

GOVERNMENT-TYPE AND MARKET-TYPE  
HIGHER EDUCATION:  
A COMPARATIVE SURVEY OF FINANCING HIGHER  
EDUCATION IN THE SOVIET UNION, GREAT  
BRITAIN, THE UNITED STATES AND JAPAN

By MASAZO OHKAWA\*

I. *Introduction*

Throughout the world, governments have been deeply involved in higher education in so far as it provides public benefits to the society as a whole. Concretely speaking, they have played a leading part in determining total enrollments and the composition of student bodies, the speed and the direction of expansion of higher educational institutions, and the methods of financing their current and capital expenditures. The dependence of those expenditures upon government funds has grown stronger in proportion to the extent of the public or social benefits contained in higher education. The extreme case is that all higher educational institutions are operated under governmental controls and the whole of their expenditures are financed by taxation.

If higher education can be considered a highly public good like national defense, the benefits of which are general and indivisible, the above-mentioned extreme case of operating and financing higher education may be regarded as proper and efficient. Advanced European countries as well as developing countries provide many examples of such purely government-type higher education.

However, on the other hand, there is a strong argument for regarding higher education as a private good which gives specific, individually divisible benefits in the sense that it assures individual students of higher lifetime incomes and social positions after graduation. To the extent that higher education contributes to the promotion of private welfare in this way, the finance of higher education may reasonably rely on income from private sources, for example, tuition fees paid by students and their parents. The more institutions of higher education can depend on private sources, the more they can be independent of governmental control. Just as in a commodity market, independent colleges and universities compete as much as they can to attract good students and to provide their students with better quality educational services. The keen competition for better students and faculty members is to be seen not only among independent, private institutions, but also between private and public sectors. The educational system in the United States is a typical example of such competitive higher education. Similar market-type competition exists in Japan too, but the difference is that Japanese public institutions, in general, stand in a much stronger competitive position than independent private institutions. The public institutions owe their favorable position to the significant financial support of the national government, which

---

\* Professor (*Kyōju*) of Public Finance.

has made it possible for them, especially during post-war inflation periods, to supply better educational services with much cheaper tuition than independent, private institutions.

It is not exaggerating to say that almost all higher educational institutions in developing countries belong to the government-type. This type also prevails among the economically advanced countries of Europe, while in the United States and Japan the government-type competitively coexists with the market-type. This difference can be said to arise from the difference in the social functions attributed to higher education in each country.

## II. *Government-Type Higher Education in the Soviet Union*

### (1) Higher education as a means of promoting national interests

According to the Fundamentals of Legislation of the USSR and the Union Republics on Public Education, all public education in the Soviet Union is called upon to ensure the development and the satisfaction of the cultural and intellectual requirements raised by the Soviet people. Particularly higher education is assigned the task of carrying out national goals such as (1) training of highly skilled specialists having a knowledge of Marxist-Leninist theory, and having profound theoretical knowledge and practical habits of work in their line; (2) doing research work which helps raise the level of training of specialists and promotes social, scientific and technological progress.

The close relation between higher education and national interests in the Soviet Union is clearly understood when the establishment of new institutions or the expansion of existing ones is under consideration. The State Planning Committee (Gosplan) as the supreme planning agency in the Soviet Union has the duty and the power, in cooperation with the Ministry of Higher Education, to determine the size and the academic fields of newly established or expanded higher educational institutions. The program of how many specialists are to be trained in each field is determined by the State Planning Committee which estimates the future national needs for those specialists. Based on the pre-determined manpower plan the Ministry of Higher Education allocates to each university or institute the number of students to be trained.

In this way the higher educational system in the Soviet Union is firmly built into the overall economic planning system as an indispensable means of approaching the goals set by it. Higher educational institutions are heavily burdened with the task of training prospective national leaders in the fields of research, technology, medicine, education, arts, economic planning, industrial management, agriculture and so on. In order to fulfill the national obligation they give rigorous training to qualified students on the one hand, and, on the other, resolutely close their doors to unqualified applicants. The Soviet economy has no surplus resources to be wasted by accommodating into higher educational institutions more students than it truly needs. Cool economic planning operates to close the door to unqualified students and prevails over the warmhearted inefficiency of equal educational opportunity for everyone.

It goes without saying the principle of equal educational opportunity should be applied only to academically qualified students. As a natural result the entrance examinations to higher educational institutions in the Soviet Union cannot but be strictly selective. To be efficient and successful in educating nationally required specialists under the directives of

the central planning agency, the higher educational institutions are required to reduce the opportunity cost of higher education by beforehand excluding unqualified students who fail the highly competitive entrance examinations.

## (2) The theoretical grounds for free higher education

As we have seen, national interests exert a decisive influence not only on determining new entrants into higher educational institutions, but also on planning the curriculums. The characteristic of national interests penetrating the Soviet Union's system of higher education extends even to job placement for graduates. Those students who have been given higher education in accordance with national goals are naturally required to contribute to them after graduation by taking the specialist jobs allocated by the central government in the long-term economic plan. Graduates are obliged to engage in the assigned work at the appointed place for at least three years. They may be allowed to express their desired occupation and location in advance, but they have no right to refuse the final allotment made by the national planning committee. If they refuse a position or leave their assigned work on their own initiative in less than three years, they are said to be deprived of their qualifications as specialists.

As part of a system which operates as described above, the universities and institutes of the Soviet Union cannot be anything but reliable tools for the national objective aimed at efficient use of human resources. In so far as they become effective policy tools and their students work hard enough to become nationally required specialists, it is reasonable that their expenditures should be financed by the national fund and their students should receive higher education free of any individual charges. In reality students benefit not only from free tuition, free books and gratuitous lodging, but also from scholarships sufficient to cover other living expenses. The harder they study, the more scholarship money they can receive. The individual stipend depends on the academic performance of each student. Moreover students who attain the highest academic scores are favored by several additional kinds of scholarships. This measure is aimed at inducing other students to work harder. It could be said that the scholarship is a kind of wage paid to students in proportion to the quantity and quality of their studying work, compensating them for the income foregone while pursuing higher education. The appropriateness of this statement is clear from the fact that students who have been wage-earners before attending higher educational institutions are paid roughly as much scholarship as the amount of their previous wages.

Briefly summarizing, the role of higher educational institutions in the Soviet Union is completely determined by the national economic plan. As remuneration for fulfilling their prescribed function they are well-equipped with modern educational facilities, maintained in ideal conditions wholly by government funds, and their students receive the benefit of free higher education.

## III. *Quasi-Government-Type Higher Education in Great Britain*

The higher educational system in Great Britain consists of three strata, universities, technical and other colleges of further education, and colleges of education. Recently the social importance of the latter two, especially of further educational colleges, has been

increasing, reflecting the policy of expanding higher education to a greater number of young people and adults. But in the following sections we shall concentrate our attention on the universities, because, having been the center of British higher education for several centuries, they show the characteristics of the British higher educational system most clearly.

(1) Independent universities financially supported by the national government

The reputation of British universities as the highest educational institutions comes from the following distinctive features; first, their selectivity in choosing entrants from among a rapidly increasing pool of applicants; second, the firm sense of responsibility of the national government for financing university expenditures by grants distributed through the University Grant Committee.

The applicants for admission to a university in Great Britain are required to pass the Advanced Level Examinations in at least two or three subjects. These A-Level examinations are given by independent examining bodies closely connected with universities. Generally speaking, prospective university students take the A-Level examinations at the age of 17, that is, after completing the five-year course in a secondary school plus an additional two-year course. A large number of students leave school for jobs right after the five-year course of secondary education, the limit of compulsory schooling, has been completed. Actually, this can be considered the first stage of selection for university entrants. A-Level examinations form the second stage.

Applicants who succeed in passing the examinations are subject to an additional third screening which is planned by each university in the form of an interview, oral examination, aptitude test or simple exclusion of the excess applicants with relatively lower marks. Most of the fortunate applicants who have passable results in the A-Level examinations are usually able to find a place in some university department, if they don't have a special ambition to enter a particular department or university. But it should be kept in mind that the good fortune of finding a place falls only on a limited number of youth who have continued to have firm patience and love of learning sufficient to pass through the several hard stages of selection.

British universities and their students are not as tightly directed by the national government as in the Soviet Union, but they may be said to be voluntarily oriented toward social interests in return for the socially privileged status which is given to the selected persons. In the higher education of Great Britain the so-called selectivity principle prevails against the great waves of world-wide popular universalism crying for equal educational opportunity. The academic excellence and social reputation which are characteristic of British universities are built upon this stern selectivity.

The second fundamental feature of British higher education, its orientation toward social or national interests, combined with social selectivity, forms the theoretical basis for financing university expenditures mainly by government grants. British university graduates are expected by the people to play a leading part in every field of social activity, in politics, public administration, diplomacy, law, business, technology, science, education, medicine, arts, and so on. The services of university graduates as social leaders may be called public goods because they are beneficial to the society as a whole, playing an influential role in improving the general welfare of its constituent members. The benefits created by the social leaders have the nature of being distributed equally and indivisibly to the whole

of the society. If university students are educated well to become such social leaders, nobody will oppose paying for educational expenditures out of general tax revenues of the national and local government.

The exchequer grants from the national government are not distributed directly to universities, but indirectly through the University Grant Committee (UGC). This intermediate committee has been established for the purpose of maintaining the self-governance of the British universities even under their financial dependence upon governmental grants. The national government is not empowered to intervene in the budget-making of each university, even though it has the power to determine the total amount of annual university grants. Concerning the annual budget-making, each university is only required to consult with the UGC every five years. In the case of the current grant, each university is free to allocate it among various expenditure items. Nevertheless, when a university wants to get capital grants such as for buildings or costly equipment, it is required to explain its capital expenditure program to the UGC on a yearly basis.

Thus we may say that British universities are financially indebted to the national government, but politically they are permitted to be fairly free from its control. They are independent at least on academic and daily administrative matters inside universities. But this does not mean that the British national government is powerless in the policy-making of higher education. On the contrary, the future development as well as the present existence of British universities is fundamentally determined by the educational and budgetary policies of the British national government. The above-mentioned strict selectivity and high social reputation of the British universities have been, and will be maintained hand-in-hand with the discretionary budget policy. The national government assumes almost full financial responsibility for universities, and therefore will not allow them to overexpand even in the face of the popularized equal-opportunity principle.

## (2) Grants to students compensating them for foregone income

From the viewpoint of the national economy we must include in the cost of higher education not only the money costs paid by higher educational institutions, but also the income foregone by students during their attendance at those institutions. The foregone income may be difficult to estimate, but for individual students or parents it can be said to be the largest cost item. Even for the national economy it is so important that we make a great mistake in the planning of higher education if we don't take it into consideration. For example, if we ignore or underestimate students' foregone income, we are likely to have too many universities, too many students and too wide doors to higher education. Net social benefits of higher education are apt to be overestimated due to the neglect of the largest cost factor, foregone income. This leads to the overexpansion and, I am afraid, the deterioration of higher education.

In the case of an individual student, the burden of foregone income must be felt more clearly. This burden gets heavier as family income becomes smaller. And it prevents a great number of poor boys and girls from applying for admission to higher educational institutions, even though they are academically well qualified. Therefore, if we fail to take account of the foregone income cost, we are certain to lose poor applicants with high ability. This goes against the principle of equal educational opportunity as well as economic efficiency. If we want to have the optimum number of qualified students for the goal of ef-

ficient resource allocation and to give poorer youth an equal opportunity to higher education according to the principle of right income distribution, we must have some policy means of compensating students for their foregone income.

In this respect British university students have been favored by a system of student grants which is sufficient to defray various kinds of fees and living expenses. The cost of students' foregone income can be recovered with the help of such a grant system. Of course, in calculating the amount of grant to an individual student, the contributions from his or her parents are taken into account. The more money he or she can expect from parents, the smaller the grant the student is entitled to receive. But here I would say that, in general, there is not any great financial obstacle to discourage British youths from proceeding to higher educational institutions.

Even though such a satisfactory student-grant system exists, the greater part of British university students, in reality, come from middle- and upper-income families. The main reason lies in the fact that lower-income families do not have sufficient income to keep their sons and daughters at school for the two years additional preparation required for the A-Level examinations. The income foregone during these two years works as a determinate factor in the selection of university entrants. As a result, most of the benefit from the university student-grant system goes to students from the middle- and upper-income families. What explanation might be offered to justify this result which is clearly unfair from the standpoint of income distribution?

The persuasive explanation seems to be that the British system of student-grants, mainly awarded through local governments, has been developed as a means of encouraging prospective social leaders in their studies rather than as a tool of income redistribution. If those students aspiring to become social leaders are able to show through their academic records that they are really qualified, anyone of them is entitled to receive a student-grant, whether he or she comes from a lower-income family or not. In so far as the expected contributions from parents are taken into account in calculating the amount given to an individual student, we can say that income distribution is also considered in the calculation. But income redistribution is not the main effect pursued by the student-grant system. It is more accurate to say that the grant is awarded to students for the main purpose of securing the economically efficient number of social leaders. They are regarded as a type of public goods in the sense that the benefits from them spread generally and indivisibly to the whole society. Thus, the grant to students has been authorized without question to be proper item of public expenditures burdened by general tax-payers.

To summarize, in the financial mechanism of the British higher education system a great part of the universities' expenses has been defrayed by the national government through its grants to institutions, and most of the students' educational costs including their living expenses have been financed by the student-grant from the local governments. This financial mechanism shows clearly that higher education in Great Britain has been regarded as having the character of a public good. It is true that various kinds of private benefits, in the form of higher individual income, better social position and a more promising life, accrue from higher education. As far as these private benefits are enjoyed by an individual, it is economically reasonable and distributionally fair that a part of the costs of higher education should be met by a private or market-type method of financing such as a school tuition fee. But in Great Britain, we conclude, the public benefit from higher education has been valued

more highly than these private benefits. In other words, British higher education has been so limited to such a small group of selected elite students as to make its public-benefit effect clearly recognizable.

#### IV. *Market-Type Higher Education in the United States*

In the United States we find a system of higher education quite different from either that of the Soviet Union or that of Great Britain. Its peculiarity consists in the co-existence of two groups of higher educational institutions, private and public. But within and between the two groups there has been heated market-type competition for better faculty members and students. Originally, private institutions were more prevalent and a higher reputation attached to them. But nowadays the public group, which includes state universities, state colleges and community colleges, has been attracting more students, and some of these institutions have world-wide reputations which put them in competition with the top-ranked private institutions. Even with the emergence of public higher education, however, the market-type principle of competition, the basic principle underlying American higher education, continue to work effectively.

##### (1) Independent, private institutions with high-tuition versus state-dependent, public institutions with low-tuition

As far as current-fund revenue is concerned, private institutions of higher education are far less dependent on public funds. On the average, just fifteen percent of their total current revenue comes from public sources, that is, federal, state and local governments. Comparatively, in the case of the public institutions more than fifty percent comes from public sources, mainly from state governments. The percentage of current revenues coming from student tuition and fees is nearly forty percent in private institutions against less than fifteen percent in public institutions. In terms of the absolute amount of tuition and fees, students at private institutions, on the average, have to pay yearly about \$2,500, five times as much as at public institutions.

In the 1950's the number of students enrolled in public institutions of higher education was almost as great as in private institutions. Since then a drastic change has occurred. In the 1970's the share of public institutions in the total number of students has risen to 75 percent, and consequently that of private ones has fallen to 25 percent.

Rapid increase of public expenditures poured into the field of higher education has been both the cause and result of the growing share of public institutions. Increased public expenditure has made it possible to expand remarkably the public institutions, inviting many more students to them while keeping the level of tuition low. Reversing the cause and effect relation, more and more students who want to be enrolled in public institutions have made it inevitable for the state and local governments to allocate greater amounts of public funds to higher education. Following the tendency toward a growing public sector role in higher education, the relative share of the private sector has rapidly declined, but this does not mean that the latter has lost its long-established academic reputation. Private institutions have still continued to attract as many talented students as ever, and to carry out the socially important function of educating prospective social leaders without depending on large-scale

financial aid from public funds.

If so, what reasons have made the public institutions necessary in addition to the private ones in the United States? The nationally required function of educating candidates for social leadership has been adequately filled, as mentioned above, by the private independent institutions. What other functions have been fulfilled by the public institutions?

We can safely say that public institutions have been established and maintained for the purpose of giving equal educational opportunity to every qualified person irrespective of his family's income and wealth. Private institutions, as a natural result of their being independent of public financial resources, have been forced to depend mainly upon high level of tuition paid by students. If countermeasures are not taken against such high tuition, we cannot but foresee the undesirable result that higher education in the United States might become limited to the youth from wealthy families. As indeed it once was, a lot of academically qualified applicants to colleges and universities might be excluded only because their parents' income happens to be not enough. Needless to say, such an outcome is not only inefficient in achieving the original function of educating trustworthy social leaders, but it also goes against the distributional goal of narrowing the income difference among citizens. An effective, though not always the surest, way to income equalization is to assure equal educational opportunity. Education increases the possibility of students' going up the social ladder to more responsible jobs and positions and, in addition, to a more comfortable life. Thus, if the door of higher education is opened by some political means even to the youth from low-income families, many of the social handicaps that they are destined to suffer from the start in life may be removed. They can be more ambitious and have the chance to succeed in life almost as often as the youth from high-income families.

In the United States, the income-equalizing effect of higher education has become real through the introduction of low-tuition institutions financially maintained by state or local governments. Even at the most expensive, the highest tuition is equal to just one fourth of the normal tuition level in private institutions. If they want to continue studying, poor graduates from high schools can choose a university or college from among the following three types of public institutions: ( 1 ) a few state or city universities, which are so reputed as to be competitive with private research universities, but which charge relatively higher tuition; ( 2 ) several state universities or colleges, which usually do not engage in advanced research work, but which offer a wide range of academic programs with lower tuition; ( 3 ) a vast number of two-year community colleges located close to students' homes, which offer a wide variety of technical programs with only nominal tuition.

With the adoption of the low-tuition policy by public institutions and the development of government grants to students, we could say that now there is no serious financial obstacle to prevent qualified American students from going on to higher education. But arguments have been made that serious inequity remains. It is said that the public university system, compared with other systems of public higher education, offers better teaching programs, spending more in terms of direct educational expenditures per student. But the university system, in fact, opens its doors only to the top-ranking high-school graduates, most of whom come from upper- and middle-income families. Graduates with less outstanding high school records, whose parents often belong to a lower-income class, have to find places in other public institutions and, therefore, are excluded from the benefits of better teaching services and more expensive educational facilities of the university system.



Some writers have been led to conclude from the fact of better educational services for higher income students that public higher education in the United States has given rise to an anti-income-equalizing effect. This is true in some sense, although I am sure there are strong reasons for justifying the policy of state governments to raise the level of university tuition. In spite of this fact, though, we can say that public higher education in the United States as a whole has contributed toward equalizing the income of her citizens. Its income-equalizing effects are seen in the facts that even low income students are able to have a good chance, without great financial difficulties, to enjoy the benefits of the best higher education and that most of these lower income students, even if they are not qualified for public universities, are assured of access to advanced learning and training institutions which effectively help to increase their income-earning ability.

Thus, students of the United States may be said to have been favored by the freedom to choose, from among wide-ranging types, the university or college which best suits to their scholastic ability, scientific interests, vocational inclinations, and financial resources. From another standpoint, educational institutions have been involved in the hot, market-type competition in trying to attract customer-students. Under the recent stationary or decreasing tendency of college applications, some private institutions, especially small two-year colleges, have been forced to close their gates because of financial difficulties. The private sector of higher education loudly argues for fair competition with the public sector, which cannot be realized until the tuition gap between them is narrowed. In spite of the faults of market-type free competition, I would say, the competitive higher education system in the United States has greatly contributed to its variety, energetic development, and prompt adaptability to changing social needs.

## (2) The role of the federal government in higher education

The public sector of American higher education has been supported mainly by state and local governments. They have assumed the responsibility for financing a greater part of its general current expenditures. As far as those current expenditures are concerned, the federal government has never played a role as a generous money-supplier to any institution.

In contrast, the federal government has given much money in research grants to both private and public institutions distinguished in research activities. Plentiful federal dollars have been allocated to a limited number of research universities especially for research which has a close relation with such federal policy programs as space exploration, national defense, urban redevelopment, the anti-poverty war and so on. Some top-ranking private universities which are well known for their research activities have been favored by the federal research grants over public universities.

The second role of the federal government in higher education has been to guarantee every qualified youth the opportunity to pursue higher education by lessening the personal financial burdens. The social importance of this equal-opportunity role has been growing. The ratio of low-income students enrolled in higher educational institutions, even in expensive private institutions, has been increasing. This shows that the student-grant system in the United States has been improved to the extent that the financial barrier to higher educa-

tion for low-income students has been removed. The federal government may be said to have been the most influential, though not the only, contributor to such an effective student-grant system. A well-established student-grant system helps to introduce fair competition between private and public institutions. In the United States, the tuition gap between them virtually disappears because of the grant system which makes more scholarship funds available to students in expensive private institutions. Public institutions lose their politically privileged position which has enabled them to attract students with the aid of lower-tuition. Students in private institutions, because they have to pay higher-tuition, are entitled to receive proportionately more student-grant aid from the federal government. The booklet "Meeting College Costs", published by the College Entrance Examination Board says, "Don't let high expenses discourage you. Higher cost institutions generally have more financial aid available to offer applicants than do less expensive institutions."

Federal financial aid programs for college and university students consist of three kinds, that is, grants, loans and employment. These aid programs are usually combined to form a financial aid package. Depending upon the students' financial needs, various combinations of aid programs are formed for needy students.

Among all of the student aid programs, the importance of the federal Basic Educational Opportunity Grants has been growing. The maximum amount of this basic grant effective for the academic year 1977-78 is \$1,800, less the expected family contribution. However, as another restrictive condition, the basic grant may not exceed 50 percent of the actual cost of attending the institution in which the student is enrolled. Speaking reversely, even the neediest student, who can not rely upon any contribution from his parents, is guaranteed a subsidy by the basic grant of a maximum 50 percent of the actual cost, unless his institution is not exceptionally expensive. The actual cost includes the expenses for tuition, fees, room, board, transportation and so on. Another 50 percent of the cost can be financed by the combination of the various kinds of loan and work-study programs, depending on each student's situation.

Briefly concluding, in the United States federal expenditures for higher education have been appropriated for two national purposes; (1) research development and (2) equal educational opportunity. The benefits from research development are expected to spread generally over the whole nation, not merely to the people living in states or cities where research institutions happen to be situated. That is the reason why research expenditures should be financed by the federal government. The second national purpose of providing equal educational opportunity for all young people contributes to achieving the nationally preferred goal of lessening the income difference among races, classes, districts, and regions. Having been favored by federal and other student-aid programs, American students have been fortunately freed from serious financial hardship and have been enjoying the benefits of educational equality.

Federal expenditures for higher education, however, are not projected to increase at the recent rapid pace from now on. The reason is that the increasing possibility of unemployment for college graduates under the slower rate of economic growth, which means a decrease in the private benefits of higher education, will work to discourage the numbers of youth seeking a college degree.

## V. *Incomplete Market-Type Higher Education in Japan*

Since World War II higher education in Japan has made surprisingly rapid quantitative progress, and, at the same time, has undergone a distinct qualitative change from elite education to mass education. Before the War only a limited number of young men, far less than 10 percent of those of college age, were privileged to have the opportunity of attending colleges and universities. They were truly elite students who were expected by the nation to act as social leaders in various fields after completing their educational courses, just as they are still now in Great Britain. However, the pre-war system of higher education in Japan was quite different from that in Great Britain in that the former already had a number of private universities along with national universities. Financially independent of the national government, those private universities shared the social responsibility with the national universities. Moreover, contrary to the present uniformity, private universities had their own history, their own principles and methods of educating, and were well-equipped to compete with national universities in educating social leaders. In spite of that, prior to the war the tuition-gap between private and national institutions was not as wide as it is at present. In a few words, pre-war higher education in Japan, though limited to a small number of elite students, was full of variety created by the individual characteristics of the institutions, and fairly competitive relations prevailed between private and national institutions.

### (1) The rapid development of higher education in post-war Japan

After the Second World War, especially since the 1960's, in Japan there has been a surprising increase in both the number of universities and in their enrollments. In 1948, Japan had only 12 universities and about 12,000 students. In 1950, as a result of institutional reforms which raised many three-year colleges to the status of four-year universities, the total number of universities and students increased at one stroke to approximately 200 and 225,000 respectively. Twenty-five years later, in 1975, these figures have jumped to the remarkable order of 420 universities and 1,734,000 students. Taking higher educational institutions as a whole, including two-year colleges and technical colleges, the total number of students enrolled in 1,007 institutions in 1975 amounts to 2,107,000. The ratio of first-year students enrolled in colleges and universities in 1975 to the total number of graduates from compulsory junior high schools three years before 1975, had risen to the level of 38.4 percent, more than three times as high as that in 1960. At this percentage level we may say that higher education in Japan has already taken off from the stage of elite education to that of mass education and is in the process of moving toward the more advanced stage, universal education.

The rapid development of higher education during these two or three decades is not necessarily peculiar to Japan, but is a common phenomenon in many advanced countries. However, in Japan the development is most clear and remarkable. As the main reasons for it, we can cite the following driving-forces.

#### (a) Overestimation of schooling in Japanese society

Even in pre-war Japanese society in which the inherited social standing of a family had a decisive influence on one's whole life, those who had better schooling had a greater pos-

sibility of succeeding in life and of being remunerated by private benefits such as better jobs, higher incomes, and wider social connections.

Putting aside the question of whether or not it has been good, since the war, many of the traditional moral principles with feudalistic characteristics have been broken down. The feudal authority derived from better birth has been weakened. Under these drastically reformed circumstances better schooling has now become the determinate social factor from which greater personal authority and more plentiful private benefits flow to individuals. Parents have naturally encouraged their children to seek higher education particularly in top-ranked universities, which requires passing the steep barrier of their entrance examinations. The strong university-oriented inclination, prevalent among both parents and their children, and based on their overestimated expectations of greater private benefits from higher education, may be said to have been the most powerful driving force toward the rapid quantitative development of higher education in post-war Japan.

(b) The expansionary policy of higher education by the national government

In Japan the main responsibility for policy-making for higher education lies on the shoulders of the national government. Local governments only share a small part of the responsibility. Though formally its bureaucratic authority has been indirectly used through consultation with the special governmental committees responsible, the Education Ministry of the national government has exercised powerful authority when the establishment of new institutions or the expansion of existing ones, both public and private, was under debate.

The Japanese Education Ministry, empowered to give final sanction, has taken up the policy of encouraging expanded supply of educational opportunities in response to the growing demand for higher education among postwar high-school graduates. Consequently the 228 universities in 1955 almost doubled in number to 423 by 1976. During the same period the number of two-year colleges jumped from 264 to 511. However, the greater part of the newly established institutions were private ones which managed to finance their educational expenditures almost completely by themselves, independently of the national government. Of course, the number of national universities also increased, but only slightly from 72 to 83. They enrolled only 14.7 percent of the increased population of university students. About 30 public universities maintained by local governments received another 2.1 percent. This means that 83.2 percent of these students were taken in by private universities. Thus, though the national government took strong administrative measures to assure that the increasing numbers of applicants had the opportunity to study in universities, until recently it did not give financially effective help to the private institutions, which had contributed the most to make higher education really accessible to university-oriented youth.

(2) Incomplete competition between national and private institutions

As a result of the economical policy, followed by the national government which placed the great majority of the growing student population in private institutions, the private sector of higher education has necessarily gained in importance relative to the public sector. In 1955, the ratio of private institutions to the total was a little more than 50 percent. Ten years later, it had risen to 66 percent and another ten years later, in 1975, it finally reached to the overwhelming figure of 73 percent. By looking at the ratio of all students enrolled in private institutions, we can see the quantitative predominance of the private sector more

clearly. In 1955 this ratio was already 60 percent, in 1965 it rose to 71 percent, and in 1975 it amounted to the record height of 76 percent.

In the process of attaching greater importance to the private sector of higher education, Japan has been troubled by the following serious problems.

(i) Voluntarily or involuntarily most private institutions have enrolled more students than their educational capacity. On account of the central government's budget restraint, the national institutions have been unable to expand rapidly enough to accommodate most of the increasing numbers of applicants. Fortunately for the most part these prospective students have been able to find places in private institutions which are under the loose control of the Education Ministry. This fortune owes much to the policy of private institutions of accepting, for financial reasons, more students than their educational facilities allow. From the purely educational standpoint, we cannot support such an admissions policy, but we can sympathize with the situation in which private institutions have been forced to adopt such a policy. That policy has helped them to finance soaring expenditures while maintaining low-tuition. In order to preempt tumultuous student movements against higher tuition, private institutions made the political judgement to keep tuition at a low level. But as their main revenue source this tuition level was insufficient to meet expenditures. In reality, the additional tuition revenue from the students enrolled beyond the capacity of private institutions has helped greatly to cover the resulting expected deficit.

(ii) Students at national universities who generally receive a better education pay unduly less tuition than their counterparts at private institutions. First-year students at national universities in the 1978 school year are required to pay in tuition, on the average, just one-third of the various charges imposed on new students at private universities. The tuition-gap between public and private schools was much wider in the post-war past, but the recently enacted hikes in the tuition level of the national universities have made the gap narrower. In spite of these tuition hikes, tuition revenue in the 1978 fiscal year budget covers only 8 percent of the current expenditures of the national universities. The rest of the current expenditures and the whole of capital expenditures have to be covered by national tax revenues collected from general taxpayers, most of whom have no opportunity to directly receive the educational benefit offered by national universities.

In contrast, 55 percent of the current expenditures of private universities in the 1974 fiscal year was met by the students' contributions including tuition, enrollment fees, and equipment fees. Grants from the national government to private universities were a far less important source of revenue, since they defrayed just 17 percent of current expenditures.

If the students of private universities were shown to have been supplied proportionately better educational services than the students of national universities, the higher tuition imposed upon the former may be justified on the benefit principle. But the facts show quite the opposite. Generally, the educational conditions at private universities are much worse than at national universities. Though Japan has some distinguished private universities, the greater part of them do not have income sufficient to provide the same quality of educational services as national universities. Thus, comparatively, in the private sector classroom, student-teacher ratios are much larger, the average size of school-land and buildings per student is far smaller, and libraries are less adequately stocked.

In brief, although the students of private universities are required to bear a much larger

part of their educational costs by paying higher-tuition than the students of national universities, unhappily they are rewarded with poorer educational services. Thus we can say that national universities, politically favored by the effective financial help from the national government, stand in a stronger position from the start in the competitive race with the unaided private universities.

(3) The reasons why a large amount of national expenditures have been spent particularly for national universities

Very often in public and academic discussions, the following arguments are raised to justify allocating public funds to national universities.

(a) Equality of educational opportunity

It is quite certain that the grants to the national universities from the national government have contributed to maintaining their tuition at such relatively low levels. This low-tuition, it is argued, has made it easier for young people from low-income families to have access to higher education.

We have no intention of denying the truth of this argument as far as it goes. But we are not sure how much the low-tuition policy has contributed to equalizing higher educational opportunity, since most low-income students attending national universities might have voluntarily chosen those universities even if they had much higher tuition. In addition, the following unequal effects result from the low-tuition policy which partially favors national universities: (i) a lot of low-income students, who unfortunately could not find a place in national universities, have been driven to choose a private university and have been excluded from enjoying the benefit of low-tuition; (ii) at the cost of general taxpayers (including low-income-earners), not only low-income students, but also students from high-income families can enjoy the benefit of low tuition, if they pass the entrance examination for the national universities; (iii) considering the parents in the lowest-income group who cannot do without the income probably earned by their children after they leave high school, a low-tuition policy by itself, which affects only the fortunate students attending national universities, cannot be valued as highly effective in ensuring the poorest youth the opportunity to higher education. The main target of an equal-opportunity policy must be the poorest youth who cannot afford to forego the income earned in order to attend college. Improved grant and loan programs, which completely cover foregone income, are more effective for achieving equal-opportunity than the low-tuition policy with benefits limited to the student of national universities.

(b) Voluntariness in establishing and choosing private universities

Some proponents of the policy of preferential low-tuition for students at the national universities build their argument on the basis of the voluntary nature of private universities. Unlike public institutions, private universities, it is argued, have been founded voluntarily and have been operated freely, outside government control. Likewise, students are considered to have chosen voluntarily to enroll in private institutions, having been inspired by their characteristic traditions and attractive educational principles. Autonomy and independence are destined to follow after voluntariness. If these qualities are judged pre-

ferable to government intervention which follows public financial aid, then it is right that private universities are required to cover their expenditures from their own revenues.

Thus it is claimed that there is no problem concerning educational equality, even if private universities depend on students to be the main contributors toward their expenses and, therefore, to pay higher tuition. The underlying emphasis of this argument is placed on protecting the established benefit, the low-tuition policy for the national universities, from the fierce theoretical attack made by the supporters of private universities.

I don't think the above-mentioned argument of voluntariness reflects the real present posture of higher education in Japan. First of all, it is not entirely true that private universities have been established and maintained quite independently on private initiative. In fact, they have been subject to the supervision and control of the Education Ministry on essential matters ever since they were permitted to open. In response to the national policy goal of easily accessible higher education, the Education Ministry has adopted a "generous" and economical way of controlling private universities, that is, freely permitting them to open, but giving them no financial assistance.

Secondly, the importance of the voluntariness factor is overestimated in the argument that students have chosen private universities entirely out of their own preference. Many of them, as judged by the numbers taking the entrance examinations, must have preferred to study at national universities, with the benefit of nominal tuition. But, being refused entrance to the national universities because of restricted admission policies, they have been forced to enroll in private universities. What response can we expect from the supporters of low-tuition in the national sector? Could we say it is objectively correct to base their claim on the voluntariness factor in the private sector?

Thus far I have examined the arguments for the preferential low-tuition policy and reached the conclusion, if I am right, that such a problematic policy contradicts the principle of equality and is not supported by the argument of voluntariness. Then how can we justify the low-tuition policy for the national universities? It is very difficult to justify the policy theoretically, because the adoption of it can be ascribed to politics rather than to any abstract principle. The low-tuition policy, we could say, has been used as a political vaccination against the new germ of social instability prevalent in post-war Japan.

However, if we must provide a theoretical justification for the low-tuition policy, we can only characterize it as a privileged gift to select students, who are permitted to educate themselves in the national universities in order to become fit as future public leaders. From this point of view, low-tuition could be justified as a reward given in advance for the prospective contribution by those elite students to the public interests. This justification may be rightly criticized for its undemocratic basis, in so far as it acknowledges the existence of a privileged elite. Moreover it is built on the bold, unrealistic assumption that only the national universities' students can be regarded as an elite which will make a leadership contribution to society.

We seem to have been driven into a blind alley. We can find no justification for the present low-tuition policy which conforms to our other national principles and to reality. This trouble has not resulted from our poor reasoning, but from the shortsighted, confusion-evading policy of the national government. The logical conclusion, then, is to seek a far-sighted method to reform our present system of higher education in accordance with the principles of equity and efficiency.

First, I would like to propose the introduction of improved student-aid programs sufficient to compensate students for their foregone income and to remove the tuition-gap between national and private universities. Because our present student-aid programs are far from this ideal, the opportunity to pursue higher education is unequal and the competition between national and private universities is incomplete.

Secondly, our higher educational system should be reformed to introduce variety. At present, not less than 70 percent of students enrolled in higher educational institutions attend a single type of institution, namely four-year colleges and universities. Under the stationary business conditions which have lasted for the past several years and which are expected to continue still longer, we have an excess supply of graduates from four-year colleges and universities. Inability to employ all of these university graduates is a sign that the existing higher educational system does not work efficiently to satisfy our social needs and that its structure is not suited to adapt to the social demand for college-graduates.

From the viewpoint of the basic principles of efficiency in resource allocation and equity in income distribution, public expenditures should be invested into higher education so far as it satisfies social needs, that is, to the extent that it contributes to the improvement of public welfare. On the other hand, private payment should be correlated with individual benefits. Applying these fiscal principles to higher education in Japan, we would conclude that, first, the present system should be reformed by scaling down its inefficient, surplus parts and, replacing them, by introducing new courses or institutions which will satisfy social needs more effectively. Secondly, along with this institutional reform, public expenditures should be expanded to cover some part of the additional expenses paid by private institutions as long as their educational services have the nature of publicness. The necessary funds should be raised by combining general tax revenues and increased tuition-payment by the direct beneficiaries of public higher education.

### REFERENCES

- Burn, Barbara B., *Higher Education in Nine Countries*, 1971, McGraw-Hill (New York).  
Carnegie Commission on Higher Education, *Higher Education: Who Pays? Who Benefits? Who Should Pay?*, 1973, McGraw-Hill (New York).  
Carnegie Foundation for the Advancement of Teaching, *The States and Higher Education*, 1976, Jossey-Bass (San Francisco).  
Committee on Higher Education, *Higher Education*, 1963, Her Majesty's Stationery Office (London).  
Hansen, W. Lee and Weisbrod, Burton A., *Benefits, Costs, and Finance of Public Higher Education*, 1969, Markham (Chicago).  
Ministry of Education, *Educational Standards in Japan*, 1975, Printing Bureau, Ministry of Finance (Tokyo).  
Orwig, M.D. ed., *Financing Higher Education: Alternatives for the Federal Government*, 1971, The American College Testing Program (Iowa City).  
Peacock, Alan T. and Wiseman, Jack, *Education for Democrats*, 1964, Institute of Economic Affairs (Westminster).  
Rivlin, Alice M., *The Role of the Federal Government in Financing Higher Education*,



1961, Brookings Institution (Washington, D.C.).

Rosen, Seymour M., *Education and Modernization in the USSR*, 1971, Addison-Wesley (Reading, Massachusetts).

Shultz, Theodore W. ed., *Investment in Education*, 1972, University of Chicago Press (Chicago).