2): 217-240.
- Musgrave, Richard. 1959. *The Theory of Public Finance*. New York: McGraw-Hill.
- Osborne, David, and Ted Gaebler. 1993. *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*. New York: Plume.
- Peters, B. Guy. 1996. *The Future of Governing: Four Emerging Models*. Lawrence, KS: University Press of Kansas.
- Rabossi, Marcelo. 2011. "Differences between Public and Private Universities' Fields of Study in Argentina." *Higher Education Management and Policy* 23 (1): 67-85.
- Readings, Bill. 1996. *The University in Ruins*. Cambridge, MA: Harvard University Press.
- Spence, Michael. 1973. "Job Market Signaling." *Quarterly Journal of Economics* 87 (3): 355-374.
- Secretaría de Políticas Universitarias (SPU). 2010. *Anuario 2009 de Estadísticas Universitarias*. Buenos Aires: SPU. Available online at: <http://portal.educacion.gov.ar>.
- Tinto, Vincent. 1994. *Leaving College: Rethinking the Causes and Cures of Student Attrition*. Chicago: University of Chicago Press.
- Ver Eecke, Wilfried. 1998. "The Concept of a 'Merit Good': The Ethical Dimension in Economic Theory and the History of Economic Thought or the Transformation of Economics into Socio-economics." *Journal of Socio-Economics* 27 (1): 133-153.