



Pergamon

International Journal of Educational Development 21 (2001) 345–359

International Journal of  
EDUCATIONAL  
DEVELOPMENT

www.elsevier.com/locate/ijedudev

# The growing international commercial market for educational goods and services

Stephen P. Heyneman \*

*Vanderbilt University, Center for Education Policy, Box 514 Peabody College, Nashville, TN 37203, USA*

---

## Abstract

Most discussions and policy lessons about the commercial role in education have derived from the provision of private education programs in elementary, secondary and higher, and education and training. The private education industry includes two additional categories of activity which have not been the focus of attention. These are the private provision of education products and education services. But how large are these two activities? Do they involve international trade? Do they already attract the interest of private capital? Are these activities growing, and if so, what are their implications? This analysis will attempt to respond to these questions, and will be divided into four sections.

The first section defines education products and services, and outlines the structure of the two sub-sectors. The second section describes the size of commercial activity and its trends. The third section reviews the challenges and opportunities for those who are interested in investing in this arena. The fourth section asks the question of whether the commercial provision of education goods and services is good or bad, inevitable or not; whether countries, unsure about the appropriate response, should welcome or resist these trends.

Commercial activity in education goods and services can be expected to grow substantially. Reliable local data are rare, in part because of how education data are categorized, and in part because education data are untrustworthy in general. Government regulations may inhibit or in some instances distort local markets, for commercial enterprises, whether local or international. On the other hand, the efficiency importance of having a highly responsive commercial sector providing education goods and services is incontestable.

These changes will raise questions about the assumptions about the virtues and drawbacks of globalization, the 'protection' of developing countries, and the importance of maintaining local cultural integrity. They will also challenge some of the basic principles of national education systems. Do countries have the right to prohibit access to education if supplied by a non-government provider? If supplied by an international provider? Or do citizens in all democracies have the same right of access to the education of their choice? Should nations with technical or regulatory advantage be restricted from exporting education goods and services, on grounds that they may 'dominate' other cultures? But what if citizens want to buy it? What if they are willing to privately pay for it? Is education like a railroad or public utility? Or is there something which differentiates education from other public good services? Far from being settled, these questions will continue to be at the forefront of debate in the next few years. © 2001 Elsevier Science Ltd. All rights reserved.

---

\* Tel.: +1-615-322-1169; fax: +1-615-343-7094.  
E-mail address: s.heyne@vanderbilt.edu  
(S.P. Heyneman).

## 1. Introduction: education goods and services — definition and description of the sectors

### 1.1. Educational programs

In every country educational programs are provided in elementary, secondary, under-graduate, post-graduate, vocational and technical education. They are also provided through early education and childcare, special education, adult and continuing education, through corporate training, distributed learning, and technology-based training.<sup>1</sup> Programs are defined as an organized set of curricular activities. They can lead to a certificate or to a degree. They can be owned and operated privately or by public agencies. They can be local or international.

### 1.2. Educational goods

Educational programs cannot operate without educational materials and equipment. These constitute the industry in educational goods. Commercial activities include the design, manufacture and sales of textbooks, teaching materials, vocational and scientific equipment, educational software, videos, multimedia, and school furniture as well as school supplies.

### 1.3. Educational services

No matter how well manufactured, educational materials and equipment cannot be used efficiently unless there is available a supply of high quality education services. These services are necessary in any complex sector that has to manage fairly the needs of millions of individuals, hundreds of millions in pieces of equipment, and significant political

visibility associated with the results. Commercial activities in educational services include the design, marketing and sales of testing, certification, test preparation, tutoring and other enhancement programs, management consulting, administrative and human resources — accounting, pension, health care, in service training.<sup>2</sup>

### 1.4. Educational consumers

Educational programs, goods, and services are provided for consumers of divergent types. These include individual schools and colleges as well as systems of schools and colleges, both public and private, NGOs, commercial corporations, and private individuals.

### 1.5. Market size and trends

Because of data limitations, it is not possible to answer all questions on educational goods and services in developing countries. Instead, the questions must begin with illustrations from the areas of the world where data are more comprehensive. To begin, the education goods and services markets will be described for the North America, then for OECD countries generally, then for Asia, Africa, Latin America, the Middle East and ECA.

### 1.6. North America (Kearns, 1999)

The Education and Training Sector: Education companies have raised \$US 3.4 billion in equity capital since 1994 through 38 Initial Public Offerings (IPOs). Education and training stocks have

<sup>1</sup> Corporate training is provided for internal staff members of commercial enterprises. The Saturn Program of Corporate Training is one illustration. Distributed learning is education and training from a central provider, but delivered to widely disperse locations. One example is the University of Phoenix that has campuses in many parts of the US and around the world. Technology-based training means learning a specific technology. Microsoft for instance offers certificates, at different levels of mastery, of Microsoft programs.

<sup>2</sup> The key distinction between an educational program and an educational service is the presence of a degree or a certificate. Technology-based training is a program if it leads to a certificate and a service if it does not. Similarly, the teaching of reading is a service if it is after-school tutoring, and part of an education program if it is part of that program's main activity.

seen a rise of 134% since 1994.<sup>3</sup> The Education and Training industry is now North America’s second largest, accounting for nearly 10% of GDP. Education services constitute the fifth largest service export \$US 8.5 billion in 1997).

Goods and Services Sub-Sectors: Twenty-six billion dollars were spent on education-related goods and services in 1997. These included: \$US 11.6 billion on textbooks and supplementary materials, \$US 4.8 billion on technology, \$US 3.0 billion on testing and test preparation. Within the government and corporate sector, \$US 9.6 billion was spent on goods and services, \$US 6.1 billion on Information Technology (IT) training.

How large is the market in the private provision of education by comparison to the private market for education goods and services? In the United States the three are approximately equal in terms of their proportion of overall revenues (Services, 30%; Products, 24%; Education programs, 28%) (See Fig. 1.)

The education services sub-sector consists of three major components: Training (81%), Supplementary Services (15%), and ‘At-Risk’ services (4%). Training consists of a combination of instructor-led, Internet-based, computer-based or

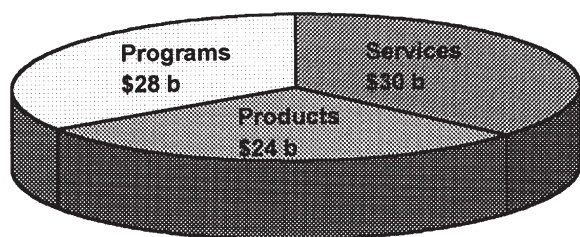


Fig. 1. Education industry reviews: \$82 billion. (Source: DOE, Eduventure Research)

<sup>3</sup> This is not to suggest that all publically-traded education stocks are rising or are rising equally. In 1999, Education Industry (EI) Index figures show that the average EI stock lost almost 20%. This unfavorably compares with a gain of about eight percent in the Russel 2000, 18% in the Dow Jones, and 53% for the NASDAQ. Some sub-sectors seem more problematic than others. Among the largest losers were post-secondary education, At-Risk-Youth, and Adult Training. On the other hand, stocks in Educational Product companies gained fairly consistently. See: The Education Industry Group, The EI Index, 1999, Sioux Falls, North Dakota, December, 1999, p. 7.

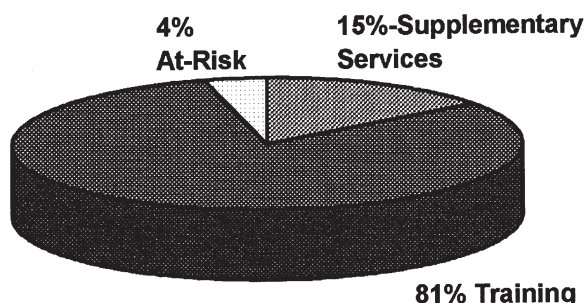


Fig. 2. Services sector markets. (Source: EduVentures Research)

video-based training to professionals, with a certificate awarded on successful completion (revenues in 1998: \$US 24 billion). The ‘At-Risk’ market consists of services for children and youth experiencing difficulties. It includes rehabilitation as well as correctional services (revenues in 1998: \$US 1.3 billion). Supplementary services include educational consulting, test preparation, after school and summer programs, language services, psychological and skill assessments (revenues in 1998: \$ US 4.4 billion) (See Fig. 2.)

The market for educational products in the US consists of Publishing (35%), School Supplies (29%), Hardware (27%), and Electronic Media (9) (See Fig. 3.) Hardware consists of companies which provide computers, networking, VCRs televisions and other audiovisual systems to schools. School Supplies consist of learning tools and equipment (maps, blackboards, chalk, laboratory equipment marketed to schools, teachers or individual consumers). Publishing consists of textbooks and other print-based materials, but also

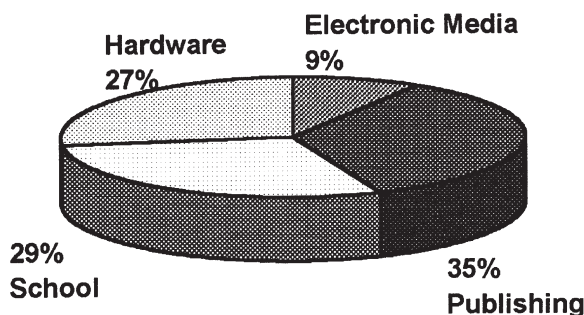


Fig. 3. School supplies. (Source: EduVenture Research)

electronic media curriculum materials designed either for students or instructors. Electronic Media consists of software and Internet delivered products and services to home and school markets. These may include CD-ROMs videos and laser disks. Internet products include tools for online student publishing. Web services include school-home based connections, education and tutoring Web-based sites, and network systems. (Revenues in 1998: \$US 2.1 billion).

### 1.7. OECD countries

The amount of non-salary educational expenditures varies widely from one OECD country to another, from a high of \$US 2394 per student in Sweden to \$US 57 per student in Greece (see Table 1). However, many of the economic influences that pertain within the US, pertain to OECD countries in general. Published materials and textbooks account for much of the non-salary expenditures.<sup>4</sup> The objective of individualized instruction, and the tendency for teachers to be the ‘managers’ instead of the ‘providers’ of information is a general phenomenon across OECD countries. This in turn can be expected to drive choices of educational technologies.<sup>5</sup>

There is an increasing emphasis on educational software, and Internet use is growing rapidly. Throughout the world, Internet use has grown from 61 million users in 1996, to 147 in 1998, and is expected to grow to 320 million in 2000 and to 720 million in 2005. The US led the list of Internet using countries followed by Japan, UK, Germany, Canada, Australia, France, Sweden, Italy, Spain,

<sup>4</sup> OECD countries neither design nor manufacture textbooks within the Ministry of Education but instead encourage private competition among commercial publishers to respond to publicly-set curriculum objectives and standards.

<sup>5</sup> Statistics on non-salary expenditures are not often unreliable because there has yet to be a common agreement on their definition; some countries include only national expenditures, while others include local and even private expenditures. Considerable progress has been made in solving these problems with the OECD INES project, and for non-OECD countries through the World Education Indicators Project. Because of the problems on non-comparability, non-salary statistics should be high on the agenda of the new UNESCO Institute of Statistics.

Table 1  
Amount spent on non-salary expenditures<sup>a</sup>

Country	Percent of current expenditures	Per-student costs
Sweden	44%	\$2394
Finland	28%	\$1228
United States	20%	\$1168
Denmark	20%	\$1168
United Kingdom	30%	\$1092
Germany	24%	\$1057
Canada	19%	\$1012
France	21%	\$975
Norway	18%	\$900
Switzerland	14%	\$858
Netherlands	22%	\$792
Australia	21%	\$741
Israel	24%	\$698
Spain	16%	\$486
Hungary	25%	\$374
Malaysia	18%	\$252
Brazil	16%	\$133
Iceland	29%	
Austria	24%	
Belgium	14%	\$673
Japan	13%	\$479
Italy	11%	\$532
Ireland	11%	\$288
Philippines	10%	\$30
Mexico	9%	\$101
India	9%	
Uruguay	8%	\$69
Portugal	4%	
Greece	3%	\$57
Argentina	3%	\$34

<sup>a</sup> Source: OECD: Education at a Glance, 1998.

Netherlands, Taiwan, People’s Republic of China, Finland and Norway. These top 15 countries account for 89% of the Internet use worldwide (Nua Ltd, 1999).

The outlook for sales of educational hardware and software is rather strong. Between 1995 and 1998, the number of computers in homes rose from 13 to 31 million in the US, from 7.5 to 32 million in Europe and from 9.5 to 28 million in the rest of the world (see Table 2). The market for educational software is rising in parallel fashion, from \$US 775 million in 1996 to \$US 2.5 billion in the US in the year 2000, from \$US 130 to \$US 460 in Europe, and from \$US 200 million to \$US 1.1 billion in the rest of the world (see Table 3). The world wide

Table 2

Consumer market home multimedia computers (in 000's of units)

	1995	1996	1997	1998
USA	13,000	16,000	22,000	31,000
Europe	7500	11,000	19,000	32,000
Rest of world	9500	13,000	19,000	28,000
Total	30,000	40,000	60,000	91,000

Table 3

Global school market for educational software (in millions of US\$)<sup>a</sup>

	1996	1997	1998	1999	2000
USA	775	1040	1400	1900	2500
Europe	130	180	245	335	460
Rest	200	320	510	820	1140
TOTAL	1105	1540	2155	3055	4100

<sup>a</sup> Source: IDC Financial Times.

Table 4

Education software market for schools and private consumers (in millions of US\$)<sup>a</sup>

	1996	1997	1998	1999	2000
School market	1105	1540	2155	3055	4100
Consumer market	1200	1400	1600	1830	2120
Total	2305	2940	3755	4885	6220

<sup>a</sup> Source: IDC Financial Times

market in educational software, worth \$US 4.1 billion in the year 2000 in schools, is augmented by an additional \$US 2.1 billion in educational software sales to the consumer market outside of schools, with a total market for educational software worth \$US 6.2 billion in the year 2000 (see Table 4; The Heller Reports, 1999).

### 1.8. Markets in developing countries

It is clear that the spending per student on teaching-materials and other non-salary expenditures is significantly less than in OECD countries. While the Seychelles spent \$US 95 per student in 1998, China spent \$US 4.71, Benin, India and \$US 3.54, \$US 0.68 (see Table 5). The question is whether this is sufficient information to suggest that the

Table 5

Spending on teaching materials/student (\$US)

Seychelles	95.0
Thailand	28.8
Chile	26.1
South Africa	23.3
Malaysia	10.8
Lithuania	10.0
China	4.7
Benin	3.5
Zimbabwe	3.1
Swaziland	1.6
India	0.7



Table 6  
Low spending does not mean small markets<sup>a</sup>

Country	Teaching materials per student in US\$	Total students enrolled	Total spent in millions of US\$
China	4.71	211,132,216	993.7
France	34.67	12,137,211	420.8
Thailand	28.80	10,476,682	301.7
South Africa	23.26	12,249,798	284.9
India	0.68	181,956,795	123.1
Chile	26.13	3,347,946	87.5
Malaysia	10.78	4,622,095	49.8
Zimbabwe	3.11	3,239,195	10.1
Philippines	0.52	18,373,539	9.5
Lithuania	10.03	688,100	6.9
Iceland	74.70	67,167	5.0
Benin	3.54	835,559	3.0
Seychelles	94.98	18,960	1.8
Swaziland	1.55	273,813	0.4

<sup>a</sup> Source: UNESCO Statistical Yearbook, 1998.

market in educational goods and services is insufficient to justify commercial interest.

It would be unwise to assume that low expenditures/student implied small markets, for two reasons. The first reason is that some low-spending countries have a large number of students. In Benin low expenditures/student is exacerbated by the small number of students, thus suggesting a market size of about \$US 3 million per year. In India, however, even low expenditures combined with the number of students would suggest a market size of \$US 123 million, and China a market size of just under \$US one billion (see Table 6).

The second reason is that these markets are not stagnant. The public education expenditures have doubled around the world between 1980 and 1994. In North America they grew by 103%, and in Europe by 135%. But in East Asia public expenditures grew by over 200% in the same time period (see Table 7).<sup>6</sup>

If economies grow, more is spent on educational

goods and services per student (see Fig. 4). This will significantly raise the size of the education markets in large countries with healthy rates of economic growth. This trend (see Fig. 5) suggests that by the year 2009 the education market in India will grow to \$US 200 million, in South Africa to \$US 580 million and in China to \$US 1.7 billion.

The overall growth in education goods and services in OECD countries may also mask the considerable local opportunity in developing countries. One example is the demand for school science equipment in Thailand where the estimated growth is expected to be 25% between 1997 and 2000 (see Table 8). Another illustration is that of textbook demand in Ethiopia, where the demand is expected to grow from 11.4 million in 1997 to 17.9 million in 2002 (see Table 9).

## 2. Educational goods and services: seven drivers of change in developing countries

### 2.1. Technology

Highly capitalized educational publishers have shifted from marketing individual titles to marketing publishing services — for high-end graphics for instance — to local publishers. High quality,

<sup>6</sup> These growth figures are offset however by stagnation in some of the Arab States and in Sub-Saharan Africa. The average growth of OECD countries (149%) is significantly higher than for developing countries in general (55%) and contrasts starkly with the average for the least developed countries (0%).

Table 7  
Public expenditure on education per inhabitant (\$US)<sup>a</sup>

Continents, major areas and groups of countries	Public expenditure on education per inhabitant (\$)				Percent Change 1980–1994
	1980	1985	1990	1994	
World total	126	124	202	252	100
Africa	48	40	41	41	–15
America	307	375	521	623	103
Asia	37	39	66	93	151
Europe	418	340	741	982	135
Oceania	467	439	715	878	88
Developing countries	31	28	40	48	55
Sub-Saharan Africa	41	26	29	32	–22
Arab States	109	122	110	110	1
Latin America and the Caribbean	93	70	102	153	65
Eastern Asia and Oceania	12	14	20	36	200
Southern Asia	13	14	30	14	1
Least developed countries	9	7	9	9	0
Developed countries	487	520	914	1211	149

<sup>a</sup> Source: UNESCO Statistical Yearbook, 1998.

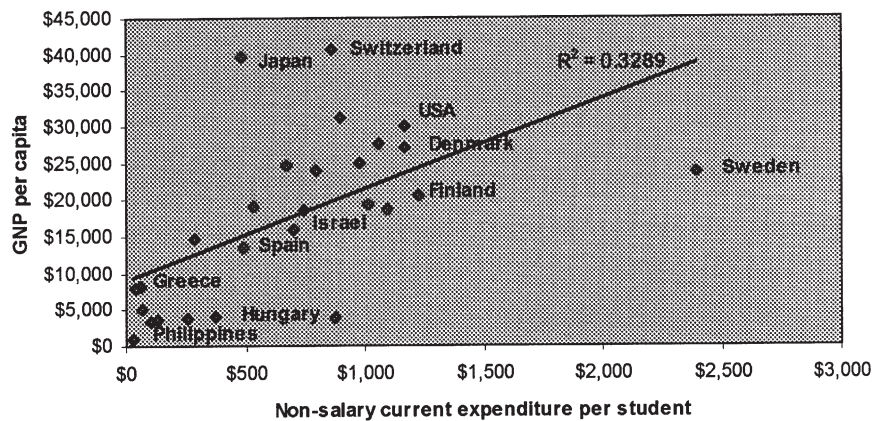


Fig. 4. As economies grow, more is spent on goods and services per student.

low cost books are now feasible in many parts of the world, and in countries at different income levels. Just as many automobiles are manufactured by using parts and materials from many places, so too are textbooks no longer a local product exclusively. The story may be from Uganda; the photograph of the stars may be from a company in Paris; the paper, ink and binding may have been put together in Singapore. Local publishing no longer has the same meaning. If the story is relevant and

effective, it no longer matters as much as it once did where the binding and ink derive. What matters is that children in rural Uganda have an adequate supply of effective books, of less concern is whether efficient procurement and management practices require a change in the sources of supply.

Modern testing agencies are also undergoing a similar shift. Instead of every agency trying to design tests autonomously from one another, many agencies are 'renting' the use of items to local test

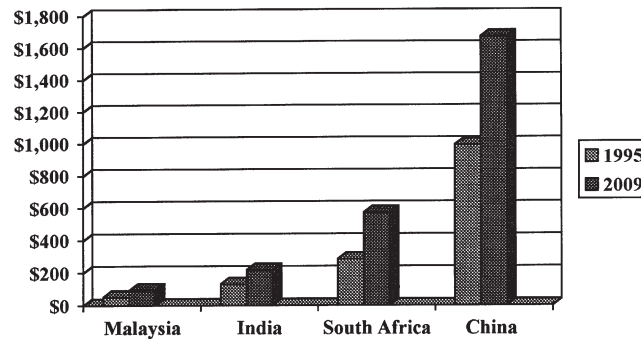


Fig. 5. Markets for teaching materials in ten years (assuming 3% economic growth; UNDP projected populations growth rates; 1:1 ration of economic growth and expenditures on teaching materials).

Table 8  
Sales of scientific equipment and instruments in Thailand (Cdn\$ millions)<sup>a</sup>

	1994	1995	1996	Estimated growth rate 1997–2000
Imports	669	843	1063	26%
Domestic production	201	220	240	9%
Exports	140	153	168	10%
Total	730	909	1135	25%

<sup>a</sup> Source: US International Trade Administration.

Table 9  
Ethiopia-planned textbook requirement for primary and secondary schools<sup>a</sup>

Year	Student book ratio	Projected textbook demand ('000 units)			Remark	
		Primary schools	Secondary schools	Total textbooks required	Primary textbooks	Secondary textbooks
1997/8	5.1	10,415	985	11,400	New+Reprint	Reprint
1998/9	4.1	11,802	397	12,199	New+Reprint	New+Reprint
1999/2000	3.1	4598	1446	6044	Reprint	New
2000/01	2.1	7464	1418	8882	Reprint	New
2001/02	1.1	16,963	891	17,854	Reprint	New+Reprint

<sup>a</sup> Source: Draft Project Proposal to the IFC.

agencies. These items come with the psychometrics already validated on international samples.<sup>7</sup> These agencies may also supply test security or technologies of on-line scoring, item response or

sampling frames. It may be the case, as with automobiles and textbooks, that it will soon be difficult to say exactly what is a 'local' test. Parallel processes of sharing materials and technologies and

<sup>7</sup> In fact there are several drivers for the demand in copyrighted test items. In addition to having them validated on larger samples, modern testing agencies may provide test items already calibrated to a rapidly changing profession. For instance, The Philippine Regulatory Commission offers certi-

fication for candidates more than 40 fields from electrical engineering to architecture. Requirements in many of these fields are rapidly shifting in OECD countries as new regulations governing the environment, technology and health standards take effect. As demand increases to upgrade local certificates, a com-



drawing upon widely disbursed sources of expertise can be found in international education management consulting, the provision of Internet education services, and the design of curriculum materials. Common problems tend to generate international markets, and the international markets tend to help generate more participants in the market place. In turn, having more participants in the supply of education goods and services might be expected to reduce costs, expand international trade and allow rapid local product customization.

## 2.2. *Internationalization*

Standards for educational performance are drawing on the experience outside of the local community. For example with respect to individualized instruction, schools are expected to provide emphases for students with different learning needs, multiple options in curriculum, and higher general performance. The psychometric standards for student evaluation may no longer be decided by each school independently, but instead be subject to review by more central authorities. Moreover, these in turn may be informed by international psychometric standards. Test items, sampling procedures, administrative efficiency are subject to quality controls. Skill standards, and the certification procedures for nursing, medicine, food process handlers, pilots, airline mechanics, the English language quality of air traffic controllers, and telephone operators is now subject to global standards. This can be expected to affect the provision of educational goods and services in three ways.

First, multi-national corporations, General Motors, Shell Oil, Hyatt Hotels, infuse job standards irrespective of national borders. Second, international associations, nurses, architects, and international regulatory agencies, the ICC, IATA, propose rigorous standards on grounds that they are relevant internationally. Third, in economies with high volumes of foreign trade, the standards

---

pany may find it less expensive and more efficient 'to rent' the right to use and validate items on local samples rather than to design and validate items from scratch. The same principle applies to pedagogical software, educational MIS systems, standards of education statistics and the like.

of the trading partners often determines the local application. Certification of food process handlers in Mexico and Chile using the US certification methods is relevant because of the importance of health standards to the agricultural trade. Where there are economic demands for these certification of standards, there will be a demand for commercial suppliers of certification tests and assessments.

## 2.3. *International trade*

With the end of the cold war the ideology in education was replaced with demands for efficiency and quality. This has generated a trade in ideas for education reform as well as goods and services to help make them effective (Heyneman, 1997). Trade patterns are not confined to 'north/south' routes. Textbooks, used in British schools may be manufactured in Singapore or Hong Kong; Indian publishers may export to Latin America; educational software may be designed in Cincinnati or St Petersburg.

The trade in educational goods and services is not free of restriction. Barriers to free trade have recently caught the attention of the US Department of Commerce as well as other trade ministries. Among the principal concerns:

- Monopolization of educational goods and services by public agencies<sup>8</sup>
- Closed systems of educational accreditation and professional licensure<sup>9</sup>
- Copyright infringement of educational brand names and protected items
- Significant difference in tariffs on educational goods.

---

<sup>8</sup> This prevents not only international trade, but restricts the participation local commercial enterprise as well.

<sup>9</sup> In some countries any university may apply for accreditation, but in other countries accreditation is reserved for established, public institutions. In some countries, anyone who passes an open examination may practice their profession; in other countries, no one, regardless of proven competence, may enter a particular profession without training from a local provider. These situations are now referred to as 'open' or 'closed' systems of accreditation and licensure.

#### 2.4. *Political*

With the trend towards more democracy has come demands for greater accountability, higher levels of equity, access for larger portions of the population, and greater participation in decision-making. Each of these helps drive the demand for modern educational goods and services. Accountability helps increase the use of examinations and assessments open to public scrutiny and international standards. Greater equity and access raise the demands for less expensive and a wider divergence of educational materials appropriate to multiple interest and ability groups. Open debate helps raise the demand for consultant services for ideas on education reform.

#### 2.5. *Consolidation of industry*

The rising costs of technology and capital investment imply that some companies will be better positioned than others for the global market place. Competition from higher quality and lower cost producers will put new pressures on other providers. Consolidation is evident already in the test and publishing industries. Five years ago there were ten autonomous examinations agencies in Britain; Today there are four. The largest examination agency in Western Europe, (CITO in the Netherlands) has recently been privatized. The proportion of its budget received from the Ministry of Education has dropped from 100% to 20% in one year. Pressures on testing and assessment agencies are similar across the world: diversify sources of revenue, develop alternative product lines, raise standards and delivery technologies.

#### 2.6. *Privatization and outsourcing*

Education was once assumed to be a public good, financed and provided by public agencies. In the former USSR, the education sector, like health, agriculture, and industry, was organized on the basis of 'self-sufficiency'. Ministries of Education produced all programs, trained all staff, designed all curriculum, textual materials, and manufactured all goods and services (pencils, desks, and even student meals). Some of these same assumptions

about the need for public provision of educational goods and services are common to developing countries in Africa, Asia, and the Middle East and elsewhere.

However, just as it is true that the state is not necessarily the best manufacturer of pharmaceuticals, neither is it necessarily the most cost/effective manufacturer of textbooks, tests, and school furniture. Just as hospitals may contract out for accounting and human resource services, schools and school systems may contract out for services they need not necessarily manage. Today, the education sector is subject to the same questions as other sectors. This has greatly increased the speed by which the sector has opened up the processes of privatization of state-owned industries as well as the process of outsourcing. It is important to mention, however, that neither trend necessarily challenges the essential public good nature of the education purposes and objectives.

#### 2.7. *Demographics*

Many developing countries are characterized by higher population growth rates and by large student age populations by comparison to OECD countries. In instances of economic growth, such as in Malaysia, Thailand or Brazil, the growth in markets for education goods and services may be rising faster than in OECD countries. This is evident by the growth education spending/student, for which the highest rates (200% between 1980 and 1994) have emerged from Asia.

### **3. Issues for private investors in education goods and services**

The growth in the markets for educational goods and services appears significant and this should attract new investment. However, no international strategy to guide these investments is currently feasible. Data on gross sales, trends and trade are inadequate. Some essential data simply are not measured. This includes data on current private education investments. Other data are categorized in a manner that prevents analysis. Textbook trade figures for instance are merged with other categor-

ies of ‘cultural’ trade — films, novels, scientific research materials and the like. Some data are badly measured (Heyneman, 1999a). Lastly, in many instances, current data are poorly analyzed.

More importantly, financial institutions, necessary for any growing industry, have little experience making investments in educational goods and services. Because of the regulatory distortions and the lingering traditions of state monopolization, markets open to private investment can be radically segmented. In one country, commercial publishers may be invited to compete for the higher education market, but not the secondary school market. In another country it may be the opposite. There is no available ‘road map’ to discern where these lines of market segmentation may lead, hence no simple manner to predict them.

#### **4. Questions: what is right? Are these trends good? What should countries do about them?**

It is evident that the private sector in education includes non-governmental institutions which provide education and training programs on a not-for-profit basis, but also private institutions which supply education goods and services on a commercial basis.<sup>10</sup> It is also true that every country in the world, rich and poor, already has a commercial sector supplying local education goods and services,<sup>11</sup> and it is true that every commercial provider hopes to expand the business, including perhaps to other countries. It is also evident that the private provision of education goods and services is changing and growing rapidly, but unexplored in terms of financial sector lending or analysis from the academic community.

<sup>10</sup> A distinction is usually made between not-for-profit and for-profit institutions. A for-profit will distribute profits among shareholders; a not-for-profit will distribute profits among its business units. In terms of lending, the key issue is not how the surplus is distributed, but whether the institution is sufficiently well organized to generate a surplus at all. And no not-for-profit institution wants to be a ‘for loss’ institution.

<sup>11</sup> Even impoverished countries, such as Uganda, may have a thriving commercial sector of education furniture makers, copybook printers, and school supply stores serving the needs of public schools (Heyneman, 1975).

But is growth in education commerce good or a bad? Answers to this question sometimes fail to distinguish among sub-sectors. Some may feel that international private education is harmful because it may squeeze out local providers. But these answers may not include whether it is equally harmful when the trade is in science laboratory equipment, pedagogical software or supplemental tutoring as it is, for instance, with higher education programs.

Whether these trends are bad or good may be treated as differently within countries as between countries. For instance, in the US, there is wide support for publicly assisting private (including religious) providers of pre-school and post-secondary education, but not for providers of K–12 education. In the Philippines, non-governmental provision of higher education is the norm; in Greece it is illegal. Clearly the meaning of ‘good’ and ‘bad’ differs from one sub-sector to another, and may depend as much on the example given as the principle.

On the other hand there seems to be a number of concerns from the academic community, including within this journal (*International Journal of Educational Development*, 2000). For instance, Shumar points out that “the logic of the market is rapidly becoming the only logic on the university campus.” (Shumar, 1997: 94) But Shumar seems less concerned about the busy commuter who may want to buy higher education at home through the internet. Should s/he be prevented from seeking a private solution?<sup>12</sup>

Currie and Vidovich observe that public financing in Australia has now dipped to less than half of the university’s total budget (Currie and Vidovich, 2000). Yet financing of public universities out of the regular state budgets, such as to the University of Arizona, long ago dipped to the 50% level, and is now about 25% of recurrent expenditures.<sup>13</sup> Does this imply that the quality of the University

<sup>12</sup> Fifty percent of all students enrolled in higher education in the United States are working adults.

<sup>13</sup> Public sources finance a considerable portion of an overall budget of a public university, but these other sources are gained on a competitive basis with results shifting up or down over time.

of Arizona has declined in parallel fashion with the proportion of its regular budget from traditional state sources? Is it possible that a lowering of the percentage of financing from traditional sources may be associated with a rise in higher education quality?

There seem to be several lessons about how to manage questions of whether private education is good or bad, and for those in policy-making positions, these lessons may be useful to keep in mind. First, when views are expressed, it might be useful to ask that they distinguish among the three sub-sectors (education programs, goods or services). It might be useful to know whether the perceived problem pertains to all sub-sectors equally. If someone objects to private higher education, it might be useful to ask whether one also objects to the private provision of Montessori or Steiner elementary schools. If one objects to the private provision of services such as testing and assessment services, it might be useful to know whether one would also object to the private provision of textbooks or equipment for school chemistry laboratories. And if there are inconsistencies between one sector and another, or within sectors between one product or educational level and another, then it would be useful to know the grounds for these inconsistencies.

Secondly, if there are concerns raised by university-based scholars to private education, it may be important for them to reiterate that their concerns reflect an impartial vision of the public good and not a need to protect their personal programs. This is not to suggest that one set of critics is more appropriate than another. Yet it is not to be discounted that scholars in public universities may be more likely to raise concerns about private education than scholars in private universities or owners of private businesses.

Thirdly, those who argue against private education should respond to the concerns of consumers denied access to the education of their choice because of public restrictions. If the internet provider is shut out of a market, it will mean that some feel they have been denied an essential service. In this instance, the client may not be the traditional student already in a university, but a potential student who may not have an opportunity

otherwise to attend at all.<sup>14</sup> A citizen of Greece may wish to take a course at the British Open University. Does the state in a democracy have the right to prevent a citizen from privately financing what s/he may wish to learn? If individuals have been ‘protected’, not on grounds of health or safety, or on grounds of likely damage to the environment, but on grounds that private or foreign education represents a danger to the culture, then one might ask whether a human right has been abrogated.

What about cultures said to be threatened by the private provision of education? There are many with strong views about this. The Prime Minister of France, for instance, recently pointed out that, “...its suppleness and adaptability make capitalism a dynamic force. But it is a force that of itself has no sense of direction, no ideals or meaning — none of the elements vital to a society. Capitalism is a force that moves but does not know where it is going... The financial crisis of 1997 and 1998 in Asia and Russia... shattered the claims of neo-liberalism... so we must seek to create a regulatory system for the world capitalist economy.” (Jospin, 1999: 8–9).

It is true that some cultures find it difficult to combat influences from elsewhere. But this is certainly not limited to education. It is also true with fashionable clothing, medical practice, religious belief, language, technologies, transportation, music, film, art, literature and many other fields. And while many countries find it difficult to ‘control’ these influences through traditional mechanisms of regulation,<sup>15</sup> it is also true that some influences on hindsight have been positive and welcome. One can think of examples in fields of

<sup>14</sup> The nature of the client’s concerns may differ from one kind of country to another. Bray points out that the drivers of private education differ between low and high-income countries. In high income countries they tend to reflect the movement toward accountability, choice, and efficiency. In low-income countries, they reflect concerns over shortages of public resources and inefficiency (Bray, 1996).

<sup>15</sup> It is curious too that dominant world actors are not always prominent in terms of curriculum. Frank et al., point out that both Western Europe and classical western civilization have declined in importance over the same time as western capitalism expanded (Frank et al., 2000).

medicine, music and literature. How can one know ahead of time if the influence will have constructive or adverse consequences? And what about recipient cultures? What future is there for a ‘protected culture’? Will it exist like an endangered species in a nature preserve?

One point may deserve mention concerning whether “capitalism (or international trade in education) has no direction” (i.e. moral value). In fact it may have a ‘direction’ in the sense that the rights of individuals are regarded as being very important. If individuals wish to eat rice rather than pasta, learn Italian rather than Russian, study at home through the internet rather than at a traditional university, it is taken as axiomatic that the market should determine their right to do so.

International trade in education may also have ‘direction’ (i.e., moral value) in that it takes efficiency as a public good. If a public monopoly provides an inefficient service, the market may provide an opportunity to improve it. It may not always be true, but when it is true it may represent a very significant improvement. And when significant improvements happen, it is highly appreciated by the public. In essence, the moral question of international trade in education may not be solely focused on whether international companies will upset local culture and tradition. It may also include the opposite: by what right may local authorities deny individuals access to education which they want, or to deny individuals the right to efficient service?

Some have suggested that traditional public universities might import some of the efficiency-raising practices of the private sector. Others have responded by suggesting that ‘(neo-liberal) ’policy-makers seem to have little concern for the potential damaging effects of business practices in universities.’ (Currie and Vidovich, 2000, p. 139). It is true that business practices may mean many changes. It may imply that budgets will have to be justified more carefully, and scholarship more accountable to public demand (“after all the public may argue, “we pay for it”). It may imply that special skills and teaching performance should be rewarded differentially, that property and services should be utilized efficiently, or that new revenues be reallocated in accordance with the university’s

strategic objectives. It may also mean that universities exhibiting these elements may be seen as providing a higher quality education, hence be in higher demand. All these characteristics may be an outgrowth of importing business practices into the university environment, but it is not clear whether they are a problem or an asset.

These trends in the education and knowledge industry may provide a rare opportunity for schools of education to expand into new endeavors, forge new public and private alliances, and develop new areas of academic scholarship (Heyneman, 1999b) Examples of these areas include: joint degree programs between education and business administration, between education, international finance and trade, and (with respect to education’s influence on social cohesion) joint degree programs between education, and fields of foreign policy and national security (Heyneman, 2000) It may also include research and development combining new education technologies and special education, pioneering forms of international teacher assessment, and many others.

Perhaps schools of education may have to make more of an adjustment to the changes in education and knowledge than other parts of the university. After rapid expansion in the 1960s, schools of education sometimes became handicapped by aging faculty whose professional training was out-of-date, whose international experience was limited and whose ideologies, in some instances, reflected issues long ago put to rest.

Comparative Education programs too have to make an adjustment (Heyneman 1993a,b, 1995; Heyneman, 1999c). In a sense, Comparative Education has won the disciplinary principle on which the war was fought. Local priorities and local relevance — in school administration, pedagogy, curriculum development — now depend on understanding universal issues and international experience. All educational disciplines must now be comparative, or risk being second rate.

Education has greatly benefited from the study of the private provision of education and training in developing countries, and would similarly benefit from a new emphasis to monitor and assess the ramifications of the growing commercial trade in educational goods and services. There is some-



times a perception that commerce and education are incompatible. In fact the opposite may be true. No public education system can be effective without a vibrant and competitive commercial sector to provide education goods and services, because the two are interdependent.<sup>16</sup>

It is sometimes believed that developing countries will be exploited by commercial enterprises in education. Some commercial suppliers will have a comparative advantage; some will be quicker to supply higher quality, less expensive, even more relevant products. And it is true these products could derive from regional or even trans-regional suppliers. This is no less the case in education than with other service sectors — health, agriculture, transport, banking and telecommunications.

Those who are convinced that competition in these other sectors is against the interests of developing countries, will not likely believe it is in their interest in the case of education. But the reverse is also true. If one appreciates the virtues of fast and inexpensive service, and the growing participation and competition from ‘developing’ countries with open economies which export their own products, then one is more likely to appreciate the utility of an open economy with respect to education services.

The debate, however, is more than of academic interest. For much of this century in many parts of the world the quality of education provided to children has been adversely affected by public policy which constrains the private provision of goods and services (Heyneman, 1998). The key element is not solely whether the state has a right to restrict the importation of foreign services, including education services. The key is whether individuals have a right to freely choose the education services they want.

<sup>16</sup> The same cannot be said of education programs, where there are many example of public schooling having an adequate performance. It is not irrelevant however, that in no OECD country whether decentralized or centralized, are educational services and goods supplied exclusively by the public sector. (For illustrations of the arguments, see Smith, 1975; Altbach 1983, 1989; Breyer, 1970; Heyneman, 1990a,b).

## Acknowledgements

Analysis supported by the International Finance Corporation. The author wishes to express appreciation to Jack Maas for his encouragement and advice, but the author alone is responsible for its content.

## References

- Altbach, P.G., 1983. Key issues of textbook provision in the Third World. *Prospects* 13(3).
- Altbach, P.G., 1989. Copyright in the developing world. In: Farrell, J.P., Heyneman, S.P. (Eds.), *Textbooks in the Developing World: Economic and Educational Choices*. The World Bank, EDI Seminar Series, Washington (DC), pp. 88–102.
- Bray, M., 1996. Privatization of secondary education: issues and policy implications. *International Commission for Education in the Twenty First Century*, Paris, UNESCO, p. 1.
- Breyer, S., 1970. The uneasy case for copyright: a study of copyright in books. *Photocopies and computer programs*. *Harvard Law Review* 45.
- Currie, J., Vidovich, L., 2000. Privatization and competition policies for Australian universities. *International Journal of Education Development* 20 (2), 138.
- Frank, D.J., Wong, S.-Y., Meyer, J.W., Ramirez, F.O., 2000. What counts as history: a cross-national and longitudinal study of university curricula. *Comparative Education Review* 44 (1), 43.
- Heyneman, S.P., 1975. Changes in equity and efficiency accruing from Government involvement in Ugandan primary education. *African Studies Review*, 51–60.
- Heyneman, S.P., 1977. Educational cooperation in the next century. In: Kondon, C., Von Kopp, B., Lauterbach, U., Schmidt, G. (Eds.), *Comparative Education: Challenges, Intermediation and Practice*. Verlag, Bohlau, pp. 219–233.
- Heyneman, S.P., 1990a. The textbook industry in developing countries. *Finance and Development*, 28–29.
- Heyneman, S.P., 1990b. Protection of the textbook industry in developing countries: in the national interest? *Book Research Quarterly* Winter, 3–11.
- Heyneman, S.P., 1993a. Educational quality and the crisis of educational research. *International Review of Education* 39 (6), 511–517.
- Heyneman, S.P., 1993b. Comparative education: issues of quantity, quality and source. *Comparative Education Review* 37 (4), 372–378.
- Heyneman, S.P., 1995. Economics of education: disappointments and potential. *Prospects* 25 (4), 559–583.
- Heyneman, S.P., 1997. Economic development and the international trade in education reform. *Prospects* 22 (4), 501–531.
- Heyneman, S.P., 1998. Transition from party/state to open

- democracy: the role of education. *International Journal of Educational Development* 18 (1), 21–40.
- Heyneman, S.P., 1999a. The sad story of UNESCO's education statistics. *International Journal of Educational Development* 19, 65–74.
- Heyneman, S.P., 1999b. Changes in the education and knowledge industry: effects on the University. Presentation to the David M. Kennedy Center for International Studies, Brigham Young University.
- Heyneman, S.P., 1999c. Development aid in education: a personal view. In: King, K., Buchert, L. (Eds.), *Changing Aid to Education: Global Patterns and National Contexts*. UNESCO, Paris, pp. 132–146.
- Heyneman, S.P., 2000. From the party/state to multi-ethnic democracy: education and social cohesion in the Europe and Central Asia Region. *Educational Evaluation and Policy Analysis* (in press).
- International Journal of Educational Development* 20(2).
- Jospin, L., 1999. *Modern Socialism*. The Fabian Society, London.
- Kearns, D.T., 1999. *The Education Industry: Markets and Opportunities*. EduVentures, Boston, (Mass).
- Nua Ltd., 1999. *Computer Almanac Industry Inc. Report Ranks World's Most Wired Countries*.
- Shumar, W., 1997. *College for Sale: A Critique of the Commodification of Higher Education*. Falmer Press, London.
- Smith, D. Jr., 1975. The bright promise of publishing in developing countries. *Annals of the American Academy of Political and Social Science* 421, 130–139.
- The Heller Reports, 1999. *International Markets for Educational Technology*, EduSoft, An Israeli-Based International Educational Software Developer.