



Education and Development in a Global Era: Strategies for 'Successful Globalisation'

*by Andy Green, Angela W. Little,
Sangeeta G. Kamat, Moses Oketch and Edward Vickers*

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Preface

This is the second of two complementary books in the Researching the Issues series. It reviews economic development in the East Asian ‘tiger’ economies and contrasts this with accounts of varying degrees of successful engagement with globalisation by China, India, Kenya and Sri Lanka, and the issues and factors involved, including state intervention in economic growth and the provision of education opportunities.

The first book, No 68 in the series, entitled *Globalisation, Education and Development: Ideas, Actors and Dynamics*, was written by Susan Robertson, Mario Novelli, Roger Dale and Leon Tikly at Bristol University and their research partners in Tanzania, Hillary Dachi and Ndibelema Alphonse. This book provides a synthetic review of a wide range of literature on globalisation, education and development and also focuses on the policies and programmes of international organisations and agencies within the growing system of global governance of education.

The research on which these books are based was funded by DFID during 2004-6, with the purpose of producing and disseminating research, with a range of developing country partners, on globalisation, education and development, as part of a series of policy-oriented research commissions. A further report, commissioned at the same time, undertaken by Dirk Willem te Velde of the Overseas Development Institute, London, has now been published as ODI Working Paper 254, *Globalisation and Education: What do the trade, investment and migration literatures tell us?*. A further related publication, *Educating out of Poverty?*, a synthesis report by researchers at the Centre of Africa Studies, University of Edinburgh, and their country research partners, will be published as No 70 in this DFID Researching the Issues series.

These two books provide a comprehensive review of issues related to globalisation, education and development. DFID is very pleased to publish them as a major contribution to debate and policy development.

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We acknowledge the support of a large number of colleagues in partner organisations who have reviewed our work, written papers for the series of policy seminars that accompanied the research and provided materials. Their specific roles are explained in detail in the Introduction to the book.

We are grateful to the Department for International Development for funding the research that has resulted in this book. The views expressed are entirely those of the authors and do not necessarily represent DFID's own policies or views.

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Andy Green
Angela W. Little

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List of Acronyms

AICTE	<i>All Indian Council for Technical Education</i>
AIDS	<i>Acquired Immunodeficiency Syndrome</i>
AIE	<i>Alternative and Innovative Education</i>
AU	<i>African Union</i>
BIMARU	<i>Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh</i>
BJP	<i>Hindu Nationalist Party (India)</i>
BPO	<i>Business Process Outsourcing</i>
CBSE	<i>Central Board of Secondary Education (India)</i>
CCP	<i>Chinese Communist Party</i>
CIES	<i>Comparative and International Education Society</i>
CISE	<i>Council for the Indian Schools Certificates Examination</i>
CMP	<i>Common Minimum Programme (India)</i>
COMESA	<i>Common Market of Eastern and Southern Africa</i>
CPI	<i>Communist Party of India</i>
CPM	<i>Communist Party Marxist (India)</i>
DFID	<i>Department for International Development</i>
DPEP	<i>District Primary Education Programme</i>
EAC	<i>East African Community</i>
EGS	<i>Education Guarantee Scheme</i>
ELD	<i>Export-led Development</i>
FDI	<i>Foreign Direct Investment</i>
FIPA	<i>Foreign Investment Protection Act</i>
FPE	<i>Free Primary Education</i>
GATS	<i>General Agreement on Trade in Services</i>
GCE A	<i>General Certificate of Education Advanced level</i>
GCE O	<i>General Certificate of Education Ordinary level</i>
GDP	<i>Gross Domestic Product</i>
GER	<i>Gross Enrolment Ratio</i>
GNI	<i>Gross National Income</i>
GNP	<i>Gross National Product</i>
GOI	<i>Government of India</i>
HIV	<i>Human Immunodeficiency Virus</i>
HNCE	<i>Higher National Certificate of Education</i>
HPAEs	<i>High Performing Asian Economies</i>
IB	<i>International Baccalaureate</i>
ICT	<i>Information and Communication Technology</i>
IDBI	<i>Industrial Development Bank of India</i>
IFCI	<i>Industrial Finance Corporation of India</i>
IGAD	<i>Inter-Governmental Authority on Development</i>
IISS	<i>International Institute of Strategic Studies</i>
IIT	<i>Indian Institute of Technology</i>
ILO	<i>International Labour Organisation</i>
IMF	<i>International Monetary Fund</i>
IOE	<i>Institute of Education (London)</i>
IRDP	<i>Integrated Rural Development Programme (India)</i>
ISI	<i>Import Substitution Industrialisation</i>

IT	<i>Information Technology</i>
ITI	<i>Industrial Training Institutes</i>
JEE	<i>Joint Entrance Examination</i>
JVP	<i>Janatha Vimukthi Peramuna (Sri Lanka)</i>
KADU	<i>Kenya Democratic Union</i>
KANU	<i>Kenya African National Union</i>
Kshs.	<i>Kenya Shillings</i>
LB	<i>Local Body (schools)</i>
LPG	<i>Liberalisation, Privatisation and Globalisation</i>
LTTE	<i>Liberation Tigers of Tamil Eelam (Sri Lanka)</i>
MEP	<i>Mahajana Eksath Peramuna (Sri Lanka)</i>
MIS	<i>Management Information Systems</i>
MIT	<i>Massachusetts Institute of Technology</i>
MITI	<i>Ministry for Trade and Industry (Japan)</i>
MNCs	<i>Multi-National Corporations</i>
NARC	<i>National Alliance of Rainbow Coalition</i>
NASSCOM	<i>National Association of Software and Service Companies</i>
NCEOP	<i>National Committee on Educational Objectives and Policies (Kenya)</i>
NCERT	<i>National Council for Education Research and Training</i>
NCGE	<i>National Certificate of General Education</i>
NDA	<i>National Democratic Alliance</i>
NEC	<i>National Education Commission</i>
NGOs	<i>Non-Governmental Organisations</i>
NIEPA	<i>National Institute of Educational Planning and Administration (Delhi)</i>
NIS	<i>Newly Independent States</i>
NPE	<i>National Policy on Education</i>
OBCs	<i>Other Backward Castes (India)</i>
ODI	<i>Overseas Development Institute (London)</i>
OECD	<i>Organization for Economic Cooperation and Development</i>
PA	<i>Private Aided (schools)</i>
PDS	<i>Public Distribution System</i>
PPP	<i>Purchasing Power Parity</i>
PRC	<i>Peoples' Republic of China</i>
PUA	<i>Private Unaided (schools)</i>
REC	<i>Regional Engineering College</i>
REGA	<i>Rural Employment Guarantee Act</i>
R and D	<i>Research and Development</i>
SSA	<i>Sarva Shiksha Abhiyan – Education for All Campaign of the Government of India for Universal Elementary Education.</i>
SAPs	<i>Structural Adjustment Programmes</i>
SC	<i>Scheduled Castes</i>
SDP	<i>State Domestic Product (India)</i>
SEZ	<i>Special Economic Zone</i>
SID	<i>Society for International Development</i>
SLFP	<i>Sri Lanka Freedom Party (Sri Lanka)</i>
SOE	<i>State-Owned Enterprise</i>

SPARC	<i>Social Policy Analysis Research Centre (Colombo)</i>
SSA	<i>Sub-Saharan Africa</i>
SSA	<i>Sarva Siksha Abhiyan (Education for All campaign, India)</i>
ST	<i>Scheduled Tribes</i>
TEVT	<i>Technical Education and Vocational Training</i>
TVET	<i>Technical and Vocational Education and Training</i>
TNCs	<i>Trans-National Corporations</i>
TULF	<i>Tamil United Liberation Front (Sri Lanka)</i>
UEE	<i>Universal Elementary Education</i>
UF	<i>United Front (Sri Lanka)</i>
UGC	<i>University Grants Commission (India)</i>
UKFIET	<i>United Kingdom Forum for International Education and Training</i>
UK	<i>United Kingdom</i>
UN	<i>United Nations</i>
UNDP	<i>United Nations Development Programme</i>
UNDP – HDI	<i>United Nations Development Programme – Human Development Index</i>
UNECA	<i>United Nations Economic Commission for Africa</i>
UNEP	<i>United Nations Environmental Programme</i>
UNESCO	<i>United Nations Educational, Scientific and Cultural Organisation</i>
UNP	<i>United National Party (Sri Lanka)</i>
UPA	<i>United Progressive Alliance (India)</i>
UPE	<i>Universal Primary Education</i>
US	<i>United States</i>
USA	<i>United States of America</i>
USSR	<i>Union of Soviet Socialist Republics</i>
VET	<i>Vocational Education and Training</i>
WTO	<i>World Trade Organisation</i>
WW1	<i>World War One</i>
WW2	<i>World War Two</i>

Executive Summary

This book examines the role that education has played and can play in ‘successful’ engagements with the global economy. Its regional focus is East Asia and its country focus China, India, Kenya and Sri Lanka. It is based on secondary evidence drawn from the academic social science literature and from surveys and reports produced by governments, multi- and bi-lateral agencies and NGOs.

A review of the general literature on globalisation, education and development, combined with our assessment of development of the East Asian tiger economies between 1960 and 1990 as ‘successful’ and of Sri Lanka’s decline into civil war since the early 1980s as a negative aspect of development, led us to a working definition of ‘successful’ engagement with the global economy as: export-led economic growth with income equality and peace. Our analysis of the literature on globalisation and development suggested that globalisation has changed the terms of development in important ways, including through increasing the importance of trade, foreign investment and technology transfer. These changes make education and skills increasingly central to the process of development. Countries which have been most ‘successful’ in globalisation hitherto have been those which have achieved the most favourable terms of engagement with the global economy and education has been an essential precondition for this.

Our key task in relation to the Japan and the East Asian tiger economies was to outline the common characteristics of their development trajectories and to assess the role of education in development relative to strategies and actions in other sectors. Although differentiated in significant ways these economies provide a distinctive regional pattern of growth with equality which has not been matched in any other region. Various factors help to explain this regional phenomenon, including most importantly, geopolitical advantages, the fortuitous timing of initial industrialisation, and the role played by the developmental state. However, education and skills have also played key roles. Education has generally supported rapid economic growth through encouraging foreign investment, enabling technology transfer, promoting productivity and progressively upgrading the skills base as required for each successive economic shift to higher value-added areas of manufacturing and service industry. Education has also played a generally positive role in promoting relatively cohesive national identities.

Our key tasks in relation to each of our target countries were four-fold. The first was to identify the points in recent world history at which each country made a deliberate choice to forge a stronger integration between respective domestic economies and the global economy. The second was to provide an assessment in each country of progress towards the three goals of ‘successful’ engagement; i.e. export-led economic growth, income equality and peace. The third was to provide an assessment of the contributions made by education and education policies to each of these goals. The fourth was to analyse past policies for their impact on these goals and current and proposed policies for their likely impact in the future.

China embarked on her recent drive towards global economic integration from 1978, at the end of the Cultural Revolution. Her record of economic growth has been spectacular and closely resembles the earlier achievements of the East Asian tigers. Notwithstanding its communist ideology, China’s ‘socialism with Chinese characteristics’ follows the developmentalist tigers in the way it links economic growth with its national identity and political role in the world. However, in contrast to the tigers, China’s economic development has been very uneven and its

society is becoming increasingly unequal. The tensions caused by a widening urban-rural and east-west divide, combined with continuing friction between the majority Han and the non-Han minorities, threaten to undermine the image of national unity and social cohesion projected by the regime.

China's achievements in basic education, especially before and during the Cultural Revolution, have contributed significantly to her economic growth thereafter. The subsequent planned expansion of junior, secondary, technical and higher education from 1978 has enabled China largely to meet the rising demand for skills in higher-end manufacturing and service sectors. However, in contrast to the pattern observed earlier in the tiger economies, educational expansion is occurring rather unevenly across the country, with implications for income and other equalities. This is largely due to the regime's embrace of neo-liberal market models in public policy, including fiscal decentralisation and increased reliance on user fees, which in turn is related to the post-Cultural Revolution reaction against the extremes of Maoist egalitarianism. Meanwhile, the Communist authorities have been attempting to reinforce their legitimacy and paper over the cracks in national unity and social cohesion caused by rising inequality by pursuing a broad programme of 'patriotic education'. This appeal to nationalist sentiment may itself prove destabilising in the medium- to long-term, both domestically and in terms of China's relations with her Asian neighbours and the West.

India's drive towards export-orientation and greater integration into the global economy came in two waves. The first, during the 1980s, increased the role of the private sector, regularised imports and exports, reduced corporate and personal taxes and moved away from the model of state-led industrialisation and import substitution that had marked most of the period since independence in 1947. Following a downturn of the economy and political turmoil in the late 1980s, the second wave of economic globalisation started in earnest from 1991, when the Government agreed an economic stabilisation programme with the IMF and the World Bank. This heralded a distinctively different economic regime in which deregulation was intended to create opportunities for the domestic private sector and, more importantly, to encourage international investment. The economic record since the reforms has been mixed. Economic growth has not been consistently higher than in the pre-reform period, and while there appears to have been a very slight decrease in the proportion of the population judged to be living in poverty, consumption has become more skewed towards urban areas and the richest groups. Inter-state inequalities have also increased. Following independence, Nehru's vision of a national identity that would transcend caste, regional, linguistic and regional identities, while not undermining diversity and pluralism, led to the reorganisation of the country into linguistically constituted states. While this remains the pattern today, the demand for English proficiency and the process of cultural globalisation in general question the extent to which linguistic identities remain the basis for social cohesion. Undoubtedly, cohesion is maintained in part by the continuing force of the hierarchical caste system and feudal relations in rural areas.

The contribution of education to economic growth has been largely due to the major investment in university education from the 1950s. With its strong focus on science and technology and the growth of public and private sector technical colleges, education provided the skills required by heavy industries and, unwittingly, created a bedrock of skills for the subsequent IT revolution

several decades later. Meanwhile the education of the rural masses was extremely slow to improve – and even now, after major thrusts to achieve Education for All, India's achievements in education fall far behind countries at similar levels of economic development. The education system remains marked by huge disparities in terms of provision and opportunities for education and economic advancement. That India's levels of income and consumption inequality remain moderate by world standards has little to do with education. The role of education in contributing positively to national identity and social cohesion faced its strongest test in 2000 when the BJP government attempted to introduce its New Curriculum Framework. The framework proposed to 'Indianise, nationalise and spiritualise' the school curriculum and purge all 'foreign elements' from school textbooks. By referring to British colonial rule and Mughal rule in India, the purge of foreign elements, the framework threatened to undo the secular and pluralistic principles of the Indian constitution.

Notwithstanding the success of her horticultural export and tourism sectors, Kenya is not a major player in the global economy. Globalisation has not been perceived positively in Kenya partly because it is associated with the Structural Adjustment Programme (SAP) implemented by the Kenya Government since 1990 on the recommendation of the World Bank and IMF. SAP led to economic liberalisation, encouraged the market to determine domestic economic activities and reduced the role of government in running the economy. There is no clear evidence that the Kenyan Government embarked on a global economic integration policy beyond that which emerged as a by product of Structural Adjustment and which had more to do with improving domestic fiscal management than export-led growth. Structural Adjustment has had only a weak effect on economic growth and inhibited education expansion. Cost-sharing introduced in the education and health sectors in the 1990s eroded the gains that had been achieved hitherto. Unlike the East Asian states, Kenya has been unsuccessful in equalising access to education, particularly at the secondary level, thereby contributing to rising income inequality. Failure until recently to control population growth has retarded economic growth and social well-being generally.

Education policy in Kenya has contributed significantly to nation building, particularly through language policy. The policy requiring government boarding secondary schools, where elite political socialisation and formation begins, to admit no less than 20 percent of pupils from various geographical locations encouraged a tribal mix in the social composition of schools. This fostered national unity. Education contributed to economic development, particularly in the phase up to the mid 1970s during which the economy grew at a comparable rate to the economies of East Asia and when agricultural improvements benefited from educational advance. Policies of Free Primary Education introduced in 1974, 1978 and again in 2003 have encouraged educational access by poor households. However, rapid educational expansion in the 1960s and 1970s acted to increase rather than decrease inequalities that were inherited from the colonial administration. Education has not contributed to the reduction of inequalities in Kenya because much of the rapid enrolment expansion occurred through low quality community self-help schools (harambee schools). Moreover, the academic orientation of the education system emphasised progress to higher levels where both access and provision remained unequal among regions and between rural and urban areas. Kenya has recently successfully re-implemented a policy of free primary education. The sustainability of such a policy, alongside increased transition to quality secondary education, is likely to influence Kenya's future global economic integration.

Sri Lanka embarked on her recent drive towards global economic re-integration from 1977 when the government eschewed policies of import substitution industrialisation in favour of export-led growth. High economic growth ensued during the first six years but slowed thereafter. The role of agricultural exports, so important throughout the colonial period, declined, while that of manufacturing exports and services grew. The distribution of income across the country has remained more or less unchanged over the past fifty years, though differences between the urban, rural and estate sectors have increased. Moderate economic growth and relatively stable income equality/inequality have been accompanied by significant breakdowns of political and social relations between the majority Sinhalese and minority Tamils. The period of ethnic strife and civil war has coincided almost exactly with that of export-led growth, and it was this that persuaded us to extend our notion of what constituted 'successful engagement' with globalisation from 'growth with equality' to 'growth with equality and peace'.

Since the 1930s Sri Lanka's education policies have been oriented more to equality of opportunity than to economic growth. Notwithstanding the policy orientation, the contribution of education to economic growth has been marked and is underlined by high social and private rates of return to all levels of education. Income equality has been served well by state provision of educational opportunities which have been well distributed across the country, particularly at the basic education level (primary and junior secondary). Fee-free education and subsidies on textbooks, uniform and school transport, and bursaries for secondary and tertiary education, have contributed to the ability of the poorest households to support their childrens' education. Direct income support for the poorest families has also contributed significantly to moderate and stable income equality. Education's contribution to our third dimension – peace and war – is difficult to disentangle. To suggest that education has contributed to war may seem perverse, yet the division of the education system based on ethnicity and Sinhala/Tamil medium of instruction appears to have failed to create strong common state identities among Sinhala and Tamil youth. A series of changes in selection practices for university education introduced in the early 1970s contributed significantly to the perception of grievances by both social groups. In the case of Tamils, this educational grievance contributed to the calls for political separation. Current proposals for reform in the greater use of English and link languages, combined with more determined efforts to admit students from all communities to the same schools, need political will of the highest order if they are to turn education into a pro-active force for peace.

The relationships, within each country, between education, economic growth and social outcomes in income equality, poverty reduction, health and social cohesion/national unity, have been shown to be complex, due to a range of endogenous and exogenous characteristics and influences. The endogenous factors include not only those not amenable to policy change, such as basic geographical and geopolitical attributes, but also those subject to change, such as the nature of the state and its policies in diverse fields. The exogenous factors include the characteristics of the global economy and other global conditions current at the point in world history when countries embark on drives for economic development, modernisation and economic integration. The post-1980 phase of globalisation promoted by the West has been characterised by the introduction of policies designed to forge a greater integration of economies with global markets and the growth of information technology. The goal of economic growth, entailed by these policies, nationally and globally, appears to have overshadowed equally important goals of development – equality and peace.

Our studies of East Asia, China, India, Kenya and Sri Lanka have shown that education is an important factor in achieving what we call ‘successful’ forms of globalisation i.e. economic growth with equality and peace, but that it is not necessarily the main factor in each case. While economic and political policies have usually been the more important drivers of development, education has been a necessary, if not sufficient, component. There is no single ‘quick fix’ educational panacea for all dimensions of development for all countries at all times. With respect to the recent past and the present the importance of five policies appears to be common across our set of countries. The first is the achievement of high quality mass education which brings marginalised and rural populations within the mainstream of national development. The second is the planned expansion of secondary, technical and higher education that creates the skills needed for sustained economic growth. The third is the development of communication skills that facilitate international economic transactions. The fourth is the equitable expansion of education in order to enhance its contribution to social equality. The fifth is the awareness of the potential of both the official and hidden curriculum of educational institutions to promote positive – and perverse – contributions to national unity and social cohesion.

Globalisation is a process that occurs simultaneously at national and supra national levels. The dominant form of globalisation in our era has not issued from the countries which we discuss in this volume but from the more affluent and powerful countries of the West. But, the role of the countries studied in this book has often been more than merely reactive. The most powerful global players in the West have largely determined the rules of the game as far as the current global economy is concerned. However, some countries have managed to modify the rules to their own advantage and thus engineered more favourable terms of engagement with the global economy. Where globalising states have gained the widest range of economic and social benefit, it has mainly been on account of their own national efforts. International agencies and agreements play their part but these parts are always conditioned by national and local histories, contexts and aspirations. In securing the most favourable terms of engagement with the global economy and the most productive relationships between international, national and local resources for development, education has a doubly important role to play. Economic globalisation and international agreements do not just happen on their own. They happen in part because of decisions taken and policies made in different parts of the world, by – for the most part – educated people. Staying on top of economic globalisation and the amelioration of its perverse impacts require people with the skills and values provided by education.

Introduction: Andy Green and Angela W. Little

1. Rationale

This book examines the role that education has played, and can play, in the promotion of ‘successful’ forms of engagement with the global economy. The book reviews the general literature on education and globalisation alongside the specific experiences of the East Asian tiger economies, China, India, Kenya and Sri Lanka.

Definitions of the key characteristics of globalisation abound and the literature on the causes and consequences of globalisation is vast. In this book our working definition of globalisation is the rapid acceleration of cross-border movements of capital, labour, people, goods, knowledge and ideas. We work from the premise that the underlying drivers of globalisation are economic, political and technological and its manifestations economic, political, social and cultural. Our focus is on the integration of countries with the global economic system and the role of education in that process. We recognise that the cross border movement of labour, capital, people, goods, knowledge and ideas is not a new phenomenon confined to the late twentieth century. There have been many waves of globalisation throughout time. But it is this most recent wave that is the focus of this book.

Globalisation is seen as offering both opportunities and threats to developing countries. On the one hand it has enabled rapid economic growth in some regions, such as East Asia, which has been accompanied by rising levels of employment, increasing incomes, improved health and even, for certain periods, increasing income equality. On the other hand, it has been associated with environmental degradation, mounting global financial and political instability, heightened cultural conflict and increasing numbers in absolute poverty. For most of the last 30 years there has also been increasing inequality within states. Globalisation *per se* cannot, of course, be blamed directly for the problems which have accompanied it and for many of the poorer countries exclusion from the globalising process represents more of a threat than participation. The 2000 Department for International Development (DFID) White Paper *Eliminating Poverty: Making Globalisation Work for the Poor* (p.15) makes the point that the wise management of globalisation will reduce poverty because of the increased opportunities to create wealth. However, it also points out that managed badly, globalisation can lead to further poverty. The direction taken, ultimately, depends upon policy decisions.

Definitions of ‘development’ vary across time and space: economic growth is not the only goal of development. At the international development level, planners working in multi- and bi-lateral institutions have, since the late 1960s, promoted the twin concepts of economic growth and equity in various senses and combinations – *income redistribution with growth*, *growth with equity* and *equity with growth*. In a very broad sense all national development plans drive and reflect these goals but the means by which economic growth and equity are promoted can shift dramatically. During the 1960s and early 1970s many developing countries promoted economic growth through strategies for import substitution industrialisation. Subsequently these would shift to export-led growth. Some developing countries have promoted equity through direct government interventions in education, health, housing, land reform and income support; others have relied on the market and the ‘trickle-down’ effects of economic growth. The development goals embodied in national plans also reflect concerns that go beyond or are considered more fundamental than both economic growth and equity – for example nation building, national harmony and self-reliance. Education has a role to play in all these development goals.

We are concerned in this book with social cohesion as well as with growth and equity. We use social cohesion here as an umbrella term for a set of more specific attributes of societies. These are often taken to be related in many societal contexts but are not invariably so. At the minimum social cohesion implies the absence of civil war or major and persistent social unrest. In some national literatures 'national unity' is the term most typically used to signify this and we also use that term in our text here. A more exacting definition of a socially cohesive society would include the existence of harmonious and tolerant inter-community relations (see Green et al, 2006) which are characterised and measured with various indicators, including most often levels of 'trust' in other people and institutions. At various points in our text we make qualitative judgements about these societal characteristics but we are unable to base these on empirical measures since data on the key indicators do not exist for all of our countries. Social cohesion is also often deemed to require a degree of equality in the distribution of wealth and income, although not all definitions of social cohesion presume this. In our analysis we assume that relative equality does matter for cohesion and that it is, in any case, by our definition, an attribute in its own right of 'successful' globalisation. The terms 'equity' and 'equality' are used interchangeably in some of the literature. In this book we use equity to signify 'fairness' or 'justice' and equality as a more precise term referring to narrowness in distributions of income or education.

Notwithstanding the varying waves of globalisation and definitions of development over time and space, our concern is with the most recent wave of globalisation and with beneficial national development strategies of engagement with it. Through our review of the general literature, and influenced strongly by our findings from East Asia and from our concern with civil war in Sri Lanka, we have ventured a working definition of 'successful engagement with the global economy': *economic growth with income equality and peace*. Our discussion of education will relate mainly to its contribution to the achievement of these three goals.

2. Contexts of engagement

Our book focuses on one region and four countries. The phenomenal growth experience of the East Asia region from the 1960s to 1990s and its integration into the global economy provides the regional benchmark for our work. More specifically we review the education and development experience of Japan and the so-called 'East Asian tigers' – Hong Kong, South Korea, Singapore and Taiwan. These were the first developing economies to eschew import substitution industrialisation and to embrace outward-oriented, export-led growth. Much has been written about this experience over the past 15-20 years. Our task is to synthesise those writings and provide a point of comparison for the four developing countries we have chosen to explore in some depth.

Our choice of four developing countries – China, India, Kenya and Sri Lanka – was determined by the need to examine a range of engagements with the global economy and by the country expertise of members of our research team.

Kearney's (2004) globalisation index ranks 62 countries on 14 variables, grouped into four clusters – economic integration (trade, portfolio, foreign direct investment and investment income), personal contact (telephone, travel, remittances and personal transfers), technology

(internet users, internet hosts and secure internet servers) and politics (international organisations, United Nations peacekeeping, treaties and government transfers). Table 1 indicates the rank order of our four countries on the index of economic integration, the dimension of globalisation of greatest interest to us in this research. A low rank indicates strong integration.

Table 1 Indicator of Global Economic Integration – China, India, Kenya and Sri Lanka

Indicator	China	India	Kenya	Sri Lanka
Economic Integration	26	59	52	34

Source: Globalisation Index, A.T. Kearney, *Foreign Policy Magazine*, 2004

China and Sri Lanka are judged by this index to be moderately integrated. China ranks 26th out of 62 countries. Her integration into the global economy has been accelerating since the modernisation policies of Deng Xiao Peng, introduced in 1978, at the end of the Cultural Revolution. Her climb to becoming a world economic super power has been spectacular since then. Sri Lanka, a small and politically troubled country by comparison, is ranked 34th. In contrast to China, Sri Lanka has long been a trading nation integrated in world markets. Inward-oriented policies of Import Substitution Industrialisation (ISI) promoted shortly after independence in 1948 were replaced by strategies for export-led growth from 1977. With Gross Domestic Product (GDP) per capita (Purchasing Power Parity (PPP)) rates of US\$ 4,580 and 3,570 respectively in 2002, China and Sri Lanka are classified currently as low middle income countries. But, as we shall see in Chapters 2 and 5, their growth rates are very different.

India and Kenya are less well integrated, though for very different reasons. Like China, India (ranked 59th) is a very large country with a large domestic market. But the acceleration of her integration into the global economy began later than China's – from 1990, and from a lower economic and educational base. Like Sri Lanka, Kenya is a small country which had a strong externally-oriented economy at the time of independence. But economic decline in the 1980s, combined with policies of structural adjustment imposed from outside, have led to a degree of disengagement from the global economy. With GDP per capita (PPP) rates of US \$ 2,670 and 1,020 respectively in 2002, India and Kenya are classified currently as low income countries. This does not mean, however, that India's economy is not growing. As we shall see in Chapter 3, India's recent economic growth has been very high. Kenya's by contrast is very low.

3. Reviewing the literature

The research is based on a review of literature from three contexts. The first is the general literature on globalisation, education and development drawn from various fields of study including development economics, development studies, sociology, political science and history. While several of these studies reviewed refer to groups of countries, they are used to build up a general understanding of globalisation, education and development and benchmarks for the subsequent studies. This literature was garnered by all team members, drew on subfields and journals of which they had expertise and was supplemented by internet and data base searches. The

second is the literature on East Asian development and education. Since 1990 there has been an abundant literature on Japan and the East Asian tiger economies in development studies and political science. The literature on the role of education in the development of the East Asian tigers is more limited but rich nonetheless.

The third is the literature on globalisation, education and development in China, India, Kenya and Sri Lanka. Literature addressing two or more of these themes together is scarce. While we found some recent literature on the relationship between education and growth, education and income equality/inequality and education and national unity, rarely, if at all, were these themes considered together and in relation to globalisation and development. Texts of the scope and quality of, for example, *The East Asian Miracle*, are not available. We found ourselves, instead, piecing together evidence on economic growth, economic policy, equality, national unity, national identity, social cohesion, education policy and education equality from multiple sources and multiple disciplines. This led to the generation of new insights and the development of an argument about globalisation, education and development in each country rather than a conventional review of literature on these themes.

We have included country-focussed literature written by foreign scholars and those based in multi- and bi-lateral organisations. In the case of China we have also used texts and material published only in Mandarin. Wherever possible we have privileged literature generated by country-based researchers and communities. In general it was easier to synthesise material tracing the impact of economic globalisation on education than the converse: the impact of education and education policy on global economic integration. The education policy discourse in each of our countries of interest has been rather silent on the inter-relations between education and globalisation, a silence that is reflected in the respective country research literatures. The review of education policies in each country that were contributing to economic integration was hampered by the dearth of education policy evaluations in relation to globalisation. However the seminars (see below) held in each of the four countries generated additional valuable material. Inevitably many of the assessments of policy impact and the feasibility of current policy proposals rely heavily on our own judgements.

4. Project organisation

4.1 The IOE team

The research project was co-directed by Professors Andy Green and Angela Little of the Institute of Education (IOE), University of London. In addition to project direction and editing of this book they were the sole authors of Chapters 1 and 5 respectively and joint authors of the Introduction and Chapter 6. Dr. Edward Vickers of IOE took sole responsibility for Chapter 2; Dr. Sangeeta Kamat of the Universities of Massachusetts at Amherst and Delhi for Chapter 3; and Dr. Moses Oketch of IOE for Chapter 4. Jane Evans, Research Officer at IOE, provided invaluable assistance to all members of the team in identifying relevant literature and statistics, organising team meetings, supporting each of the policy seminars and in general administration. In the final stages Caine Rolleston assisted with copy editing.

4.2 Research partners

Research partners were involved in our work in three main ways. They assisted with the literature review, provided critical comment on drafts of these chapters and co-organised policy seminars to discuss these chapters and related papers.

Yuan Li prepared an annotated summary of some of the recent Chinese literature on education and globalisation. Associate Professor Grace C.L. Mak of the Hong Kong Institute of Education provided a critical review of the chapter on China. Dr. R. Govinda, Professor J. Tilak, Dr. A.R. Varasavi, Dr Geetha Nambissam and Dr Brahm Prakesh provided critical review and comment on the chapter on India. Dr. Elegwa Mukulu of the Jomo Kenyatta University of Agriculture and Technology and Professor Siri Hettige of the University of Colombo provided critical reviews of the chapters on Kenya and Sri Lanka respectively

4.3 Policy seminars

A series of policy seminars was held during September 2005 co-hosted with the IOE by colleagues and institutions in Chongqing, (China), Delhi (India), Nairobi (Kenya) and Colombo (Sri Lanka). These provided an opportunity for presentation of the country chapters to an audience drawn from the respective policy and research communities, for their critique and further improvement. Additional papers were presented by experienced and knowledgeable members of these communities. The deliberations during these seminars provided a valuable contribution to the final content and structure of the chapters.

In China the seminar was hosted by the Chongqing Business and Technology University. In addition to the country paper by Dr. Edward Vickers, papers were presented by Professor Zhang Shiya of South West University, Professor Baden Nima of Sichuan University and Professor Susan Robertson of Bristol University. Chen Bing of the Chongqing Business and Technology University (now the British Council's Education Manager in South West China) did a marvellous job of organising the seminar. When the chapter was being drafted, Ms. Yuan Li, of Beijing Normal University, provided an invaluable annotated summary of the literature in Chinese on globalisation and education. Dr. Niu Rui, also of Beijing Normal University, made some very useful comments on an earlier draft of the China chapter.

In India the seminar was hosted by the National Institute of Educational Planning and Administration (NIEPA) in Delhi. In addition to the country paper by Dr. Sangeeta Kamat, papers were presented by Professor Krishna Kumar of the National Council for Educational Research and Training, Dr. R. Govinda of NIEPA, Professor J. Tilak of NIEPA, Dr. B. Prakesh of the Asia Institute of Management, Manila, Dr. Avinash Singh of the TATA Institute, Bombay, Professor Susan Robertson (Bristol), Professor Angela Little (IOE) and Dr. Edward Vickers (IOE). Dr. Mona Sedwal provided invaluable organisational support.

In Kenya Dr. Joseph Otieno of Egerton Univeristy and Dr. Elegwa Mukulu of the Jomo Kenyatta University of Agriculture hosted the policy seminar in Nairobi. In addition to the country paper by Dr. Moses Oketch, additional papers were presented by Dr. Joseph Otieno, Dr.

Elegwa Mukulu, Dr. Leon Tikly (Bristol) and Professor Andy Green (IOE). Jane Evans (IOE) provided support for the organisation of the seminar from IOE and acted as rapporteur. Dr. Elegwa Mukulu provided invaluable organisational support.

In Sri Lanka the seminar was hosted by the Social Policy Analysis Research Centre (SPARC) of the University of Colombo. In addition to the country paper by Professor Angela Little, additional papers and inputs were presented by Professor Siri Hettige (SPARC), Dr. Harsha Aturupane of the World Bank office, Colombo, Mr. Sterling Perera of the National Education Commission, Dr. Athula Ranasinghe of the Department of Economics, University of Colombo, Professor V.K.Samaranayake of the University of Colombo, Dr. R.S. Medagama of the Ministry of Education and Dr. Sangeeta Kamat (IOE/Delhi). Felitia Adihetty provided invaluable organisational support for the seminar.

4.4 Sister projects

The team worked closely with colleagues involved in two sister projects on education and globalisation based at the University of Bristol and the Overseas Development Institute (ODI), London. Presentations involving members of the three teams were made at seminars held at DFID (September 2004), Bristol University (November 2004), ODI (March 2005), IOE, London (May 2005) and the United Kingdom Forum for International Education and Training (UKFIET) conference (September 2005). The London team also presented its work at the 50th anniversary conference of the Comparative and International Education Society of North America in March 2006.

5. Structure of the book

Chapter 1 focuses on the general literature on globalisation, education and development and the experience of the East Asian tiger economies. It examines the different theories of globalisation, how these have shaped thinking about development, and what they tell us about the roles of education in development in the context of a globalised economy. It reviews the research findings on the modes of development in East Asian 'tiger' economies and the ways in which education is seen to have contributed to these. It discusses the relevance of the East Asian experience to our four target countries and previews some of the main findings of the case studies which follow.

Chapters 2-5 present the four country cases. Each explores the specific educational and economic contexts of both economic and educational development in the period leading up to each country's recent engagement with the global economy. Each assesses the impact of policies introduced to forge and foster that engagement and on the record on export-led economic growth, income equality and national unity and peace. Each explores the contribution of education and education policy to the achievement of growth, equality and national unity to date and assesses the feasibility of current and proposed education policies that may foster beneficial engagements with the global economy in the future.

Chapter 6 synthesises our findings on the contribution of education to economic growth, equality and national unity in the context of economic globalisation.

Chapter 1: Education, Globalisation and Development: Changing the Terms of Engagement – Andy Green

1. Introduction

Our aim in this book is to investigate the role that education can play in the less developed countries in promoting ‘successful’ forms of engagement with the global economy. By ‘successful’ we mean modes of integration into the global market which lead to all round social and economic development for the country concerned – that is economic growth combined with poverty reduction, increased income equality and enhanced life quality, including through greater social cohesion. Combining growth with equity is not a new concept; in fact some (Moran, 2005) trace it back as far as 1974 with the publication of the seminal report entitled *Redistribution with Growth* (Chenery et al, 1974). However, it has been a resurgent theme in recent discussions around development both for richer and poorer countries, from the 1993 Brookings Institution report *Growth with Equity: Economic Policy Making for the 21st Century* (Baily et al, 1993), to recent World Bank development reports: *Equity and Development* (2006) and *China – Promoting Equity with Growth* (2003b). The tendency to view development in this way – as equally about social as economic priorities – has been stimulated by both ethical/philosophical considerations and by increasing concerns about recent trends in the process of global development.

The publication of Amartya Sen’s landmark book, *Development as Freedom* (Sen, 1999), which argued for a approach to development which stresses the importance of multiple human freedoms and capabilities, encouraged a broader perspective on the social as well as economic dimensions of development. Equally, increasing public awareness of the extreme inequalities, both between and within nations, that have accompanied the recent process of globalisation, have prompted demands for new ways of thinking about development which address these issues. Re-evaluation has also been encouraged by widely disseminated research on the developmental model of the East Asian states (World Bank, 1993) which suggests ways in which rapid economic growth through integration into the global market can be combined with increasing equality and the wide distribution of social improvements in the developing country.

The specific focus of the study is on the role of education in development in China, India, Kenya and Sri Lanka – in terms of how it has contributed to ‘successful’ globalisation, where it has failed to contribute and what policies might be adopted to improve its effectiveness. However, we also look at the wider international research literature on education, globalisation and development, to assess the general arguments that are made regarding education’s role in positive forms of global integration. In particular, we look at the evidence from the East Asian states which have been widely regarded as an example of ‘beneficial’ globalisation. This first chapter focuses on the latter part of the agenda. In the first part it examines the different theories of globalisation, how these have shaped thinking about development, and what they tell us about the roles of education in development in the context of a globalised economy. The second part reviews the research findings on the modes of development in Japan and the East Asian ‘tiger’ economies and the ways in which education is seen to have contributed to these. The third part discusses the relevance of the East Asian experience to our four target countries and previews some of the main findings of the case studies of these which follow.

2. Globalisation

Globalisation, as an economic, political and cultural phenomenon, has fundamental implications for the process of development and the role of education in that process. This is not only because it changes the nature of world markets and what it takes to be competitive in these markets, but also because it changes the nature of the national state and the relations between states and between states and other levels of governance (Robertson, et al, 2007). Globalisation changes the terms under which states and their economic actors engage in the global economy and thus the possible paths of development. These changes invariably imply different demands in terms of skills and knowledge and different possibilities for producing them. However, how we understand these changes, and their implications for the role of education in development, will depend crucially on how we understand the process of globalisation.

2.1 Perspectives on globalisation

Globalisation can be simply defined as the rapid acceleration of cross-border movements of capital, labour, goods, knowledge and ideas. The flows of each have increased exponentially in volume and also in speed, leading to what the social geographer David Harvey (1989) has called 'time/space compression'. As the salience of physical distance decreases, different places, on different times, can be simultaneously experienced in one place and many places. As Carnoy puts it: 'A global economy is one whose strategic, core activities, including innovation, finance and corporate management, function on a planetary scale in real time.' (1999: 13) The current wave of globalisation, which most commentators date from the early 1970s, has been driven primarily by technological and scientific advances, which have made transport and communications faster and cheaper, and also by the general political movement towards trade liberalisation and market de-regulation which has gathered pace since abandonment of the Bretton Woods policies in the early 1970s (Green, 2002; Wolf, 2004). Globalisation clearly has political and cultural dimensions but it is economic globalisation which is generally considered to be at the heart of the process (Waters, 1995; Wolf, 2004). As Martin Wolf defines it, globalisation is the 'integration of economic activities through markets' and the 'driving forces are technological and policy changes – falling costs of transport and communications and greater reliance on market forces' (2004: 19).

The literature on globalisation has mushroomed in the past two decades – not least within the disciplines of sociology, economics, political science, social geography and cultural studies – and now displays quite diverse theoretical orientations. Whilst there is considerable agreement on some core assumptions of globalisation theory – that the current, post 1970 wave of globalisation is new and historically distinct; that transnational corporations play an increasingly important role in the global economy; that both technology and markets are key drivers of the process – there are also many issues which are still in dispute. Opinions vary considerably on whether the process is primarily determined by technology or politics; on whether it is linear and irreversible or uneven and contingent; on whether it leads to the weakening or even demise of states; and on whether the outcome of globalisation is likely to be the increasing convergence of national economies, cultures and societies. Underlying the different perspectives, of course, are typically more normative assumptions about whether globalisation is generally a 'good thing.'

It is customary in academic reviews to distinguish between three main camps in the globalisation debate (Mok and Lee, 2003; Held, McGrew, Godblatt and Parraton, 1999), typically referred to as ‘hyperglobalists’, ‘sceptics’ and ‘transformationalists.’ This classification inevitably simplifies the picture and far from exhausts the variety of theoretical standpoints. However, it provides a useful point of departure.

Hyperglobalists are those writers who anticipate the most far reaching consequences of globalisation, predicting the end of national economies, the demise of the nation state as a primary political unit and the erosion of distinctive national cultures. Oriented to the ‘post-national’, they tend to believe that globalisation brings rapid convergence across the world in economic and political organisation and in culture. At the extreme (Ohmae, 1990, 1996) they believe we are heading for a ‘borderless world’ with a single global market, new forms global governance and an increasingly homogenised global consumer culture. Globalisation is seen as chiefly governed by technological advances which point in a linear direction towards a largely pre-determined future. For some, though not all, hyperglobalists the worldwide dissemination of an Anglo-American style of ‘free market’ economy is both inevitable and desirable, and in this sense their writings can be construed as highly normative in orientation. Ulrich Beck (2000) has noted that such viewpoints are primarily ideological and refers to the advocates collectively as ‘globalists.’

While some of the writings of the hyperglobalist school may be dismissed as ideological and fantastical, there is a solid core to the economic arguments of leading writers in the field. Robert Reich, in his celebrated book, the *Work of Nations* (1991), argued persuasively that with the vast extension of the global markets in capital, labour and goods, the concept of the national economy is becoming increasingly redundant. The global economy is dominated increasingly by transnational corporations which are rapidly transforming themselves into ‘global enterprise webs’ constituted by numerous international subsidiaries, spin-offs, franchises and affiliates. Their products comprise components which are sourced internationally and they are sold on international markets; their workforces are increasingly international and their investors are drawn from across the world. Such companies, argues Reich, bear no allegiance to their home country and governments and their electorates should have no preference for domestically-registered companies. As Reich shows, seeking to support the national economy and domestic jobs by buying from so-called national companies, can be misplaced. At the time he wrote, such was the national mix of the sources for components in the auto industry, for instance, that Reich could argue that if you wanted to invest in United States (US) products you were better off buying a Honda than a Pontiac Le Mans. Reich’s conclusion is that this global transformation will re-arrange the politics and economies of the coming century:

There will be no more national products and technologies, no national corporations, no national industries. There will no longer be national economies at least in the sense we have come to understand them. All that will remain rooted within national borders are the people who comprise the nation. Each nation’s primary assets will be its citizens’ skills and insights (Reich, 1991: 1).

Sceptics have, perhaps not surprisingly, reacted against some of the more inflated claims and over-blown conclusions of the hyperglobalist school. They have pointed out that the nation state still remains the primary unit of political organisation across the world and shows little sign of disappearing (Hirst and Thompson, 1992). On the contrary some 100 new nation states emerged in the half century after World War 2 (WW2) and in excess of 20 since 1991, in the wake of break-up of the former Yugoslavia and the Eastern block (Davies, 1993; Smith 1995: 105). Moreover, national borders are frequently reinforced, not least in Europe, and strong national identities persist in many parts of the world (Green, 1997; Smith, 1995). If politics becomes increasingly globalised through the burgeoning of international organisations, nation states remain the building blocks of international governance (Hirst and Thompson, 1992). Hirst and Thompson, who for many years led the sceptical pack, also argue that the claims about the end of the national economy are overstated. National economies persisted during previous waves of internationalisation, as before World War One (WW1), when levels of globalisation of capital and labour reached levels only recently surpassed. Even today the transnational corporations remain firmly rooted in their home economies, which provide the majority of their investors, and often their primary markets. As Hutton (1995) and Porter(1990) argue, consistently with Hirst and Thompson, the success of leading companies in many countries remains heavily dependent on the local infrastructures, including the quality of education and training provision, the stability of supplier chains, the vitality of research and development networks, the work culture, and the loyalty and commitment of financial institutions.

As is typical in academic debates, thesis and antithesis produce some further synthesis which combines aspects of the analysis of each camp. The so-called transformationalist school (Held et al, 1999) acknowledge that economic globalisation has fundamentally changed both the nature of the world economy and the role of the national economy, over which governments now have much less control due to the power of international finance. Globalisation, they write, is 'unquestionably eroding the capacity of the state to control its own economic future' (1989: 230). They also argue that new forms of global governance are emerging which substantially alter the role of national states, creating overlapping layers of sovereignty on different scales (see also Robertson et al, 2007). Those adhering to this position may be either relatively optimistic about the prospects for international governance or they may be out-and-out catastrophists who see the weakening of nation states and the power of financial capital as leading to burgeoning political chaos (Gray, 1998) or global financial meltdown (Soros, 1998). However, they generally agree, on the one hand, that globalisation is transformative of both economic and political relations, but also, on the other, that it is a complex process that shows no obvious signs of leading towards global convergence in economies and states.

The transformtists' view on the nature of the global economy is undoubtedly the near-consensus position in the social sciences now. However debates about the impact of economic globalisation on the state and national identity still remain unresolved. The dominant view (Beck, 2000; Castells, 1997; Giddens, 1991; Touraine, 2000; Delanty, 2000) is that the national state is being undermined by the twin forces of globalisation and cultural particularism (glocalisation), thus leading to the rapid erosion of (national) state identities. Supra-national political bodies fail to provide credible alternative foci for loyalty and identification (Touraine,

2000), so in the place of the weakened state identities arise a profusion of transnational, local, group and individual identities based on religions, ethnicities, localities, gangs, cults, lifestyles and life projects. ‘The state,’ according to Touraine is ‘under attack from the internationalisation of the economy, on the one hand, and the fragmentation of cultural identities, on the other’ (2000: 11). The proliferation of communitarian or identity-based groupings narrows the ambit of social connectedness, undercutting the universalistic ideals of republican and other historic models of citizenship. Identity and citizenship, as Gerard Delanty (2000) has put it, are increasingly parting company in the modern world. For Touraine, as for Delanty and Castells, this radically undermines traditional sources of social cohesion.

Castells provides what is possibly the most extended account of this view. He argues that the instrumental capacity of the state is being eroded by the globalisation of core economic activities, media and electronic communications and crime. Globalisation has meant the dependence of national economies on international finance, the weakening of the independent military capacities of states, and the subjection of their welfare regimes to a downward spiral of cost – cutting in the face of global financial pressures. At the same time, the internationalisation of media and communication has led to the virtual de-nationalisation and ‘de-statisation’ of information. With the erosion of state capacities to meet the demands of increasingly diverse populations, political parties and ideologies lose their appeal and citizens show increasing electoral apathy and general distrust of governments. While the state itself faces a crisis of legitimacy, and as people feel increasingly alienated by their powerlessness in the face of the global networks of power and wealth, individuals turn elsewhere for their sense of identity and belonging. So for Castells the decline of traditional state ‘legitimising identities’ is matched by a rise in other, non-state identities. The elites construct ‘subject identities’ based on self-reflexive life planning and revolving around consumerism, lifestyle choices and life projects. Others, lacking these lifestyle options, forge ‘resistance identities’ – group survival strategies representing the ‘exclusion of the excluders by the excluded.’ In each case they represent a weakening of bonds of civil society and a challenge to traditional forms of societal cohesion. As Castells writes: ‘The dissolution of shared identities, which is tantamount to the dissolution of society as a meaningful social system, may well be the state of affairs of our time’ (1997: 355).

This view, whilst plausible in relation to the more cosmopolitan states in the West, and particularly perhaps to those most influenced by Anglo-American neo-liberalism, does not, however, hold up so well in other regional contexts, such as in East Asia, where strong state identities are still very apparent. Nor does it easily tally with the multiplication of nation states since 1990 and with the resurgence of ethno-cultural nationalisms which are often associated with these, as in many of the states in Eastern Europe which have arisen out of the ashes of the old communist block. Scholars of nationalism and national identity tend to be divided about the future direction of identities in the new nation states. Some of the so-called ‘primordialists’ (Smith, 1995) may claim that ethnic identities are so culturally ingrained and historically durable that differences between states’ identities will be lasting. Others (Kuzio, 1999; Schöpflin, 2002) argue that many states, such as the post-communist states in Eastern Europe, may in time shift from ethno-cultural to civic republican forms. However, most scholars of nationalism, whilst recognising different forms of national identity, still believe that nationalism *per se* is on the rise (Hoosen, 1994). Theorists of cultural globalisation, as we discuss below, also tend to dismiss notions of the erosion of the ‘local’ and the obliteration of ‘difference.’

Even as regards the western states it may be somewhat exaggerated to talk, as Castells and others have done, about the waning of national economies and the eclipse of state powers over them and their related social systems. Increasingly difficult as it is for governments to regulate capital flows, they do still have some power to control important areas of their economies, although it often convenient for them to hide unpopular reforms behind the mask of global economic inevitability (Hirst and Thompson, 1992; Castells, 1997). They still have some discretion over taxation and public spending, as is clearly apparent from the large variations in tax and public expenditure rates across the Organisation for Economic Cooperation and Development (OECD) countries. Overall levels of taxation in the richer countries have continued to rise during the latest phase of globalisation in the teeth of the pressures of the global market.¹ Despite real fears that globalisation can cause a 'race to the bottom' in social expenditures, some high productivity countries have held out. Highly taxed European states, such as Denmark, France, Sweden and Finland, for instance, were running large trade surpluses in 2002 and were not experiencing capital flight, as Wolf (2004) points out. National economies are also necessary to the transnational corporations (TNCs), as discussed above (Hirst and Thompson, 1996). How these are regulated substantially affects their business which is why they spend substantial sums in lobbying governments to ensure they meet their requirements. Thus while global corporations extend way beyond their national home countries boundaries, and often outside of their effective reach and control, they remain in important ways still rooted in national economies.

The debate about the state reminds us just how uneven is the process of globalisation and this is one of the more prescient observations in recent writings about globalisation and an important theme for understanding the impacts of globalisation on development. The process of globalisation is quite clearly uneven both spatially and temporally.

On the spatial dimension, only three regions of the world – Europe, East Asia and North America – have experienced substantial globalisation of their economies, although other regions have been affected in more or less positive ways. Globalisation has, inevitably, involved both winners and losers, with a group of primarily East Asian states seeing rapid rises in prosperity and other regions, particularly sub-Saharan Africa, seeing substantial relative declines. Over the last two centuries the gap between the richest and poorest countries has grown enormously. In 1820 the richest country in the world had an estimated real income per head about four and a half times that of the poorest. The ratio was 15:1 by 1913; 26:1 by 1950; 42:1 by 1973 and 71:1 by 2000 (Wolf, 2004: 44). Between 1960 and 1990, during a period of accelerating globalisation, most less developed countries did not grow significantly. Sixteen had negative growth; 28 grew at less than 0.5% per annum and 40 had average growth at less than 1% (Wolf, 2004: 45). At the same time a clutch of East Asian states has experienced unprecedented levels of growth.

Whether the income gap between countries has continued to increase during the past decade is hotly disputed and depends how the calculation is made. It may be the case that income inequality amongst individuals across the world has declined since the early 1990s, as Wolf (2004) and the World Bank (2002b) argue, because the number of people living in the poorest states is declining relative to world population, whereas highly populous states like China have

¹ Government tax revenue as a percentage of GDP in 2000 varied from 53.6% in Sweden, to 48.8% in Denmark, 37.4% in the UK and 29.6% in the USA. Government expenditure as a percentage of GDP for a sample of 13 rich countries has grown from 13.1 percent in 1913 to 41.9 percent in 1980 and 45 percent in 1996 (Wolf, 2004, 253).

seen rapid improvements in living standards. However, as is generally agreed, within country income inequality in most states has increased over the past decade, as has the gap in average incomes between the worlds' richest and poorest countries (Wolf, 2004). Whether this growing cleavage can be attributed to globalisation *per se* is a moot point since in most cases it is the states which have globalised least which have fallen furthest behind. However, what is clear is that on the record of the past 30 years accelerated globalisation has proven to be an extremely uneven form of development.

On the temporal dimension, and taking the long historical view, it is also clear that globalisation moves at an uneven pace, and is far from the linear and inevitable process described in the hyperglobalist literature (Hay and Marsh, 2000). Globalisation is partly technological and structural and partly politically contingent. It is a dialectical and contradictory process and its future forms will depend on political decisions as well as economic and technological forces. Just as the last great surge of internationalisation was cut short by WWI and the protectionist national responses to the economic depression in the inter-bellum period (James, 2001), so too the future of globalisation will be conditioned by both economic and political forces.

Recent literature on globalisation stresses the complex, uneven and often contradictory nature of the processes involved (Hay and Marsh, 2000). This is evident in many of the analyses, whether they relate to economic, political or cultural processes. We have already briefly discussed the resurgent interest in the unequal economic gains from globalisation and have alluded to the growing consensus around transformationalist theories which stress the divergent regional responses to globalisation and add to the burgeoning political economy literature on the varieties of modern capitalism (Albert, 1993; Berger and Dore, 1996; Dore, 2000; Esping-Andersen, 1990; 1999; Hampden-Turner and Trompenaars, 1993; Hutton, 1995; Streeck, 1997; Thurow, 1996). Similar themes are pursued in much of the literature on political and cultural globalisation.

Early theories of cultural globalisation tended to portray it as seamless process of homogenisation. As Pieterse wrote in 1995: 'The most common interpretations of globalisation are the ideas that the world is becoming more uniform and standardised, through technological, commercial, and cultural synchronisation from the West, and that globalisation is tied up with modernity' (p.45). However, since then cultural theorists have generally stressed the contradictory nature of the process. Pieterse, himself, argued that global communications can be a force for both fragmentation and unification, engendering awareness of political difference as much as common identity, and re-enforcing both supra-national and sub-national regional identities. He saw cultural globalisation as typically a process of cultural 'hybridisation' rather than homogenisation. Roland Robertson (1995) took a similarly complex view, arguing that the globalisation of communications and cultures has meant a process of 'glocalisation'. 'Globalisation,' he writes, 'has involved the simultaneity and the interpenetration of what are conventionally called the global and the local, or – in more abstract vein – the universal and the particular.' (1995: 30) More recently De Sousa Santos has argued that what we call globalisation is always the successful globalisation of a particular localism: 'The process that creates the global as the dominant position in unequal exchanges is the same one that produces the local as a subaltern position.' (Santos in Dale and Robertson 2004: 149). Globalisation can take many forms – some of which represent hegemonic or dominant forms of globalisation and

some of which he describes as counter-hegemonic. Rather than talk of globalisation in the singular we should talk of globalisations, plural.

Thomas Friedman, the New York Times columnist and author of the anecdotal but perceptive study of globalisation, *The Lexus and the Olive Tree* (2000), captures many of the contradictions explored in the more scientific literature. 'Globalisation,' he writes:

is everything and its opposite. It can be incredibly empowering and incredibly coercive. It democratises opportunity and democratises panic. It makes the whales bigger and the minnows stronger. It leaves you behind faster and faster and catches you up faster and faster. While it is homogenising cultures, it is also enabling people to share their individuality farther and wider. It makes us want to chase the Lexus [material consumption] more intensively than ever, and cling to our olive trees [i.e. security and identity] more tightly than ever. It enables us to reach into the world as never before and it enables the world to reach into each of us as never before.' (p. 406).

In many ways a unremittingly optimistic globalist, Friedman is also sceptical of the about the more extreme claims about the demise of the nation state. 'One reason,' he writes 'that the nation state will never disappear, even if it does weaken, is because it is the ultimate olive tree – the ultimate expression of whom we belong to – linguistically, geographically, and historically. You cannot be a complete person alone.' (2000: 31)

In terms of the political dimension of globalisation we have already referred to the contradictions between resurgent nationalisms and the post-national tendencies towards supra- and sub-national identification. At the level of political governance and control we should also note the contradictions, discussed by Touraine (2000), between tendencies, on the one hand, towards increasing supra-national political governance, often at the level of the region or block, and, on the other, those towards greater localisation and regionalisation at the sub-national level. Other contradictions involve the asymmetries in the globalisation of civil society. As Sklair argues (1997) there is increasing evidence of the emergence of what he calls the 'transnational capitalist class' including executives of transnational corporations, globalising bureaucrats and politicians and other international commercial and professional elites. These frequently occupy interlocking top positions in the business world and civil society, including in think tanks, charities, scientific, sports and cultural bodies, universities and medical foundations, and are represented by various organisations such as the Business Round Table and the Trilateral Commission. However, as he notes, absent is any equivalent global organisation of labour. This makes the globalisation of civil society, observed by Beck (2000) and Held et al (1999), at best a one-sided development.

However, perhaps the most glaring contradiction of all in the process of globalisation is the imbalance between its economic and political dimensions. Emile Durkheim noted the contradictions of 19th century industrialisation where the moral capacities of societies failed to keep pace with the material advance of the economy (Durkheim, 1947). Today, it is the failure of politics and civil society to keep pace with economic globalisation which is at the heart of many of the current concerns about globalisation (Martin and Schumann, 1996). As the historian Eric Hobsbawm reflected in his account of the 'short' twentieth century 'Age of Extremes':

Perhaps the most striking characteristic at the end of the twentieth century is the tension between this accelerating process of globalisation and the inability of both public institutions and the collective behaviour of human beings to keep pace with it (Hobsbawm, 1995: 15).

2.2 Globalisation and development

How we understand development in a globalising world will, of course, depend critically on how we understand the process of globalisation. At the most basic level, whether one perceives globalisation to be broadly ‘a good thing’ for all nations or, on the contrary, a phenomenon which further enriches elites in the developed world at the expense of the poorest states, will fundamentally affect how we assess the possibilities for ‘positive’ forms of engagement in the global economy on the part of the less developed countries. Optimists will point to East Asia and China as demonstrating what can be gained from globalisation by less developed countries. Pessimists will remind us that most of the countries in Latin America and Africa have so far gained little from globalisation and may even have suffered relative decline as a consequence. Some will take the more balanced view and agree with Nobel Laureate economist Joseph Stiglitz that globalisation is inherently neither good nor bad since it all depends on how it is managed. As he writes: ‘Globalisation itself is neither good nor bad. It has the power to do enormous good.... But in much of the world it has not brought comparable benefits. For many, it seems closer to an unmitigated disaster’ (2002: 20). Other viewpoints also fundamentally affect how the process of development in a global era is understood. Two stand out.

The first relates to the question of convergence and divergence in the global economy, as discussed above. If we believe, as many ‘globalists’ do, that convergence along the lines of the currently dominant neo-liberal market economies of the West is inevitable and desirable, we will be inclined to see only one viable path for development – more likely than not that which conforms to the principles advocated in what has been called the ‘Washington consensus.’ On the other hand, if one takes the view that there are manifestly divergent responses to globalisation across the world, and that a variety of models might be seen as ‘successful’, then it is possible to retain a more open agenda about what may constitute ‘successful’ globalisation in practice (Sen, 1999).

The second relates to the role of nation states in a globalised world, probably the most controversial question in the entire globalisation debate, as we saw above. The view which maintains that states have severely diminished importance in a global economy may imply that states are not the main issue for development. They should be encouraged to withdraw from economic management to allow the market to do its work. Alternatively, the richer countries should focus less on the nature of weak or ‘corrupt’ states and more on providing the resources and aid to kick-start the poorest economies (Sachs, 2005). On the other hand, from the view that nation states remain important, despite globalisation, it follows that state is a principal factor in successful development, as is argued by developmental state theorists (Amsden, 2002; Johnson, 1982; Wade, 1990) or, more negatively, by those who say that failed states are the main impediments to successful globalisation (Wolf, 2004). To Wolf it is the failure of states in Africa that lies behind the underdevelopment; not globalisation. ‘The world needs more globalisation not less. But we will only have more and better globalisation if we have better states’ (Wolf, 2004: 320).

For the purposes of reviewing the literature it is, of course, important to bear in mind the significance of these different perspectives when we assess the evidence and arguments. First we consider some of the general points about globalisation and development around which there is relative consensus. Second we consider some of the more specific controversies about globalisation, development and the role of education.

Globalisation affects the process of development, and the role of education and skills in this, in a number of key ways. In general terms it can be said to increase the importance of international trade in economic development since national economic competitiveness relies increasingly on success in the ever growing global markets in goods and services. In increasing the mobility of production factors, including capital, labour, materials, technology and know-how, globalisation also changes the terms of comparative economic advantage. This is no longer wholly constrained, as in Ricardo's day, by geography and natural resources (Gray, 1996). Comparative advantage can now be 'engineered' in national economies in more diverse ways without respect to natural resource endowments (Amsden, 1992; Wade, 1990). Increasing mobility of production factors also magnifies the importance in economic development of foreign direct investment (FDI) since this is now possible on a scale not previously envisaged. Globalisation, associated as it often is with rapid advancements in science and technology, and particularly with information and communications technologies, also enhances the importance of knowledge and ideas in production and services. In the so called 'knowledge economy' it is the non-material inputs of knowledge, know-how and ideas which constitute the greater part of the value in traded goods and services and which therefore become most central to business profit and national economic development (Lundvall and Archibugi, 2001; World Bank, 2003c; OECD, 2001). In as much as globalisation is associated with changing patterns of international governance and market regulation, not least in relation to trade, globalisation further impacts on the nature of economic development, changing the terms under which national governments and national economies can engage with the global market.

The role of education in development is also arguably substantially changed by the process of globalisation in as much as it is associated with the tendencies above. As it is generally argued, knowledge and skills become more important for economic development as countries compete internationally in knowledge-based goods and services. Education and skills become more important for attracting the FDI which is one of the primary engines of development for many countries (Carnoy, 1999; Daun, 2002). Equally important, education and skills determine the degree to which knowledge and technologies can be transferred and absorbed and thus the capacity of a state to build up its indigenous industries and to compete in world markets with their goods and services (Amsden, 2002). Arguably, education also plays an increasingly central role in mediating societal responses to the strains and contradictions thrown up by globalisation and in ensuring that social as well as economic benefits accrue from development and engagement with the global economy (Carnoy and Castells, 2001; Green, 1997).

In the section that follows we provide a brief review of key debates within the literature on the role of education in development in an era of globalisation. The discussion addresses first issues in economic development and second issues in social development.

2.3 Education, globalisation and development

2.3.1 Education and economic growth

Macro-economic studies of education and economic growth are not always consistent. Problems of statistical measurement are, inevitably, extensive. This has partly to do with the rather inadequate measures available for 'education' variables. The most relevant aspect of education to economic development, according to most economic models, is adult skills. However we do not have comparable time series data on directly tested adult skills levels across a wide range of countries. Studies have tended to rely instead on proxy measures for skills including data on highest levels of education undertaken or years of schooling. These measures clearly do not take into account the quality of education at different levels in different countries albeit that the levels are nominally classified as comparable, and can only therefore be considered as rather approximate measures of skills obtained. Further difficulties arise because relationships between education and growth are complicated by the number of intervening variables which interact in different ways in different times and places (Lewin, 1993). Given the complexity of the relationships and the inadequacy of some of the measures it is not surprising that studies have not come up with entirely consistent results. However, the balance of evidence and arguments amongst economists points to the conclusion that, as Barro (1991) contends, 'human capital and technological know-how are vitally important to growth,' albeit that the effects are not homogenous across countries. Barro's analysis for 98 countries between 1960 and 1985 concluded that 'the growth rate of real per capita income is positively related to initial human capital [proxied by 1960 school enrolment rates] and negatively related to initial level of real per capita GDP[Gross Domestic Product]' (1991: 401). Much of the current debate focuses on how you separate the effects of human capital and technological know-how from technology *per se*.

Early 'growth accounting' studies sought to measure the so-called 'residual' (i.e. the part of growth not attributable to increases in labour, capital and productive land) and to attribute this to increases in education and skills. Dennison (1967, 1979) found positive correlations between education and growth in the USA between 1930 and 1973. His last study (1979), which estimated both the direct and indirect effects of education, found that direct effects were responsible for about 20% of growth and indirect effects for 11%. However, when the method was applied to other countries the results varied widely. Psacharopoulos and Woodhall (1985) obtained results varying from 2% to 25% for a group of developed countries and from 1% to 6% for a group of developing countries. Using a different approach Hicks (1980) compared literacy levels with historic rates of economic growth in 83 countries and concluded that the twelve developing countries with the fastest growth rates all had literacy levels above the average (68% compared to 38% in 1960). Other studies (e.g. Harbison and Myers, 1964), using different measures and methods, have also found correlations, but again results vary from country to country and do not always give robust indications of causality.

More recent studies in 'Endogenous Growth Theory' tend to treat skill as an integral part of the 'residual' technology element of growth in Total Factor Productivity and thus find a larger role for skills (Abromowitz, 1989). Whereas Solow, the pioneer of growth accounting, assumed technology to be exogenous and freely available, endogenous growth theorists focus on the

conditions for acquiring technology and the role of education in those. Romer (1996) argues that technology is not a pure 'public good' for while ideas are non-rival they can be excluded through patents. Knowledge flows, according to Romer, can account for differential growth patterns. Knowledge, which is at the heart of technology, is subject to increasing economies of scale. Endogenous growth has to be cultivated through improvements in human capital which allow technological development (Oketch, 2006).

Studies of productivity, conducted both at micro and meso levels, also tend to show significant education effects, particularly as regards agriculture. Lockheed, Jamison and Lau (1980) concluded from a meta-analysis of 18 research studies on agricultural productivity that four years of primary education increased farm productivity by an average 8.6% and that agricultural productivity was more influenced by education in modernising than in traditional environments. The conclusions of five studies on education and agricultural productivity are reported in Hadded et al (1991) and these relate to, amongst other places, Korea, Malaysia, Thailand and Nepal. Four of these show positive and significant effects of education, particularly in modernising environments. Knight and Sabot's (1990) study comparing samples of about 2,000 employees in Kenya and Tanzania show significant labour market returns to cognitive achievement as measured by literacy and numeracy tests. In Kenya cognitive skills were found to account for three times more variance in earnings than reasoning ability and years of schooling combined, whereas the ratio in Tanzania was two to one. Cognitive achievement gains for secondary schooling for students of mean ability were 17% higher in Kenya than Tanzania despite the fact that per student expenditure were greater in Tanzania, suggesting to Lewin (1993) that there might be differences in the effectiveness with which resources are allocated to teaching and learning. Studies of education and productivity in industry in developing countries have, according to Lewin (1993), produced more mixed results and do not conclusively support either the human capital view (which argues that the returns to education are due to increases in worker productivity caused by education) or the 'screening hypothesis' view (which argues more educated workers gain higher wages for reasons other than the productivity enhancing effects of the skills they acquire in education). However, as Lewin acknowledges, employers in many countries do believe that their selection of employees on the basis of educational credentials relates to the latter's capacity to do the job.

2.3.2 Education, FDI and trade

There is general agreement that rapid economic development in a global economy can only be achieved through increases in trade. Most commonly for the less developed countries this is through trade in manufactured goods but also increasingly through trade in services. Whereas many developing countries in the 1960s sought – and often achieved – substantial growth through import substitution policies, these have become non-viable since the massive extension of the global market from the 1970s. Whether or not liberal free-trade policies, including the reduction of trade tariffs, quotas and subsidies, is the best way for a particular country or region to increase its exports is still much debated. But export-led growth is now seen as the only strategy for development. A recent World Bank report on *Globalisation, Growth and Poverty* (2002b) provides evidence of the importance of exports to growth. Their analysis divides 73 developing countries into two groups on the basis of their trading performance. One group (the 'globalisers') experienced a combined increase in the ratio of trade to GDP of 104% after 1980.

The other group (the non-globalisers) had an aggregate decline over the same period. The globalising group started off a little poorer than the non-globalising group but their average per capita incomes rose by 3.1% per annum between 1980 and 1997. By comparison the non-globalising group grew by only 0.5% per annum during the same period. Wages growth was twice as rapid in the globalising countries as in the non-globalising countries.

The analysis of country characteristics does not show decisively that trade policy as such had any necessary relation to growth, but the clear message is that trade itself is good for growth. The most successful countries, which included China and were mostly Asian, clearly benefited from an export-led development policy. The least globalising countries were mostly those that relied for export on a narrow range of primary agricultural commodities which have generally fared badly on world markets. The report notes the contributions of geography, climate and disease to poor growth performance in the least globalised countries. It also notes the lack of basic infrastructures. Education levels at the onset of the period are not closely correlated with future growth performance. The success of the more globalised economies is attributed to a variety of factors including good locations, good policies, effective institutions, good infrastructures, cheap and skilled labour, and trade openness, although the report notes that not all globalising countries had liberal trade policies at the outset. Their prescription is that ‘the entire investment climate must be improved, from infrastructure to supporting institutions’ in order for development to occur (2002: 147).

The focus on investment has clearly been central to all accounts of the development process. Without investment there can be no growth. However, globalisation here also changes the terms of the debate since it has vastly increased the capital flows available for foreign investment and particularly for FDI. Manufacturing and service operations can be located abroad with greater ease due to the increasing efficiency of transport and communications. It is certainly the case that some countries have developed rapidly in the post WW2 era without substantial reliance on FDI. Japan, South Korea and Taiwan generally avoided FDI until 1997, relying instead on investment through domestic savings, foreign capital in the forms of loans and equity and technology transfer through licensing. However, for many countries FDI does represent the most realistic means of gaining more long term investment for economic development (Wolf, 2004). Many developments economists have argued for the advantages of FDI to the host economy. Carnoy (1993) points to a number of potential gains including in technology and knowledge transfer, local employment, the creation of demand for local inputs which stimulate domestic firms and lower priced goods to consumers. However, there can also be costs. Countries and their firms often have to attract FDI through lower taxes and wages which may mean reduced living standards, at least initially. Foreign firms may not wish to share their firm-specific assets which make them profitable, which impedes knowledge and technology transfer. Through predatory pricing policies they may also destroy local competitors. Many transnational companies may deny access to local producers of upstream inputs and they may resist placing their Research and Development (R and D) work and other higher value added processes in the host country. How far the host country benefits from FDI will depend on the terms it can negotiate with its investors.

FDI is admittedly a double-edged sword and not all countries show significant benefits from it. But what is equally damaging for less developed countries is that in fact so little FDI actually comes their way. As Wolf (2004) points out, in 1999 74% of FDI went to high income countries and only 24% to developing countries (2004: 127). Rates of FDI in developing countries have gone up in the past two decades – inward FDI as a proportion of GDP averaged 13% in 1970 and 18% in 1995, but rates are actually considerably lower than they were a century ago. For example, the 1995 rate was 18% compared with 40 % in 1914.

As Carnoy argues (1993) countries are in a stronger bargaining position to attract FDI on good terms when they have large potential local markets, valuable natural resources, good communications infrastructures and a generally positive business environment in terms of political stability and so on. However, here skills are also crucially important not only for attracting investment but also for ensuring that gains accrue to the national economy from that investment. Above all this means that knowledge, skills, management know-how and new technologies are transferred to local companies which can also then become more competitive. It is also through such transfers that the national economy sustains its developmental trajectory through moving from low skill, low cost production, to higher value-added areas of manufacturing and services. Research on development in East Asian states, as we shall see later, provides strong evidence of the importance of education and skills for attracting and benefiting from FDI. Recent research by De Velde and Xenogiani (2005) for South Africa also shows that high skills endowments allow industries to benefit from FDI through potential for skills transfer. Where skills are available FDI is more likely to be attracted to high skills activities which will in turn raise secondary and higher education enrolments through the provision of employment opportunities for the well qualified (see also ODI, 2005; Lorentzen, 2004).

As we argued above, globalisation substantially changes the nature of the development process for less developed countries through increasing the importance in economic growth of technology, trade and foreign investment. All of these changes signal the increasing importance of skills for growth. As Alice Amsden (1992) and other 'late development' theorists have argued, globalisation transforms the whole nature of the development process, making possible much more rapid industrialisation cycles. It is salutary to remember that whereas it took Britain 58 years to double its real per capita income from 1780, at the start of the industrialisation process: the USA did it in 47 years from 1839; Japan in 34 from 1900; and South Korea in 11 from 1966 (Morris, 1995: 38). The key to this change is ICT and what is generally referred to as the knowledge-driven economy. Advances in science and ICT allow the increasing disaggregation of production and services and the rapid codification and transfer of knowledge and technologies. This makes it possible for a country to industrialise in a fraction of the time it took two hundred years ago. However, knowledge and technology transfer can only occur under certain conditions which are not available to all states in equal measure. Amongst the most crucial conditions are the development of skills and knowledge to a level where investment can be attracted and technology absorbed by the domestic economy. The example of development in the East Asian states, which we consider later, shows what role education and other factors can play in this process.

2.4 Education and income equality

In his classic ‘inverted U curve hypothesis’ Simon Kuznets (1955) argued, on the basis of his, as he admitted, limited historical evidence for England, Germany and the US, that inequalities first rise with the onset of economic growth, eventually level off and then begin to decline in the advanced stages of growth. Initial rises in income were associated with increasing sectoral inequalities, particularly between urban and rural areas, as high productivity industrial sectors began to draw labour from lower productivity agricultural sectors. Long-term income equalisation, on the other hand, resulted from rising industrial wages, encouraged *inter alia* by increasing labour organisation becoming more generalised (Moran, 2005). Kuznets’ hypothesis was for many years regarded as axiomatic in developmental theory and still many economists find support for the theory (see account in World Bank, 2002b) arguing that increased trade in low income countries is associated with increasing inequality. However, since the 1980s more evidence has emerged which contests this general law of development. Not least were the observations of 1990s trends towards increasing income inequality in many of the most developed economies and the rather low and initially declining level of inequality in the East Asian developmental states (Moran, 2005), as revealed for instance in the Fei et al (1979) study: *Growth with Equity: The Taiwan Case*. Various explanations were put forward for the contrary experience of the East Asian developing countries, including foremost that they had avoided sectoral and rural/urban inequalities by achieving rapid advances in agricultural and industrial productivity simultaneously.

More recently, however, there has been increasing interest in the role that education may play in promoting equity with growth. Walter McMahon demonstrated in his 1999 study that education can have a substantial downward effect on income inequality, even after controlling for net population growth, and pointed to the East Asian states as examples of countries combining growth with rising equality. Robbins (1997) also found in his study of Colombian cities that growth in skills supply lowered wage dispersion. Increases in aggregate levels of education are clearly not always associated with greater income equality. Liberalisation in Eastern Europe, for instance, has led to increased returns to higher education qualifications and probably to greater income inequality (World Bank, 2002b). The question turns to some extent on the relation of supply and demand for different types of skill. In general, as human capital theory predicts, if growth involves increasing demand for skills at the top end which is not matched by increases in supply then returns to higher qualifications will increase thus raising levels of income inequality. Likewise, if the supply of lower level skills increases faster than demand for them this is also likely to increase income inequality, other things being equal. At the current time in the most developed economies, skills-biased technological change both increases demand for high skills and decreases demand for low level skills, thus making increasing inequality more likely without commensurate changes in the supply of skills (as Thurow, 1996 has shown for the United States of America (USA)). What matters then is how skills are distributed and how the distribution of skills supplied matches the distribution of skills demanded. Although factors other than skills supply are involved in the production of income inequality – not least in terms of the organisation and regulation of the labour market – the distribution of skills would seem to be highly important. Using cross-sectional data on skills distribution and income distribution for a range of countries, a number of recent studies have shown significant correlations between skills distribution and income distribution (Checchi,

2001; Green and Preston, 2001; Nickell and Layard, 1998). Other work using time-series data also shows that these relations hold over time (Green, Preston and Janmaat 2006). On this evidence it is not only, as McMahon suggests, increasing aggregate levels of education which help to promote income equality with development, but also the equal distribution of that education.

2.5 Education and social benefits

Research on education and development has tended, historically, to focus on the contribution to economic growth. However, more recently, interest in the social benefits of education has grown. There is now a wealth of evidence on the benefits of education to health, population control, crime, equality and social cohesion generally. For economists these benefits are typically discussed in terms of 'externalities' i.e. benefits which have a public character and which cannot be wholly captured by individual economic agents. In his pioneering work, *Education and Development: Measuring the Social Benefits* (1999), Walter McMahon sought to measure the social impacts of education across a range of domains. Education effects on social and economic outcomes may either be direct or indirect as, for instance, when education-driven enhancements to social cohesion or improvements in population control bring economic benefits.

Using data for 1965 to 1995 across 78 countries, and with a time lag analysis, McMahon found strong evidence of both direct and indirect effects of education on a wide range of social indicators. Controlling for other relevant variables, and with a sufficient time lag, McMahon found that educational enrolment correlated significantly across countries with human rights, political stability and democratisation, both directly, in the case of the first two, and indirectly in all cases through economic growth. Increases in primary and secondary enrolment, after a 20 year time lag, correlated significantly with reductions in poverty, whereas development with stable or declining income inequality was related to the extension of secondary education to rural areas subsequent to the generalisation of primary education. McMahon also found that rising levels of secondary education were strongly associated with diminishing levels of violent crime, an effect produced indirectly through lower unemployment and income inequality. McMahon dealt only with the impact of quantities of education (as measured by years of schooling or measures of educational inputs). However, more recent work has also investigated the effects of education quality and distribution on the level and distribution of social outcomes and has found substantial evidence of impact (Green et al, 2006).

2.5.1 Health and population control

There is substantial evidence that improved education, particularly amongst girls, contributes to societal health, reducing infant mortality and gender bias in infant survival rates, and increasing longevity (Sen, 1999). Wilkinson (1996) shows that societal health relates strongly to GNP per capita in the poorer countries, for which income levels are below or scarcely above what is needed for healthy subsistence. However, beyond a certain point in national income what matters more than average income in explaining differences between countries in societal health is how income is distributed. More income-equal developed countries generally fare better on

most indicators of societal health (including rates for the major life-threatening diseases) than more unequal ones. In as much as education contributes to increased income inequality, therefore, it may also have an indirect effect on social health. Educational contributions to improved health may be associated with growth or independent of it. As Sen (1999) shows, China achieved major improvements in health and life expectancy prior to economic take-off during the Mao era and is experiencing a reversal of this now, probably due to increasing inequality in access to employment and education, as we show in Chapter 2. On the other hand, educational expansion in sub-Saharan Africa has failed to stem the precipitous decline in life expectancy which has attended increasing poverty and the spread of HIV and AIDS in the past two decades.

Education also has a significant effect on population control and through that on other social benefits. Extensive research (Sen and Drèze, 1999) on cross-regional variations in fertility rates in India and elsewhere shows strong evidence that education, and particularly girls' education, can play a major role in reducing fertility rates. The low fertility rates in Kerala, India, (1.7 as opposed to China's 1.9) are attributed to high female literacy. Sen (1999) argues that education reduces fertility rates through promoting knowledge about birth control, empowering women's role in family decision-making, changing women's aspirations and improving child care which reduces infant mortality and changes the logic of family planning decisions. Reduced fertility rates are strongly associated with economic growth and may be both cause and effect. However, the East Asian experience, where many countries reduced birth rates before or during the early stages of growth, suggests that reduced fertility rates here have been highly beneficial for economic growth and reducing poverty. Smaller families generally mean more resources available for education, thus leading to a virtuous circle.

2.5.2 National unity and social cohesion

The positive effects of education on various measures of national unity and social cohesion have been well documented for a number of countries. McMahon's research shows increasing education has positive effects on violent crime and political stability in most countries, including in the developing world. For the more developed OECD countries there is also substantial evidence of education effects on social cohesion. Education is a powerful generator of social capital. According to recent research on the USA, Italy and the United Kingdom (UK) (e.g. Emler and Frazer, 1999; Hall, 1999; Nie et al, 1996; Putman, 2000), more educated individuals tend to join more voluntary associations, show greater interest in politics and take part in more political activities. They are also more likely to express trust in others (social trust) and in institutions (institutional trust), and are more inclined to 'civic co-operation' – or at least to profess that they do not condone 'uncivil' behaviour. Education is clearly not the only factor that predisposes people towards joining, engaging and trusting, but it is a powerful predictor, at the individual level, even when controlling for other variables such as wealth, income, age and gender. Other research (Green et al, 2006) also suggests that education may have a powerful effect on societal cohesion but more through the nature of its distribution than through its aggregate levels. In analyses of cross-sectional data for a number of OECD countries on skills distribution, income equality and a combined measure for social cohesion (combining measures for 'trust', civic cooperation and, inversely, for violent crime) educational equality is strongly correlated with both income equality and social cohesion. The positive effects of

education on aspects of social cohesion may also have indirect effects on economic growth. Knack and Keefer (1997), for instance, using cross-sectional data for a large number of developed and developing countries, show a strong association between GDP and level of societal trust. Social cohesion and political stability are both important factors in attracting inward investment. As Carnoy writes: 'It is likely that societies with strong national identities and group cohesiveness provide the kind of stability where financial risk can be accurately assessed, where productivity can be raised with new team-based production innovations and where educational institutions may work reasonably well.' (1999: 22). The other side of this is that effective education provision may also enhance the qualities of social cohesion which prove beneficial to investment and productivity growth.

3. Education and successful development in East Asia

East Asia provides the outstanding example of a region which has achieved relatively successful economic and social development during the recent era of globalisation. Not only have many of the East Asian states, and notably Japan and the four tiger economies of South Korea, Taiwan, Singapore and Hong Kong, achieved unprecedented levels of economic growth; they have also distributed the social benefits of growth widely. In Japan, South Korea and Taiwan, income inequality was relatively low at the outset of industrialisation and has remained low relative to most developed countries. In all the economies, poverty has declined substantially; and living standards and life quality have risen dramatically, with declining population growth and increased life expectancy. In 1960 South Korea's GDP per capita was similar to the Sudan's and Taiwan's to Zaire (Morris, 1995). Now these countries are amongst the most developed in the world. This regional phenomenon has not only encouraged countless studies of its particular developmental path(s) but has also promoted policy makers in many other developing countries to examine the region for lessons that may be learnt and policies that may be transferred to their own countries.

Economic growth since 1960 in East Asia, and particularly in Japan and the tiger economies, has indeed been dramatic. During the 25 years from 1960 Japan and the tigers grew on average at over 8% per annum (Wade, 1990). South Korea, perhaps most remarkably, grew between 1962 and 1979 at an average of 18.4% (Amsden, 1992). Japan went into recession in the early 1990s but the tiger economies were still going strong between 1990 and 1995, with Korea registering an average annual growth of 7.2%, Singapore of 8.7% and Hong Kong of 5.6% (Tilak, 2002). All East Asian economies were affected by the 1997 Asian financial crisis, although China, Singapore and Taiwan rather less than the others, but they have generally subsequently returned to rapid growth, although not quite at their former levels. Japan and the tiger economies clearly had the most impressive records of sustained growth, in the Japanese case from the 1950s to 1990 and for the tigers from 1960 -1997. However, other East Asian economies have also performed well, including, of course, China. According to the World Bank's influential volume, *East Asian Economic Miracle* (1993) eight High Performing Asian Economies (HPAEs) including Japan, the four tigers and the East Asian NICs Indonesia, Malaysia and Thailand, all grew exceptionally fast. Their average annual rate of growth between 1965 and 1990 was 5.3%, compared with 2.3% in the rest of East Asia, 2.3% in the OECD, 1.9% in Latin America and 0.1% in sub-Saharan Africa. The HPAEs grew at twice the rate of

the rest of East Asia and at 25 times the rate of sub-Saharan Africa.

Rapid economic growth in the HPAEs has been generally accompanied by rising real incomes, reduced poverty and improved quality of life. Real incomes per capita in Japan and the tigers increased fourfold between 1960 and 1998 (World Bank, 1993). The HPAEs were also the only countries during the period 1965-1990 to achieve both high growth and relatively low, and initially declining, levels of income inequality, with Japan and the four tigers recording the lowest levels (measured on the gini coefficient) out of 14 countries in the region (World Bank, 1993). Income inequality, measured by gini coefficients, has fluctuated in some countries, increasing for instance in South Korea during the 1980s (Castells, 1997), and varies significantly between the different East Asian economies, with Japan, South Korea and Taiwan generally being the most equal (Wade, 1990 and Figure 6.1 in Chapter 6) and Singapore and Hong Kong the least amongst the tigers. However, according to Castells (1997: 80), during the period 1960 -1990 Hong Kong, South Korea, Taiwan, Singapore and Malaysia all saw overall declines in their gini coefficients. This relatively equitable distribution of the wealth from economic growth has been reflected in reductions in unemployment and poverty, now generally at quite low levels. The World Bank also cites the cases of Indonesia and Malaysia where the numbers of those living in absolute poverty declined respectively during the period from 1966 to 1990 from 58% to 17% and from 37% to less than 5% (1993: 5). Growth with equity in the East Asian economies has also coincided with substantial declines in fertility rates, improved health and increased longevity. Life expectancy in the HPAEs rose from 56 years in 1960 to 71 in 1990 (World Bank, 1993: 4). By 1995 life expectancy at birth was above 75 years in Japan, Hong Kong and Singapore, 71.7 in South Korea and 69 in China, against a world average of 63.6 and an average for the developing world of 62 (Tilak, 2002: 2). In terms of the more general indicators of well-being measured by the Human Development Index, Japan and the other HPAEs also appear to rate highly. Japan, Hong Kong, South Korea, and Singapore were all in the top 20% of the 174 countries for which the index was estimated by United Nations Development Programme (UNDP) in 1998 (Tilak, 2002).

3.1 Explanations of rapid growth with equity in East Asia

Post-1960 rapid growth with equity is, to a large extent, a regional phenomenon. No region outside East Asia has been so successful during this period. Not surprisingly, therefore, much energy has been devoted by economists and sociologists to explaining the whys and wherefores of the East Asian 'economic miracle' as a regional phenomenon. The analyses offered do not necessarily assume that the countries involved adopted identical paths of development, and indeed it is quite clear that they differ in important ways. However, a regional phenomenon would seem to require an explanation that works at the regional level, so many explanations have focused on the commonalities of these countries. Overall we can say that these explanations focus predominantly on five areas: culture, geography, geopolitics, historical timing and policies, the latter including both economic and social policies, including education. By far the most prominent amongst types of explanation are those which focus on economic and human capital formation policies.

Cultural explanations of development in East Asia tend to focus on common aspects of Asian culture and values, and most specifically, on the historical legacy of Confucianism. Various attempts have been made to associate these with identifiable and distinctive forms of what is

sometimes called 'Asian' or 'Confucian' capitalism. Some scholars have argued that the stress on cooperation and group loyalty or harmony (*wa*), said to be fundamental to Asian values, has been essential to the success of the large enterprises in Japan and elsewhere in Asia and, in particular, to the forms of 'just-in-time' manufacturing which were pioneered by Toyota in Japan after the 1960s and subsequently copied, more or less successfully, across the developed world (Hampton-Turner and Trompenaars, 1993; Elger and Smith, 1994; Perkin, 1996). To others, Asian values account more broadly for a whole form of capitalist organisation. Sugihara (2003) argues that Japan developed and exported through East Asia a labour-intensive form of economic development, described as 'an industrious revolution', which contrasted with the capital intensive 'Industrial Revolution' of the West and which was more suited to the cultural traditions of the region. The notion of a 'flying geese' pattern of 'late development,' led by Japan and diffused throughout the region, has also been adopted widely in the literature (Kwan, 2002; Furuoka, 2005). Pye (2000) has pointed to the cultural roots of other key features of East Asian capitalism, such as, *inter alia*, the reliance on market networks (*guanxi*), long-termism in investment, the stress on market share rather than short-term profits, and the tendency to save aggressively. Likewise, analyses of the role of the state and government have stressed the prevalence of the 'strong state' in East Asia (Chua, 1995; Tu Wei-Ming, 2000) and of the importance placed on education (*ibid.*, 2000).

These accounts have undoubtedly been important in shaping analyses of East Asian economic and social development. However, the stress on cultural values as a primary determinant inevitably runs up against certain problems. Confucian values cannot provide a sufficient explanation of why successful development has occurred not only in predominantly Confucian societies but also in others (Malaysia, Indonesia, Thailand) where other religions predominate. An alternative recourse to 'Asian' values is often not very convincing since these are inevitably so diverse that they provide little explanatory purchase. Cultural values, Confucian or Asian, also say little about why rapid development in East Asia occurred when it did and not before, especially since the older 19th century traditions of sociological study of oriental societies tended to emphasise the centralised Confucian state as a barrier to development, as in Marx's notion of 'oriental despotism'. It is also not clear how far 'Asian values' can be seen as a determining factor and how far they have been used as *post-hoc* justification (Chua, 1995) by certain Asian leaders, such as Singapore's Lee Kwan Yew, who wish to defend particular forms of state power. Although it is often the case that cultural explanations stress the historically enduring and unchanging nature of cultures, cultures do, of course, change and it is quite possible that the particular cultural forms evolving in modern Asia have been conducive to certain aspects of development (Tu Wei-Ming, 2000). However, such anti-essentialist and contingent readings of culture inevitably face larger problems in explaining a contemporaneous regional phenomenon such as rapid development in post 1960 East Asia.

Geographical and geopolitical factors were undoubtedly important in East Asian development. Japan and the four tigers are all strategically located island or peninsular states with scarce natural resources. Their location on major trading routes has historically contributed to their development as centres of entrepôt trade and their long seabords have encouraged the growth of coastal towns which became primary sites of commerce and later industrial development. The relative lack of natural resources obviated any development strategy based on agriculture and extraction industries and made necessary the alternative path of development through

manufacturing for export in the 1960s, which turned out to be the right way to go given the state of the global economy (Schein, 1996). Lack of natural resources also, arguably, promoted the focus on skills and human capital which coincided with the needs of the emerging knowledge economy (Castells, 1997). Insular geography gave the East Asian states a measure of territorial security at certain historical periods, and has certainly contributed to the strong sense of national identity which these states share, and which has been an advantage for nation-building. But the strategic location of these states has also acted as a magnet for foreign incursions and, in the case of the tigers, for colonisation by either Japan or Britain or both. While foreign threats proved an incentive to modernisation in Meiji Japan, colonisation of the lands later to become the tiger economies did not bring rapid industrial development, except in Hong Kong. However, the geopolitical position of the East Asian states in the post WW2 period has certainly had benefits for development.

Japan, virtually a US satellite for much of the post-war period (Johnson, 2000), was the recipient of large scale US aid during and after the occupation and this helped to re-start its industrial economy (Johnson, 2000). South Korea, Taiwan and Singapore also found themselves at the centre of cold war tensions and consequently of large scale aid from both the US and Britain during the 1950s, 1960s and 1970s. Between 1953 and 1958 South Korea received an average of \$270 m a year in aid from the US which represented nearly 15% of GNP (Amsden, 1992: 39). The US largely funded South Korea's defence costs and requisitioning for the Vietnam war later kick-started the Chaebols, the future industrial giants (Castells, 1977). Aid from the US also helped Taiwan in the early stages of development, funding 49% of public investment in infrastructure between 1953 and 1957 (World Bank, 1993). Singapore also benefited economically from the presence of British military bases during the 1960s and from US requisitioning for the Vietnam war (Rodan, 1989).

Geography and geopolitics clearly provide only partial explanations of rapid East Asian development. Other Asian states caught up in cold war tensions and benefiting from substantial US aid, such as the Philippines, have not prospered so well. Nor economically, has another strategically placed island state, Sri Lanka, although it might be argued that this country suffered from the 'impediment' of having some rather abundant agricultural resources which deprived it of the incentive, acutely felt by the East Asian tigers, for a policy based on export-led manufacturing development. Nevertheless, geography and geopolitics clearly did help Japan and the four tigers economically in the crucial periods of the economic development. Were it not for the geographical accident of their strategic locations and long coastlines and for their economically fortuitous geopolitical positioning at the centre of cold war tensions in the post-war era it is unlikely that they would have developed when and in the way they did.

Lastly amongst the historically contingent conditions of development, timing was clearly crucial for Japan and the East Asian tigers. Japan's second wave of industrialisation in the 1950s and the first industrial take-off of the tiger economies in the 1960s coincided with a buoyant period in the world economy when trade was increasing and liberalising but when international agreements still allowed flexible trade regimes in different states. As we shall see later, these countries made exemplary use of these favourable conditions, making the most of exports to the relatively open western markets and of the opportunities permissible for export subsidisation, whilst at the same time protecting their economies from excessive capital

penetration and imports through a variety of protective measures (Johnson, 1999). Why these countries also managed to grow and maintain relatively low levels of income inequality can also to some extent be explained by the broader contexts which shaped the early stages of development. If we follow Kuznets' theories, increasing income inequality is likely to accompany industrialisation because of growing sectoral imbalances between productivity in agriculture and manufacturing and between the rural and urban economies. This did not occur to the predicted degree in Japan and the tiger economies. Singapore and Hong Kong had little agriculture to speak of in any case, so their entire economies became quite rapidly based on manufacturing, services and commerce. They are city states and therefore have no marked rural urban divisions which elsewhere might have been the source of growing inequality. Japan, Taiwan and Korea all experienced substantial US-backed land reform in the 1950s, which decimated the old landed classes which might otherwise have provided blockages to reform, and created numerous smaller farmers. This reform arguably fostered social and political stability and enhanced the productivity of agriculture (Stiglitz, 1996; World Bank, 1993). Taiwan, Korea and other states gave substantial support to the small farmers, particularly for irrigation, and taxed them lightly, and the development of good infrastructures of roads, bridges, water and electricity supply also enhanced productivity (World Bank, 1993). According to the World Bank analysis (1993) the six HPAEs with substantial agriculture, including Indonesia, Japan, Korea, Malaysia, Thailand and Taiwan, had considerably higher agricultural productivity than other regions in the 1960-1980 period. More broadly, the weakening of the old elites, including both the landowners and the industrial magnates of Japanese and Korean Zaibatsu (conglomerates), and the lack of well-established elites in Singapore, can be said to have advantaged the development of the meritocratic ideologies sponsored by post-war East Asian governments. This contributed to the social mobility and relatively 'classless' social relations which are reflected in the low levels of income inequality. Other factors have no doubt contributed to low income inequality, including the economic and social policies, encouraged by these meritocratic ideologies which will be discussed later, but land reform and the nature of the class structure which this promoted was certainly an important contributor.

3.1.1 Economic policies

We have looked thus far at what one may call the more 'distal' causes of rapid growth in East Asia, focusing on the long range cultural, geographical and geopolitical factors which may have been conducive to economic development. However, as the historian, Eric Hobsbawm (1969) once observed in relation to the process of industrialisation in 19th century England, where economic outcomes are at issue it is generally better to find explanations in more directly economic causes where possible. It is, of course, in the area of economic policy, where there has been most debate about the so called East Asian miracle and it is on this that we now focus.

In one sense, the story of East Asian economic growth can be boiled down to a remarkable series of economic transitions made in similar sequence by all the most successful East Asian states, albeit by Japan, in its second post-war phase of industrialisation, 10 years or so ahead of the others tiger economies. The larger countries each began their economic transformations in the 1950s with reforms and productivity improvements in agriculture and all the countries went through an – often brief – phase of import substitution, in the case of the tiger economies in the late 1950s and early 1960s. However, all of these countries made a very rapid and

determined transition to export-led manufacturing in the mid to late 1960s or thereabouts. In most cases this involved export of cheap, mass produced manufactured goods, such as toys, shoes, fireworks and garments, in which markets these countries were highly competitive due to their low labour costs. Government support for exports helped boosted trade in many cases. This was the era of the Export Processing Zones, much criticised at the time for their exploitation of cheap young female labour under harsh factory regimes, and of the ubiquitous labels 'Made in Taiwan' etc which produced almost the same mixture of awe and anxiety in the West as the tag 'Made in Germany' had made a century earlier. It was this transition to export-led manufacturing economies which kick-started the tiger economies as it had done the Japanese one, and it was the critical moment for East Asian development.

Why this strategic shift was made here, and not in other regions which fatally stuck with the import substitution strategies for far longer, is somewhat obscure. It no doubt had something to do with the Japanese example as regional champion, and here the culturalist explanations of the 'flying geese' model school carry some weight. It also no doubt followed a certain logic of path dependency since many of these countries had been long standing trading nations. Equally, in some cases at least, it may have been the result of very pragmatic but nevertheless, as it turned out, strategic decision making. Confirming Lew Kwan Yew's own autobiographical account (Lee, 2000), Edgar Schein, in his fascinating chronicle of the shift in his book *Strategic Pragmatism* (1996), describes the moment when the Prime Minister in Singapore realised that his – and Singapore's – post-independence political survival rested on reducing the massive unemployment of the time and his realisation that he had no choice but to opt for export-led growth funded through FDI. Singapore had nothing else to run with. His subsequent employment of the Dutch economist, Albert Wilsemnius, to draw up a strategic plan, and the formation of the hugely instrumental Economic Development Board that issued from that process, set Singapore on a course of rapid growth which would transform it within a generation from what has been described as a poor swamp island with a trading post to one of the richest and most technologically sophisticated city states on earth.

The second transition, made by all of the economies, excepting perhaps Hong Kong, was the shift into heavy industrial production through oil refining, chemicals, steel production and later shipbuilding. This occurred in the late sixties and early 1970s in Korea, Taiwan and Singapore and signalled an important shift into higher value-added areas of exports. In terms of natural comparative advantages there was often little to recommend this shift, and many countries were amazed to see South Korea investing in shipbuilding at a time when world markets for heavy vessels were saturated (Amsden, 1992). Nevertheless the move worked in each case, not least due to the sustained competitiveness of East Asian labour costs, and helped to raise skills levels and incomes in each country. Exports in Korea had risen from less than 5% of GDP in the 1950s to 35% in the 1980s (Amsden, 1992: 72). Wages increased in the 1970s by a multiple of 2.3. (Amsden, 1992: 204). The third dramatic shift for the tigers came in the late 1970s and early 1980s when intensified competition amongst other East Asian economies in the production of low cost manufactured goods threatened to erode the tigers' economic competitiveness. It was during this period that each country sought to move towards more skills-intensive, higher-end manufacture of electronic goods and components, including computer chips in Singapore and Korea and PCs in Taiwan (Rodan, 1989). The shift involved heavy investment in research and training and succeeded in raising productivity and incomes in

the tiger economies at a rapid rate. Finally, as competitiveness in these areas was increasingly threatened by the rise of other East Asian electronic goods assemblers, not least China, in the 1990s, and particularly for higher wage Singapore, a fourth shift economic transformation was engineered, this time into services and research-based areas of production such as bio-technology. Singapore's strategic mission at this time came to be one of acting as the high quality service hub for the region – providing a base for regional headquarters for transnational companies complete with top class IT and infrastructural services, and also a hub for regional medical and education provision. Singapore was to be the 'Boston of the East' (Government of Singapore, 1991).

On this account what seems to mark out these economies was their sustained capacity to adapt to changing world circumstances both in terms of steering their economies away from declining or overcrowded markets and towards new areas of competitiveness, and in terms of upgrading their capacities to succeed in these new areas. The latter, of course, required massive investment in capital goods, infrastructures and human capital and, above all, successful transfer of technologies. Joseph Stiglitz, writing on the 'Lessons from East Asia' comments both on the extraordinary flexibility of these economies and on their capacity to invest. As he writes 'East Asian success was based on a combination of factors, particularly the high savings rates interacting with high levels of capital accumulation, in a stable market-oriented environment – but with active government intervention – that was conducive to the transfer of technology.' (1996, 151). The government intervention we will come to later, but for now it is important to note the key role of investment which was common to all the East Asian success stories. On the World Bank estimate, two thirds of all the growth in the HPAEs can be attributed to investment and human capital growth (1993). However, here we must also note that the Japan and the tiger economies did not all take the same paths. It is true that domestic savings rates were phenomenally high in all these countries, and were often stimulated by similar government policies, as with the ubiquitous government-promoted post-office savings accounts. Savings rates amongst the four tigers generally averaged above 30% of GDP between 1965 and 1990 with rates varying from 17 to 37% across the HPAEs more widely, against 9 to 10% in South Asia and 8 to 11% in sub-Saharan Africa (World Bank 1993: 38).

However, the means for attracting foreign capital, and following that, the nature of company ownership, varied substantially across Japan and the tiger economies. Singapore and Hong Kong relied substantially on FDI, and indeed probably had little choice but to do so since their home markets were small and indigenous capital limited at the onset of industrialisation. The economies of these states consequently became dominated by the foreign multinational corporations (MNCs) that provided most of the jobs and production for export. Japan and South Korea, on the other hand, took a different course. Until recently, FDI in these countries has been discouraged. Instead, Japan and South Korea built up their industries through domestic investment, largely from government-directed bank loans which channeled domestic savings to companies, and through ploughing back the profits from domestic sales (at often inflated prices) in their considerable home markets. Foreign capital was largely limited to loans and equity, with shares of the latter often restricted to ensure home control of companies (Johnson, 1982; Perkin, 1996). Technology transfer came not through MNCs operating within their shores, but through the buying of technology licenses and reverse-engineering of foreign goods.

These different paths have led to quite different firm structures in the different countries. Japan and Korea developed their own large private enterprises, with considerable state support, including the huge vertically and horizontally integrated keiretsu and chaebol (conglomerates) which dominate respectively the Japanese and Korean economies (the top 10 of which in Korea in 1984 accounted for 67% of sales) (Amsden, 1992: 108) and spearhead their exports (Perkin, 1996; Dore, 2000). Singapore and Hong Kong, on the other hand, have been reliant on the large foreign-owned multinationals which account for much and their employment and export trade. Taiwan, again another case, took FDI and loans from abroad (Wade, 1990), not only hosting foreign companies but also developing its own companies, both a multiplicity of small domestically owned companies and in the form of the large, initially state-owned conglomerates (Fukuyama, 1996). Both forms of capitalisation seemed to have worked, although South Korea, with its high levels of short-term loan debt, proved more vulnerable to the financial crisis of 1997 than either Taiwan or Singapore, which were less indebted to foreign banks and whose multinational companies were not as swift to remove their assets (Wade and Veneros, 1998).

That Japan and the tiger economies benefited from an export-led development strategy, underpinned by substantial investment from domestic savings and foreign capital, is not contested. In this sense these states were clearly adopting, by design or necessity, and ahead of their time, a strategy which was best-fit with the globalising era which was soon to emerge in the 1970s. To this extent they were market-oriented regimes. However, a trade-based policy of development does not necessarily mean a liberal or free-market economic policy. It is here, around the specific nature of the economic policies adopted, that the debates about the East Asian developmental model have raged. Were the tiger economies paragons of free-trade, free-market liberal orthodoxy and was that the secret of their success? Or were they something rather different and strange to classical economic thinking: export-driven, capitalistic economies that nevertheless diverged from free-market orthodoxies both in their state-led industrial policies and their neo-mercantilist approach to trade? Were they successful because the state left major economic decisions to the market or because the state intervened in the markets in a dirigiste fashion unthinkable in orthodox economics?

The liberal orthodox economic view is that the tiger economies prospered through ‘getting the basics right’ (World Bank, 1993). They adopted an export-oriented growth policy that forced their nascent industries to be competitive; they invested heavily both in physical and human capital; and they adopted sound macro-economic management policies. To Paul Krugman (1994), there is no mystery at all about the growth of the tiger economies since almost all of the increases in outputs can be explained by rising inputs of labour and capital, without any increases in efficiency. In other words the success of the economies lay largely in mobilising high levels of investment – although this begs the question of how the tigers attracted the investment in the first place. To other commentators adopting the neo-classical view the ingredients of success also included reliable legal frameworks to promote competition, absence of price controls and a stable macro-economic environment. In particular, policies were adopted to keep inflation and fiscal deficits at reasonable levels, with inflation in the HPAs averaging 9% during the 1976 to 1997 period compared with an average 18% in other low and middle income countries (World Bank, 1993: 12). This argument neglects the fact the during South Korea’s most rapid phase of growth inflation was running at in excess of 18% (Amsden, 1992).

Nevertheless, much of this account would remain unexceptional to economists of any persuasion. However, the problems arise when it comes to assessing other policies on trade and industrial policy. Wolf's (2004) panegyric to globalisation and free trade rightly centres his account of the East Asian development on the success of their export-oriented policies which flourished in the liberalising trade regime of the global era. However, success in export does not necessarily equate with the adoption of free trade policies. In fact many would argue that Japan and tigers had 'strategic trading' policies which were substantially at variance with free-trade principles. Likewise their industrial policies (Stiglitz, 2002).

Critics of the neo-classical view have not found it hard to show where East Asian economic policies differed from free-market orthodoxy. Chalmers Johnson has described Japanese trade policy until the 1980s as anything but free-trade; in fact it was as a kind of neo-mercantalism whose main objective was capturing maximum shares of export markets, through whatever means, whilst at the same time limiting imports as far as it could manage. Certainly, on many comparative estimates, Japan's trading performance for many years was exceptional less for the size of its exports than for the modest extent of its imports (Perkin, 1996). Japan, and following Japan, Korea, Taiwan and Singapore, used all manner of policy levers and supports to promote exports including export subsidies, preferential credit to exporters, preferential access to capital and foreign exchange and the provision of market information (Stiglitz, 1996). At the same time, imports were regulated through quotas and taxes, particularly on luxury goods, and in the case of Japan through various complex regulations on standards, which served to keep foreign imports out of the retail outlets (Johnson, 1982, 1995). Protectionist policies were adopted in the early years not only to protect infant industries, but also to help the big corporations recoup the losses they made on subsidised sales on foreign markets, through high priced sales of domestic goods (Johnson, 1982), in effect making the consumers pay for the national export drive for market share. Industrial policies were also adopted in Japan, Korea, Taiwan and Singapore which flouted neo-classical economic wisdom about letting markets determine investment decisions. Japan, through MITI, its celebrated Ministry for Trade and Industry, and Korea, Taiwan and Singapore, through similarly designed authorities, intervened substantially to promote particular industrial sectors and wind down others, to rationalise certain sectors through promoting company mergers, and to support the research and development which would strengthen chosen sectors. The so called 'administrative guidance' offered by MITI in Japan did not usually involve 'picking winners and losers' in terms of particular firms, although MITI did famously – and misguidedly as it turned out – try to dissuade Honda from entering what it considered to be the already overcrowded sector of auto production (Johnson, 1982). But in Korea and Taiwan the state did have a major hand in promoting certain companies and demoting others (Amsden, 1992; Wade, 1990). More usually, though, state intervention took the form of promoting particular sectors through preferential credit and loans from state controlled banks and through the award of technology and export licenses.

Critics of the neo-classical view such as Johnson (1982), Amsden (1992) and Wade (1990) have generally prevailed in demonstrating just how extensive government intervention in the market was in terms of trade and industrial policy. The World Bank report (1993) famously acknowledged how far these practices deviated from the orthodox market principles. Early on in their report they state emphatically that: 'in most economies, in one form or

another, the government intervened – systematically and through multiple channels – to foster development, and in some cases the development of specific industries’ (World Bank, 1993: 5). Since then the debate has shifted to a discussion of how far these practices actually helped. Wolf (2004) maintains that they made no difference anyway and therefore cannot be credited with even qualifying the orthodox view of development. The World Bank report is somewhat more nuanced. Some of the interventions were ineffective but some appeared to work. What mattered, however, was that governments were sufficiently market wise to rapidly withdraw or modify the ineffective policies and to ensure that no market interventions protected inefficient companies. Where they were successful there were institutions and mechanisms which allowed the establishment of criteria for intervention and monitoring of company performance and the cost of interventions was not excessive. No sector was allowed to become uncompetitive through protection of monopolist or inefficient companies. ‘Our judgement,’ they write ‘is that in a few economies, mainly in North East Asia, in some instances, government intervention resulted in higher and more equal growth than would have otherwise occurred. However, the pre-requisites for success were so rigorous that policy makers seeking to follow similar paths elsewhere have met with failure’ (1993: 6). Others have gone further, claiming that the forms of intervention, though generally ‘market-friendly’ were about much more than preventing market failure. Joseph Stiglitz argues that East Asian governments, rather than following markets, have helped to make them. ‘East Asian governments,’ he writes:

have instead played an entrepreneurial role. Entrepreneurship requires combining technological and marketing knowledge, a vision of the future, a willingness to take risks, and an ability to raise capital. In the early stages of development, these ingredients are typically in short supply. The governments of East Asia stepped in to fill the gap – but in a way that promoted rather than thwarted the development of private enterprise (Stiglitz, 1996: 163).

If we share the view of Robert Wade (1990), in his detailed analysis of economic policy and development in Taiwan, that states were ‘governing the market’ in East Asia, then we are bound to ask where did they come from and what it was about these states that enabled them to play this role so successfully. These are the questions that theorists of the ‘developmental state’ in East Asia have tried to answer. These theories are generally anchored in the observations of Chalmers Johnson in his book about the post-war Japanese state (1982). For Johnson the idea of the developmental state ‘originated in the situational nationalism of the late industrialisers’ (1982: 24). As with Prussia in the early 19th century, which was arguably the first developmental state (Marquand, 1988), and Japan at the time of the Meiji restoration, to which several recent East Asian leaders have looked for inspiration, developmental states have tended to emerge as a result of foreign invasion or threats of invasion or alternatively, as with Japan after World War 2, in the face of some major task of social and political reconstruction. They have also, as Johnson notes, generally derived their goals from some other exemplary regional state. In the cases of South Korea, Taiwan and Singapore, they also arose as a project of state reconstruction at a time when the political viability of each of these states was in question – in South Korea because of hostility from its northern neighbour; in Taiwan because it was not recognised by mainland China; and in Singapore because it was a small, apparently unviable, state caught between two states, China and Malaysia, with which its populations had close ethnic ties, but with which it was on poor terms. In each case state

developmentalism was in the first place a political necessity rather than an economic priority. As Castells has written, for the developmental state 'economic development was not a goal but a means...the East Asian developmental state was born of a need for survival, and then it grew on the basis of a nationalist project of self-affirmation of cultural and political identity in the world system.' (1992: 57-8). What subsequently marked out these states was the promotion of rapid economic development as a means of maintaining state legitimacy.

Developmental states have been characterised by their distinctive approach to state-led economic development. This has sometimes been attributed to the large and strategic vision of their leaders, some of whom, like Singapore's Lee Kwan Yew, certainly seemed to have possessed remarkable political will and strategic insight. However, what has been equally important about these states has been their ability to exercise effective control. This has been put down to a number of causes. It is certainly the case, as Castells argues (1992), that the developmental states in Japan and the three 'independent' tigers were able to conceive and implement strategic decisions partly because of their apparent transcendence of narrow class interests. Each of these countries had comparatively weak or unorganised landed and industrial capitalist classes and their labour movements were either weak or had been made weak by state action. Governments, often formed from long-standing ruling parties, were relatively autonomous of sectional interests and the better therefore able to gain legitimacy by appealing to the national interest. At the same time, many of these states benefited from exceptionally competent bureaucracies which were largely free, at least in the cases of Japan, Taiwan and Singapore, from personal corruption (Johnson, 1982, 1995; Quah, 1984). Without such levels of state autonomy and competence it is unlikely that they would have been able to achieve so much. However, effective state power also required legitimacy. This was certainly not guaranteed to the governments of these states and for considerable periods, especially in Taiwan and South Korea, there was considerable civil unrest and major challenges to state authority. However, developmental states typically rode many crises, not least because they could appeal to national sentiments through invoking the politics of national survival. The role of the state in fostering strong national identities and loyalties was crucial to ensuring support for the long and arduous process of economic development which they had undertaken. It is also important to remember this role since many of the initiatives in education have played as much to this imperative as to the need to develop skills for economic growth.

3.2 Education and development

All accounts of East Asian development have stressed the major role of education and skills. Indeed for many analysts it was an educational miracle as much as an economic miracle in East Asia. Politicians in Japan, Singapore and elsewhere consistently stress the importance of skills, often pointing out that the East Asian states generally have few natural resources and therefore must rely on skills for their economic growth (Lee, 2000). The availability of a skilled workforce was a key condition for many of the economic factors that we have identified as critical for growth in the global economy. A well educated and disciplined workforce in Singapore and Hong Kong was certainly important for those countries in attracting FDI (Schein, 1996; Rodan, 1989). A rapidly expanding skills supply was crucial to each phase of economic upgrading, for providing the skilled workers and managers for the development of

heavy industry and electronic goods manufacture in the 1970s and 1980s and for supplying the inputs of scientific and professional skills which were in increasing demand with the shift to higher value-added production and services in the 1980s and 1990s (Rodan, 1989).

Skilled, well socialised and highly disciplined labour played its part in the early development of low cost manufactures (Ashton et al, 1999; Green, 1999). Higher skills, and the capacity for learning, were the essence of the ability to transfer knowledge and technology which is ultimately what made integration into the global market work for these countries (Brown et al, 2001). According to Tilak's recent account: 'The East Asian miracle is attributed, amongst other things, to the region's sustained levels of investment in human capital over a long period' (Tilak, 2002: 3).

Whether education was the primary cause of East Asian economic development, or a facilitating agent to other causal factors which were more unique to the region, is a hard question to answer. Given the arguments above about the critical role of contextual determinants of East Asia's rapid regional growth pattern – that it to say of the importance of geography, geopolitics, timing and the nature of the state and its economic policies – we may be more likely to say that education was a necessary but not sufficient cause of the of the unique developments in the region. Nevertheless, various accounts, not least those based on growth accounting, do place the role of education amongst the most important causes.

Using Denison's growth accounting methods, endogenous growth theorists Wang and Tallman (1994) estimate that education accounted for 45% of growth in GDP in Taiwan during the 1965 to 1989 period. Tilak (2002) notes that both the wage returns to education and rates of return to investments in education for various East Asian countries are positive. If we accept the human capital contention that earnings reflect employee productivity, then the evidence of substantial wage return to qualifications suggests productivity enhancement from education. According to World Bank estimates, on average an additional year of schooling in South Korea was found to increase earnings by 6% (1993: 57). Both private and social rates of return to investments in education are fairly high by comparison to other regions in the world, and, as is normally the case, are highest for the lower levels of education as shown in Table 1.1.

Rates of return to women's education for various years in the 1960s and 1970s, according to Tilak (2002), were higher than those for men in Japan, Korea and Taiwan, particularly in the case of higher education, although lower in Singapore. Evidence also exists for the beneficial effects of education on agricultural productivity in East Asia. For instance, one year of additional education in South Korea is estimated to have increased productivity in agriculture by 2.2% (Jamieson and Lau, 1982, cited in Tilak, 2002). Overall benefits of education to growth are estimated by the World Bank in *East Asian Economic Miracle*. Using growth accounting techniques they show that 60% of growth in HPAEs can be accounted for by accumulation of physical and human capital, initial income and population growth. The largest single contribution to HPAE growth comes from primary education with growth in primary school enrolments accounting for between 58% (Japan) and 87% (Thailand) of economic growth. According to the report, 'far and away the major difference in predicted growth rates...between HPAEs and Sub-Saharan Africa derives from variations in primary school enrolment rates' (World Bank, 1993: 54).

Table 1.1 Rates of Return to Education in East Asia and elsewhere

Economy	Year	Social			Private		
		Primary	Secondary	Higher	Primary	Secondary	Higher
China	1993	14.4	12.9	11.3	18.0	13.4	15.1
Hong Kong	1976	-	15.0	12.4	-	18.5	25.2
Japan	1976	9.6	8.6	6.9	13.4	10.4	8.8
Korea	1980	-	8.1	11.7	-	-	-
Singapore	1970	-	26.5	15.0	-	17.6	18.4
Taiwan	1972	27.0	12.3	17.7	50.0	12.7	15.8
World		18.4	13.1	10.9	29.1	18.1	29.3
OECD		14.4	10.2	8.7	21.7	12.4	12.3
Asia*		19.9	13.3	11.7	39.0	18.9	19.9

* non-OECD Asia.

Source Tilak (2002) pp. 6-7

Evidence for the effects of education on inequality in the East Asian states is generally strong, although the effects vary between countries. Japan and the tigers all had near-universal enrolments in primary education in the early years of industrial take-off and rapidly expanded their enrolments in secondary education in the decade following take-off, at least in the case of the tiger economies. These rapid increases in access to education are likely, in principle, to have reduced any tendencies for income inequalities to rise in the early period of industrial development (Checchi, 2001; McMahon, 1999). Tilak argues that inequality and poverty rapidly declined in South Korea in the early years of industrialisation as a result of high spending on education and other social welfare areas. Other commentators have claimed similar effects in Japan (Passim, 1965) and Taiwan (Wade, 1990) and East Asia generally (Weiss, 1996, cited in Tilak, 2002). Several factors clearly affect income inequality in addition to education, but research which decomposes the inequality in terms of its different components, for example in Taiwan, has found that education is either the most or the second most important determinant (Fields, 1980 cited in Tilak, 2002). The research suggests that the effects for different countries within Asia vary. Woo (1982), for instance, found that education had only a small equalising potential in Singapore. However, this should be expected because it is not only average levels of education that may affect income inequality but also how those levels are distributed. Analyses of cross-sectional data on education and income for a range of countries, including in East Asia, (Nickel and Layard, 1998; Green and Preston, 2001) find strong correlations between educational distributions and income distributions. Analysis of time series data on the same distributions (Green et al, 2006) also find that the effect holds over time. Thus differences between East Asian states in the effects of education on income equality may well vary according to the degree to which educational outcomes have been equalised in those countries. As we shall see later, East Asian states vary considerably on the degree of equality of outcomes achieved in their systems, with Singapore being one of the rather less education-equal states.

The comparative evidence on enrolments in education and spending on education also suggests that East Asia had an advantage over other regions, which may account for its superior growth rates. As Table 1.2 shows, Japan and the Asian tigers all had universal or near universal primary enrolment in 1960 at the point of economic take off. By comparison, the average for primary enrolments for developing countries as a whole was far lower, at 73%. Secondary enrolments in the tiger economies were still low by comparison with developed countries in 1960, at between 20% (Hong Kong) and 33% (Taiwan); but they were also considerably higher than the average for developing countries, at 15%. By 1974-6 secondary enrolments had risen substantially in the tiger states to between 62% (Singapore) and 96% (South Korea), now far ahead of the average for developing countries (49 %). Thus, although the World Bank (2002b) does not find that its sample of the most globalising countries (which were mostly East Asian) had higher levels of education at the outset of industrialisation than its sample of less globalising countries (mostly from other regions), it would seem clear that the tiger economies, at least, did have an advantage in levels of schooling compared with developing countries as a whole. There are exceptions, of course, as we shall see when we come to examine Sri Lanka, but generally it appears that the Asian tigers were not only more educated than most developing countries when they started to industrialise but managed to increase their educational advantage as time went on. As Table 1.3 shows by 1990 the average years of schooling attained by the adult populations in the four tigers was relatively high. South Korea (at 9.94 years) and Hong Kong (at 9.15) already had average levels equal to those for the OECD countries (at 9.02). Taiwan (at 7.98 years) and, particularly, Singapore (at 5.89) still lagged behind the most developed nations somewhat but even their populations had considerably more years of schooling than the average for countries in the Middle East and North Africa (at 4.47) and particularly those in sub-Saharan Africa (at 2.93). How far the latter was a result, rather than a cause, of growth, is, of course, hard to determine.

Table 1.2 School Enrolment Ratios in East Asia and Other Regions

Economy	Social			Private		
	Primary	Secondary	Higher	Primary	Secondary	Higher
Hong Kong	87	20	4	91	71	22.7
Japan	103	74	10	100	99	40.3
Korea	94	27	5	100	96	52.0
Singapore	111	32	6	100	62	33.7
Taiwan	96	33	4	99	89	46.4
China	109	21	0.6*	99	69	5.7
Developing Economies	73	15	2.0	99	49	8.9
Developed Economies	102	62	13	103	99	51.0
World	62	38	8	100	58	16.2

Figures for Primary and Secondary are net enrolment rates, except for Secondary in the case of Singapore.

* 1975

Source Tilak, 2002: 57, table A.2

Spending on education presents a more complex picture. As Tilak (2002) notes, and as Table 1.3 shows, public spending on education in East Asia, both as a proportion of GNP and as a proportion of total public expenditure, has risen substantially in the decades since 1960 and particularly in the last decade (UNESCO, 2004). But it has been only slightly higher than in other developing countries and is generally lower than in the most developed countries. However, other factors need to be taken into account. Firstly, private spending on education is high in many East Asian countries, including in all the tigers, except Singapore (Bray, 2005), and considerably higher than in other developing regions and amongst the most developed countries. Secondly, GNP in the East Asia states has risen far above that for other developing regions so per student expenditure has also, even without taking into account private spending. Not only has more been invested in each student in education but, according to Tilak (2002), the money has been spent more efficiently here than elsewhere. Investment in education has been well balanced as between the different sectors, with spending on secondary and then higher education following behind investment in primary education. More attention has been paid, he argues, to educational quality in the East Asian states than in many other developing regions.

Table 1.3 Average Years of Schooling Attained by Population over 15, 1960 and 1990, Regions and Countries

Region/country	1960	1990
Latin America and Caribbean	3.26	5.24
Middle East/North Africa	1.22	4.47
Sub-Saharan Africa	1.73	2.93
South Asia	1.51	3.85
OECD	7.05	9.02
Hong Kong	5.17	9.15
Singapore	4.33	5.89
South Korea	4.25	9.94
Taiwan	3.87	7.98

Source: Barro and Lee, 2000

Table 1.4 Public Expenditure on Education as a Percentage of GNP, 1960 and 1989, Countries and Region

Region/country	1960	1990
Hong Kong	-	2.8
South Korea	2.0	3.6
Singapore	2.8	3.4
Malaysia	2.9	5.6
Thailand	2.3	3.2
Indonesia	2.5	3.5
HPAE av.	2.5	3.7
Brazil	1.9	3.7
Pakistan	1.1	2.7
Sub-Saharan Africa	2.4	4.1

Source: World Bank, *East Asian Miracle*, 1993

3.2.1 Explanations of educational contributions to development

Educational systems in East Asia are, of course, far from identical, and we shall be considering some of the significant differences later on. However, there is a considerable literature on East Asian education and skill formation in general which seeks to analyse what common characteristics may account for the exceptional contributions these have made to economic, and to a lesser extent, social development. There are two main schools of thought which, although they share significant common ground, differ in important ways which are germane to policy. The first comes from the human capital school. The second from what is generally referred to as ‘developmental skills formation’ theory.

Accounts based on human capital theory and traditional neo-classical economics assume that education has been effective because it has supplied the skills demanded by the economy and done this efficiently. On this view, education and training, which we may refer to more generally in this context as skills formation, have been well attuned to the market, both in terms of the consumers of skills (employers) and the consumers of education (parents and students). There has been efficient matching of supply and demand in both areas. Human capital accounts (e.g World Bank, 1993; Tilak, 2002) argue that this has mainly been achieved through market mechanisms with education and training systems being highly oriented to the market. In support of this they cite the high levels of private provision and the willingness of parents to invest heavily in education, a sign that the latter is being efficiently delivered and that its outcomes are valued in the labour market. The role of the state has been to ensure that these systems work efficiently and that they are responsive to market demand. State intervention, over and above the organisation of those parts of education which are seen as public goods –

e.g. compulsory schooling – has usually not gone beyond what has been necessary to rectify market failures, as when loans are provided to compensate for the failures of markets to provide capital to fund student studies.

More specifically human capital accounts will note the success of East Asian school systems in expanding at the right rate to meet the needs of the economy. Expansion of school systems in the tiger economies proceeded sequentially, first with the universalisation of primary schooling, then with the rapid expansion of lower secondary education and finally with the growth of post-compulsory Vocational Education and Training (VET) and higher education. The initial priority given to state investment in primary education was logical because this is where the social rates of return to education are highest and this is what was most needed in the early years of industrialisation when most of the growing demand was for semi-skilled and disciplined manual labour. As the economies developed into more high skilled areas of manufacture there was increasing demand for secondary education and VET graduates and governments increasingly invested in these areas. Further economic development created demand for more post-secondary and higher education graduates. The achievement of near universal lower secondary schooling now created the basis for expansion of upper secondary and post-secondary provision. Since incomes had risen, and with demand for post-secondary qualifications high, parents were willing and able to contribute to the cost of high school and university education and did so substantially in Japan and all the tiger countries, barring Singapore. This allowed the very rapid expansion of higher education without excessive costs to government. In this fashion, argue the human capital theorists, education responded to changes economic demands and remained efficiently provided.

Developmental skills formation theories (Ashton et al, 1999; Brown et al, 2001) generally agree that skills supply and demand were often well matched in the tiger economies and that this was beneficial for growth. However, they tend to offer a different account of how this was achieved. In particular they argue that the state in the tiger countries played a much greater role than is acknowledged by human capital theory and that it went well beyond the conventional notion of intervening in cases of market failure. Ashton et al (1999) emphasise especially the major role that government 'manpower planning' played in South Korea, Taiwan and Singapore and also the active role of government generally in not only meeting skills demand but in creating demand for higher skills through industrial and other policies.

'Manpower planning' has certainly played an important role in these countries and has been notably successful in some cases. Singapore is the outstanding example. Here the high level inter-ministerial government body, the Council for Professional and Technical Education, makes detailed forecasts of future skills needs, based on market projections and on the expected outcomes of economic policy with regards to growth in different sectors, and develops policies for ensuring skills supply will meet these demands. These policies involve not only the development of new institutional capacity to meet demand, which is coordinated through the Ministry of Education, for schools and higher education, and the Ministry of Manpower and the Standards and Productivity Board, for workforce development. It also involves the determination of entry quotas for the different branches of vocational and higher education to ensure that the flows of skills from the system meet future demand. Despite the fact that such detailed 'manpower planning' is completely passé in most western countries, the process has

worked rather well in Singapore. Generally speaking government skills targets are met and tend to be in line with future needs of the economy. At each stage of its highly planned economic development Singapore has anticipated new skills demands and ensured skills supply adapts to these with remarkable accuracy (Ashton et al, 1999; Rodan, 1989). Where miscalculations were made, targets and quotas were rapidly revised. ‘Manpower planning’ has not always been so successful in some of the other tiger economies, however. For example, the South Korean government was notably unsuccessful in realising its targets for graduates from vocational high schools, not least because with its proliferation of private schools it was much less able than Singapore, or Taiwan, where schools are mostly state controlled, to regulate intakes. Additionally, in South Korea, de-regulation of admissions to universities in the 1980s led to a substantial over-production of graduates and resulting graduate unemployment and declines in wage returns to degrees (Brown et al, 2001). Highly regulated Singapore, in contrast, has generally managed to avoid overproduction of graduates and shows returns to post-secondary qualifications to be stable. ‘Manpower planning’ has thus played a more significant role in Singapore, and possibly also in Taiwan, than in South Korea where it was in any case abandoned in the late 1980s.

What is perhaps more important for the developmental skills formation theory than ‘manpower planning’, is the way in which governments in South Korea, Taiwan and Singapore have acted to create demand for high skills through industrial and other policies. Singapore again provides some outstanding examples.

The Singaporean government has been notoriously proactive in its dealings with multinational companies and its management of inward investment generally. One of its first acts after the first two crisis years of self government, and once the decision had been made to seek export-led growth through FDI, was to set up the Economic Development Board in 1961. This body, whose work has been meticulously examined by Schein (1989), was charged with the job of seeking out suitable foreign MNCs and facilitating their location in Singapore. As a global organisation with over 400 staff and offices in New York, London, Frankfurt and Milan (by the late 1980s), it used its international networks to obtain intelligence on companies and to approach and negotiate with those selected on possibilities for locating in Singapore. It also acted as a ‘one-stop-shop’ in Singapore for organising everything that re-location would demand, including providing turn-key factories, office space, preferential housing, deals on subsidies, and all the infrastructures, including transport and IT, which the business would require. These arrangements also, crucially, involved forging agreements on training (and skills transfer). The early multinational entrants into Singapore were encouraged to bring their own managers and technicians who would train local staff on site or at the home country headquarters during secondments. Before long, however, the Singapore government was reaching agreements with the major multinationals to jointly develop training schools. In time agreements were reached with the governments of the countries with the major investor firms to set up public training centres in Singapore which would supply the skills for the relevant sectors – hence the German-Singapore Institute of Technology, the Japan-Singapore Institute of Software Technology and the French-Singapore Institute of Electro-Technology (Brown et al, 2001).

Another example of state intervention in the demand for skills comes from Singapore during the so-called 'Second Industrial Revolution' in the early 1980s. In an attempt to encourage more productive use of labour and to drive up skills levels, the PAP (People's Action Party) Government deliberately forced up wages through instigating new wage minima and special taxes on low-wage companies. The revenues generated were ploughed into the Skills Development Fund which was used to subsidise company training initiatives in targeted high skills areas. This was part of a broader strategy to shift the Singaporean economy into higher value-added areas of manufacturing. Tax incentives and infrastructural improvements were also used by the Economic Development Board, which spearheaded the restructuring, to cajole foreign multinationals into upgrading their operations in Singapore (Rodan, 1989; Schein, 1996). At the same time, and in a coordinated process, large new investments were made in polytechnic education and training schemes to increase the supply of more skilled labour in anticipation of the upgrading. Major investments were also made in industrial parks and state-funded R and D centres. The policy proved finally to be too successful, since it drove up Singaporean wages to a point where they were no longer competitive, and it had to be abandoned. However, for a number of years it succeeded in pushing Singaporean industry up-market. Multinationals not wanting to upgrade their operations were encouraged to leave Singapore and did so. Others were willing to upgrade facilities from low skilled assembly to higher skilled manufacturing. As Rodan shows (1989), productivity increased significantly as a result, if not to the levels hoped for by government. The importance of state coordination of skills formation and foreign investment is also emphasised in recent studies of South Africa (ODI, 2005; Lonzenen, 2004).

3.2.2 Common features of East Asian skills formation systems

The human capital and developmental skills formation theories focus on the macro issues concerning the interface of skills and the economy. In so doing they illuminate a number of the factors involved in the exceptional contribution of human capital in East Asia to economic development. However, they provide less insight into the actual internal working of the education and training systems. More can be learnt here, perhaps, from the comparative studies on education systems in East Asia which seek to analyse the similarities and differences in these systems.

Education and training systems in East Asia, and more specifically, in Japan and the tiger countries, are by no means identical (Mok, 2003). Despite the considerable degree of policy transfer between systems, and particularly between Japan, South Korea and Taiwan, there are many distinctive national features. Most obviously the systems differ in their degree of comprehensiveness and in their arrangements for vocational training. Japan, South Korea and Taiwan each have extremely egalitarian educational structures in public sector compulsory education. Primary and lower secondary schools have been, until very recently, entirely comprehensive and neighbourhood-based in their admissions; with unstreamed, mixed ability classes throughout, automatic grade promotion and with teaching often based on mixed group work and group assessment. Equality of resources in schools was also ensured through equitable funding arrangements and state controlled allocation of staff to schools, including frequent rotation of heads between schools. Singapore, like Japan, Korea, and Taiwan, has a majority of state schools in its compulsory education sector, although some of these have now

been granted semi-autonomous status, but it is a highly selective system at the secondary level, with admissions determined by largely by primary school leaving exam scores, and classes streamed according to three ability levels. Approaches to vocational training also vary considerably. Japan, and to a lesser extent, Korea, rely heavily for their skills training on in-service training provided by the large companies, with the public sector only playing a minor role in relation to the provision of artisanal skills for the smaller companies.

The Japanese system of company-based training has been made possible because of the long-term employment policies practised by the large companies which make heavy investment in training feasible (Dore and Sako, 1989). Taiwan, with its larger number of small firms, and Singapore, with its predominance of employment in foreign MNCs which do not always want to train, have both had to rely much more on publicly provided initial training and skills upgrading (Aston et al, 1999). These differences between the countries are significant, not least in explaining the rather higher levels of educational and income inequality in Singapore compared with the other countries (Green, 1999).

Despite these significant differences, however, the East Asian skills formation systems all have a number of structural features in common as several commentators have observed (Cummings, 1995). East Asian education systems have been generally highly centralised. Government ministries prescribe in some detail the curricula, standards and assessment tools for each stage and year of education. In many cases they also authorise textbooks, supply teaching materials, and provide strong guidelines on teaching methods. Public schools generally have little managerial autonomy since government authorities generally appoint and allocate staff, determine the rules for student admissions, and maintain tight control over spending. Strong central control and the relatively uniform structures that go with it, have allowed three important effects in the East Asian context (Green et al, 1998). Firstly, they have allowed government substantial control over the content of education; secondly, they have facilitated the regulation of students flows through different tracks and subject areas, a process which in several countries is an integral part of ‘manpower planning’ and control; and thirdly, they have been helped to promote the strong normative standards and expectations for all students (Green and Steedman, 1993) which have been key to the high average levels of attainment observed in countries like Japan, Singapore, Korea and Taiwan (Reynolds and Farrell, 1996; Green and Steedman, 1993).

A second common characteristic of East Asian education systems has been the heavy emphasis placed on the core skills areas of literacy, Mathematics and Science. Primary school teaching concentrates heavily on literacy and numeracy (Reynolds and Farrell, 1996). Mathematics and Science generally occupy a large proportion of the secondary curriculum and high numbers take science and engineering subjects at university. This emphasis partly explains why students in countries like Japan and Singapore invariably rank so highly on the International Evaluation of Achievement (IEA) surveys in Mathematics and Science, including the most recent Third International Mathematics and Science Study (TIMSS). It also explains why so many young people in these countries go on to take and excel in Mathematics, Science and Engineering subjects in high school and university. In Singapore over 20 per cent of the 18-year-old cohort regularly pass A Level in Mathematics and over 10 per cent achieve a Further Mathematics A Level (Green, 1999). Of all the graduates from Singapore’s polytechnics and universities in 1994, almost half (47 per cent) had studied engineering. Japan trained as many engineers in 1993 as the USA with only half the population (Cummings, 1995: 74).

Lastly, all schools tend to place great stress on values and moral education. In Japan moral education has always been a central part of the curriculum and the Japanese government was quick to restore the subject after the US occupying powers banned it after the war (Schoppa, 1991). It has remained a central and controversial subject in the education ministry's Guide for Study for all schools ever since. Moral education, or Civics, is also a prescribed curriculum subject in all schools in Korea, Taiwan and Singapore, including in the latter case in polytechnics and vocational training institutes. Recital of the pledge and the singing of the national anthem is a regular practice in schools in several East Asian states as are other collective, team-building rituals such as morning assembly exercise sessions in Singapore, and collective preparation of meals in Japan. Instilling cooperative values through group learning is also highly emphasised in Japan and Korea, where, typically, the faster students are encouraged to help the slower ones in class and where performance is often measured on a group basis (White, 1987). This emphasis on social education and attitude formation also partly explains why countries like Japan and Korea tend to stress general education rather than specific technical skills at the upper secondary level, even in the vocational schools.

Central control, planning, and stress on values and core skills are all key features shared by the education systems of the East Asian states. Although policies in these areas are beginning to change (Mok, 2003; Mok and Lee, 2003) not least in response to the globalising influences on education policy, they have, arguably been highly significant in relation to the effects schooling has had on both social and economic development.

The effective dissemination of core skills was no doubt vital for the early period of economic growth where demand was high for literate and easily trainable recruits. It continues, arguably, to be both an important precondition for citizenship and a important foundation for the higher learning which is required by many of today's jobs. Effective socialisation in school, whether through Civics and Moral Education lessons, or through general school socialisation, has also arguably been highly important for the developing economies in these countries particularly in the early years when what was required was highly disciplined and hard working employees. The emphasis today is on developing more creative talents, which does not necessarily accord so well with the still highly conforming aspects of schools in East Asia, but for the periods we are discussing it would be hard to ignore the benefits to production derived from the ready supply of highly socialised workers. Particularly in the case of Japan, where the distinctive Japanese manufacturing systems relied heavily on cooperative group work, the advantages of this form of education must have been considerable (Koike and Inoki, 1990). One cannot overestimate, either, the importance of the very large output of high school and universities graduates in Mathematics and Engineering both for the growing manufacturing sectors and, in the case of Singapore at least, for the Civil Service, for whom these are the recruits of choice (Brown et al, 2001).

In terms of social development, schooling in East Asian states has also played an important role. If we follow the arguments of the developmental state theorists, a crucial aspect of the work of governments in Japan and the tiger countries, has lain in the fostering of national identity and loyalty to the state. In fact, state developmentalism has been first and foremost a political project of national survival. None of the four tiger countries were particularly cohesive states at the outset (Castells, 1997). Both Korea and Taiwan were riven with civic strife in their

first decades of independence, just as Singapore was almost brought down by ethnic conflict in the early 1960s. To an extent we may say that the populations of these countries were made quiescent, rather than cohesive, in the early years, by the repressive actions of their ‘strong’ or ‘authoritarian’ states. However, these same states also required popular legitimacy for survival (Chua, 1995). Such popular support as they have had, which has waxed and waned but has often been considerable, undoubtedly owed much to the strength of national identification with the developmental projects of their governments. This identification has been substantially nurtured by the schools. Schools have also played a major role in cultivating the belief in meritocratic values which has strongly underpinned the dominant ideology of these states, and, in multiethnic Singapore, in promoting a level of inter-community tolerance that would have been hard to predict from the early years of that fragile state.

The ‘developmental state’ model of rapid economic and social development was, arguably, a specific product, in a particular region, of the conditions prevailing in the decades from 1960s to the 1990s. The governments in Singapore and Malaysia still see themselves in many ways as developmental states and utilise many of the same strategies which we have described. However, arguably, the developmental state, at least in the form we are familiar with, may have past its zenith in East Asia. It has been more or less abandoned in Japan, South Korea and Taiwan already, as global capital increasingly sidelines the formerly powerful financial bureaucracies which lack the flexibility to adjust in the modern information society. To Castells, these forces, and the rising tide of democracy in East Asia, make this state form increasingly redundant: ‘The success of the developmental states in East Asia,’ he writes, ‘ultimately led to the demise of their apparatuses and to the fading of their messianic dreams. The societies they helped to engender through sweat and tears are indeed industrialised, modern societies. But at the end of the millennium, their actual projects are being shaped by citizens, now in the open ground of history-making’ (Castells, 1997: 286). Whether the developmental state is no longer possible in current global conditions, or whether these states, having become more developed, have simply reached a new stage where democratisation rightly takes precedence, may still be an open question. But either possibility – that the developmental state is period-specific or stage-specific – raise further questions about the transferability of the model to other countries.

4. Transferability of the East Asian developmental model

How far is the East Asian developmental model transferable to other developing countries? Could they also, with the right policies, achieve ‘successful’ forms of globalisation which combine growth with equity and social improvement? Many people in less developed countries have no doubt asked this question and the authorities in China, India and Kenya have certainly, at times, looked to the example of the tiger economies to provide models for growth. Our case studies which follow on China, Kenya, India and Sri Lanka each ask this question. In each case, the answers are complex. Aspects of ‘successful’ development are apparent each case. However, none of the countries shows evidence of benefits from globalisation strategies covering the range of economic and social outcomes we have seen in the Japan and tiger economies.

Sri Lanka shares a number of the basic conditions which underpinned rapid development with equity in the tiger economies. It lacked the geopolitical advantages of the Japan and tiger states and did not receive the politically-motivated western investment that might have come from being in the cold war battle zone. But it is a small island state with strategically located coastlines and a long and successful history of trade. And like the tiger economies in the late 1950s, it had high levels of primary enrolment and adult literacy. It also had, at one point, like Singapore, a school system which was at least partially based on English-medium instruction, thus producing a degree of fluency in the most international language which might have been an advantage for the economy, as it has been in Singapore. In the early 1960s it was seen as one of the developing countries with the best prospects. However, as we show in Chapter 5, in many ways it has not reached its potential. Social achievements have been considerable, not least in terms of the reasonably equitable sharing of income. But GDP growth has remained considerably short, for most periods, of what would represent rapid economic development. Why is this the case? As we show, it seems unlikely that this can be attributed to education since for much of the last 30 years there has been, if anything, an over-production of skills. The reasons seem more likely to lie in economic policy and political factors. Sri Lanka was slow to make the transition from import substitution to export-led growth based on manufactures. Unlike in the tiger economies where natural resources in land were limited, Sri Lanka had ample exportable plantation goods in tea, coffee and rubber, and considerably self-sufficiency in food. When export-oriented export policies were finally adopted in the 1970s, there was a civil war developing which provided major barriers to growth. The education system, being *de facto* largely segregated, did arguably less than it might to protect against inter-community conflicts, and sometimes, as in the case of university admissions, found itself in the centre of ethnic rivalries. However, nor, as our analysis shows, can it be seen as the primary cause of Sri Lanka's failure to create its own South Asian miracle.

Kenya represents a very different case which provides the biggest challenge in terms of learning any relevant lessons from the East Asian experience. It has none of East Asia's geographical advantages, lacking as it does long strategic coastlines and having severe disadvantages in climate, land fertility and population dispersal (Herbst, 2000). It has also lacked East Asia's luck in geopolitics. Far from being at the centre of western geopolitical concerns Kenya, and Sub-Saharan Africa generally, have represented something nearer to a forgotten region to western powers and have not attracted a fraction of the investment in east Asia during the past 40 years. Under such circumstances it has not been obvious what 'successful' globalisation might mean. For all this, Kenya grew rapidly during the period from 1965-1980, at close to the rates of the East Asian countries. Economic inequality remained high, but productivity improved in agriculture and rural poverty declined. However, as our analysis in Chapter 4 shows, from the mid- to late 1970s development in Kenya went into reverse. The reasons for this are complex and multiple. Terms of trade for its primary agricultural export declined, political instability drove out foreign investment, and major new areas of manufacturing exports did not develop. Our analysis suggests that failure to make an early transition to export-led growth through manufacturing, East Asian style, provided a major brake on development. Kenya has not, for the most part, globalised and the fruits of globalisation have not been there to distribute widely. Our analysis does not show education to have been at the root of Kenya's difficulties since the mid 1970s. In fact educational expansion has been considerable, even though economic reversals, and the catastrophe of HIV and AIDS, have impeded progress

since the 1980s. Educational reform played a major role in nation-building, particularly in the early years after independence, as in East Asia. Whether, it could have done more, given the other adverse circumstances, to hasten global economic integration remains, at the least, highly debateable.

Our two other case study countries, India and China, being vast both in physical expanse and population, would seem on the face of it to have least to learn from the example of the island and peninsular states which constituted the East Asian miracle. However, in many ways, they have come closer to replicating the East Asian experience, although in rather different senses. India's rapid economic development has come late and is still highly uneven, and it is too early in many respects to judge quite what its developmental path is and what role education plays in it. There is clear evidence of education benefits to health and fertility, particularly in certain areas, such as Kerala, where schooling is widely dispersed. It is also clear that the Indian economy has benefited considerably, as was the case in Singapore, both from the high output of skills in Mathematics and Engineering, and particularly in information technology, and from the wide spread of fluency in English, both of which are products of the education system. However, the Indian experience here is significantly different from that of the East Asian tigers since its economic growth is, in large measure, based on services rather than manufacturing. In this sense it may be symptomatic of a different era of globalisation from that in which the tigers first prospered.

China, on the other hand, clearly has a growth pattern that most closely resembles that of the tigers. Indeed, Taiwan and Hong Kong have provided the primary developmental models, just as the Chinese diaspora has provided much of the investment capital. China may also be considered as a form of developmental state, not least in terms of the overtly nationalist way it now constructs itself, although a different variant of the 'strong state' from South Korea and Singapore for a number of obvious reasons. Despite the fact that China still has an officially communist ruling party, whereas the three independent tigers all espoused explicitly anti-communist politics (albeit with somewhat Leninist 'democratic centralist' modes of operating), in the long run of history one wonders whether they will appear so different as political formations. It remains for historians to trace fully their common and variant inheritances from the historical legacies of the Chinese nationalism of Sun Yat-sen and Chiang Kai Shek. Certainly China, with its *perestroika sans glasnost* – its 'socialism with Chinese characteristics' in the current formula of the Chinese Communist Party (CCP) – resembles the developmentalist tigers in the way it links economic growth with its national identity and political role in the world. However, the big difference here, and one that many fear will be its undoing, is that Chinese development is so incredibly uneven and its society becoming so very unequal. Educational development here is clearly a major driver of economic growth, as it was in the tiger's economies. But here, in contrast to the pattern in the tiger states, educational expansion is occurring very unevenly. Whereas it supports economic development, as we show, there is less evidence of its positive impact on other areas of social development.

Chapter 2: China's Uneven Development: Nationalism and Inequality on the Mainland – Edward Vickers

1. Introduction

There are many profound cautionary tales to be learned from Chinese socialism, but these lessons have nothing to do with the realisation of egalitarianism. Quite the contrary, they stemmed from the failure of its egalitarian objectives ever to be really implemented.

(Wang Hui, 2003: 111)

This chapter focuses principally on the post-1978 period, analysing educational change in the context of China's rapid economic growth and increasing openness to global trade, investment, and cultural and educational exchange. However, while her phenomenal economic performance has in recent years led many observers to regard China as something of a poster-child for the developing world, it is suggested here that the developmental record of the People's Republic is more mixed than it might at first appear. Among the major themes that emerge are:

- the significance of relatively high levels of basic skills for facilitating China's growth as a global manufacturing powerhouse;
- growing social inequality – along various dimensions – that has been exacerbated by some of the state's education policies, particularly those related to financial and administrative decentralisation;
- an overwhelmingly instrumentalist vision of education, focusing on promoting technological and scientific expertise seen as directly contributing to economic growth, at the expense of more 'humanistic' studies;
- a strategy of countering perceived threats to national cultural integrity, social stability and Communist Party (CCP) legitimacy through state-sponsored programmes of 'patriotic education' that by fuelling nationalism potentially endanger long-term internal stability and international peace.

The first section below discusses the economic and demographic conditions prevailing in China, and the overall development strategy pursued by the government as it attempts to exploit the opportunities and meet the challenges posed by globalisation. This contextual discussion leads into an examination of the role assigned to education in this broader strategy, and the way the education system has responded to the strains associated with economic, social and cultural transformation, while influencing the national capacity to engage successfully with an increasingly integrated global economy. The emphasis here is more on the former than the latter, since China's major challenges relate not so much to any struggle to create an economically competitive skills-base (though significant problems remain here), as to a failure to realise how education policy might help mitigate some of the social tensions that globalisation has caused or exacerbated. The chapter concludes with a historical-comparative assessment of China's educational development. It is argued that the country currently stands at a crossroads: persistence with current policies increases the risk that domestic strife or international conflict will imperil the impressive advances of recent years, whereas urgent and decisive action to reduce educational inequality, rein in nationalism, and tackle the conditions that promote both would create a China more at peace with itself and with its neighbours.

The Prime Minister of the largest of these neighbours, Manmohan Singh, spoke in January 2005 of adopting the 'Chinese model,' particularly as regards achieving the widespread provision of elementary education and primary health care (*The Economist*, 2005b: 10). However, another prominent Indian, Amartya Sen, has pointed out that the most dramatic advances in China's provision of basic schooling and health care occurred not during the post-Mao era of 'Reform and Opening,' but during the period of Mao's rule, noting also that 'the extent to which *post-reform* China draws on the results achieved in *pre-reform* China needs greater recognition' (Sen, 1999: 260). He does not add that this recognition needs to come not least from within China itself, where 'the active days of Maoist policy' are a time that the majority of the political and intellectual elite still prefer to forget.

Those who profess to admire China's developmental 'model' thus need to bear in mind that its success is not simply due to internal market liberalisation and greater openness to international trade and investment. In addition, as Sen, Pepper (1996) and Han (2000) have pointed out, the increased opening up of educational provision to the operation of market forces, privatisation (or pseudo-privatisation) and the charging of fees by schools, colleges and universities have meant that educational access for some of the poorest is now little or no better than it was under Mao. Indeed, a 2002 World Bank survey of rural households found evidence of 'a substantial deterioration in the educational status of the poor' between the late 1980s and mid-1990s (World Bank, 2002: 42). Thus, while China's integration into the global economy over the past thirty years has led to a spectacular rise in the prosperity of coastal regions such as Zhejiang and Guangdong, and of cities like Shanghai, Guangzhou and Tianjin, the benefits of growth have been very unevenly distributed.

Meanwhile, increasing interaction between China and the rest of the world has been accompanied by persistent uneasiness among members of the political and intellectual establishment concerning the possible political and cultural implications of globalisation. The anti-government risings of 1989 continue to be widely perceived as foreign-inspired, if not actually foreign-instigated, and in the period following the collapse of communism in the Soviet Union and Eastern Europe, the Chinese Communist Party (CCP) has increasingly looked to shore up its legitimacy through appeals to nationalism. In the school curriculum, the steady dilution of Marxist ideology has been accompanied by an intensified focus on nationalist themes regarding, for example, Japanese wartime atrocities and the CCP's role in Japan's defeat. However, popular nationalism, though fostered and encouraged by the state, has proved less than entirely susceptible to state control, as demonstrated most recently by the widespread anti-Japan protests of April 2005. Strong nationalist sentiment carries with it expectations that the regime will take a defiant and unbending line in relations with Japan and, in some instances, with America as well (for example over Taiwan). This makes it extremely difficult for China to make the compromises necessary to achieve peaceful, diplomatic solutions to some of its most intractable foreign-policy problems.

The rise of nationalism in China over recent years is thus seen in part as a consequence of the Party's strategy for promoting economic development while maintaining its monopoly of political power – a strategy in which political socialisation through education plays a key part. Some observers, such as Ogden (2002), have argued that 'inklings of democracy' are nevertheless visible in contemporary China, pointing to greater media openness, village elections, increased assertiveness by the National People's Congress, moves to develop a more

independent legal system, and the emergence of a corporatist form of civil society. Ogden also favourably compares China's performance with that of India in enhancing the 'capabilities' of its citizens across a range of measures derived from the United Nations Development Programme (UNDP)'s Human Development Reports. However, Drèze and Sen (2002: 117) point out that China's lead over India in the field of basic education was in fact established *before* China embarked on its large-scale market reforms, and the comparative positions of the two countries have not changed since the early 1980s. (See also Chapter 3 in this volume.)

The argument is often advanced by East Asian political elites (notably Singapore's Lee Kuan Yew) that fully-participatory, representative democracy is in some sense alien to Confucian 'Asian values,' and makes for inefficiency and a weak or indecisive style of political leadership that developing countries can ill-afford. As a Peking University professor puts it: 'Democracy is in essence a conservative arrangement. If all interests are represented, how can you make rapid and fundamental reforms?' (*The Economist*, 2005b: 12). Ogden, for her part, does not accept the view that democracy is somehow alien to Chinese culture, arguing instead that China is following its own path towards what might be termed democracy with Chinese characteristics. Some of the signs appear to point in this direction, but the way in which the Party continues to use nationalism to deflect domestic pressure for social or political reform, or to downplay or deny ethnic divisions or grievances, carries the risk that severe domestic instability could give rise to civil or international conflict. The Chinese model of development without (or with very little) democracy has been credited with achieving stability and growing prosperity. However, the sustainability of this achievement may turn on the willingness and ability of the Party to embrace a broader view of development, using the strength of the state to foster the capabilities of all citizens – rural or urban, Han or 'minority', male or female – while constructing institutions that enable them to peacefully challenge the arbitrary exercise of state authority. Education must play a key role in any such process.

2. Country background

2.1 Population

At 1.29 billion in 2003, China's population is still the largest of any country in the world, although at current rates of growth, India looks set to overtake her in two or three decades. The institution of the 'One Child Policy' (since 1979) is widely credited with bringing China's rate of population growth under control, though some scholars argue that the significant drop in fertility actually began in the mid-1970s, before the policy was introduced. Whatever the reasons, China's low fertility rate (of around 1.8 children per woman) means that its population is currently growing at about half the rate of India (0.8 percent annually), so that it will – or should – have more resources to devote to the education of fewer children.

While China's achievement in bringing its population growth rate under control is often compared favourably to that of its South Asian neighbour, Sen suggests that the picture may be more complex. He argues that the example of the Indian state of Kerala shows that the Chinese achievement in limiting family size through compulsion can be matched or exceeded through reliance on education and voluntarism – in the 1979-91 period, after the introduction of the

one-child policy, China's reduction in fertility was exceeded by that in Kerala. This achievement, Sen argues, is a consequence of the 'active and educated participation of women' (1999: 222). Moreover, Kerala's achievement is in his view more sustainable than China's, since it is based on success in persuading people themselves to choose smaller families voluntarily. As China's State Family Planning Commission observed in 1999, 'At present low birth rates are not steady in China. This is because the birth concept of the broad masses has not changed fundamentally' (cited in Sen, 1999, 220). Sen also stresses that Kerala's success is closely related to its high levels of female literacy, and the relatively high status of women more generally (for example as regards property rights and employment opportunities). These factors have given women the capacity to influence family decisions, including decisions over how many children to have. Kerala also illustrates Sen's argument regarding the role of democracy in development, since changes in attitudes to family size and to the role of women came about through a process of open public debate – a key factor in the sustainability of these achievements.

This is not to deny that education also plays a part in China's population control strategy, though the pattern tends to be one of using the school curriculum along with other media as a vehicle for state propaganda – on this as on many other issues – rather than attempting to build a consensus through public debate. Rachel Murphy records slogans on village walls in Rivercounty, Jiangxi Province, exhorting farmers to 'have fewer children, improve population *suzhi* (quality) and charge towards *xiaokang* (a comfortable standard of living),' while other slogans urge rural residents to 'promote nine years of education, [and] improve population quality' (Murphy, 2004: 4, 8). What impact such slogans have on their intended audience is questionable. On the other hand, the threat of punishment of various kinds undoubtedly does serve to suppress fertility rates in parts of rural China where such sanctions are enforced – but, as the above comment from the State Family Planning Commission itself implies, the fear of punishment may not eliminate the desire for large families, or the preference for sons over daughters. Murphy also notes that one of the key brakes on family size in rural China is the rising cost of schooling (discussed further below).

China's low levels of fertility, particularly among the urban population, mean that it may soon face problems associated with an ageing population and declining workforce similar to those confronting some European countries – but it will have to do so at lower income levels (*The Economist*, 2005a). In addition, the reliance on compulsion to achieve lower fertility rates, without addressing popular attitudes concerning the status of women and girls, has led to a severe imbalance in the number of girls among the under-25 age group: there are currently 118 boys born for every 100 girls, compared with a natural ratio of 105 to 100 (*The Economist*, 2005b, 5). According to Sen, compulsion has also led to higher-than-expected levels of infant mortality, perhaps attributable to the neglect of female babies. Sen also notes that, while life expectancy in China as a whole has risen steadily, in poorer rural areas it may have fallen during the 1980s and 1990s due to the collapse of basic health care infrastructure during the post-Mao era (Sen, 1999: 258) The dire situation in many rural areas led the World Health Organisation in 2003 to rank China's health care system as 'one of the worst in the world' (Ross, 2006: 36).

2.2 Ethnicity, religion and language

China's population, according to official figures, consists primarily of 'Han Chinese' (92%), the remainder belonging to 55 'minority nationalities', the largest of which are the Tibetans, Uighurs, Mongols, Zhuang and Hui (Muslim Chinese). The Han, themselves an exceedingly heterogeneous group, are basically those who can trace their origins to what used to be termed 'China Proper' – in other words China south of the Great Wall, east of the Tibetan plateau and the deserts of Turkestan, and north of the forested border regions of Yunnan and Guangxi. For most of these people, to be Chinese is to be Han – the terms are interchangeable – but officially the distinction is made between the Han as the core 'race,' and a *Zhonghua minzu* (or Chinese race-nation) that encompasses all the nationalities within the borders of the People's Republic.

During the Republican era (prior to 1949), only five nationalities were officially recognised: Han, Tibetan, Uighur, Mongol and Manchu. When the Communist Party assumed power, a more scientific approach to nationalities policy was deemed necessary, consistent with the modernising rationalism of state socialism. Teams of predominantly Soviet-trained anthropologists set out to map and catalogue the ethnic make-up of the new People's Republic (Harrell, 1996). The eventual result was a list of 55 'minority nationalities' in addition to the Han Chinese, but the criteria used to demarcate these groups were often highly inconsistent. In some cases the identifying marker for ethnicity was language, while in others it was religion or culture or a combination of these.

The Han view of minority nationalities – both before and since 1949 – has generally characterised them as 'backward' and thus in need of developmental assistance from the more advanced, more modern, Han 'big brother'. This remains the perspective enshrined in school curricula and teaching materials at the start of the 21st century (Postiglione, 1999; Vickers, 2005). Since the late 1970s, the predominantly Han state elites have tended to look overseas, and especially to the Anglophone West, for developmental precedents and models, while at the same time cautioning their citizens against the dangers of Western 'cultural imperialism' or 'spiritual pollution.' However, when it comes to the Han 'civilising mission' in relation to regions such as Inner Mongolia, Xinjiang or Tibet, no similar reservations apply. On the contrary, the state continues to encourage Han colonisation of these nominally autonomous minority regions, a policy that in the case of Xinjiang has led to the Han proportion of the population increasing from less than 5 percent in 1949 to around 50 percent today. (See Rossabi: 2004.)

Religion is, for many of China's minorities, a key element of their collective identity, and China has in recent years witnessed a religious revival affecting both the Han and the minority nationalities. Islamic fundamentalism has had some influence among the Hui community and, more worryingly from the point of view of the regime, on elements within the Uighur community of Xinjiang, where separatist groups have in recent years carried out a number of violent attacks against Chinese interests. Tibetan Buddhism has experienced something of a revival since the destructive orgy of the Cultural Revolution, but the central government remains anxious to ensure that Lamaism constitutes no challenge to its supreme political

authority. Beijing has refused to acknowledge the role of the exiled Dalai Lama when it comes to identifying the reincarnations of other key lamas, insisting on its own ultimate authority in this regard. Thus, ironically, the avowedly atheist Communist regime assumes, for political purposes, a distinctly spiritual role.¹

China's Christian community (Catholic and Protestant) remains relatively small but has grown significantly during the Reform and Opening period. The state remains suspicious of organised religious movements, as demonstrated by the crackdown against Falun Gong, and officially only the registered 'patriotic' churches and religious organisations are able to operate legally. Religious 'globalisation', arguably the most significant form of globalisation in the pre-modern world (see Bayly, 2004), has always been viewed askance by China's political elite – and tensions over ecclesiastical authority have especially bedevilled relations with the Catholic church. Meanwhile, Christianity in its Protestant form is enjoying growing appeal among the young and upwardly-mobile, in part 'because it is the faith most deeply rooted in the countries that well-educated Chinese most envy – particularly America' (*The Economist*, 2005c).

While religion of whatever kind has no place in the Chinese classroom, when it comes to minority languages it is a slightly different story. The Communist regime continues to pursue a policy of promoting *putonghua* (Mandarin) as the national language right across China. This policy has been informed primarily by nation-building considerations, but other common justifications are alluded to by Postiglione:

[T]here are few scientific materials published in minority languages, therefore the Han Chinese language, which is 'international,' should be the main education language and medium of instruction. According to one Chinese scholar, this is further supported by 'the Chinese language craze that is sweeping the world.' (1999: 8-9).

Thus foreigners' keenness for learning Chinese is invoked as testimony to the status of the national language as an advanced and modern 'international' medium of communication (an example of the nationalist sensitivity to foreign perceptions of China – see Gries, 2004). However, while *putonghua*, as a vehicle for the inculcation of the state's definition of national culture and identity, is to a large extent both medium *and* message, there is nonetheless considerable flexibility in policy regarding the use of minority languages to deliver educational content. As Postiglione puts it, 'unlike religion, language is essential for achieving the goals of state schooling,' and therefore at primary level in particular there have been numerous experiments with bilingual systems of education for minority areas (Postiglione, 1999: 9). Nevertheless, availability of teaching materials in minority languages remains limited. As Postiglione writes, in 'Tibetan areas of China, dual track education (in Tibetan and Chinese) is generally available in the urban areas, but after the third grade most courses are taught in Chinese with only language and some Tibetan culture courses taught in the Tibetan language' (ibid: 15).

Meanwhile, the increasing demand for English language education (see section 5.1) that has accompanied China's increasing openness to the global market has affected minority communities as well as the majority Han population. In the case of the minorities, however, the

¹ Religion is not taught in schools, even in Tibet, though it is mentioned in passing in history and geography textbooks, where it is treated as an anthropological phenomenon.

demand for English comes in addition to the demand for *putonghua* instruction (not only on the part of Han officials and educators, but also of the minority communities themselves, who see both languages as crucial to future educational and career opportunities) (Postiglione, 1999: 14-15). There is some dissatisfaction among Tibetans, for example, who would like to study as much English in school as their Han counterparts, but increasing numbers of whom also want learn Chinese fluently. However, the available school textbooks for English are those designed for use primarily by Han Chinese students.

What is true of teaching materials for English language is true *a fortiori* of textbooks for subjects such as history or geography. These reflect how the parameters of education policy for minority nationalities remain defined above all by the goal of political socialisation. The histories of Tibet, Mongolia or the Uighur people of Xinjiang, for example, only feature in textbooks when they can be convincingly related to the core narrative reinforcing a 'one China' message (Vickers, 2006). Moreover, the depiction of relations between minority nationalities and the Han often emphasises the minorities' desire to learn from their more advanced Han 'elder brothers.' The Tibetan scholar Baden Nima argues that this causes children from 'minority nationalities' to 'lose self-esteem and interest in schooling, and in turn contributes to 'the high dropout rates of minority children' (quoted in Postiglione, 1999: 16-17). However, it is worth emphasising that many of the problems faced by minority ethnic communities, such as under-employment, under-investment in basic services (including schools), and problems associated with migration to the cities, are shared with other groups on the crowded margins of Chinese society.

2.3 Economic profile

When considering statistical indicators of China's overall economic performance, it is thus important to bear in mind the geographic, ethnic, rural-urban and other divides that these national figures tend to mask. Nevertheless, the numbers are hugely impressive, especially when viewed in comparison with those for the only other country of a similar size and stage of development: India. Gross domestic product (GDP) per capita multiplied by more than 5 times between 1980 and 2001 (Table 2.1). In 2002 GDP per capita was US\$989, compared to a figure for India of US\$487 (UNDP, 2004).² In the mid-1970s, China's per capita GDP was below that of India, but over the period from 1975-2002 it experienced average annual growth of 8.2%, as against 3.3% for its South Asian neighbour. Ogden (2002, 210) compares the UNDP data on Chinese and Indian GDP growth between 1975 and 1998, showing that while India's per capita GDP grew by 100% from US\$222 to US\$444, China's grew by 500% from US\$138 to US\$727.³

Table 2.1 GDP Per Capita, 1980-2001 (constant 1995 US\$), China

Year	1980	1990	1995	2000	2001
GDP	167	350	581	825	878

Source: World Bank, 2005c, Tables, 2.

² UNDP, HDI, 2004 (<http://hdr.undp.org/statistics/data/countries.cfm?c=CHN>) accessed 13/6/06.

³ China's GDP figures are perhaps even more impressive than these statistics indicate, given that the Chinese government announced in December 2005 that its recently completed economic census had revealed that the size of the economy had been under-estimated by about 20%.

Over the past thirty years, China has witnessed the sort of industrial revolution that in Britain took over a century (see Chapter 1 for other comparators). This is illustrated most graphically by the scale of migration from the countryside to towns and cities: whereas in 1975 the proportion of urban residents stood at 17.4%, by 2002 it was 37.7% (UNDP, 2004) – and the latter figure is probably an under-estimate, given the numbers of un-registered rural migrants living and working in Chinese cities. The UNDP estimates that the proportion of urban residents will reach about 50% by 2015.

Urban unemployment in 2002 stood at 4%, but this again is undoubtedly an underestimate, since it only counts those officially registered as unemployed (and thus does not include migrants from rural areas). Accurate figures for rural unemployment and under-employment are unavailable (the China Statistical Yearbook, 2003, does not even attempt an estimate) – but may stand as high as 20%, depending on region and season. Labour mobility is necessary for China's economic growth, and the large cities would grind to a halt without rural migrants willing to work in low-wage menial jobs in sectors such as the construction industry – but the state remains unwilling to condone or encourage unrestricted movement of people. Urban Chinese remain fearful of being overwhelmed by a flood of impoverished and uncultured 'peasants' (*nongmin*), and thus continue to withhold from migrant labourers equal rights to access urban public services, including schools. Under the district registration or *hukou* system, Chinese are entitled to basic education and health care for their children only in the district where they are registered – usually that in which they were born. Hence, the children of migrants are effectively barred from entry to regular schools in the cities where their parents work. This has led to the establishment of many privately run schools catering for migrant children, which subsist precariously on the margins of the regular system, with varying degrees of official tolerance.⁴ (In addition to internal migration, there is also considerable outward migration by relatively poor, and generally poorly-educated, inhabitants of some coastal regions – though this phenomenon is centuries old. Migration involving more educated groups is dealt with in Section 5.2.)

While an increasing number of Chinese have shifted in a geographical sense over recent decades, these migrations have been accompanied (and to some extent caused) by large movements across economic sectors, primarily from agriculture to other forms of economic activity. The China Statistical Yearbook (2003) classifies employment by 'primary', 'secondary' and 'tertiary' sectors, with the proportions for 2002 being respectively 50%, 21.4% and 28.6% (in 1975 the figures were 77.2%, 13.5%, and 9.3%). This shift in employment patterns reflects the huge growth of manufacturing industry over the past thirty years, and of associated service industries such as banking and hospitality. More recently there has been a rapid expansion of sectors such as the tourism industry, which has grown from practically nothing thirty years ago, with expansion led first of all by foreign tourism, but more recently also by a phenomenal growth in domestic tourism (catering to a newly affluent urban middle class).

The expansion of the tourism sector illustrates particularly graphically the extent to which globalisation has transformed the Chinese economy in recent years. The number of officially registered travel agencies doubled between 1998 and 2002 (to over 11,500), employing

⁴ The government has recently (September 2005) announced plans to disband the *hukou* system in some of the more developed cities and provinces. In these more developed regions, however, the importance of the *hukou* system has in any case been diminished in recent years by the increased reliance on user fees to fund public services – even for properly registered residents.

230,000 people. Over the same period the number of foreign visitors also more or less doubled, from just over 7 million to around 13.5 million per year (and this figure excludes the 80 million visits made by residents of Hong Kong and Macao to the mainland). The number of Chinese travelling abroad doubled between 1998 and 2002 to 16.6 million, of whom the number travelling for ‘private purposes’ grew from just over 3 million to around 10 million – and this despite the considerable restrictions still imposed by China itself and by many foreign governments in terms of the issuing of exit permits and visas.⁵ Over the same period, the number of domestic tourists is estimated to have grown from just under 7 million per year to just under 9 million, though this figure seems likely to be a considerable under-estimate (the method of calculation is unclear). The China Statistical Yearbook, 2003 (from which all the above figures are taken) estimates the total receipts from international tourism in 2002 at US\$20.4 billion (roughly double the 1998 figure), while receipts from domestic tourism are put at Reminibi (RMB) 387.8 billion.

This growth in tourism has played a part in stimulating growing demand for English language education across China, involving cultural as well as economic implications of which the Chinese authorities are acutely aware. However, in areas in the Far West of China, such as parts of Tibet and Xinjiang, the growth in domestic tourism has also helped to reinforce demand for *putonghua* education. The present author, for example, made two trips to Tibet – the first in 1999, and the second in 2004 – and noted that while the number of overseas tourists appeared to have remained more or less constant, the number of affluent young Chinese tourists had grown hugely, probably overtaking Western tourists in terms of purchasing power. At the same time, the growth of tourism as one of the major industries of these Western regions is emerging as one of the factors stimulating the inward migration of entrepreneurial Han Chinese – a development viewed with ambivalence by many indigenous Tibetans or Uighurs. Hence, while growing integration into a globalising tourism industry has been seen as both an economic boon and as something of a cultural and ideological challenge for ‘China Proper’, such tensions are doubly acute in ‘minority’ regions such as Tibet and Xinjiang.

Table 2.2 Exports of Goods and Services (2005 US\$billion) as % of GDP, China

Year	1980	1990	1995	2000	2001
Exports (% GDP)	8	18	24	26	26

Source: World Bank, 2005c, Tables, 2.

The total value of trade (imports and exports) for China’s economy in 2002 was US\$620.7 billion, or 49 percent of GDP (World Development Index, 2003), with exports of manufactured goods accounting for almost half of that figure (US\$297 billion), and manufactured exports making up 90% of total merchandise exports (up from 72% in 1990) (China Statistical Yearbook, 2003). Exports of goods and services as a proportion of GDP grew from 8% in 1980 to 26% in 2001 (Table 2.2). High technology exports accounted for a growing proportion of manufactured exports: 23% in 2002 as opposed to practically nothing in 1990, indicating an expansion of China’s manufacturing sector into more sophisticated, higher-margin products. However, China also imported about US\$250 billion in manufactured

⁵ More recent moves to make it easier for Chinese tour groups to visit the Schengen countries of the EU, combined with the prospect of an increase in the exchange value of the Renminbi, make it likely that camera-touting Chinese tour groups will soon be as familiar a sight in European cities as their Japanese counterparts became in the 1970s and 1980s.

goods in 2002, and imported considerably more raw materials than she exported. Indeed, China’s hunger for raw materials has seen her increasingly drawn into competition with Japan in markets for primary products in areas such as South East Asia – this constituting another potential irritant in relations between these East Asian neighbours. Meanwhile, it is the positive balance in manufactured trade that accounts for China’s healthy overall trade surplus of US\$30.4 billion in 2002. Overall trade volumes (in US dollar terms) roughly doubled between 1998 and 2002, with the proportion of imports to exports increasing during that period (though the trade surplus remained more or less constant due to growth in manufacturing exports). The 2002 figure for total trade was about 30 times greater than the figure for 1978 (US\$20.4 billion) (China Statistical Yearbook, 2003).

Despite its emerging reputation as an economic powerhouse, in 2002 China received US\$1.48 billion in aid. As well as receiving aid, the country is also increasingly a donor to states in Asia and in Africa. Indeed, China has in recent years rapidly assumed a role as a major player in Africa, particularly through investment in resource extraction – and in countries, such as Sudan and Zimbabwe, where Western democracies fear to tread. Meanwhile, extravagances such as the country’s space programme have recently been cited by Japan, China’s largest donor nation, as a reason for scaling back bilateral aid (though irritation with Beijing’s perceived stoking of anti-Japanese nationalism was doubtless also a factor). Japan and other foreign donors have tended to target their aid more at China’s poorer areas; Britain’s Department for International Development (DFID), for example, helping to set up and manage a basic education project in the impoverished North West (Bray, Ding and Huang, 2004). Meanwhile, the Chinese government has since 2000 been promoting its own programme of internal aid, the ‘Great Western Development Strategy’ (*Xibu Da Kaifa*). This aims to spread the benefits of the economic growth experienced by the coastal provinces to more deprived inland regions. The central government has attempted to involve international aid agencies such as the UNDP or DFID, as well as provincial authorities and enterprises from wealthier Chinese regions, in this ‘Go West’ campaign.

The extent to which this campaign is succeeding in achieving a more equitable distribution of the benefits of economic growth remains uncertain. The figures below (Table 2.3) for use of modern telecommunications, and for distribution of wealth, demonstrate both the considerable prosperity of China as a whole, and the vast inequality in the distribution of that prosperity:

Table 2.3 Wealth Distribution Indicators: Figures for 2001, China

% Share of income or consumption – Poorest 10%	1.8
% Share of income or consumption – Poorest 20%	4.7
% Share of income or consumption – Richest 20%	50.0
% Share of income or consumption – Richest 10%	33.1
Internet users per 1,000 (2002)	46
Mobile phone subscribers per 1,000 (2002)	161
Phone lines per 1,000(2002)	167

Source: UNDP, 2004⁶

⁶ UNDP, HDI, 2004 (<http://hdr.undp.org/statistics/data/countries.cfm?c=CHN>) accessed 13/6/06

By contrast, in India in 1999/2000 the poorest 20% accounted for 8.9% of income or consumption, while the richest fifth of the population enjoyed 41.6%. Martin Wolf underlines the impressive reduction in the number of those in 'absolute poverty' in China during the 1990s: from 33% in 1990 to 18% in 1999, citing comparable figures for South Asia of 45% and 36.6% (Wolf, 2004: 160). The poorest two deciles in China were almost certainly better off than their Indian counterparts, but perhaps by no greater margin than thirty years earlier. Meanwhile, in a recent study of household income, Khan and Riskin conclude that 'success in reducing the massive and still growing disparity between urban and rural income has eluded China,' despite a variety of policy initiatives designed to slow or reverse this trend (Khan and Riskin, 2005: 383).

Table 2.4 Income Gini Coefficients, 1981-2001, China

Year	1981	1983	1986	1990	1994	1997	2001
Gini	0.31	0.28	0.32	0.35	0.43	0.40	0.45

Source: Ravallion and Chen, 2004, Table 10

Gini figures for China, as for other developing countries, are notoriously hard to verify with any great degree of accuracy. Ravallion and Chen (2004) argue that the figures above are perhaps exaggerated, suggesting that a figure of just under 0.40 for the gini coefficient in 2001 might be more accurate. However, the long-term trend of rising inequality (after an initial fall in the early 1980s caused by rapidly rising farm incomes at the outset of the reform period) is generally agreed. Moreover, the Chinese government itself now recognises that social inequality in China already exceeds the 'yellow light' gini level of 0.45 (China Daily, 20 September, 2005).

3. Development strategy and policy

When considering the course of China's development in a 'globalising' world, it is salutary to recall that the country's relative under-development is a comparatively recent phenomenon. It was only in the late eighteenth century that average *per capita* GDP in Western Europe began to exceed that in China. However, Chinese imperial authorities from at least the 15th century onwards were typically at best ambivalent in their attitude towards foreign trade – and it was British armed force that eventually imposed greater openness on a reluctant Qing dynasty in the 19th century. Well into the 20th century, foreign (especially British) capital underwrote much of the early industrialisation and commercialisation of the Chinese economy, particularly in foreign-administered enclaves along the coast and on the major rivers (Cain and Hopkins, 2001). However, the terms on which China's accelerated integration into the global economy took place during this period were acutely humiliating to indigenous elites. From the late 1800s, debates raged within China over how best to modernise and strengthen the state in order to restore national dignity and autonomy, while at the same time maintaining fidelity to key elements of Chinese culture and tradition. The 'self-strengtheners' of the time coined the slogan 'Chinese learning for fundamentals; Western learning for practical use' (*Zhong xue wei ti, Xi xue wei yong* generally abbreviated to *Zhongti, Xiyong*), a paradigm for appropriate Sino-Western interaction that finds echoes in the current formula: 'socialism with Chinese characteristics.'

Also of lasting influence, and similarly related to the concern to preserve the national 'essence,' has been a strong neo-Darwinist streak in modern Chinese nationalism, evident in the writings of modern China's founding father, Sun Yat-sen (see Dikotter, 1991). Like many of his contemporaries, not least in Europe, Sun saw nations as engaged in a struggle for survival, in which the 'fittest' would prevail – and the 'yellow races' were threatened with extinction unless they rapidly strengthened themselves, in particular through acquiring modern technology, and therefore modern education. Though Sun saw democracy as a worthy aspiration, his vision was of a paternalistic, state-directed path towards modernisation, and during the early 1920s – like many anti-colonial nationalists – he was attracted by the example of the Soviet Union.

Soviet influence finally came into its own in China during the early- to mid-1950s following Communist victory in the civil war, itself largely a consequence of Japanese incursions in the 1930s and 1940s. China's reconstruction was heavily influenced by Soviet models, with advisors from the USSR playing a key role in shaping industrial policy (as witnessed by the setting up of large-scale, Stalinist-style state-owned heavy industrial plants in North-east China). By the mid-1950s, private capitalists had been dispossessed and foreign (Western) firms expelled from the country. Agricultural land was first redistributed, then progressively collectivised. As in India during the same period (see the following chapter), the Soviet model of 'five year plans' was followed not only in the economic field, but also in education and other areas of state activity. However, whereas in India priority continued to be given to higher education, in China there was an ongoing debate between those who advocated a similar focus on 'quality' (i.e. a concentration on the training of skilled administrators and technocrats who could help to build up strategically important heavy industry), and those who emphasised the need for a quantitative expansion of basic schooling (Pepper, 1996). The Soviet advisors in the early 1950s largely stood on the side of quality, but Mao and some of his closer supporters favoured quantity. As relations with the Soviet Union broke down from the late 1950s, this ideological tension was expressed in one of Mao's famous slogans: 'Better Red than Expert.'

The era of Mao's rule witnessed chaotic and catastrophic oscillations between emphasis on 'Expertise' and 'Redness.' During the Cultural Revolution, emphasis was placed on expanding access to basic education, and combating elitism in secondary and tertiary education by using 'class' criteria to determine access to these higher levels. Large numbers of under-qualified rural students were admitted to higher education, which consequently had to be 'dumbed down.' Education professionals and other 'intellectuals' (who bore the brunt of persecution during the Cultural Revolution) have been scathing in their assessment of the educational initiatives pursued during this period. There can be no doubt that China did fall behind in terms of its capacity to train highly-skilled personnel, not least because until the mid-1970s its contacts with the outside world were so minimal. However, scholars such as Han (2000) and Pepper (1996) have argued that the expansion of basic education that the Cultural Revolution made possible (by sending so many 'intellectuals' down to the countryside) contributed significantly to the spread of literacy and numeracy among the mass of the rural population, thus providing the preconditions for China's capitalist expansion during the post-Mao era (Sen 1999).

Following Mao's death in 1976 a power struggle ensued, with Deng Xiaoping emerging by 1978 as the new paramount leader. The late 1970s saw the beginning of a more open policy towards the outside world, and a dramatic reversal of Cultural Revolution policies in the field

of education. The pendulum now swung definitively away from egalitarian goals and back towards a focus on selecting and training a bureaucratic and technocratic elite. The traditional, highly elitist, selective model of education was re-instituted, and the nationwide college entrance examination (the *gaokao*) was reintroduced, along with curricula and textbooks largely based on pre-1966 models.

From 1978, the first period of Reform and Opening (*Gaige Kaifang*) witnessed a liberalisation of the rural economy, and rural incomes grew faster than urban incomes until the mid-1980s, although at the same time the central government continued to scale back its commitments in terms of providing basic social services – including primary schooling – to rural communities. In 1985, the achievement of nine years of compulsory education by the year 2000 was declared to be a key policy priority, but with increased decentralisation of the management and financing of education, the cost of such provision was to be increasingly borne by provincial and county governments, and ultimately by parents themselves. The consequences of this are noted by Hannum and Adams (2005), who observe that ‘decentralisation and privatisation of costs imply that the quality of schooling and health care may be increasingly diverging for rich and poor households and communities, even as access to the system has expanded’ (p.120). Likewise, Fu argues that the persistence of a ‘two-track’ system for financing urban and rural primary education (whereby state resources have been concentrated on the former) – a practice dating originally from the Republican period – constitutes a serious obstacle to the integration of ‘rural primary education with rural poverty alleviation, development and stability,’ and the achievement of ‘the goal of sustainable development in China.’ (Fu, 2005: 36)

Meanwhile, during the 1980s, opinion within the CCP remained deeply divided over the extent to which economic liberalisation should be pursued, particularly as social tensions rose late in that decade (corresponding to a period of slower economic growth). Some leading figures, such as CCP General Secretary Zhao Ziyang, advocated limited political liberalisation as the necessary concomitant of greater economic freedom, but the crushing of the Student Movement in 1989, and the subsequent upheavals in Eastern Europe and the Union of Soviet Socialist Republics (USSR), led to the pursuit of a more hardline approach towards political reform.

In the aftermath of the 1989 crackdown, many hardliners within the CCP blamed the economic liberalisation of the 1980s and the abandonment of the Party’s socialist goals for the tensions that had resulted in social unrest (Fewsmith, 2000). The momentum of economic reform was not restored until Deng’s Southern Tour of 1991, when the ageing patriarch visited the southern ‘Special Economic Zones’ (SEZs), particularly Shenzhen (just to the north of Hong Kong), holding these up as models for the country’s economic future. SEZs had been established in Guangdong, Shanghai and several other coastal cities during the 1980s to serve as bases for export-oriented manufacturing industry (and as pilots for the extension of free-market reforms to the rest of China), but they were viewed askance by some hardliners, particularly in the period immediately following 1989. However, after Deng’s Southern Tour, Jiang Zemin (Party General Secretary from 1989 to 2003) began to throw his weight behind accelerated economic reforms, balancing calls for economic liberalisation with a hardline stance on political reform and a heavy emphasis on patriotic education.

From the mid-1990s, under the premiership of the respected Shanghainese technocrat Zhu Rongji, protection was steadily withdrawn from a number of loss-making state-owned enterprises (SOEs), and inflows of foreign direct investment (FDI) grew rapidly. Stock exchanges were established in the early 1990s first in Shanghai (1990) and later in Shenzhen. Much of the initial inflow of FDI came from Hong Kong, whose stock exchange also came increasingly to serve as a means for some of the larger SOEs to raise capital. From 1986 to 1996, two-thirds of foreign investment in China came from Hong Kong, Macau and Taiwan (*Economist* Survey, March 5, 2005: 7), whose entrepreneurs were more comfortable working within a business culture where understandings based on the assiduous cultivation of personal connections (*guanxi*) rather than on formal, legal contracts often formed the basis of commercial agreements. Many other foreign investors, by contrast, were for a long time deterred from making large investments by the weakness of Chinese contract law and the prevalence of corruption. Problems remain on both counts, although some observers claim that foreign pressure has led to more 'investor-friendly' contracts in recent years, and an improved situation as regards property rights (*ibid*: 8). In any event, China's phenomenal economic growth has persuaded many more Western investors of the need to scramble for a foothold in this huge market, even though the returns on investment remain uncertain. Meanwhile, provincial governments compete with each other to attract foreign investment, and joint ventures between Chinese firms and foreign multinationals, after some difficult experiences in earlier years, have come to dominate key sectors of the domestic economy, such as the automobile industry. In 2004, China attracted \$60 billion in FDI, about twelve times the amount that went to India.

3.1 Development issues and problems

3.1.1 Labour market and competitiveness

Since the advent of the 'Reform and Opening' era in the late 1970s, China has benefited from a seemingly limitless supply of low-wage workers with skills of basic literacy and numeracy. Recently, however, there have been some signs that the labour supply in areas such as Guangdong may be tightening, possibly leading soon to upward pressure on wages. This factor combines with what the *Financial Times* recently referred to as other 'hidden obstacles' – such as 'ferocious competition' in the domestic market, and dysfunctional financial markets – meaning that 'manufacturing in China is not as cheap as it seems.' Despite continuing to enjoy considerable advantages over its rivals in South and Southeast Asia, some observers have argued that China's economy is starting to show signs of a slowdown in 2005-6, while countries such as Indonesia, India and Pakistan are intensifying their efforts to court international investors and attract some of the manufacturing industry that has fuelled Chinese growth. The *Financial Times* speculates that these trends will 'encourage Chinese leaders to accelerate their own reforms and help create a broader and more integrated Asian economy' (leader, Thursday May 19, 2005).

3.1.2 The challenge of WTO entry

China's negotiations for membership of the WTO were long and tortuous, partly because of anxieties within the Chinese leadership over the prospect of rapid foreign penetration of key

sectors, and partly because of American and European concerns about cheap Chinese imports undercutting their manufacturing industries. Although the terms of China's membership provide for gradual compliance with various WTO provisions, they are still relatively stringent when compared, for example, to those imposed on India – and this is no doubt a consequence of China's greater economic and competitive strength. However, the pain of WTO entry, as of economic liberalisation more generally, may be borne disproportionately by those least able to support it, namely impoverished rural communities, who have seen the gradual withdrawal of state subsidies and guaranteed prices for farm products, at the same time as state funding for rural health and education has been falling (Murphy, 2004: 4).

3.1.3 Legal and judicial reform and official corruption

The criticism of the World Trade Organisation (WTO) deal voiced in some quarters of the Chinese media reflects the greater degree of openness that Ogden (2002) has pointed to, but does not necessarily indicate that the state possesses the capacity to develop the institutions – in particular a more independent judiciary – that would be needed to bring greater transparency and predictability to commercial transactions (and to enforce legislation on, for example, intellectual property). The central authorities have in recent years shown signs of a growing awareness of the need for improvements to the legal and judicial systems, and have touted slogans such as 'rule by law' to indicate – in particular to local officials – the importance of abiding by the legal code. Such calls have formed part of the ongoing campaign against official corruption, to some extent reflecting ingrained Confucian notions that see public exhortation and moral education as the appropriate responses to official malfeasance.

However, the concept of 'rule of law', whereby top Party leaders and the state itself would be subject to legal constraints, or the idea of a separation of executive, legislative and judicial powers, remain fundamentally at odds with the practice and philosophy of government in mainland China. This is not to say that such ideas must necessarily remain alien to Chinese culture or society as such; in Hong Kong the rule of law has come to be celebrated as one of the region's key distinguishing characteristics vis-à-vis the rest of China. According to the Hong Kong historian Steve Tsang, 'the rule of law is more than an Anglo-Saxon political idea or legal concept. It is a way of life. It diverts completely from the Chinese legal tradition and remains an alien concept in the People's Republic of China (PRC), where it is routinely confused with rule by law' (Tsang, 2004: 274). In post-1997 Hong Kong, the subordination of the local administration to the ultimate authority of Beijing has led to interference by the central authorities in several key cases, demonstrating a poor understanding of the principle of judicial independence, and of the potential economic and societal consequences of undermining this principle (ibid: 275).

3.1.4 Equity and political and social stability – spreading the benefits of growth

The rule of law – or its absence – is intimately connected to one of the principal causes of social unrest: official corruption. Both the central government and international institutions increasingly appear to recognise the urgency of effecting a more equitable distribution of economic resources if social stability is to be maintained, but this depends in large part on the government's doubtful ability to rein in corruption at provincial and local level. The World

Bank, in its *China Quarterly Update* for February 2005, notes that 'fiscal policy reforms are crucial in achieving the 'harmonious society' that has become an official goal, and which requires the benefits of growth to be more equally shared among all Chinese' (World Bank, 2005a: 8). It also observes that the current fiscal outlook is relatively 'benign', and that this provides an opportunity for further progress in ensuring 'that all households have access to basic health care and education for their children regardless of their income' (ibid:11).

In evaluating recent reforms to rural finance, the Bank concludes that 'local own revenues are now low compared to expenditure responsibilities', and that 'community participation in service provision should be enhanced'. The prescriptions offered in this regard are 'more choice on public services' and 'a stronger reliance on sensible user fees' (ibid.). However, it is hard to see how enhanced choice or user fees would improve access to basic education in the most deprived rural areas, or for the families of migrant workers in cities. Subsidies from central government are an inescapable necessity if greater access to basic services in remote or impoverished areas is to be achieved, but corruption means that such subsidies – where they are forthcoming – often do not reach the people for whom they are intended.

One means of spreading the benefits of economic development to previously isolated and marginal regions, such as Tibet and Xinjiang, has been to upgrade the transport infrastructure linking these regions to the rest of China (for example by constructing railways to Kashgar and Lhasa). Meanwhile the extension and improvement of a nationwide network of expressways has progressed apace. Such projects have undoubtedly contributed to economic development and to the enrichment of minority as well as Han entrepreneurs (as noted by *The Economist*, 2005d), but in the case of the Xinjiang and Tibet railways, their purpose is certainly as much strategic and political as developmental. Improved transport links to these regions both facilitates their greater economic and political integration with the rest of China, and opens them up to increased colonisation by Han Chinese settlers. Furthermore, senior academics from Western regions, consulted during the drafting of this chapter, opined that the main purpose of the Great Western Development Strategy (*Xi Bu Da Kai Fa*), of which these infrastructure improvements form an integral part, was in fact to facilitate the extraction of resources (such as oil) from the Western regions in order to further fuel the economic development of the prosperous East. Any economic benefits accruing to the inhabitants of Western China themselves were seen as incidental to the main purpose of the programme.

3.1.5 Environmental challenges

The expansion of transportation links, and particularly of car ownership, is one factor behind the horrendous environmental problems that have accompanied China's industrialisation. The development of an automotive industry and the promotion of mass car ownership have become official policy, as the regime looks at the role played by this sector in the industrialisation of many Western countries and of Japan. The desire to attract inward investment from multinational car manufacturers further encourages policies that spur domestic demand for cars, since it is the appeal of a burgeoning domestic market rather than simply China's status as a cheap manufacturing base that attracts these multinationals in the first place. The resultant impact on urban air pollution is already apparent, while the likely implications for global warming are alarming. However, insofar as the environmental impact of China's industrialisation is a global problem, it arguably requires a global solution – with attendant costs shared by developed states where mass car ownership has long been a reality.

There is nonetheless an increasing consciousness of threats to the national and global environment – partly because of the influence of the global discourse on such matters, but also because of the very palpable effects of air pollution in China's cities. This awareness is reflected in school textbooks, though reference to environmental problems is usually balanced by mention of government policies or projects designed to tackle them. Meanwhile, the Chinese media in recent years has carried increasingly critical coverage of problems of environmental degradation, such as the desertification of North China and the silting up of the Yellow River. So far, the government's standard response to such problems has been to propose grandiose (Soviet-style) engineering projects – for example solving the water shortage in Northern China by constructing a massive pipeline to divert water from the Yangtze Basin to that of the Yellow River (*Nan Shui Bei Tiao* – a scheme that is also promoted in school textbooks). Nevertheless, younger, more educated Chinese – particularly those returning from postgraduate study overseas – may be beginning to question this kind of approach. The *Independent on Sunday* (February 13, 2005) suggested that Chinese leaders were showing signs of adopting more environmentally-sensitive policies in part due to the influence of their foreign-educated offspring.

3.1.6 Summary of development challenges and issues

The headlong rush for economic development, while yielding massive growth in overall national prosperity, has been accompanied by a widening divergence in the economic condition of different regions, ethnicities and social groups within the People's Republic, not to mention escalating environmental damage. Official rhetoric regarding the sacred and immemorial unity of 'One China' masks the reality of many Chinas; a vast gulf separates the dazed rural migrant outside the glittering arcades of Beijing's Wangfujing from the affluent shoppers in the boutiques within. The following sections examine in more detail the role of education in both supplying the preconditions for economic growth and bridging – or widening – the divisions between these many Chinas. In particular, the role that education has played, or failed to play, in distributing the opportunities offered and meeting the challenges posed by the various forms of globalisation are discussed, and the implications both for China's internal stability and for her successful integration into the international community are underlined.

4. Education policies in relation to economic development and social stability

4.1 Education spending as a proportion of overall public spending

Before proceeding to a more detailed analysis of education policies, it will be helpful to survey some of the relevant statistical indicators. The figures in Table 2.5 set out recent trends in key areas of public spending. These reflect attempts to limit state responsibility for provision of public services, as in both health and education increased reliance has been placed on the charging of user fees.

Table 2.5 Public Spending as % of GDP, by Sector and Year, China

Public Spending Sector/year	% GDP
<i>Public expenditure on education 1990</i>	2.3
Public expenditure on education 1995	2.5
Public expenditure on education 2000	2.2
<i>Public expenditure on health 1990</i>	2.2
<i>Public expenditure on health 2001</i>	2.0
<i>Military expenditure 1990</i>	2.7
<i>Military expenditure 2003</i>	2.7*
<i>Total debt service 1990</i>	2.0
<i>Total debt service 2002</i>	2.4

*IISS

Source: UNDP, HDI, 2004⁷

It should be noted that these figures conceal several trends. Firstly, it must be borne in mind that the huge increase in overall GDP (and in GDP per head) for China since 1990 means that there has been a considerable increase, in absolute terms, in education spending over the period between 1990 and 2000 (though also substantial inflation in attendant costs, such as teachers' salaries). Secondly, the percentage of total spending on education accounted for by public expenditure has undoubtedly fallen significantly during this period. Precise figures for the extent of private spending on education are unavailable, but the long Chinese tradition of family investment in education, combined with the rapid growth of a prosperous middle class consisting overwhelmingly of one-child families, mean that levels of spending on school and college fees, private tutorial classes, and overseas education have risen rapidly.

Such trends are, however, both a reflection of, and a factor contributing to, the phenomenon of increased social inequality in China. This social imbalance in terms of access to education has been exacerbated by the elitist bent of government education policy over most of the past quarter-century, whereby the distribution of public resources has tended to favour 'key' or 'model' schools and elite institutions of higher education (further discussed below). Tensions have emerged between the goal of promoting social welfare and a broad distribution of the benefits of economic growth through reinforcing public provision of basic education and health, and the goal of maximising growth and state power through focusing on the training of a highly-skilled and privileged technocratic elite. The priority accorded to this latter goal is also reflected in the high level of military spending in recent years, with investment in this area outpacing public investment in education.

⁷ Ibid.

4.2 The structure and size of the education system

Schooling in China consists of six years of primary education, followed by three years of junior secondary, which together comprise the nine years of ‘compulsory education’ (though with some regional variations – poorer areas may provide only five rather than six years of primary education). Students who are able to do so then complete a further three years of senior secondary schooling that leads up to the college entrance examination, while many of those who are unable to remain in the academic stream (due to low test scores or inability to pay fees) may attend lower-status technical or vocational schools. Those who pass the college entrance examination (*gaokao*) then proceed to university (the better their examination score, the better the university), where a typical first degree course lasts for four years. Having more-or-less achieved the universalisation of primary education, since 1985 the Chinese government has been pursuing the goal of 9 years of compulsory education for all children. The original target date for achieving this was the year 2000, but the government itself acknowledges that lower secondary education is as yet unavailable in some of the poorer regions of Western China.

This modern education system is the product of a number of different influences to which the country has been exposed over the past century or more (see Pepper, 1996; Hayhoe, 1996). These include the influence of Western missionaries from the late nineteenth century, Japanese precedents (around the turn of the century), American progressivism (especially during the 1920s), Soviet educational models (adopted in the 1950s), and more recently American influences once again, the United States serving as the default point of reference for Chinese policymakers in a range of fields since 1978.

Despite this history of foreign influence over the development of education in modern China, curricular content, the structure of the education system, and many of the philosophical assumptions of policymakers and educators bear the stamp of long-established and deeply-ingrained cultural tendencies. Pre-modern China lacked any elaborate state-funded or state-administered system of education, but instead boasted a highly-centralised examination system that largely determined the content of curricula in state-assisted and private academies and lower-level schools around the Empire. The Communist state, while engaged in the wholesale adoption of Soviet curricula and textbooks during the 1950s, imposed a level of centralisation on the education system greater even than that seen in the USSR. In particular, the nationwide college-entrance examination, the *gaokao*, was clearly inspired by the old imperial examinations abolished in 1905. Like those examinations, the *gaokao* would enable the central government to select and recruit a bureaucratic and technical elite, with the new Marxist-Maoist orthodoxy and modern knowledge in the sciences and mathematics substituted for the classical Confucian canon. Moreover, just as in imperial times, the premier institutions of higher education were concentrated overwhelmingly in the national capital, with Shanghai now serving as a secondary centre.

The function of education, and particularly of higher education, has traditionally been determined by the priorities of the Chinese state, rather than by any liberal-humanist concern for individual fulfilment (though in a Confucian utopia the latter should have been subsumed in the former). During the early decades of the Communist regime, there was a pronounced tension between the egalitarian goals of socialism and the elitist principles of the educational

establishment. This tension sparked the anti-intellectual witch-hunts of the late 1950s and the Cultural Revolution, but since the late 1970s the old elitist attitudes have regained and maintained their ascendancy. Education in the reform period has first and foremost served the needs of 'socialist modernisation' (with decreasing emphasis on the 'socialist'). These needs are seen as requiring primarily the training of a technocratic elite, or, as the current Education Minister puts it, 'to rejuvenate the country through science and education and... to make the nation strong by cultivating talent' (Zhou Ji, 2006: 71). The expansion and effective funding of primary education has been given a lower priority since the mid-1970s – although it should be noted that even here China's achievements in promoting access to basic education continue to outshine those of India.

Table 2.6 Indicators of Access to Basic Education, by Year, China

Access Indicator	Year	%
Adult literacy rate (ages 15 and above)	1990	78.3
Adult literacy rate (ages 15 and above)	2002	90.9
Youth literacy rate (ages 15-24)	1990	95.3
Youth literacy rate (ages 15-24)	2002	98.9
Net primary enrolment ratio	1990/91	97
Net primary enrolment ratio	2001/02	93
Children reaching grade 5	1990/91	86
Children reaching grade 5	2000/01	99

Source: UNDP HDI, 2004⁸

Table 2.6 sets out a range of indicators of access to basic education, by year. These figures, however, have to be treated with some caution. In particular, the decline in the net enrolment ratio between 1990/1 and 2001/2, which could be due to changes in the ways of measuring either population bases or enrolments, seems somewhat questionable. Equally, and possibly for similar reasons, the extremely high figure for Children reaching grade 5 seems implausible, given what we know from local surveys. It should also be noted that, besides a tendency on the part of local officials to inflate school enrolment statistics, birth statistics, and hence figures for the numbers of school-age children, can substantially under-represent the true figure, due to non-reporting of births that contravene official family-planning regulations – a particularly widespread practice in more remote rural areas.

Murphy (2004: 9) urges caution in interpreting such official figures; her research on an 'average' rural county in Jiangxi Province suggested that only 68 percent of students in the 1995 primary school intake graduated (in 1999), and only 64 percent started junior high (in 2000). The Chinese government's own statistics show a decline in gross primary enrolments over the period since 1990 (from 20.5 million new enrolments in 1990, to 19.5 million in 2002), doubtless largely due to demographic factors (China Statistical Yearbook).

⁸ Ibid.

However, government figures also show a huge decline in the number of primary schools, from over 766,000 in 1990 to 457,000 in 2002, even though numbers of primary teachers grew from 5.6 million to 5.8 million. This suggests a welcome reduction in typical class size, but it also reflects a restructuring process that has involved ‘closing some village schools, making others infant-only, and concentrating resources on key ‘complete’ schools’ (Murphy, 2004: 10). The government has also set up increasing numbers of *guanbi* (‘closed’) boarding schools in some rural areas, as part of an ‘emerging trend of placing children in an environment where they are taught not only academic subjects, but also how to conduct themselves as good citizens and workers’ (ibid.: 11) (see also section below on social stability). Murphy notes that ‘despite the aim of providing quality education for all, the *guanbi* system may adversely affect the educational opportunities of some children’ because the poorest households, especially those most reliant on the labour of their family members, ‘might be unable to afford the additional cost of boarding or the complete loss of the child’s labour’ (ibid.: 12). Recent research on Tibet shows how such opportunity costs impact on rates of enrolment and retention for children, both male and female, from the poorest families (Postiglione et al, 2006; Seeberg, 2006).

Meanwhile, other costs attached to schooling have been on the increase, particularly as the central government has devolved more of the financial responsibility for provision of primary and secondary education onto provincial and local administrations, who in turn have passed more and more of the financial burden to the schools themselves, forcing the latter to recoup a growing proportion of their running costs through fees charged to students (or their parents). The nine years of compulsory education are legally supposed to be available free of charge to all Chinese children. However, as one Hong Kong scholar has observed, such laws are ‘compromised or even ignored in many local areas for lack of resources’ (Law, 2002: 597). The marketisation of public services, including education, has been promoted by the Chinese government for reasons of economy and efficiency, while at the same time the authorities, as noted earlier, have been seeking to tighten the legal system and promote respect for the law throughout society. The same observer concludes that ‘law-based initiatives or policies would be meaningless unless they are resourced, cooperated with by other social processes, and widely supported in both awareness and action by the majority including the [Communist Party of China].’ He also remarks that ‘state and schools are supposed to equip law-abiding citizens, but are themselves lawbreakers.’ Thus the under-resourcing of public schooling, by forcing schools to rely on extra-legal measures to raise funds, also undermines one of the main planks of the government’s civic education programme.

Spending per student at primary school level has nonetheless increased faster than at secondary or tertiary level during the period since 1985, from 4.6% of per capita GDP to 6.6% in 2001 (secondary: 13.9% → 12.6%; tertiary: 133.9% → 89.1%) (World Bank, 2005a: 11), though these national figures conceal huge, and widening, regional disparities. In 2001, ‘per student expenditure in Guizhou, an economically disadvantaged province, varied from 887 yuan for urban areas to 485 yuan in rural areas’ while in Shanghai the urban figure was 5,886 yuan per student, and the rural figure was 3,605 yuan (World Bank, 2005b: 3). However, while the number of students in primary schools has been in gradual decline since 1990, enrolment rates at secondary and tertiary levels have shown a steep rise. The gross enrolment ratio at secondary level climbed from 39.7% in 1985 to 67.2% in 2001, while at tertiary level the figure was 2.9% in 1985, but 15% in 2001. In 2004 ‘75% of students who reached the admission line were accepted into universities’ (Lin, 2006: 191). This means that when the increases in student

numbers are taken into account it becomes apparent that total investment in secondary and tertiary education has increased at a much greater rate than investment in primary education.

4.2.1 Children of migrants

When considering figures on literacy and school enrolment (especially at primary level), it is also necessary to bear in mind the children of migrant workers, who are generally overlooked in official statistics. According to Kwong (2006: 166), by 2002 'there were about 100,000 school-age migrant children between the ages of six and fourteen in Beijing and 240,000 in Shanghai'. Kwong notes that estimates of the proportion of migrant children receiving schooling 'fluctuate wildly' – in 2001, a China News Agency report claimed that only 12.5 percent of migrant children in Beijing were in school, but 'a year later the Xinhua News Agency reported that 80,000 – almost 80 percent of these children – were attending public schools' (ibid.: 169). As noted above, children of migrant workers are not classed as officially 'resident' in the cities where they live, and are generally not entitled to places in government-run schools. This has prompted community groups and non-governmental organisations (NGOs) to set up unofficial community schools that operate in precarious circumstances without official sanction. Municipal governments have tended to be reluctant to regularise the status of such schools, for fear that to do so would further encourage migrant workers to bring their families with them to the city. Since the mid-1990s, the central government has increasingly exhorted local governments to provide for the education of migrant children – but while special regulations (whose 'special' status continues to mark migrants as a class apart) now stipulate that municipal authorities should educate migrant children, local governments remain 'reluctant to pick up the cost' (Kwong, 2006: 175). The temporary 'special' regulations for the education of migrant children suggest a plethora of alternative models of provision, involving private sponsors, individual benefactors, and/or governments from the migrants' province of origin – but, as Kwong points out, such provisions 'only create a grey area in the distribution of responsibilities in which local governments can hide their inaction' (ibid.).

Even when migrant children can gain access to schooling, they are likely to receive the most rudimentary form of education on offer in what is an increasingly stratified system. The character of secondary schooling, and to a large extent of primary schooling as well, is conditioned by the requirements of the *gaokao*, in much the same way as, during China's imperial era, the education of boys (or men) of means or ambition was directed towards success in the civil service examinations. Rather than testing knowledge of classical literary and historical texts, however, the *gaokao* places a premium on ability in Mathematics, Science, Chinese and English, which have therefore come to dominate the school curriculum. While the highly selective nature of the system is meant to ensure meritocracy, in practice middle-class parents can pay for private kindergartens, stump up supplementary charges to secure entry to a prestigious school if their child fails to make the grade, or opt-out of the state sector altogether by choosing one of the growing number of elite private schools (some of which have advertised themselves as 'schools for aristocrats') (Lin, 2006). Chinese cities are thus witnessing phenomena familiar in other East Asian societies with highly examination-oriented systems of schooling. Meanwhile, poorer urban children, and most migrant children, let alone those who remain in the countryside, are left ever further behind.

4.2.2 Technical and vocational education

While the academic stream leading through general senior secondary education towards the *gaokao* and university entrance has remained the royal road to high-status occupations in China, the proportion of students entering institutions of technical and vocational education has increased hugely since the early 1980s. This shift was state-engineered, and reflected a perception among policymakers that ‘vocational and technical education constitute the weakest link in the whole of China’s education,’ and that ‘greater emphasis on this area was needed to ensure an adequate supply of intermediate and junior engineers, managerial personnel and technicians’ (CCP Central Committee Decision on the Reform of China’s Educational Structure, 1985, cited in Lewin and Little, 1996). However, as Lewin and Little (1996) observe, though industrial expansion means that there has been growing demand from both students and employers for the kinds of skills and qualifications that such schools offer, the status of vocational schooling has remained low. In practice, the promotion of technical and vocational education, which by the 1990s had led to the number of technical and vocational schools exceeding that of general senior secondary schools, was yet another reflection of the increased concentration of state resources on the education of an elite. Although the kinds of equipment required by technical and vocational schools might be expected to require higher rates of expenditure than were required by the general senior secondary schools, Lewin and Little show that in fact the reverse was typically the case, with these schools remaining ‘the poor cousins’ of their academic counterparts. Moreover, inadequacies in teacher training mean that education in the vocational and technical sector has typically been highly theoretical, and that facilities (such as information technology (IT) facilities) where they do exist are often under-utilised.

4.3 Education and the position of women

China is often celebrated in the international development literature for its relative success in educating women. Literacy statistics indicate the extent of China’s achievement in promoting equitable access to basic education for both genders. While women account for a greater proportion of the adult illiterate population than men (22% as against 8%, UNESCO Institute for Statistics, 2003), among young people aged 15 to 24 the female literacy rate is officially 98.5%, 99% of the male rate.⁹ Higher levels of education for women also appear to have translated into higher rates of economic activity. The economic activity rate for females is 86% of the male rate (as compared with 50% in India), although there appears to have been a slight decline since 1990 in women’s participation in the workforce (index 1990 = 100: China = 98, India = 105).¹⁰ In 2000-2001, 45% of teaching staff at tertiary level were women (as compared with 37% in India) (UNESCO Institute for Statistics, 2003: 77).

In its policy documents, the Chinese government continues to acknowledge the importance of promoting gender equity. A recent White Paper emphasises the international view that women’s development is an important factor contributing both to global and national development (State Council, 2005) while China’s representative declared in a recent statement to the UN Commission on the Status of Women that ‘persistent poverty, discrimination, armed conflicts,

⁹ Ibid.

¹⁰ Ibid.

negative impacts of globalisation, HIV/AIDS, environmental degradation and other non-traditional security issues, all jeopardise the achievement of gender equality' (Zhao, 2006) Grace Mak observes (communication with the author) that this reference to globalisation and its impact on women is new in documents relating to policy on gender equity in China. However, the State Council White Paper fails to address in any detail the new forms of disadvantage faced by some of the most deprived women: young migrant workers in sweatshops in the coastal provinces, women trafficked from poor rural areas to wealthier areas, and prostitutes. Meanwhile, economic liberalisation has meant greater freedom for employers to practise blatant sexism in hiring and firing – women applicants can be rejected in favour of less-qualified male applicants without any justification or explanation. Thus, while there are many examples of high-achieving professional women, discrimination against women in the workplace is widespread (see DfID, 2003).

As in many developed countries, in China girls have tended to catch up with boys in terms of enrolment levels and indicators of academic performance. However, educators in China tend to find this problematic, and concerns have been expressed that there are too many female teachers in primary schools, leading to a situation whereby young boys are deprived of male role models. Figures in the *China Education Yearbook 2004* do not appear to bear this out, showing a fairly even balance of male and female teachers in primary school (54% of teachers are female), and a majority of male teachers from lower secondary level upwards. The anxious commentary surrounding the under-performance of boys would thus appear to reflect ingrained assumptions concerning the superior intellectual capacity of male students, rather than being grounded in concerns over any real gender imbalance in the teaching workforce.¹¹

School texts meanwhile continue to reinforce such assumptions and gender stereotypes. A recent analysis of social studies texts found that 'one hundred percent of scientists, workers, peasants and soldiers are males, whereas 100 percent of teachers and 75 percent of service personnel are female. Even prominent female leaders who have shaped the course of Chinese history are depicted in domestic or supportive roles, mending clothes instead of making policy' (Ross, 2006: 43). The position of girls/women within the school curriculum, and in relation to the dominant ethos of education, is thus analogous to, and, indeed, connected with, that of China's minorities (see section 2.2), and to that of the 'backward' peasantry. Referring to the work of Murphy on rural education (see sections 4.2 and 4.5), Ross argues that

Most programs in China created to widen education access for (usually rural, female and minority) children of 'poor and backward regions' are firmly rooted in progressive, nationalistic, and universalistic definitions of modernity that by design or default denigrate local cultural practices and knowledge. They are run on the premise that schools can and should align local communities with urban global forces and that this interface is a relatively unproblematic cultivation of human capital. (Ross, 2006: 39)

¹¹ Much of the data and analysis in this section is based on comments provided by Grace C.L. Mak on an earlier draft of this paper.

Ross (ibid.: 29) contrasts the recent emphasis in official rhetoric on ‘people-centred development’ with the longstanding discourse on girls’ education which, she argues, is founded on ‘utilitarian narratives that define girls (and women) as ‘important mediators in the modernisation process’. In other words, girls’ education is seen, in Sen’s terms, primarily as an ‘instrumental’ rather than a ‘constitutive’ good (Sen, 1999) – important less for its own sake than for the contribution it makes to the supreme goal of national modernisation and development. This discourse of developmentalism is further bolstered, according to Ross, by a global consensus that sees female education as ‘the magic bullet of development’ (Ross, 2006: 28). In China, this vision combines with two trends of the post-Mao era – the ‘naturalisation of gender’ (reinstating and celebrating gender distinctions ‘unnaturally’ distorted by Maoism), and ‘strong China nationalism.’ The education of girls is thus designed on the one hand to reinforce their natural position of subordination to men, while on the other hand (or by the same token) furthering the cause of modernising, developing and strengthening China.

4.4 Policy on skills and higher education

Until the 1980s, Soviet-style policies of state-directed ‘manpower’ planning were followed in relation to higher education. Students who passed the *gaokao* (national college entrance examination) were assigned to universities, and to specific courses, on the basis of their scores – without any personal choice in the matter. Overwhelming priority was given to courses in Science, Mathematics and Engineering, and it was to these subjects that the brightest students were allocated. The state paid the costs of higher education, and in return reserved the right to assign graduates to jobs on the basis of officially-determined ‘manpower’ priorities.

From the early 1990s, however, this system was subjected to rapid and sweeping reforms. Under the Unified Enrolment Reform introduced between 1995 and 2000, students able to pay for their own tuition were allowed a free choice of university course, providing they had achieved a sufficiently high grade in the *gaokao*. Shifting the costs of higher education from the state onto students and their families (in the vast majority of cases) allowed for a rapid and massive expansion of enrolment – between 1997 and 2004, the number of regular tertiary students almost quadrupled, as did the number of graduate students (Zhou, 2006).

Students unable to meet the cost of their own tuition can apply for financial aid from the state, so that the introduction of tuition fees has not excluded poorer students from access to higher education. However, a 1998 study of students receiving financial aid in the north-western province of Shaanxi showed that ‘the more prestigious institutions, and those offering the more marketable majors that promised greater returns and mobility to city locations, had fewer financial aid students than the less prestigious, less marketable institutions’ (Seeberg and Zhang, 2001: 9). Financial aid was directed towards fields in which the government wished to ensure a supply of graduates, and which would otherwise not attract large numbers of students, given that they led to lower-paid state sector employment (for example in education), or to occupations such as mining ‘that almost guaranteed job placements in more remote rural regions’ (ibid.: 10). Meanwhile, measures taken to ensure higher education for a certain quota of ethnic minority students, who otherwise would be under-represented due to lower examination scores (reflecting language difficulties), or due to poverty, have also directed such

students towards the less marketable 'subsidised majors'. Seeberg and Zhang conclude that: The less able the student was to finance his or her higher education privately, the less of a private return from higher education he or she could expect. The more the government subsidised a student's higher education, the more likely he or she was to be assigned, per the National Development Plan, in a less remunerative occupation or region (ibid: 12-13).

The emphasis in policy regarding education and skills has been on science and technology – those areas of knowledge and expertise seen as contributing most directly to economic growth. China is currently the world's third largest spender on research and development (*The Economist*, 2005b: 9). At the same time, there has been considerable investment (public and private) in English language education – no longer regarded as ideologically suspect, but embraced as the key to accessing profitable Western scientific and technological knowledge, and more generally as an essential tool for international communication (Adamson, 2004). Both the state and individual students (and their families) tend to place a higher value on skills and qualifications in the sciences and technology than in the social sciences or humanities – all appearing to share the assumption that it is in the former field that the key to prosperity lies (for the individual, as for the state). The UNDP Human Development Index (HDI) notes that between 1994 and 1997, 53% of all Chinese students in tertiary education were studying Science, Mathematics or Engineering (the OECD average in 2002 was about 19%).¹² In addition, Economics and associated fields (such as Finance, Accounting, and Management) have grown from nothing over the past 20 years to a position of considerable importance on university and college campuses across the country (with some of the most prestigious universities setting up their own Business Schools on the American model).

The emphasis in education and skills policy on science and technology is reinforced by heavy public investment in large-scale, technologically demanding projects such as China's space programme and the Three Gorges Dam, and by rising military spending (much of it channelled towards development of new hi-tech hardware and software). Investment in information technology-related research and training has grown rapidly since the 1990s, as both government and private industry see this as a key growth area for China's economy. China has already taken on the role that Taiwan and South Korea had ten years ago as a base for the assembly of hi-tech manufactured goods, but both the state and key industrialists in this sector are keen for China to establish its own global brands in fields such as mobile phone and personal computer (PC) manufacture (e.g. Lenovo), and would like to build a capacity for innovation in these and related areas (rather than waiting to reverse-engineer the latest Japanese or American gadgets).

The general thrust of policy on higher education, as on schooling at primary and secondary level, thus reflects an overriding concern with the strengthening of the state – economically, politically, technologically and militarily – rather than a focus on equity in access to education and training for all citizens. In their mid-1990s analysis of technical and vocational education in China, Lewin and Little refer to the 'basic dilemmas under [the] new dispensations – most obviously those related to the accommodation that must exist between private aspiration and advantage and public good,' noting that these dilemmas 'have yet to be reconciled' (Lewin and Little, 1996: 14). Similarly, Jiang, comparing Chinese policies on distance education for adults

¹² UNDP, HDI, 2004 (<http://hdr.undp.org/statistics/data/countries.cfm?c=CHN>) accessed 13/6/06

with Britain's 'Open University' model, noted that in China from the mid-1980s the state sought to restrict enrolment in 'Radio and Television Universities' through imposing academic entrance requirements and steering applicants towards courses, such as Engineering, that were seen as serving the needs of economic construction (Jiang, 2005).

The role played by private universities in the expansion of China's higher education system further illustrates the narrowly statist and instrumentalist agenda informing policy. State funding is lavished on leading public universities, particularly those specialising in applied technological research, with such institutions favoured in schemes such as the '211 Project' that aim to build up 'world-class universities' in China. Meanwhile, private universities are officially seen as suppliers of the lower-status vocational courses that their prestigious public counterparts decline to offer, providing such courses at no cost to the government. The government (encouraged by leaders of public universities) has been striving to confine private institutions to this role, in 2004 depriving them of any opportunity to be upgraded to four-year degree-awarding comprehensive universities, thus denying them the right to compete across the board with their public rivals. Ruth Hayhoe (speaking at the 2006 conference of the Comparative and International Education Society) suggested comparisons with policies on private higher education pursued in the East Asian 'tigers', where higher education was similarly expanded on the basis of increased private provision, but where more effective measures were taken to promote equitable access (partly through steps to ensure greater equity in schooling outcomes). In Chinese higher education, despite the sweeping restructuring that has occurred in recent years, 'public good' as defined by the CCP usually trumps private aspiration. Nevertheless, as in the tigers, the extension of private higher education has allowed rapidly increasing access to some form of higher education at a cost affordable to the state.

4.5 Social stability, equality and education

The tension in education between private aspiration and state-defined 'public good' represents just one of many challenges to the stability of Chinese society and the legitimacy of the Communist regime. Economic liberalisation and the freeing up of the labour market have stripped the state of many of the instruments of social control that it deployed up to the 1980s. Greater media freedom has meant greater scope for the expression of sometimes extreme Han chauvinism, challenging the state to live up to its own nationalist rhetoric, but at the same time severe tensions persist between the Han majority and 'minority nationalities' in Tibet, Xinjiang and elsewhere (see section 2.2 above). However, it is perhaps the growing socio-economic inequalities between coast and hinterland, urban and rural areas, East and West that constitute the most serious threats to social harmony – with outrage at official corruption or arrogance often providing the spark for outbursts of unrest.

One way in which the state has attempted to counter the potential threat to social stability and CCP legitimacy is through the promotion of a discourse of *suzhi* or 'population quality' (Murphy, 2004; Jones, 2005). Murphy (ibid.: 2) notes how an all-embracing, amorphous concept of *suzhi* as 'essentialised quality' emerged in China only as recently as the early 1980s, referring to 'the innate and nurtured physical, intellectual and ideological characteristics of a person' (ibid.: 2), though other research (such as that by Dikotter) suggests that the origins of

this discourse could be traced in part to the Social Darwinist and eugenicist thinking prevalent in China and the West early in the twentieth century. *Suzhi* discourse has been used to distinguish relatively 'advanced' and 'backward' groups within Chinese society by reference to a single national 'gold standard' epitomised by the urban, educated Han elite. Murphy notes how similar perceptions of rural (or ethnic minority) 'backwardness,' and the designation of a pivotal role for schools in 'civilising' them, have been typical of many modern nation-states (France being one notable example) (ibid.: 3). In China, the emphasis on 'population quality' has effectively moved 'the onus of provision on to individuals by relating their well-being to their *suzhi*' (ibid.: 4). In other words, if individuals or communities are backward, this should not be blamed on any failing of the state but rather on the behaviour or 'quality' of the people themselves. Insofar as it spurs individuals to rise to the challenge and improve their own *suzhi*, this discourse can, Murphy argues, have an empowering dimension, but at the same time '*suzhi* legitimates a modernisation agenda that, on the one hand, intervenes [through the One Child Policy] in such intimate spheres of life as reproduction and child-rearing, while on the other, calls on people to take responsibility for their own welfare in a competitive world' (ibid.: 5). In the case of China's rural population, *suzhi* discourse in effect legitimates the traditional urban prejudice and the structural biases against uncultured peasants, seeing their low *suzhi* as to blame for their failure to escape backwardness. The school curriculum and initiatives such as the *guanbi* system of boarding schools seek to turn rural children into 'material (*chengcai*) for modernisation,' while focusing on educating these children for low-status rural occupations – a practice that is resented and resisted by rural parents in China as elsewhere in the developing world (ibid.: 16).

Another, related, part of the state's response to threats to social and political stability has been a concerted campaign of 'patriotic education,' intensifying since the early-1990s, and extending beyond school classrooms to the media, the construction of new museums and monuments, and the introduction of new public festivals and rituals. More recently, the school curriculum has been reformed, with the subject of 'Politics' renamed and its socialist message radically diluted, and the introduction at junior secondary level of a 'Thinking and Morality' (*sixiang pinde*) course. The content of the new textbooks reflects an increased emphasis on traditional notions of proper conduct, familial duty, respect for elders and social responsibility, but the vision of citizenship being promoted is primarily passive rather than active, participatory and democratic. Activities related to the Olympics or China's Space Programme are encouraged in order to foster identification with national achievements, while in relation to rural communities, programmes such as 'Operation Hope,' whereby urban families sponsor rural children or schools, serve to remind the latter of the care and concern of their wealthier urban compatriots.¹³ All of this forms part of the broader programme of *suzhi jiaoyu* (or 'quality education'), where quality is accorded the sort of all-encompassing, amorphous definition noted above.

Besides inculcating patriotism, selected traditional values and a belief in modernisation and progress, the government also aspires through *suzhi jiaoyu* to promote skills of creativity and critical thinking, deemed essential for the country's future success in the global 'knowledge economy.' However, the aim of socialising students as uncritical patriots conflicts head-on with that of fostering their critical autonomy, as in Singapore (see Chapter 1), and the content of history textbooks, for example, suggests that the former goal generally takes priority (Jones,

¹³ For example, passing through Tibet last summer, I passed a plaque in remote village declaring that we were so many thousand kilometres from a certain school in Shanghai; that school had sponsored the local village primary school.

2005). Murphy notes that *suzhi* reforms' are also 'undermined by 'educational discipline' – gruelling homework and schooling regimes – because people value passing exams as a way to escape rural life.' She further argues that, as far as teachers and students are concerned, *suzhi* is no more and no less than what the examinations measure – those who succeed in these examinations are, by definition, those with the highest *suzhi* (Murphy, 2004: 13). The significance of examinations in undermining attempts to promote more student-centred, activity-oriented models of pedagogy has also been demonstrated by ethnographic research (Mak, 1998).

It is in the universities that the drive to promote creativity and critical thinking has gone furthest. Elite universities such as Tsinghua in Beijing and Fudan in Shanghai have sought to stimulate their students' minds through broadening curricula – revamping their 'General Education' programmes, introducing more elective modules, postponing specialisation, and (at least in the case of Tsinghua) assigning 'personal tutors' to individual students (Zhou Ji, the Education Minister, cites these initiatives with evident pride in his 2006 book). As with many other recent reforms to Chinese higher education, these initiatives have generally been inspired by American precedents. However, while the extent of academic freedom, particularly in the handful of elite universities, is far greater now than it was in the early 1990s, professors and students must still observe strict parameters to the exercise of their critical faculties. As in the case of history education in schools, so with university studies in the humanities and social sciences, politics still tends to thwart the practice of open, critical debate.

5. The effects of globalisation on education and education policy

Processes broadly associated with the phenomenon of globalisation have prompted the Chinese government to introduce reforms in a number of areas, which can perhaps be classified by reference to Carnoy and Rhoten's (2002) distinction between those that are finance, efficiency and equity-driven. As the regime has abandoned state socialism in favour of stimulating capitalist, largely export-oriented, growth, the ideology of the market has come to influence many fields of public policy, not least that of education – a trend reflected in the increased dependence on fees to finance expanded educational provision. This expansion, particularly of secondary and tertiary education, has in turn been motivated in part by the Government's aspiration to develop a labour force with heightened levels of expertise in areas such as the sciences, information technology and English language, considered vital for efficient competition in a global 'knowledge economy'. The same considerations have prompted the drive to acquire the latest Western knowledge by sending many of China's most talented individuals to study overseas. However, the increasingly inflated salaries that the best-educated individuals can command, and the impact of fees or extra-legal 'charges' on access to education for more underprivileged groups (and regions), reflect broader problems of increased inequality brought on by the uneven distribution of the benefits of growth.

5.1 Decentralisation, privatisation and curricular diversification – the case of English language education

One of the most obvious and striking effects of globalisation on Chinese education has been the increased promotion of, and popular demand for, English language education. As Adamson has shown, policy switches regarding foreign language education in the Mao era tended to follow changes in the state of relations with the Soviet Union and America (Adamson, 2004). However, the vogue for English language education has now continued more or less unabated since the late 1970s. Like their former Soviet comrades, for a combination of cultural and political reasons the Chinese have preferred to teach the British rather than the American form of English, though increased cultural and economic openness from the 1980s has made American English – the language of global popular culture (and of the principal overseas destination for Chinese students) – increasingly fashionable among younger Chinese.

As the economic utility of English has also become ever more apparent to both the authorities and the public at large, the Government has taken measures to promote the learning of the language at all levels. From the late 1990s, it has been compulsory for all university students, whatever the subject of their degree, to take English language courses. At some universities, certain courses are now being taught in English in order to further reinforce students' language skills and their capacity to absorb subject knowledge through the medium of the global language. Protests have been voiced by many educators (including several of those who attended our Chongqing seminar) regarding the negative consequences of this practice for teaching and learning, as well as its potentially deleterious effects on the integrity and status of Chinese culture. Meanwhile, however, the drive to promote English language instruction continues at all levels of the education system. Though it previously began for most students only at junior secondary level, over the past few years the teaching of English has been progressively extended to primary level, especially in urban areas.

Developments in English language education since the 1990s also illustrate other broader trends in curriculum development and the governance of China's education system, which can be seen in part as responses to the challenges posed by globalisation. For example, the rapid integration of China's major cities and coastal provinces into the global economy, the increased exposure of urban residents to global culture, and the incentives and opportunities that these processes have created for the learning of English, have contributed to increased divergence in terms of the demand for education between richer urban areas and the more impoverished countryside. The government has thus encouraged the limited decentralisation of curriculum development and textbook production, particularly for English, which may, as with other forms of decentralisation, involve the production of new inequalities (see Chapter 1). Students in cities such as Shanghai and Beijing are generally expected to learn English faster than their rural counterparts, and are therefore provided with more challenging textbooks that presume higher levels of attainment at younger ages. At the same time, in part as a means of promoting curricular diversity and choice, the monopoly over school textbook production previously enjoyed by the People's Education Press in Beijing has been broken, and a competitive market in textbooks has been allowed to develop. Various state-owned publishers have entered into joint ventures with foreign publishing companies such as Pearson or Thompson Learning, often adapting for the Chinese market textbooks originally designed for use overseas.

Nor, for many urban students, does the learning of English begin only at primary level. As the schooling system has reverted, since the 1970s, to a highly selective model dominated by 'key point schools' (see Pepper, 1996), and as economic growth has led to the rise of an urban middle class, so educational enterprises of various kinds have sprung up to profit from the desire of affluent parents to give their one and only child a head start in the race for university entrance. Just as entry to an elite public school greatly increases the chances of entering a prestigious university, so admittance to an elite primary school increases the likelihood of successful progression to an elite secondary school. Primary schools with a good academic record are therefore much in demand, and can pick and choose among prospective students – which they often do by means of some sort of test or examination (though such a practice, if not outright illegal, is officially discouraged). Therefore private kindergartens focusing on the teaching of basic Chinese and English to urban toddlers (sometimes employing foreign teachers) can command high fees. Meanwhile, those families with sufficient means nowadays have the option of purchasing an elite private education for their children, either within China (for example in one of the growing number of English-medium international schools) or abroad (Lin, 2006). The son of Bo Xilai, China's Commerce Minister, and grandson of Long March veteran and revolutionary leader Bo Yibo (aged 98), is currently attending Harrow and considering applying to Oxford (*Financial Times*, May 23, 2006).

As noted above, the charging of fees is not confined to schools in the private sector; limitations in central government funding, a loose legal and regulatory structure, and the large educational investments many parents (and grandparents) will make in an era of one-child families mean that many publicly run schools (both secondary and primary) have come to rely on supplementing their funding through the charging of fees or 'contributions' of one sort or another. This not only means that the children of wealthy families are advantaged in terms of access to better schools, but that better schools also tend to be located in more affluent areas, where the wealth of the community as a whole can support them (thus the child of the one affluent family in an impoverished rural community may enjoy little if any educational advantage). It has in the past been common for children from privileged, well-connected or 'good-class-background' families to bypass the usual entrance requirements for the more prestigious primary or secondary schools, but in recent years the increased marketisation of schooling has produced a system whereby family and community wealth has become a key determinant of educational opportunity and life chances for Chinese children (Adams and Hannum, 2005).

5.2 The internationalisation of higher education

The 1980s witnessed the beginning of a programme whereby the Chinese government sent some of its most talented individuals overseas for education and training, with the purpose of acquiring the latest Western knowledge and skills, particularly in technology and the sciences. As Zweig et al, (2004) observe, this strategy for the acquisition of Western know-how has antecedents as early as the 1860s and 1870s, when the Qing dynasty sent scholars to Connecticut to learn skills, such as engineering, that were in short supply in China. As then, so now, many of these students on returning home find that their services can command a high premium.

For many years, however, the outflow of scholars to America resulted in a severe brain drain – partly because the insufficiency of the funding provided by the Chinese government compelled many students to seek financial support from overseas institutions, encouraging the development of ties that led many to seek work overseas. Political uncertainty as well as economic conditions in early-1990s China also deterred many students from returning. However, by the late 1990s the booming Chinese economy and high wages on offer in the expanding private sector were attracting more and more foreign-educated personnel to return to China to work. Moreover, according to Zweig et al, the career paths of such individuals on their return seemed to confirm that their overseas education had significantly increased their 'human capital,' supporting the conclusion that 'foreign PhDs are worth more than domestic PhDs in terms of people's perceptions, technology transfer and in their ability to bring benefits to their universities' (ibid.: 735). They also observe that China's entry to the WTO is 'likely to have a major impact on returnees and the policies related to human capital,' particularly since it will facilitate the outflow of talent, while increasing the incentives and opportunities for returnees to move from Chinese firms to positions in the expanding foreign sector within China. The expansion of this sector following WTO entry is nonetheless likely to increase greatly the flow of returnees, while boosting the demand for lawyers, accountants and financial analysts whose advice will be needed to make China WTO-compliant (ibid.: 755). Returnees are also beginning to move up China's political hierarchy, with Zhou Ji, the Minister of Education, being the first minister to hold a foreign PhD (from SUNY-Buffalo). (Zhou's son is now studying for a doctorate at Wolfson College, Cambridge.)

While the phenomenal growth of the Chinese economy has in itself proved a magnet for returning students, the Chinese authorities have pursued strategies aimed at smoothing their path, while provincial governments have competed with each other to secure their services, offering inflated salaries, housing and numerous fringe benefits. Meanwhile, some state-run elite schools in cities such as Shanghai have been encouraged to offer some subjects in English as well as Chinese, a policy aimed in part at catering for returnee children already fluent in English, as well as training a highly-skilled bilingual workforce. Understandably, the preferential treatment accorded to the *hai gui pai* ('faction that has returned from overseas') causes some resentment among locals who have not had the opportunity to study abroad. However, Zweig et al speculate that as the numbers of returnees increase, so their currently inflated value is likely to decline (Zweig et al, 2004: 757).

Increasing numbers of joint ventures between foreign universities and their Chinese counterparts also mean that it is becoming possible for some students to gain overseas qualifications without ever leaving China. Such ventures range from the opening of branch campuses of overseas institutions, such as the University of Nottingham's Ningbo campus, to partnerships such as that between the Chongqing Business and Technology University and a French partner in developing courses that lead to jointly-awarded degrees. By 2003, there were collaborative programmes involving foreign and domestic institutions in all Chinese provinces except for Tibet, Ningxia and Gansu. The resulting courses may be of variable quality, however, depending on the standing of the overseas institution involved, and the degree of quality control it is willing or able to exercise.¹⁴ In general, the more prestigious and highly-valued

¹⁴ Indeed, as reported in the Times Higher Education Supplement of October 28, 2005 ('Liverpool set for final China deal,' 5), the Chinese authorities have suspended the granting of any new permissions for foreign universities to open joint-venture campuses on Chinese soil until the quality of courses offered by existing operations has been assessed. To date, the universities of Nottingham and Liverpool are the only two British institutions to have been given permission to open overseas campuses in China.

qualifications on offer within China remain those that are awarded by the older state-run universities in Beijing, Shanghai and the major provincial capitals. Many of these universities have also been rapidly expanding their ties with overseas counterparts, with staff and student exchanges, visiting professorships, and the enlisting of foreign assistance in building local research capacity and developing new courses and programmes. However, most of these partnerships with foreign institutions tend to be overwhelmingly concentrated in areas such as business management, information technology and English language education. This once again underscores the dominance in China of a vision of education that is highly instrumentalist, and continues to approach the borrowing of foreign educational practices and ideas in the old spirit of 'Chinese learning for fundamentals; Western learning for practical use.'

As Chinese institutions look to establish themselves as competitors in an international higher education 'marketplace,' it is similarly in areas such as the Sciences, Engineering, IT, Management and Finance that most effort and expenditure is focused. The state-sponsored '211 Project' aims to equip China with one hundred 'world class universities' to enhance high-level technological and managerial skills and stem – or even reverse – the flow of students travelling to prestigious institutions in the West in search of such skills. The government is also energetically promoting the study of the Chinese language among foreigners, most recently through the establishment of 'Confucius Institutes' in various foreign cities, a strategy in part intended to protect and extend China's cultural and political influence in the face of an all-pervasive Anglophone global culture. Chinese government funding is also starting to flow to China-focused research centres outside China, for example in North America, with the aim of fostering goodwill among foreign opinion-formers and steering the focus of Western research away from areas the government would prefer left alone.¹⁵ Indeed, while the number of Chinese students studying abroad continue to increase, a growing number of foreigners are also coming to China to study – so many, indeed, that by 2007 China had become a net exporter of education (Johnson, 2006). Most of these are from other parts of East Asia (primarily Korea and Japan), and come to study Chinese, but having completed their language training some also stay on to pursue university degrees at Chinese institutions. Just as the global economic dominance of America reinforces the incentive for Chinese to study English, so the rise of China as the regional economic dynamo is prompting more and more East Asians to study Mandarin, raising the prospect that the Chinese language may soon regain its historic status as the regional *lingua franca*.

The growing prosperity of the urban middle-classes thus contributes to the increasing penetration of their mainstream Mandarin culture not only throughout China's vast hinterland, but also in East Asia and the wider world. At the same time, it is the prosperous middle classes who benefit disproportionately (indeed almost exclusively) from opportunities to study overseas, whether as pupils at expensive British boarding schools, or as undergraduate or postgraduate students in Western universities. This educational access facilitates the integration (though not absorption) of the urban elite into a global cultural milieu dominated by English, while simultaneously widening the cultural chasm separating them from their rural compatriots. Culturally as well as economically, globalisation remains a party to which the vast majority of Chinese are emphatically not invited.

¹⁵ This according to a researcher based in Canada (personal communication).

5.3 Globalisation, 'neoliberalism' and education – the Chinese debate

In education, as in international commerce, contemporary China appears to embrace the market with enthusiasm. Conventional trade in goods and services supplies the state with the economic power it needs to walk tall on the global stage. Similarly, it is hoped that the internationalisation and marketisation of education will – as well as contributing to this economic growth – lead to the emergence of a new breed of elite Chinese with the technological knowledge and cultural confidence to interact on equal, or superior, terms with Americans, Europeans and Japanese. It needs to be borne in mind that although faith in the market nowadays appears to unite Chinese policymakers and many (though not all) of their Western counterparts, the attitude of many leading Chinese to the free market, as to many other ideas borrowed or adapted from the West, remains fundamentally instrumentalist. Greater marketisation of education, as of the economy, has been pursued not out of any conviction of the intrinsic virtues of liberty or individual self-realisation (though greater liberty and individual fulfilment for many have certainly been among the consequences of such policies), but ultimately because these are seen as enhancing the power and status of the Chinese state. The tensions inherent in such a developmental strategy have, meanwhile, been the subject of criticism not only from liberal Westerners, but also – and increasingly – from commentators within the People's Republic itself.

Suzanne Pepper (1996) notes how China's abandonment of egalitarian experiments in education after the Cultural Revolution, and the subsequent pursuit of more elitist, market-driven models at all levels, both reflected and reinforced shifting trends within the international development community. The 1986 World Bank Policy Note on education, which epitomised the emerging neoliberal 'Washington Consensus,' called for greater use of user fees for higher education, though it also stipulated that resources saved should be allocated to the primary level (see also Robertson et al, 2007). The decentralisation of school management, encouragement of private provision, and the general marketisation of the education sector were also advocated (Mundy, 2002: 490). China has clearly embraced the concept of a market in educational services, and the use of fees and charges, though – as we have seen – without necessarily ploughing corresponding state resources back into the primary sector. However, it is uncertain to what extent Chinese policy can be attributed to World Bank (or other foreign) influence. After all, the end of the Cultural Revolution unleashed an understandable backlash against egalitarianism among the political and intellectual elite, many of whom would thus have been predisposed to regard the World Bank's new line sympathetically. International approval no doubt lent greater legitimacy to arguments for marketisation and privatisation, but the Chinese were in any case moving in this direction under their own steam. Indeed, Drake shows that World Bank advisors were themselves taken aback by the ease with which their policy prescriptions were taken up in the 1980s by the (ostensibly) anti-Western, socialist Chinese regime, in contrast to the situation in democratic India, where Bank officials felt frustrated by what they saw as a 'quarrelsome, fractious' and 'short-term' political culture (Drake, 2001: 227). He attributes the broadly harmonious relations between the Bank and China in large part to the similarity between the autocratic governing style of the Communist Party, and an autocratic American corporate culture within which the Bank's mostly Western economists and financiers were used to operating. In India, by contrast, democracy necessitated a complex and tortuous process of political horse-trading, and in particular public debate over issues of equity and 'fair' distribution of funds and resources (see the chapters on India and Sri Lanka in this volume).

Besides this greater degree of official involvement with multilateral organisations such as the World Bank, intellectual and political debate within China more broadly has taken place to an increasing extent within the context of global trends or ‘discourses.’ The social, cultural and economic challenges posed by globalisation have been much discussed by Chinese policymakers and intellectuals since the 1990s (and arguably earlier, in the 1980s, with the campaigns against Western ‘spiritual pollution’ and ‘bourgeois liberalisation’). Indeed, the terms in which globalisation has been debated within China bear witness to an increasing globalisation of Chinese intellectual and political discourse itself. Ogden (2002) highlights some of the quintessentially Chinese aspects of this discourse, such as a continuing emphasis on the advisory role of intellectuals in relation to the state, and the corporatist character of civil society. However, the content of intellectual debate reflects a growing engagement with international culture and scholarship, even if some of the new concepts that have gained currency, such as ‘postmodernism’ and ‘neoliberalism,’ have taken on somewhat different connotations in the Chinese context (see Wang Hui, 2003).

A few participants in this debate, moreover, have been explicitly critical of some of the trends in government policy over recent years, particularly regarding the embrace of the market both as a mechanism for the delivery of public services, and as an arbiter of value in an increasingly soulless age. Wang Hui, editor of the prestigious journal *Du Shu* (Reading), has been one of the foremost critics of the fashion for neoliberalism or worship of the market, and of the nationalist chauvinism for which ‘postmodernist’ or ‘postcolonialist’ arguments often serve as a smokescreen. The arguments of the Chinese critics of the market and of ‘neoliberal’ economics to a large extent reflect those of some Western critics of globalisation. For example, Wang is scathingly critical of the handling of the negotiations for China’s entry into the WTO, noting the complete lack of public debate, and the virtual absence from the media of any critical opinions on this issue. ‘In the absence of this sort of open, democratic participation,’ he writes, ‘grandly talking about the relationship between globalisation and democracy ends up being merely a democratic semblance legitimating an autocratic set of rules’ (Wang Hui, 2003: 103). As Theodore Hutters observes, Wang, like others on China’s ‘New Left,’ differs from mainstream European leftists in his more positive view of the state and its capacity, seeing this ‘as a necessary device for protection against the full force of an unnatural multi-national capital’ (Hutters, *Introduction*, in Wang Hui, 2003: 35). In Wang’s view, ‘denunciation of the Cultural Revolution [has become] the sole foundation of the moral rationale’ behind the rejection by China’s political and intellectual establishment of egalitarianism in favour of untrammelled market forces. This neo-liberal embrace of the market in turn has arisen in part because ‘for the generation that has grown up after the Cultural Revolution, their knowledge of the world is predominantly about the West, and the United States in particular’ (ibid.: 76).

Such radical critiques of government policy are hard to find in the published work of scholars working in the field of education, none of whom enjoy the stature of a public intellectual like Wang. Indeed, Yang Rui comments that educational researchers in China, while increasingly looking to overseas precedents and borrowing concepts from foreign scholars, too often reveal in their writings a ‘superficial, fragmentary’ understanding of new ideas, along with a lack of methodological rigour and a fear of provoking their political masters (Yang, 2005). Nonetheless, some Chinese educationalists have been preoccupied with the potential consequences of globalisation, both positive and negative. Their pronouncements generally

constitute variations on the old theme of *Zhongti Xiyong*, or ‘Chinese learning for fundamentals, Western learning for practical use’. Thus Yi Zhengying (2000) calls for the development of ‘advanced technology with Chinese characteristics,’ noting that China’s entry into the WTO (and especially the provisions relating to international trade in services, including education) have created a pressing need for ‘talented individuals’ who can compete with the best internationally. Another pragmatist, Xu Xishen, notes that globalisation is a ‘double-edged sword’ (2002) from which China could profit if she plays her cards right. In order to ensure that potential benefits from the internationalisation of higher education are realised, Liu Qingle et al (2002) call for proactive measures to promote international collaboration, not only through encouraging more Chinese students to travel abroad, but also by attracting more foreign students to China for language and other studies.

Amongst those more preoccupied with the cultural implications of globalisation for Chinese education, there is a range of views. Xiang Qinming (2000) writes of the danger of a ‘postcolonial invasion,’ seeing schools as potential vehicles for Western cultural imperialism. He argues that the worldwide hegemony of Western culture tends to undermine indigenous educational traditions, and that globalisation, being Western-centric, will reinforce this process. Such arguments, while far from original, can tend in the Chinese context to legitimise more extreme variants of essentialist, ethno-cultural nationalism (see Fewsmith, 2001). Zheng Zheng (1997) takes a more positive view, pointing to the greater opportunities for transfer of knowledge and technology, improved societal openness, and increased international ‘cultural assimilation’ as benefits to be derived from globalisation, though he also notes the dangers of a brain drain from the developing to the developed world, and of the erosion of indigenous cultures. Zheng therefore proposes that the internationalisation of education be guided by ‘five principles’:

- supporting the spread of the internationalisation of education;
- ensuring that it is a two-way process (i.e. not just one-way, from developing to developed countries, or from China to the West);
- promoting cultural assimilation (*wenhua ronghe*) (though the meaning he gives to this term is probably closer to that ascribed to the term ‘integration’ by Western social scientists);
- cultural independence (*wenhua duli xing*);
- the return of ‘talented individuals’ to their country of origin (*rencai huigui*).

The academics who attended our consultative seminar in Chongqing in September 2005 broadly shared these views. In particular, they were critical of what they perceived as the ‘economic’ emphasis of the vision of globalisation they felt we were presenting. They saw globalisation primarily as a cultural phenomenon and, as such, as a threat to the integrity and perhaps the very existence of non-Western cultures, including that of China. This was reflected particularly in concern over what was felt to be the excessive emphasis on the teaching and use of English language in universities. Professor Zhang Shiya of South West University put forward an explicitly ‘organicist’ vision of culture when he argued that the health of the global community depended on the preservation of our cultural ‘biodiversity’ – or, expressed in more traditional Chinese language, that the achievement of ‘harmony’ (*he*) depended on respect for difference (*butong*). An extension of this argument was offered by Professor Baden Nima, who suggested that respect for cultural difference needed to extend to China’s own ‘minority

nationalities,' such as the Tibetans. Some of the Han scholars present bridled at Baden's claims that the educational under-performance of Tibetan schoolchildren was attributable to insufficient cultural sensitivity on the part of policymakers, textbook authors and educators. The greater financial support given to basic education projects in minority areas – by comparison with many impoverished rural areas in China Proper – contributes to a widespread Han perception that persistently high rates of wastage in (for example) Tibetan primary schools reflect incorrigible 'laziness' or low *suzhi* among minority populations. (Such problems amongst indigenous people, and the reactions they tend to provoke on the part of the majority population, are of course by no means peculiar to China.)

However, all scholars attending the Chongqing seminar could agree regarding the severity of educational inequality and the under-resourcing of schools in South West China, particularly in rural areas. Most felt that inequality between the South West and China's more prosperous regions was if anything widening rather than narrowing. They noted that the 'drain' of 'brains' not only involved the flow of Chinese talent to the West, but also the movement of the best students from South West China to more prosperous regions – though it was commented that this problem paled into insignificance when compared with the difficulties faced by rural areas in provision of basic education. Interestingly, they did not relate such problems to arguments concerning the economic implications of globalisation, perhaps because they perceived rising inequality within China solely or primarily a function of internal factors – in particular state decisions over the distribution of investment and resources.

6. Education, stability, and 'successful' engagement with the global economy

That there is a debate within China, however constrained, over the manner in which the country's engagement with a globalising world should be managed, is a testament to the increased openness and vibrancy of Chinese civil society highlighted by observers such as Ogden (2002). However, the presence of such 'inklings of democracy' by no means guarantees that the nation will be able to navigate its way towards greater prosperity and sustainable development, while avoiding the shoals of political and social instability that threaten both internal and external peace. How, then, might education contribute towards the avoidance of such threats to China's hard-won prosperity?

The achievement of mass basic education in the Maoist era was largely responsible for laying the foundations for subsequent capitalist growth, but the manner in which that growth has been managed has contributed to escalating inequalities within Chinese society, between rural and urban areas, the West and East, 'minorities' and the Han. While some economists argue that increased social inequality is an inevitable concomitant of the early stages of rapid industrialisation, the experience of East Asia's 'tiger' economies from the 1950s to the 1980s suggests otherwise – and, moreover, indicates that state investment in education may have a key role to play in mitigating the kinds of inequalities that are emerging in China (see Chapter 1). One need only look across the Taiwan Strait to China's own 'renegade province' to see an example of a society which managed to achieve greater equality at the same time as it was rapidly industrialising – an achievement due in part to the steady increase of state

investment in schooling *as a proportion of GDP* during the period of fastest economic growth (Wang, 1999: 333).

Maintaining and extending state funding for basic education, and expanding access to education at all levels, is an important component of a strategy for maintaining social harmony and political stability in the context of the rising economic inequalities (between classes and regions) that are accompanying China's globalisation. In this respect, the government's performance to date has been patchy at best, as the regime seems instead to have bought into neoliberal 'trickle-down' theories, while relying on its ability to sustain indefinitely the current high rate of economic expansion.

Insofar as the government has been attempting to mitigate the social effects of uneven economic growth, such efforts have in part been undermined by endemic corruption at all levels of government, a phenomenon which may itself be related to the ideological espousal of the untrammelled market (Wang, 2003). It remains to be seen whether the regime's latest initiative, the 'new socialist countryside' (*shehuizhuyi xin nongcun*), will be similarly undermined, not only by corruption, but also by conflicting priorities both within the central government, and between central, provincial and local-level administrations. While this new policy, and recent pronouncements by a number of senior leaders, indicate a growing realisation within the central leadership of the extent of inequality and the threat this poses to political and social stability, the projected total increase (14.2%) in spending for rural areas (including health and education) in 2006 is only slightly higher than the increase in overall government spending (13.8%) and is lower than the 14.7% rise planned for military expenditure (*The Economist*, March 11, 2006, 63-4).¹⁶ The money is certainly there to finance increased spending on rural infrastructure, but whether the mechanisms exist to ensure that any funds released for such purposes are actually invested in schools and clinics remains a moot point – especially as fiscal 'decentralisation' means that lower levels of government continue to be squeezed by higher levels, even while bearing most of the burden for financing public services.

Meanwhile, the official response to problems of poor governance and corruption has consisted largely of exhortation, calls for moral education, and periodic draconian arrests and executions, though attempts have also been made to effect legal reform and institutionalise 'rule by law'. However, this is not the same as the 'rule of law', which can only be secured by holding the state itself to account. Accountable government and reliable legal and judicial systems are crucial for curbing corruption and guaranteeing delivery of state goals in education as in other areas, and it is hard to see how judicial independence can be secured without simultaneous moves towards greater political accountability. This is just one illustration of Sen's argument regarding the inter-dependency of the various key freedoms – of their instrumental value in contributing to development in its fullest sense, as well as their intrinsic value as defining characteristics of the 'developed' state. In the same way, education can be seen as possessing both an intrinsic and an instrumental value – though in contemporary China it is the instrumental value that predominates in official thinking, as the regime sees education as important primarily for the contribution it can make to the strengthening of the party-state. The Party has meanwhile sought – with considerable success – to use education to legitimise its vision of state-oriented development by inculcating sentiments of xenophobic nationalism and

¹⁶ And the *Economist* also reports that the real figure for military spending is much higher, according to Western analysts.

ethno-cultural triumphalism. Schooling forms only one arm of this strategy – others include the promotion of the Beijing Olympics of 2008, China's space programme, the patriotic commemoration of key episodes or achievements in museums and memorials, and the promotion of official views of the national past through the state-supervised media. However, as the anti-Japanese protests of early 2005 indicated, the very success of CCP education and propaganda in imparting a mingled sense of national pride and resentful victimhood to the nation's youth constitutes a double-edged sword for the regime. The strength of the nationalism it has aroused greatly increases the pressure on the Party to live up to its own nationalist rhetoric – over Taiwan, over Japan, and over any other disputes that may arise with foreign states.

As China has developed economically over the past thirty years, it has adopted some of the same strategies pursued earlier by its East Asian neighbours. Export-led economic growth has been built on a solid foundation of basic skills, while education has also aimed to reinforce a collectivist orientation and worker discipline. However, while this strategy ultimately led – in the cases of Taiwan, Japan and South Korea – to the development of what may be seen as distinctively 'Asian' forms of democracy, the Communist Party in China apparently remains determined to avoid the path of political reform (as evidenced most recently in Beijing's 2005 *White Paper on Democracy*). Meanwhile, into the ideological vacuum left by the abandonment of socialism, there has seeped an unhealthy concoction of chauvinist triumphalism, a deep-rooted victim complex, and a cynical *realpolitik* reflected in Chinese support for repressive (but resource-rich) regimes from Burma to Sudan.

Forty years ago, the sociologist Barrington Moore noted that an emphasis on values of obedience and hierarchy, a predilection for racial or biological metaphors for society, and a hostility to 'decadent cosmopolitanism', were strategies or postures typically adopted by ruling elites wishing to distract attention from soaring social inequality and labour-repressive forms of modernisation (Moore, 1977). Contemporary China's education policies and propaganda appear to embody just such a strategy – most recently reflected in official moves to rehabilitate a highly conservative interpretation of Confucianism. As Moore observed in his analysis of the origins of fascism in China's reviled neighbour, Japan, this route to development and global status carries the risk of escalating both domestic instability and international conflict. Indeed, the dangers inherent in a strategy of development for 'dynastic aggrandisement' had been highlighted as early as 1915 by another American, Thorstein Veblen, who defined 'the opportunity of Japan' as:

not so much an outlook of prospective gain for the Japanese people as of aggrandisement for the Japanese state. It will hold true in this instance as in so many others that the advantage of the country's population does not in any sensible degree coincide with that of its directorate, except in point of sentiment (Veblen, 1915 (1998): 248).

In early twentieth-century Japan, as in contemporary China, it was the role of education to enlist popular sentiment in support of the aims of the regime – a role that it performed with alarming success. It is to be hoped that the broadening and deepening of China's global and regional ties, not least with the old enemy Japan, may help to steer the state away from the temptation to pursue opportunities for national aggrandisement, and instead promote the domestic and international harmony that Chinese leaders and intellectuals profess to

value so highly. However, for that to happen, and for education to be reformed in ways that might promote a more sustainable and equitable model of development, much will need to change in the state's governmental practices, its institutional structures, and the ideology that animates them.

Chapter 3: Walking the Tightrope: Equality and Growth in Liberalising India – Sangeeta G. Kamat

While globalisation presents many potential benefits, it also poses special challenges. In a democracy, it is necessary that the process of reform *be perceived as* equitable and caring. Prime Minister Manmohan Singh, 2004.

1. Introduction

1.1 The education/development puzzle

India represents something of a paradox for our study. It has achieved rapid economic growth, currently second only to China in the region. Yet it has a poor record in education, at least by comparison with China and Sri Lanka, its northern and southern neighbours. The literacy rate remains low, at 59.5%, even after fifty years of independence, and half of all school children have dropped out by Grade 5. These, and other measures of gender, caste and rural-urban inequalities in basic education, are the frequently cited statistics of educational underdevelopment which suggest a failure to achieve even minimal human development goals (see Figure 3.1). With India's dismal education record, no one expected that, following China, India would emerge as the fastest growing economy in the region with an average growth rate of 7%, projected to rise to 8-9% for the next five to ten years. This combination of rapid growth and low educational levels seems to fly in the face of mainstream development theory and begs a number of questions. Is the recent economic surge an effect of India's new 'open economy'? Or is it rather due to the education policies of the pre-liberalisation period? A review of the literature suggests that the high growth rate is a combined effect of the state's education policies (pre-liberalisation), specifically those related to higher education, and of trade liberalisation policies that came into effect during the global Information Technology (IT) revolution. Commentators explain it as a happy albeit unplanned coincidence of national education policies and global economic changes that enabled India to leapfrog from developing country status to an emerging economy in less than a decade. The media and economic analysts narrate the story of India's economic success as one that has occurred through the specialised route of IT that has greatly skewed demand and supply in the education sector. Education has contributed to development but in a highly lopsided manner.

Equality remains an elusive goal. Policy makers today want to maintain rapid economic growth but also to promote equality, and this concern for 'growth with equity' has raised the profile of education reform on the state's policy agenda. The lack of universal basic education is seen as the prime culprit in exacerbating the economic inequality that may have disastrous effects on social cohesion within the future Indian polity. Interestingly, the private sector (represented by organisations such as the National Association of Software and Service Companies (NASSCOM) and the Confederation of Indian Industries), hitherto largely unconcerned with non-tertiary education, now argue the need for combining growth and social cohesion, and have consequently begun to voice concern over the failure of basic education goals.

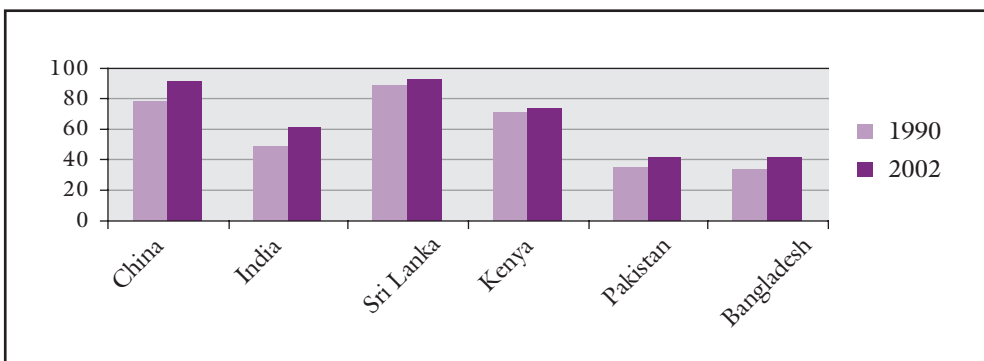
The unexpected gains from higher education, a consequence directly connected to the globalisation of technology and trade, sit uneasily with the massive failure of basic education and have led to greater scrutiny of the education sector. While policy makers have always claimed education as critical to India's social and economic development – although arguably

more in the rhetoric than in practice – education reform has gained salience in the context of globalisation. It has moved from being a peripheral concern to becoming an important sector in the national reform process. The discussion has moved from a focus on access to the need for reforms that will make education effective and relevant for a changing economy, guarantee equality of opportunities and outcomes, and strengthen the country's international competitiveness.

Systematic research on the impact of globalisation on the Indian education system remains limited, but there are excellent reviews of the state of basic education and higher education in the country. This chapter draws on this secondary literature to assess how education policy engages with the new macro-economic environment and responds to the socio-economic changes that are a consequence of increased global integration. The scope of this paper is limited to the formal education system with a focus on the skewed relation between basic education and higher education. While non-formal and adult education are also relevant to improving the earning capacity of the working poor, policies pertaining to these appear to be peripheral to the process of education reform today. Two main concerns guide this analytical review:

- How is the macro-economic context redefining the education sector?
- What kinds of reforms are being put into place to address growth and equality objectives in a liberalising economy and society?

Figure 3.1: Adult (15 years and over) Literacy Rate Selected Countries



Source: UNDP, 2002

This chapter has three main parts. The first part (Section 2) presents salient aspects of India's development and education policies after independence in 1947. For almost three decades from 1950 to 1980 economic policies more or less adhered to the Nehruvian development model of a 'closed economy', that is, policies of import substitution that relied primarily upon domestic capacity and developing domestic technical know-how. The 'import substitution' model was guided by a vision of economic self-reliance and national sovereignty and a firm resolve to not capitulate to either poles of the cold war, the Union of Soviet Socialist Republics (USSR) or the United States. The second part (Sections 3 and 4) focuses on the period of economic liberalisation that began in earnest in 1991 and outlines the political context in which reforms of privatisation and liberalisation were introduced in 1990 and the special role of the IT sector

in this period. The third part (Sections 5-7) examines recent education reforms and proposals that address issues that are directly or indirectly a consequence of economic liberalisation and cultural globalisation.

1.2 Key elements of the national context

India is the second most populous country in the world with over one billion people. A majority of the population (64%) are between 15-64 years and 30% of the population is in the 0-14 age range (GoI, 2002). Governance and policymaking is complicated by the exceptional social, cultural and political diversity of the country. It is the world's largest democracy with an astonishing array of political parties that represent different political ideologies or regional, religious and caste groups. Having led the struggle for independence, the Indian National Congress (hereafter referred to as the Congress Party) was the most influential party for the first few decades after independence. The Congress Party enjoyed uninterrupted electoral victories until the 1977 general elections that brought the Janata Party (People's Party) to power. Today there are at least 19 political parties of significant influence and size, many of them regional parties that rule at the state level. At the national level, two political parties have emerged as the most influential – the Congress Party and the Hindu Nationalist Party (the BJP). Neither party however is able to form a government without partnering with other national and regional parties, testimony to the splintering of political allegiances among the electorate. The political scene today is one of multi-party alliances and strategic coalitions that work across ideological boundaries. It would be accurate to say that political diversity and fragmentation of electoral politics has only increased in this period of economic globalisation.

India's social and cultural demographics are no less complex. There are fourteen main official languages, though twice that number are recognised by the constitution. English is an associate language but enjoys more status and is more widely used in government and commerce than the national language Hindi that is the primary language (mother tongue) of only 30% of the population. A majority of the population identify as Hindu, comprising 80% of the population. Among the minority religions, Muslims represent 13.4%, Christians 2.3%, Sikhs 1.9% and other religions 2.5%. In the last years of the anti-colonial struggle, the Indian National Congress was already looking ahead at the challenges of governing a multi-ethnic and multi-lingual polity and proposed redrawing state boundaries along linguistic lines to maintain social cohesion. Accordingly, states are free to use any language from among the officially recognised languages for administrative and educational purposes. Further, the constitution guarantees the right of all citizens to be educated in their native tongue. Also religious minorities are allowed to establish their own schools and adopt their own curriculum. The reorganisation of the country into linguistically constituted states was a strategy to maintain social cohesion within a heterogeneous and diverse society. The decision to not impose Hindi as the national language and adopt a region specific language policy in state schools certainly helped India avoid the kind of internecine ethnic conflict that Sri Lanka has experienced. However, with the increase in demand for the English language among all sections of society, it is questionable whether state specific linguistic identities will continue to play a positive role in maintaining social cohesion.

The hierarchical caste system of the Hindu community introduces yet another level of complexity that shapes political, social and cultural life. Upper caste dominance in public affairs including in educational institutions remains a serious issue. Scheduled castes (SC) are 16.48% of the population and Scheduled Tribes (ST) are 8.08% of the population and represent the most oppressed and exploited sections of society. There are different protective legislations and affirmative action policies to improve the social and economic condition of SC and ST communities. However, caste identities remain strong and though caste-based discrimination is a criminal offence, both subtle and overt discrimination, particularly against Dalits, is embedded in all forms of social interaction and remains a serious issue. The hierarchical and exploitative caste system and feudal relations, with their fixed social norms and ascribed roles, have also formed a basis of social cohesion in modern India.

1.2.1 Federalism and centre-state relations

India has a federal structure in which powers are shared between the central government and state governments. Until 1976, state governments bore full responsibility for policies and planning in education. Education was then placed on the concurrent list and is the joint responsibility of the central and state governments. Differences that developed among states in the early decades of independence in the management and finance of education still remain. State governments bear most of the educational expenditures in their states with a small percentage being contributed by the Central government. Educational expenditures vary among states resulting in unequal educational outcomes. The Central government allocations to states were intended to reduce disparities between states. With economic liberalisation, the Central and State governments have reduced budgets for social sector spending. Consequently, the Central government's capacity to equalise state education budgets is weakened, and decentralisation emerges as an agent of inequality (see Chapter 1). Meanwhile state governments that have a better record on education are able to attract donor and private sector investment more easily thereby increasing educational disparities between states. State governments have considerable autonomy in deciding education policy including matters of curriculum, examinations, teachers' salaries and financing innovative programmes.

The growth of regional politics, and the redrawing of the map of India to create new states suggest a new trend toward regionalisation of politics and economics. For example, Jharkhand, a predominantly tribal region rich in natural resources, was part of the Northern state of Bihar, but the demand for a separate state of Jharkhand was acceded to in 2000. Two more new states were also formed in 2000 and there are proposals for new states pending with the government. Regionalisation appears to have intensified with economic liberalisation wherein communities that are native to the region seek to control resources in their region and have regional parties represent their interests. The growth in influence of regional parties also makes it more difficult for the central government to implement national plans and targets. Consensus building among various power blocs has acquired more importance and is suggestive of the robustness of Indian democracy in the context of large-scale economic reform.

1.2.2 Dominance of the agricultural and unorganised sectors

The Indian labour market has a dual structure. The unorganised and informal sectors are characterised by an absence of regulation and labour laws and includes construction workers, agricultural workers and casual labour. Within the unorganised sector, informal sector labour refers, for example, to home-based production that is excluded from national accounting procedures. The unorganised sector is the source of livelihood for a majority of the population (see Table 3.1). Approximately 92% of the labour force is employed in the unorganised sector. The organised sector employs only 8% of the total workforce. Only 2.5% of this is employed in the private sector. The rural sector is largely unorganised and comprises farm based and non-farm based employment. In 1991, the rural population comprised 74.3% of the total population. That a majority of the population remains rural and derives its livelihoods from farm and non-farm based casual work has serious implications in a globalised economy in which urban service sector employment is the growth sector. What is the proposed and potential role of the agricultural and unorganised sectors in a globalised economy? What policies will ensure an effective relation between education-employment-equity for these sectors?

Table 3.1: Distribution of Labour Force by Sector, India

Sector	Shares in Employment		Shares in Net Domestic Product
	1993-94	1999-2000	
Unorganised Agriculture	63.56	59.95	28.84
Unorganised Non-Agriculture	29.17	33.0	31.62
Organised Agriculture	0.39	0.35	1.08
Organised Non-Agriculture	6.88	6.70	38.47

Source: Bhalla, 2003.

1.2.3 Threats to pluralism and secular democracy

The workings of the Hindu nationalist movement, now a significant presence in politics and society, have provoked public debate and concern about the future of the secular state. The movement propagates its own brand of Hinduism and champions Hindu majoritarian rule whose ultimate objective is a Hindu nationalist state. The movement operates through a network of civil society organisations and its political party the BJP (Hindu Nationalist Party), and has made significant electoral gains at state and national levels since 1990. Interestingly, the BJP, that on the one hand denounces ‘foreign’ and ‘western’ influence on Indian society, was the party that embraced economic reforms more swiftly and enthusiastically than other political parties. For instance, almost as soon as the BJP was elected to national government in 1995, it established a Ministry for Disinvestment for rapid trade liberalisation and privatisation of public industries. The movement has focused its efforts in the cultural and educational sectors including setting up its own schools and teacher training institutes, and influencing educational administration and curriculum wherever possible. In 1995, the BJP launched a fully-fledged revision of school

textbooks to promote a pro-Hindu and anti-Muslim interpretation of history and introduced subjects like astrology and Vedic science in public universities. During the BJP's rule from 1994 to 2004 the communalisation of civil services, the police force and the education system was a deliberate policy, and appears to be especially successful in the BJP ruled states.

The dangers posed by a political party that espouses religious majoritarianism became most apparent in Gujarat, a BJP ruled state in the western part of India. In connivance with the government, in 2002, the movement led a genocidal campaign against Muslims in which more than 2,000 people were killed in three days and more than 200,000 Muslims were displaced from their homes. The terrible violence and the continued attacks and economic boycott against Muslims in Gujarat have focused national attention on the urgent need to strengthen secularism in civic and political life. The movement's brand of virulent nationalism was also seen as harmful to India's global image as a tolerant multicultural nation and a setback to economic growth and investment, and resulted in a broad based consensus on the need to strengthen secularism. An important mandate of the present Congress-led government is to undo the damage done during BJP's rule and 'cleanse' state institutions, including education, of communal politics. The development of a new school curriculum that promotes secular values among youth has been undertaken as a priority. However, there are concerns about the impact of economic reforms on Muslims and other underprivileged and socially marginalised communities. Though there is no empirical research that establishes economic liberalisation as a causal factor in communal conflicts, there is concern that the widening gap between the rich and the poor, and conspicuous consumption by the professional, largely upper caste, affluent classes, with resultant resentment and hostility of the poor and lower middle classes, may find expression in identity politics and divide society along caste and religious lines.

In a developing economy with a large agrarian sector, a culturally diverse polity, and a federal political system, whether economic reform will be integrative rather than divisive, and lead to growth and equality, will depend greatly upon balancing the contradictions between the selective opportunities afforded by economic reforms with the needs and capacities of India's vast majority of working poor. Ensuring that the reform process narrows the social and economic divisions between different social groups – rural versus urban, low castes and tribals versus forward castes, the Hindu majority versus different religious minorities – is an equally pressing concern and needs to become an integral part of the reform process to maintain social cohesion, peace and stability.

2. Development and education in the pre-reform era (1950 to 1990)

In the decades following independence, India's development strategy emphasised economic growth with self-reliance and poverty alleviation. These objectives were to be achieved within a democratic political framework with a mixed economy where both public and private sectors co-exist. As with other underdeveloped economies, the public sector assumed a greater role in promoting economic growth and social development. The strategy of a planned command economy was developed in the first Five Year Plan (1950-56) by the National Planning

Commission and remained more or less consistent in subsequent five-year plans until 1991. Significant strides were made in terms of economic growth but poverty alleviation remained an elusive goal. In this section, I review the economic and social policies of the pre-liberalisation period to put into context the uneven accomplishments of India's development policy. The lopsided and inconsistent development pattern is reflected today in the remarkable take-off of the IT industry where per employee revenue in a leading software firm in Bangalore is \$70,000 while per capita income in the country is \$400 (D'Costa, 2003).

2.1.1 Economic policies

From 1950 to 1975, the Central government adopted an economic model of state-led industrialisation through import substitution with marginal attention to institutional changes such as land reforms. In other words, the thrust towards industrialisation was carried out keeping intact the deep and widespread inequalities in the agricultural economy. Industrial growth therefore did little to reduce inequalities. India did not give importance to land reforms and other substantive redistributive measures as was done by the East Asian 'tiger' economies in the early phase of industrial development, the benefits of which were reaped by these economies in that economic transformation was not accompanied by rise in inequality (see Chapter 1). The public sector dominated heavy industry, transportation, and telecommunications. In this period, the state undertook large and expensive infrastructure projects such as roadways, dams and hydroelectric projects. India's first Prime Minister Jawaharlal Nehru's declaration that modern infrastructures were the 'temples of modern India' reflected the vision of the country's leaders to transform India into a modern technologically and industrially advanced country. The private sector produced most consumer goods but was controlled directly by a variety of government regulations and financial institutions that provided major financing for large private-sector projects. Government emphasised self-sufficiency rather than foreign trade and imposed strict controls on imports and exports. In the 1950s, there was steady economic growth, but results in the 1960s and 1970s were less encouraging. Population growth, high rates of unemployment, widespread hunger and poverty belied hopes that the benefits of industrial and technological development would 'trickle down' to the majority.

In the mid-seventies, the steep increase in the oil price and industrial raw materials in the world market led to significant setbacks in the economic plans and outlays of the Fifth five-year plan (1972-1977). Rising unemployment and steep price hikes in essential commodities led to student protests and brought middle class women out on the streets. In response to rising discontent, Prime Minister Indira Gandhi imposed Emergency Rule in 1976 during which political opponents were jailed, thousands of student activists were imprisoned and the media was blacked out. Emergency Rule gave Mrs. Gandhi constitutional authority for six months to do what she believed was in the interests of the country. To curb inflation, maintain productive capacity and support subsidies in essential commodities, India relied on foreign borrowing to finance development plans to a greater extent than before. The need for emergency loans led the government to make a greater commitment to economic liberalisation than it had up to this time.

Emergency rule lasted 18 months, and the Congress Party suffered a humiliating defeat in the elections immediately after. India's brief brush with authoritarian rule and the backlash against the state's coercive and undemocratic measures illustrates the strength and dynamism of its civil society (Khilnani, 1999). In the 1980s, first under Prime Minister Indira Gandhi's leadership and later under the leadership of her son, Prime Minister Rajiv Gandhi, limited reforms that favoured an export-oriented and liberalised economy were put into place. The government maintained self-reliance in strategic commodities such as food grains, petroleum products and fertilisers, commodities in which the country's requirements were large and needed protection from fluctuations in world prices. It is important to note that the 'permit-license-quota' system of the state, that created much bureaucratic red tape and facilitated state corruption, remained intact. The Seventh five-year plan (1985-1990), under Rajiv Gandhi, hastened the process of industrial deregulation, reduced corporate and personal taxes and liberalised imports and exports with the view to increasing the role of the private sector particularly in electronics, textiles, telecommunications and consumer durables. From 1980-87, industrial production grew at an annual compound rate of 7.6% compared to 4.2% from 1971-80 (Dev, 2002).

The shift toward a more export-oriented industrial economy and expanding the private sector was in part an attempt to follow the model of the East Asian economies (Ahluwalia, 2004). However, several problems arose after 1988 that led to economic deceleration in the last years of the decade. Failure of the monsoons and resultant severe drought, stagnation in organised sector employment, sharp rise in oil prices and heavy foreign debt led to a balance of payment crisis. Adding to the country's economic troubles, political events caused a crisis of confidence in India's economic viability. From December 1989 to June 1991, a short period of eighteen months, two different non-Congress governments were in power. This period was also marked by two significant episodes of social turmoil and violence. The first was in response to a new reservation (affirmative action) policy that proposed to increase the quota in education and employment for 'backward' castes and the second was the communal riots that followed the Hindu nationalists' campaign to build a temple in Ayodhya. As a result, foreign investors were more reluctant to lend, and in 1991 following the assassination of Prime Minister Rajiv Gandhi and a situation of near bankruptcy, the government turned to the International Monetary Fund (IMF) and World Bank and agreed to an economic stabilisation programme in exchange for a \$2.26 billion loan (Dutta, 2002). Starting in 1991, the Indian state initiated a distinctively different policy regime of economic liberalisation and privatisation, breaking from earlier periods of very modest and limited reforms within the framework of import substitution and state regulation. The post-reform period therefore refers to the period after 1991 in which deregulation is intended to create opportunities for the domestic private sector but more importantly to encourage international investments, both productive and financial, that will facilitate links with international markets, and utilise advanced technology and modern management practices. The post reform period, the package of reforms and their impact on the economy and on education are discussed in greater detail in Section 3.

2.1.2 Social policies

Population growth, high rates of poverty, sharp inequalities between rural and urban productivity and per capita incomes undermined the positive outcomes of four decades of industrial development with steady rates of economic growth of 3 to 4%. Despite self-sufficiency in food grains and industrial growth, the rate of poverty remained high at 36% in 1991, although down from the 44% level in 1983. The number of poor remained constant from 1951 to 1992 at 320 million people, explained by the steady rate of population growth, a little over 2% until 1992.

Policies for poverty alleviation focused on those who were excluded from the organised sector, mainly the rural poor who comprised 70% of the population. The Integrated Rural Development Programme (IRDP) was introduced as a national programme by the central government in 1980 to create employment opportunities, provide training for rural youth and credit facilities for artisans and small entrepreneurs. Other national welfare schemes involved provision of subsidised essential commodities through a public distribution system (PDS) in rural and urban areas, free primary education, adult literacy programmes, subsidised health care and free primary health care, maternal and child nutrition schemes and aggressive implementation of a family planning policy. Poverty alleviation programmes were implemented by states with partial financial support from the central government. Hence provision of services and outcomes differed significantly and were influenced more by political populism than radical reform. Non-implementation and reports of corruption were widespread.

In the rural economy, productive employment opportunities were not created in a sustained manner and instead states relied on targeted employment provision during times of drought and lean agricultural periods. The programme of poverty eradication did not extend to implementing structural reforms in the countryside in terms of favourable tenancy rights and redistribution of land ownership (Bardhan, 1998).

Similarly, health care facilities and schools in rural areas were limited and were often non-existent in poor rural and tribal districts, or remained inaccessible to a significant percentage of people living in rural and forest areas (PROBE, 1999; Govinda, 2002). Significant wastage, corruption and leakage of resources in the delivery of basic services have also been documented (PROBE, 1999). Feudal and exploitative caste-class relations retained a significant hold on socio-economic relations in the agrarian sector.

The urban-industrial bias in planning in the post-independence period produced economic and social inequalities and in effect created a phenomenon of ‘two Indias’. In less than two decades, the policies of state development planning created a select middle class population who live in cities and townships with modern amenities of running water and electricity, schools, colleges, hospitals and public transportation while the vast majority who inhabit the countryside and urban slums live with poor infrastructure and the absence of basic amenities such as drinking water, sanitation and electricity. Bridging the divide between the ‘two Indias’ is of concern to the government and may be seen as the appropriate measure of successful engagement with the global economy.

2.2 Role of education in economic and social development: 1950 to 1990

2.2.1 Education policy in independent India: A case of elite bias

In independent India, education policy was motivated by the dual purpose of building a strong economy and promoting a spirit of secularism, democracy and national unity within the diverse polity. Such an ambitious programme of education was not unique to India and was a vision shared by all newly emergent nations in Africa, Asia and Latin America in the fifties and sixties. On reviewing India's education record, one observes both exceptional success and inexplicable failures in meeting these twin objectives. On the positive side, a certain degree of democratisation was achieved and a system that in the colonial and pre-colonial periods served only a privileged few became accessible to a majority of the population including women, Dalits and tribals. The number of schools, colleges and universities expanded significantly to accommodate the growing numbers who sought access to formal education. Values of secularism, toleration and affirmation of diversity were endorsed in the national curriculum framework. The rights of religious minorities to set up their own educational institutions were protected. The public higher education system grew at a rapid pace, and produced a substantial number of high quality professional, technical and academic personnel. State-subsidised engineering and science education was seen as comparable to the best in the world. Publicly funded autonomous research and development centres contributed significantly to basic and applied research in the sciences. A free and independent press in English and vernacular languages flourished and the state promoted the development of fine arts and culture.

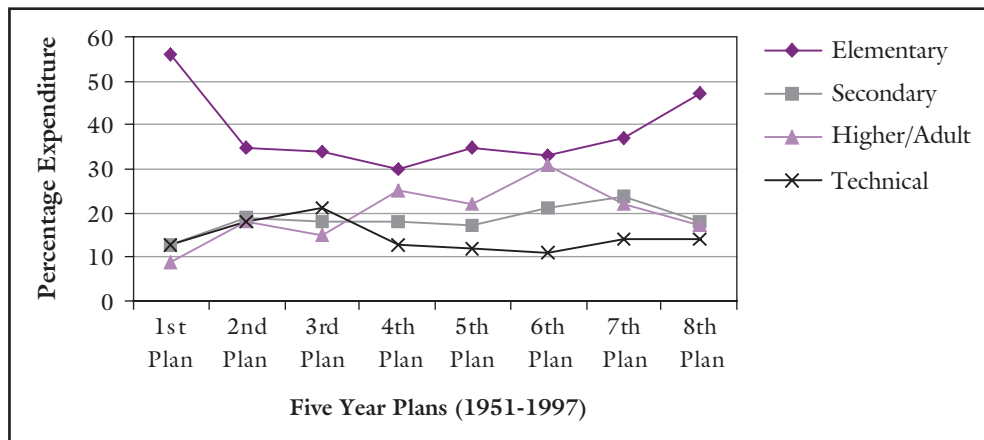
On the negative side, Dreze and Sen (2005: 12) note that in elementary education '...India has done worse than even the average of the poorest countries in the world'. They suggest that the failure to achieve basic education objectives is unjustifiable given that countries such as Sri Lanka, Costa Rica and Jamaica that adopted similar mixed economy policies as India were able to ensure universal coverage of basic education and radical improvements in basic quality of life indicators in a short period of time. Furthermore, the impact of education policy on caste and gender discrimination, rural-urban inequalities, and poverty alleviation remain negligible. On the contrary, policies in this sector encouraged the formation of schools of widely differing quality thereby exacerbating social and economic disparities.

The constitutional directive of 'free and compulsory education to all up to the age of 14 within a period of ten years from the commencement of the constitution' remained unfulfilled at the end of four decades of planning. This has become the single most damning indictment of Indian education policy. In his study on child labour in India, Weiner (1991: 176) explains this failure as reflective of the dominant political ideology of that time:

India's policymakers have not regarded mass education as essential to the country's modernisation, leading to all the ills facing the country today. Instead they put their resources into higher education that, it believes, is capable of creating and managing a modern enclave economy?

In Weiner's view, the insufficient support to basic education reflected the bias of leaders and elites who did not consider formal education of much use or interest to peasants and farmers. This elite bias has been explained as a consequence of both colonial and national policies. Most significantly, the British colonial education system that trained a small class of natives to serve in the colonial administration, the education of prominent nationalist leaders in British universities abroad, and caste-based ideologies that maintained education as the preserve of upper castes, created social distance between the leaders and the masses and encouraged a culture of paternalism. The development paradigm of that period and the 'trickle down' theory of growth promoted by international agencies and First World governments justified education policies that accelerated the development of modern industries and high skills science and technology at the expense of basic education. In his analysis of the neglect of basic education and inequalities in the education system, Sen (2004) also concludes that the main problem is the continued reproduction of elite bias in Indian education policy. Figure 3.2 shows the changes in budget allocations for elementary and secondary education in comparison to other subsectors of education in the five year plans. As the data shows, the budget for elementary education was increased in the 1990s but there was a corresponding reduction in other sectors, especially in higher education resulting in stagnation and decline in the tertiary education sector.

Figure 3.2: Trends in Education Expenditure, India



Source: Gol, 1997

In 1964, the Kothari Commission presented a trenchant critique of the education system and recommended radical changes in education policy to redress inequities in opportunities. The Commission recommended a substantial increase in the education budget, setting a target of 6% of Gross Domestic Product (GDP). A common school system that had a proven record of success in developed countries was proposed to provide equal access to children from socio-economically disadvantaged groups. The mismatch between content of education and the skills and qualifications required for employment in the rural sector was also highlighted. The report stressed the need for curricular reform to strengthen national unity and the development of socially responsible citizens. While the Kothari Commission report was much lauded for its timely and relevant recommendations, the actual policies that resulted from it were piecemeal and watered down versions of the original recommendations. Moreover, the government focused on those recommendations in the report that aligned with elite interests

such as the emphasis on Science and Mathematics education at the school level and Science and Engineering education in universities (Ghosh, 1995).

In 1986, Prime Minister Rajiv Gandhi announced a National Policy on Education (NPE) to improve the quality of education. *Operation Blackboard* was launched to improve the provision of basic infrastructure such as blackboards, playgrounds, teaching aides and drinking water. To improve quality in the classroom, *Operation Blackboard* recommended a teacher aid in each classroom to support the regular class teacher. The NPE also recommended private sector provision of education and by the end of the plan period there was an increase in both demand for, and supply of, private school education, especially in urban areas. De et al (2002) document that between 1986 and 1993, the private unaided schools intake was nearly 51% of the total increase in enrolment in urban India. Measurable improvements in enrolments could be seen by the beginning of the nineties for boys and girls, but drop out rates remained distressingly high, at 42.6% in 1990-91 between Grade 1 to 5 and more than 60% between Grade 1 to 8 (Nayar, 2002). Operation Blackboard was implemented partially and unevenly and poor districts and rural schools continued to suffer from inadequate infrastructure and poor quality teaching. The private school sector grew quickly, benefiting from state subsidies while government schools continued to function poorly. Parents who could avail of private schools opted for them, and the poorest of the poor were left behind in government schools.

2.2.2 Structural inequalities in the school system

India's school system is organised into five levels. At the primary stage, pre-primary education includes the lower and upper kindergarten; lower primary education covers Grades 1-3; and upper-primary education from Grades 4-5. At the secondary stage, lower secondary education covers Grades 6-8 and upper secondary education Grades 9-10, Grades 11 and 12 are pre-university after which students can enter the tertiary system. Pre-primary education is wholly private and used by the middle and upper classes.

By the 1980s, a differentiated school system became well-established and served to track students from different social classes. The growth of subsidised private elementary education and the neglect of government schools resulted in a four tier system with local body schools (LB) at the lowest level in terms of quality and demand, followed next by government schools, private aided (PA) schools and, at the top level, private unaided (PUA) schools that are expensive and prestigious. The LB and government schools in rural and urban areas have trained teachers and provide free education.¹ These schools have a higher percent age of SC and ST children as well as more girls and children from first generation school learners compared to PA and PUA schools. Sadly, their physical infrastructure is the poorest, often lacking basic facilities such as drinking water, classrooms, blackboards and toilet facilities. Where facilities are available, these are poorly maintained. Moreover, teacher absenteeism is a serious issue in LB and government schools. Among the various types of schools, there is further segmentation between English-medium schools and vernacular language schools, with a majority of government schools enforcing medium of instruction in the vernacular language.² On one hand,

¹ PROBE (1999) has documented that free education is a misnomer. Cost of travel, uniform, books and other materials make education an expensive proposition for poor families.

² Schools for children of central government employees in different states teach in the English language with Hindi as a second language. The rationale provided is that central government employees are transferred to different states on a regular basis, hence English as the medium of instruction in Central Board Schools makes the most sense.

the policy of not imposing a national language in all government schools but allowing each state to adopt its regional language as the medium of instruction in state run schools is unique within the subcontinent and has contributed to maintaining social cohesion by creating space for regional identities, cultures and literatures to develop. On the other hand, the policy of vernacular language in government schools has fomented class inequalities among middle classes and elites who opt out from state schools for English medium schools and the working poor, Dalits and tribal communities who are unable to do so. The education system is therefore divided between the few who have access to the English language and the masses who are educated in different vernacular languages, none of which are seen as superior to the other.

Private aided schools cater mostly to the middle and upper middle classes. The PROBE (1999) report shows that as a result of the poor quality and non-functioning of government schools there is increased demand for PA and PUA schools among urban and rural poor. Studies show that although the preferred choice across all classes is for PA and PUA schools, the majority of children in rural areas, and a higher proportion of girls and SC and ST children, attend government schools (De et al, 2002; Dreze and Gazdar, 1996). PA and PUA schools are either English-medium schools or teach English as a subject from Grade 1, while the language of instruction in LB and government schools tends to be in the vernacular medium and English is introduced as a subject in Grade 4 or 6 (varying by state).

The system is also differentiated in terms of affiliations to different curricular and examination boards. At the top end are English-language schools affiliated to the CBSE (Central Board of Secondary Education) managed by the central government, CISCE (Council for the Indian Schools Certificates Examination) and IB (International Baccalaureate) examination boards, offering globally recognised syllabi and curricula. State government schools are under state-level examination boards. The prestige and value of a secondary school certificate from a state examination board is less than that of a CBSE and ICSE certificate. There were very few schools linked to IB examination boards and mostly serve the elite and upper middle classes.

2.2.3 Higher education, economic growth and education equality

The Third Planning Commission (1962-66) notes with some concern the proliferation of universities and colleges and the problem of the educated unemployed. At the end of the planning period, 2.9% of the total college age youth were enrolled in Arts, Science, Commerce and Law courses. However, employment opportunities for college graduates remained slack. The Kothari Commission recommended that at least 50% of the students completing Grade X should be diverted to the vocational stream that will prepare them for productive employment and reduce pressure on the universities. However, implementation of a vocational education policy was largely unsuccessful.

The Indian Institutes of Technology (IITs) and the Regional Engineering Colleges (RECs) exemplify the state's higher education policy of selectively recruiting and training the best engineers and scientists who would help build the country's modern industries and infrastructure. The first five IITs were set up rather quickly between 1950 and 1961 with two more IITs established in 1995 and 2001. All the IITs were established with aid from donor governments and from the United Nations Educational, Scientific and Cultural Organisation (UNESCO). There are seventeen RECs at present and these have separate entrance exams from

the IITs. The IITs, followed by the RECs, remain the most prestigious higher education institutions. A recent *Times Higher Education Supplement* ranked IITs as the fourth best institutes for engineering and technology education in the world. Graduate admission to the IITs is based on a national competitive exam set up by an independent Joint Entrance Exam (JEE) committee that is taken by 200,000 students. Admission is limited to approximately 2,000 students spread across the seven IITs, yielding an acceptance rate of only one in 25 (compared to graduate admission rates at Harvard and the Massachusetts Institute of Technology (MIT) of one in eight). The narrow selectivity crowds out other equally qualified students creating a super elite class of graduates (*Times Higher Education Supplement*, 2004).

The reservation policy that allots 22.5% seats for Dalits (proportionate to the Scheduled Castes population) was ineffective and the numbers of Dalit students and faculty in the IITs and RECs, as well as in other reputed public universities, are negligible. A strong urban and upper caste bias is evident in entrance examination passes, an outcome also of the proliferation of costly coaching classes concentrated in the urban centres.

Higher education contributed to economic growth in two ways. The state could rely on a pool of qualified and specialised technical personnel to work on mega development projects such as large hydro-electric dams, defence and nuclear energy projects, telecommunications, and manufacturing rather than having to import high skilled labour. The large number of engineering graduates from public and private colleges made it possible for the government to establish public industries in key sectors such as petrochemicals, industrial and consumer goods manufacturing and energy production. Scientists and engineers were trained to meet the projected needs of the formal economy and hi-tech industrial sector and therefore contributed little to the technology needs of the rural sector and the urban informal economy. Second, the IITs and the RECs built a reputation as a source for high quality technical manpower and created a demand for this labour market in developed economies.

Although the total number of scientific and technical personnel is high compared to other developing economies as a percentage of total population, the numbers are rather low. As Tilak (2005) points out, a focus on the absolute numbers perpetuates the myth that India has a very large reserve of highly skilled manpower. India has only 1.2 scientists and technicians per thousand population and 2.5 research and development scientists per 10,000 compared to South Korea which has 61 scientists and technicians per thousand and 22 R&D scientists per 10,000 (Dutta, 2002).

The pent-up demand for engineering and medical degrees was channelled toward an expanding private sector in higher education. Private engineering colleges and diploma institutes grew steadily while growth of public institutions stagnated. Private institutions received state funds and subsidies (including in the form of assets such as land at subsidised rates). The growth of private engineering institutes was most evident in the southern states of Tamil Nadu, Karnataka and Andhra Pradesh. The present educational success of the southern states is attributed to the anti-Brahmin movements in the South that emerged in the late colonial period and continued after independence (Omvedt, 1993). According to Omvedt (1993) and others, the political mobilisation of lower castes in pursuit of social and economic mobility generated a demand for higher education, preferably professional education (also see Jaffrelot, 2002; Jeffrey, 2002). Non-Brahmin caste associations set up educational trusts to fund schools and technical and

professional colleges, significantly expanding educational access in the southern states (Kamat et al, 2002). Why similar developments did not take place in the northern states needs to be properly researched and explained.

Higher education's contribution to economic growth may be beneficial, but its record on equality is weak. Less than 6% of the total college age population is able to access tertiary education. Tertiary education for a majority of the college age population has been geared towards post-secondary vocational training courses, a policy direction that was recommended by donor agencies such as the World Bank and the Asian Development Bank (Tilak, 2001). The assumption was that high school drop-outs would be equipped with specialised skills before they leave the system and be able to seek gainful employment. It was also proposed as a viable strategy to develop technical manpower, build productivity and higher wages in predominantly agrarian economies (Psacharopoulos, 1986).

Despite efforts to divert students to vocational education, enrolments were only 1% of total secondary education enrolment in 1970 with no improvement in subsequent decades (1.1% in 1990) (Tilak, 2001). The ratio of vocational education enrolments to total secondary enrolments is considerably higher in China, Japan and Indonesia (10-15%) and in South Korea, Turkey and Thailand (more than 15%) (Tilak, 2001). Moreover, while the majority of the population is barely literate in English, over 50% of all books and over 80% of scientific and technical journals were produced in English (Altbach, 1992).

A recent government review documents that training objectives and curricula have not been effectively oriented to the goal of self-employment and enterprise training (Singh, 2001). In part the reason for the stagnation of TVET is that it did not receive any attention from universities, and was seen as training for low skill blue-collar work with no academic component. Effective links with industry were not developed either. A micro study in Gujarat documents that TVET has essentially served as a stop-gap option towards university education and majority of students who graduate from TVET programmes see university education as offering the best prospects and make persistent efforts to seek admission into university (Desai and Whiteside, 2000). The review of literature shows that TVET in India failed to effectively match potential labour supply and market demand at the intermediate level, which contrasts with the successful matching that the East Asian tiger economies were able to achieve in this sector with positive impact on growth rates in the early stages of development (see Chapter 1).

2.2.4 Education access and education equality in the pre-reform period

The 1991 Census of India shows that 64% of males and 39% of females are literate – an increase of 17% and 14% respectively from the 1981 census (cited in Weiner, 1991). These increases seem significant, but India's overall literacy rate of 40.8% lags behind other developing countries such as China (72.6%), Sri Lanka (86.1%), and Indonesia (74.1%), all of which have per capita incomes comparable to India's (Weiner, 1991). School enrolment rates have fared better. Primary school enrolment rates went from 42.6% in 1951 to 80% in 1981. Enrolment rates for girls showed considerable improvement, from 24.9% in 1951 to 64.1% in 1981, but the gender gap remained significant. Enrolment rates for boys increased from 60.8% in 1951 to 95.8% in 1981. The figures for 1991 showed near 100% gross enrolment ratios – 85.5% for girls and 113.9% for boys (Nayar, 2002). However, high

drop-out rates and non-attendance showed that formal education had very little influence on the lives of majority of children. Primary school survival rate was only 38%. More than half the number who enrolled in Grade 1 never made it to Grade 4, compared to China's survival rate of 70% and Sri Lanka's rate of 90.8% (Weiner 1991).

Literacy rates for scheduled tribe (ST) communities increased from a low of 11.3% in 1971 to 29.5% in 1991. Rates were better in the northeast states of Mizoram and Nagaland than in tribal majority states. Literacy rates for ST populations were worse in states with a minority tribal population such as Madhya Pradesh, Andhra Pradesh and Rajasthan. Andhra Pradesh had the lowest literacy rate for tribals at 17.1% in 1991. Madhya Pradesh figures were similar, moving from 7.6 % in 1971 to 10.6% in 1981 and resting at 21.5% according to the 1991 census data (K. Sujatha, 2002).

Expenditure on elementary education declined from 55% of the total for the sector in the 1950s to less than 35% in the 1990s (PROBE, 1999). In the post-independence period the number of educational institutions increased substantially. Seventy percent of these were focused on general education, while about 20% were professional and technical schools. The Ministry of Human Resource Development estimates show that in 1998 there were 5.65 million students enrolled in the Arts, Sciences and Commerce compared to 1.65 million in 1971, nearly a 3.5-fold increase.

3. India in a globalising economy

3.1 The political context of macro-economic reforms (1991-2005)

The growth of regional parties is an important contextual factor to understand the liberalisation, privatisation and globalisation (LPG) process in India. While regional parties have governed in several states since 1967, the influence of regional parties in national politics is a phenomenon that started in the mid-eighties and had established itself as a trend in the nineties. In 1991, following the assassination of Prime Minister Rajiv Gandhi, a coalition of parties formed the Union Government that lasted a whole term.³ Successive general elections in 1996, 1999 and 2004 indicate that the phenomenon of multi-party coalition governments is likely to be the rule rather than the exception. The formation of coalition governments and the influence of new 'backward' caste and scheduled caste parties create an altogether new context for policy making and planning. The 'gradualist' approach to liberalisation and privatisation may be partly attributed to this new context of governance wherein the compulsions for reform are tempered by the need to maintain consensus, social cohesion and stability.

The imperative of consensus building is evident in the current coalition Government of the Congress Party and the CPM (Communist Party Marxist) and CPI (Communist Party India). The political alliance between the Congress Party and the Left parties is fraught with conflicts and tensions on certain aspects of the economic reform process, but the parties share common ground in their opposition to the communal politics of the Hindu Nationalist Party (BJP). It should be noted here that the Congress and the Left parties are in agreement about the

³ The three brief periods of coalition governments include the 1991 coalition government led by the Congress Party, and coalition governments in 1977 and 1989 led by the Janata Party.

need for economic liberalisation and foreign direct investment. Disagreements are related to the pace of the reforms; the sectors to be open to Foreign Direct Investment (FDI); and to the maintenance of protective legislations including labour and environmental laws that are beneficial to the working class and the poor. The tactical alliance of the Congress Party, Left and other secular parties to ensure that the BJP does not gain national power has produced a negotiated stance on liberalisation, privatisation and globalisation reforms.

The BJP's media campaign 'India Shining', and the subsequent spectacular electoral defeat following it has led the current government to scale back on LPG reforms and pay attention to issues of equality and social exclusion. During its tenure from 1999 to 2004, the BJP-led National Democratic Alliance (NDA) was quick to privatise well-functioning public sector industries (often selling them for a song), change labour laws that made it easier for private companies to demobilise unions and hire on temporary contracts, and to promote export-oriented production in agriculture. During the tenure of the NDA government, the package of structural adjustment reforms of state divestment and market-led growth were more readily embraced. Growth rates during this period increased and the balance of payments situation also improved radically.

In 2000, India was hailed as the success story for its high growth rate at a time when other developing economies were stagnating or declining. However, within the country poverty and inequality were steadily increasing, particularly in the agricultural and unorganised sectors that employ a majority of the population. The agricultural sector was treated in a cavalier manner with no attention to rural credit facilities, while at the same time encouraging expensive cash crop cultivation for export and suspending agricultural subsidies. Among the most tragic outcomes of the NDA's economic policies was the shocking number of 'farmer suicides', most prevalent in states that were hailed as the 'new globalisers', namely, Andhra Pradesh, Karnataka and Maharashtra (Frontline, 2004; Sainath, 2004; Vakulabaranam, 2005). Denying the ground reality of rising poverty and hunger, the BJP's media blitz showed prosperous farmers and smiling school children. According to election analysts, the hype of a shining India backfired on the Government in the elections held shortly thereafter.

The BJP's economic policies no doubt played a critical role in its fall from power, but it also received much condemnation for the New Curriculum Framework (NCF) it introduced in 2000. The NCF proposed to 'Indianise, nationalise and spiritualise' the school curriculum and purge all 'foreign elements' from school textbooks. The 'foreign elements' referred not just to British colonial rule but also to Mughal rule in India. The curriculum framework was a thinly disguised presentation of its own party ideology of Hindu nationalism and would have undone the secular principles of the Indian constitution. The brazen abuse of state power to infuse education with religious ideology was an unprecedented event in Indian politics and was seen as a serious threat to pluralism and secularism. In this ten year period, from 1994 to 2004, the rise and fall of the BJP taught an important lesson to secular political parties, that growth, equality and social cohesion were interconnected and policies that address all three objectives are important to India's success. The lesson learnt was that if economic polarisation continues unchecked, the poor will be vulnerable to cynical manipulation by political parties that will result in communal, caste and/or class conflicts, and a breakdown of social cohesion and political instability, which inevitably will obstruct economic growth and foreign investment. Democracy, secularism and social cohesion are no longer taken for granted and are seen as

integral aspects of a balanced reform process.

Here, it is important to note the role of progressive civil society organisations, intellectuals and the media in investigating, documenting and reporting the impact of reforms on the poor and disadvantaged and mobilising public opinion towards a policy of moderation and social protection. A strong and vigilant civil society and media have influenced the nature and pace of reforms and have forced the Government to be responsive to public opinion, admittedly to a limited extent. In the speech cited at the start of this chapter, Prime Minister Manmohan Singh is explicit about the new approach to economic liberalisation and the lessons of the 2004 elections that brought his party to power:

In a world in which information flows are unfettered, growth processes in which some are seen to benefit while others are excluded are not viable. This is particularly sensitive in a democratic polity in which public dissatisfaction can be quickly converted into electoral defeat. This is indeed the message of the recent elections in India. They were not, as some have said, a vote against reforms. They were a vote against a process of reform that was seen to be unbalanced, a process which neglected the needs of our rural areas and the agricultural economy (Singh, 2004).

'Globalisation with a human face' and 'secular India' are the slogans of the new UPA government. One of the first acts of the new Congress-Left coalition government was to develop a Common Minimum Programme (CMP) that brought the focus back to basic development objectives of access to basic education, health care, employment and food security. Investment in quality elementary education features in the CMP as does the promise to fulfil the 1968 Kothari Commission recommendation of an education budget of 6% of GDP. In the most recent budget, allocations are 4% of GDP, a marginal increase from the average of 3.5% in previous plan periods. To raise additional funds, the United Progressive Alliance (UPA) government announced a 2% 'education cess' (levy) on income tax and all duties that is expected to raise over Rs. 400 million annually to meet the goal of universal elementary education.

In August 2005, the UPA government passed the Rural Employment Guarantee Act (REGA) that commits a maximum of 100 days of work to one member of a rural household. The Act also provides that rural workers under this scheme must be paid at least the state's minimum wage. To ensure that rural women also receive the benefits of employment guarantee, the Act states that at least one third of those employed under this scheme should be women. The REGA is seen as a corrective to the poverty and immiseration of rural households as a consequence of a decade of trade liberalisation policies. While social movement actors are pleased to wrest some measure of public welfare from the government in these times, there is also wide scepticism whether this Act will sufficiently counter the extent of poverty and unemployment gripping the rural areas.

The trade liberalisation policies of the Indian government have followed the standard prescriptions designed to increase exports and attract foreign capital. These include lowering tariffs and duties on imports and exports, liberalising foreign exchange controls, and ending domestic monopoly on goods and services to encourage private investment, including foreign investment. In addition, to reduce fiscal deficits, massive cuts were introduced in public sector employment and social sector spending. Agricultural subsidies were prioritised for cash crop

cultivation and the public distribution system that distributed essential commodities to urban and rural households was limited to households below the poverty line. The education ‘cess’ and the REGA are clearly directed at addressing the fallout of liberalisation and privatisation policies of the previous government.

Public sector industries, including iron and steel, heavy plant and machinery, telecommunications and telecom equipment, minerals, oil, mining, air transport services and electricity generation and distribution, have been liberalised and opened to foreign investment. Only three sectors – defence aircrafts and warships, atomic energy generation, and railway transport – remain public industries. Quantitative restrictions on imports of manufactured consumer goods and agricultural products were removed in 2001. Banking and insurance sectors remain protected sectors though there is pressure from the World Trade Organisation (WTO) to open these to foreign investment. Also the buying and selling of agricultural land by multinational agro-companies is not permitted under the law. Most importantly, reforms have attempted to tackle the ‘permit-license-quota’ Raj that is seen as a major deterrent against domestic and foreign enterprise. Reforms have cut bureaucratic red tape and drastically reduced the time it takes from the proposal to the approval stage of a project with efforts to institute a ‘single window’ process for projects. The government is promoting computerisation of records and transactions as a way to improve efficiency and combat graft and bribes by government officials.

3.2 The problem of two Indias

In his speech to the nation in 2000, Dr. KR Narayan, India’s president from 1997-2002, described the contradictions of globalisation for Indian society:

We have one of the world’s largest reservoirs of technical personnel, but also the world’s largest number of illiterates; the world’s largest middle class, but also the largest number of people below the poverty line, and the largest number of children suffering from malnutrition. Our giant factories rise from out of squalor; our satellites shoot up from the midst of the hovels of the poor... Tragically, the growth in our economy has not been uniform. It has been accompanied by great regional and social inequalities... The unabashed, vulgar indulgence in conspicuous consumption by the nouveau-riche has left the underclass seething in frustration. One half of our society guzzles aerated beverages while the other has to make do with palmfuls of muddied water. Our three way fast-lane of liberalisation, privatisation and globalisation must provide safe pedestrian crossings for the unempowered India also so that it too can move towards ‘Equality of Status and Opportunity’ (K. R. Narayan, 2000, cited in Dutta, 2004).

The concerns expressed by the late President K. R. Narayan are shared by sections of the intelligentsia, the non-governmental organisation (NGO) sector and Left political parties. Instituting welfare and equity oriented measures without stifling economic growth is the stated position of the present Congress-led UPA government. Growth with equality and social welfare is not an entirely new perspective and reflects the dominant economic thinking of the pre-reform period as well. National political events of the two decades of reform from 1991 to 2004 appear to have convinced political parties of the utility of a ‘growth with equity’ approach to economic liberalisation.

3.2.1 Impact of reforms on economic growth 1991-2004

Economic liberalisation was effective in resolving the country's balance of payments crisis in a relatively short period of time. By 1994, the foreign exchange reserves increased to a modest level, the account deficit was no longer an issue and the trade deficit was reduced (Wadhva, 2004). The fiscal deficit was reduced from 8.3% in 1991 to 6.1% of GDP in 1997. Foreign exchange reserves increased from 2.5% in 1991 to 7% of GDP in 1997, and inflation was reduced from 10.3% to 8.3% during this period. Foreign-exchange reserves peaked at US\$80 billion in June 2003 (Wadhva, 2004). GDP per capita is still low at \$487, compared to \$989 in China, but the general consensus is that the reforms have enabled the Indian economy to finally surpass the 3-3.5% 'Hindu rate of growth' rate, the average in the pre-reform period (World Bank, 2002c), with growth for 1990-2000 at 4%.

However, according to Chandrasekhar and Ghosh (2002), a closer examination of GDP growth rates shows a mixed picture. They examine yearly data on growth rates in the late 1980s when liberalisation was slow paced and did not include cuts in public spending, and show that a growth rate of more than 7% had been achieved during this period. Their data suggest that cautious and slow paced macro-economic reforms can fulfil growth and equality objectives. Further, they argue that the more deep and rapid nature of reforms has stalled the growth rate at 6% in the late 1990s. The annual growth rate between 1991 and 2001 shows that while the economy grew at an impressive 6.7 percent in the first five years after the reforms, it slowed down to 5.4 percent in the next five years (Ahluwalia, 2004). Table 3.2 confirms Chandrasekhar and Ghosh's claim of a mixed picture and shows that it is difficult to distinguish between the pre-reform period and the post reform period on the basis of GDP growth. Both periods are characterised by years of high growth, modest growth and low growth.

Table 3.2 GDP Growth (Annual %) 1970 – 2003, India

Year	GDP
1970	5.17
1975	9.16
1980	6.60
1985	5.62
1990	5.80
1991	0.90
1993	4.80
	Post-reform period
1995	7.64
1997	4.47
2000	3.94
2002	4.10
2003	8.60

Source: World Development Indicators, World Bank, 2005d

FDI showed a modest increase to 0.39% of GDP in 1997 from almost nil before the reform period (never more than 0.04% of GDP). There is pressure to improve the investment climate for FDI by making labour laws more flexible, lowering tariffs to more competitive levels, and controlling corruption. Ghosh (2004a) points out that the size of Indian workers' remittances from abroad is three times the revenue from FDI and is typically ignored as an important source of investment capital.

Almost 70% of the total employment opportunities generated over the next ten years are expected to be in the service sector (World Bank, 2005d). The exponential growth of IT related services and, to a more limited extent, hospitality services are the main reasons for the rapid growth of the service sector in the last decade. This trend is of concern because a majority of India's workforce is in the agricultural sector. India's labour force by occupation is 60% in agriculture, 23% in services and 17% in industry (GoI, 2002). As Table 3.3 below shows the agricultural sector's share in GDP is in inverse proportion to the number of people employed in this sector and its share in GDP has only declined since liberalisation.

Table 3.3 Share in Gross Domestic Product by Sector, India

Sector	As Percentage of GDP	
	1984	2004
Agriculture	35.2	21.2
Industrial	26.2	27
Manufacturing	16.1	16.1
Service	38.7	51.7

Source: Ahluwalia, 2004.

3.2.2 Impact of reforms on poverty and inequality 1991-2004

Poverty rates based on the national poverty line show only a slight decline from 38% to 36% but the World Bank's calculation of the percentage of total population who live under \$1 a day is 44.2%, that is, 433 million Indians (World Bank, 2005). Inequality data in the post-reform period shows that consumption gaps have increased. As Table 3.4 shows, the rates of growth of expenditure among the poorest have been much less than the rates of growth among the richest, indicating a widening of the gap in expenditure. Consumption expenditures of the top 20% of the urban population have increased by roughly 40% since 1989-90 and the consumption expenditures of the top 20% in the rural areas have increased by 20% in the same period. These figures are likely to be higher if one accounts for the underestimation and underreporting of consumption typical among higher income groups. This segment represents the 'Great Indian Middle Class' and symbolises the new 'global' India.. The bottom 40% of the urban population shows a relatively modest increase in per capita expenditure in consumption of approximately 14 % since 1989-90 (Sen and Himanshu, 2004).

Table 3.4 Comparable Rates of Growth of Fractile Specific Real Monthly Per Capita Consumption Expenditure, Rural and Urban, India

	Rural			Urban		
	Bottom 40%	Next 40%	Top 20%	Bottom 40%	Next 40%	Top 20%
1977-78 to 1987-88	1.43	1.16	0.01	1.53	1.31	1.57
1986-87 to 1995-96	1.54	0.67	0.65	1.29	1.21	1.37
1987-88 to 1999-2000	0.78	0.73	1.41	1.02	1.48	2.88
1989-90 to 2000-01	0.21	0.24	1.76	1.03	1.87	3.22

Source: Sen and Himanshu, 2004

NB: Economists in India use rates of per capita consumption rather than per capita income as more reliable estimates of inequality.

Additional studies on consumption patterns show that for the bottom 80% of the rural population, nearly 600 million people, per capita food consumption has actually declined since 1989-90. Their consumption is lower than what it was more than ten years ago (Deaton and Dreze, 2002; Patnaik, 2003).). The decline in consumption and increase in malnutrition of the population is attributed to the decline in food crop production, especially the negative growth in production of coarse cereals and pulses that are the staple diet of the poor (Deaton and Dreze, 2002). Inequality research in the post reform period also shows that the incidence of rural poverty is higher than urban poverty, but the increase in urban inequality is more dramatic than the increase in rural inequality (Jha, 2004).

According to proponents of 'Kuznets curve' (see Introduction) inequality is expected to increase in the early phase of economic liberalisation, but Deaton and Dreze (2002) argue that this is not a short term trend and point to China's inability to control rising inequality even after more than twenty years of market reforms.

Unemployment

The absolute numbers of unemployed have increased from 22% in 1992 to 30% in 2002 (World Bank, 2004a). The official figure of 9.2% (GoI, 2004) accounts for only those registered with employment exchanges. The gap between daily status unemployment rate and usual status unemployment rate has increased with the second significantly higher than the first. This indicates an increase in casual and short-term employment among the labour force. Youth self-employment rates (15-24 years) show a substantial increase and may be the combined effect of the decline in organised sector jobs and the government's new policy of special loans for youth for micro-enterprises.

Interstate disparities

The disparity between 'forward' states and 'backward' states, that is, states whose state domestic product (SDP) is above the national average and states with SDP significantly below the national average, has increased in the reform period as indicated by the Gini coefficient

measuring inter-state inequality. In a widely cited paper, India’s Finance Minister Ahluwalia (2000) shows that the coefficient measuring inter-state inequality registers a sharp upward trend in the 1990s that contrasts with the fairly stable trend during much of the 1980s (see Table 3.5).

Table 3.5 Gini Coefficient for Inter-state Inequality, India

Year	Gini Coefficient
1980 – 81	0.152
1989 – 90	0.171
1991 – 92	0.175
1994 – 95	0.214
1997 – 98	0.225

Source: Ahluwalia, 2000

Compared to changes in the SDP of the 14 major states, the inequality measure does not yield a simple picture of rich states growing richer and poor states becoming poorer. Rather, inter-state inequality in the liberalisation period appears to have a stronger correlation with education, infrastructure and openness of the state economy wherein states with higher SDP growth in the 1990s and after also tend to be states with higher quotients of an educated population, better infrastructure and more openness to private investment. For instance, Punjab and Haryana, states with consistently high SDP in the pre-reform period register a decline in the post-reform period. These states rely largely on agriculture and were successful ‘green revolution’ states in the 1970s but are at a comparative disadvantage in the shift toward a service sector economy in the post-reform period. However, there are curious anomalies too that suggest a more complex configuration of factors involved in generating high SDP rates in the post-reform period. For instance, Karnataka and Andhra Pradesh (Table 3.6), two states that are at the centre of the IT revolution, show SDP rates below the national average in the post reform period! The specifics of the IT revolution discussed in the following section yield some answers that help explain this anomaly, but more research is required to generate a more a robust understanding of factors involved in growth and inequality among states in the reform period.

Table 3.6 Growth of Per Capita State Domestic Product, 1993/4 – 1997/8, India

‘Forward’ States	Per capita growth rate of SDP
Andhra Pradesh	2.40
Tamil Nadu	4.47
Kerala	3.79
Karnataka	3.42
West Bengal	5.45
Gujarat	7.62
Maharashtra	3.90
All India	3.87

Source: Ahluwalia, 2000.

3.2.3 Impact of reforms on education equality

Educational participation

Gross enrolment ratios in primary and secondary education improved significantly from the pre-reform period. However, retention and levels of learning remain a significant issue. The Approach Paper to the Tenth Plan (2002–2007) states that: 'Out of approximately 200 million children in the age group 6-14 years, only 120 million are in school and net attendance at the primary level is only 66 per cent of enrolment.' Of the 80 million children in the 6–14 age group who are either out of school or enrolled but not attending school, about 60% are girls.

Literacy

Support for basic adult education programmes has declined over the last decade with priority being given to school education. This policy gap is unwise given that 62% of women between the ages of 15-35 are illiterate (GoI, 2002). The northern Hindi-belt states continue to have lower literacy rates compared to the rest of the country. Collectively termed BIMARU states⁴, reforms appear to have had little impact on their low growth rate and poor social indicators. Table 3.7 provides a comparative picture of literacy rates by gender in selected states. Lower levels of literacy overall and greater gaps between females and males are apparent in the northern ('backward') states of Bihar and Rajasthan compared to the southern states of Tamil Nadu and Kerala.

Table 3.7 Gender Disparity in Literacy in Four States of India

State	Female (%)	Male (%)
Bihar	34	60
Rajasthan	44	77
Tamil Nadu	64	82
Kerala	88	94

Source: Government of India, 2001.

4. Globalisation's success story: India's IT sector

4.1 The growth of the IT sector: the role of education

The growth of the Indian economy is mainly attributable to the incredible take-off of the IT sector in the 1990s. The IT industry is a \$10 billion sector, one third of which is hardware and two thirds software manufacturing and services. Growth in revenue rose from \$25 million in 1985 to \$6.4 billion in 2001 to \$12 billion in 2004. Industry analysts project that by 2009 Indian IT and IT related services revenue earnings would touch \$50 billion (NASSCOM,

⁴ BIMARU states are Bihar, MP, Rajasthan and UP and is a pun on the Hindi word 'bimar' that translates as sick or ill.

2002). In 2002, the IT sector accounted for 2% of GDP and is expected to grow to 6-8% of GDP by the end of the decade. The global IT industry employs 16% of Indians and exports mostly to US and Canada (62%), Europe (24%) and Japan (only 4%).

It has been argued that the absence of state intervention is an important reason for the remarkable take-off of the IT sector. A second important reason is timing and comparative advantage. The argument here is that there was readily available high skilled, low wage labour in the country that could take advantage of the information technology revolution in the late 1980s and early 1990s. Other countries such as South Korea and Taiwan that had an available skill base had invested their human capital in industrial development. In India, industrial development was low and large numbers of university graduates directed themselves to the service sector. Third, IT work, even when low skilled and routine, is seen as 'clean' work. Finally, the role of the diaspora is seen as having played a very significant role in the IT success story.

Kapur (2002) and others argue that the role of the state is more complex. They point to two main areas where the state played a decisive role in the growth of the IT sector. One is the state's flexible policies and fiscal support to encourage private engineering colleges, and second, is the state owned R&D centres in defence, power, and basic science and technology. It is noteworthy that a significant proportion of R&D centers are located in the 'hi-tech' cities of Bangalore, Hyderabad, Pune, and Chennai. The early phase of state funded development in infrastructure and expertise played an important role in the growth of the IT sector. Educational resources became concentrated in these cities giving them a regional advantage (Saxenian, 1994). Promotional policies such as tax breaks and investing in the IT domestic market came at a later phase when the industry grew.

The expansion of the service sector is seen as finally breaking free of the conventional trade patterns that govern poor countries. Poor countries usually focus on agricultural exports and the low revenues make it difficult for countries to diversify exports into industrial and service goods. Moreover, IT services depend primarily on human capital and need relatively modest financial investments to start up. There is, furthermore, potential for growth into other technology areas such as pharmaceuticals, media and entertainment and bioinformatics.

IT as the poster child of liberalisation has created a shift in public perception about 'brain drain' which is now seen to have benefited the country's economic growth in the long run. Migration of skilled workers, especially in the IT sector, is seen to play an instrumental role in terms of building familiarity with the Indian labour market among foreign firms, creating new possibilities for collaborative ventures, and contributing directly to foreign exchange through worker remittances. Recent studies on the transnational nature of IT and IT-related industries point to a reverse pattern of brain gain. The reverse flow, it is argued, could not have happened without the early decades of brain drain that created an émigré population who had capital to invest, knowledge and social contacts in the international market and greater aptitude for innovations (Balasubramanyam, 1997). Khadria (2001), on the other hand, argues that brain drain remains a valid concept given that most of the software labour and professional students living abroad as temporary migrants offer substantial growth related benefits to the host country. According to him, 'the location of skilled labour', whether temporary or permanent is 'an important determinant of national development in the twenty-first century' (2001: 5).

4.2 Skills and qualifications in the IT sector

The Indian IT labour market is geared toward low-skill and low-wage competition with high-end IT tasks mostly carried out in developed economies (D'Costa, 2003). Indian workers recruited to work either on the client's site or off-shore (in India) are mostly engaged in tedious, uncreative and lower-end tasks such as programming, testing, debugging and maintaining systems. Government incentives to make units 100% export-oriented has resulted in an over emphasis on low-wage, low-end skills because this is where India's comparative advantage lies. While this sector's share of export earnings has grown exponentially (16.3% of total exports in 2003) revenue per employee remains low compared to countries such as Israel and Ireland (D'Costa, 2003).

Most of the leading firms recruit either engineers or students with degrees in mathematics or science. A research study conducted in 1999 reveals that 80% of the software professionals employed had engineering degrees, while 12% had diplomas from private training institutes. Virtually all firms in the study found it difficult to retain talented professionals. A very large fraction of the over one hundred firms surveyed mention employee turnover and difficulty in attracting suitable employees as a major problem. The migration of experienced professionals abroad is identified as one of the main reasons the domestic market is constrained. Despite the number of private engineering colleges, now approximately 1,200, the industry anticipates a severe shortage of skilled IT workers in the next three years (NASSCOM, 2002). To strengthen the domestic market and increase the supply of software professionals, a number of public sector and industry initiatives have been announced but these may still not match the supply gap in a timely manner.

While in the high skilled software sector there is a relatively good matching of skills supply and demand, the scenario is very different in the low skills, IT-related service sector. The sector comprises services such as transcription, back office data- processing, call centres for air line reservations, credit and banking services and insurance claims processing. It is a rapidly growing export sector with revenues of \$1.5 billion in 2000-1 (from \$231 million in 1998) and estimated at 19% of total software exports in 2001-2. The number employed in the business process outsourcing (BPO) sector is estimated to be 400,000 and is expected to cross 1.2 million in 2008 (NASSCOM, 2002). Per employee revenue is low and these are dead-end jobs with low skill requirements. Most of the workers recruited by the BPO industry are either in college or are college graduates from metropolitan cities. Middle and upper middle class students from the top city colleges are able to do the job with a few weeks training in data entry and accent but college graduates without sufficient English language skills are unable to access this job market. In an interview with Economic Times (2004), Mr. Roy, the Chairman of Wipro Spectramind, one of the largest BPO outsourcing firms in Bangalore, said that while there is more than adequate supply of college graduates for these jobs, very few are hired because of the mismatch in skills:

Out of every 100 we interview, we hire 10 or 11..... [T]hese are highly-educated people with degrees like MBAs who are actually under-employed... I could hire 3,000 people now if they met our needs.

According to Roy, the company has to step in to train people to use many skills, including understanding how credit cards are used and US accounting standards: ‘Our biggest expense is on training’ (*Economic Times*, 2004). According to the director of the All India Council on Technical Education (AICTE), Damodar Acharya, only 40% of the 500,000 students graduating from the country’s engineering colleges are ‘employable’ (Hindu, 2005b).

Workers in the outsourcing industry are in an elite category, earning in one month as much as the average annual per capita income of around \$450 dollars. Excluded from jobs in this sector are working class and lower middle class college graduates whose English communication skills do not meet the standards set by employers. The demand for English communication skills and accent training has led to an explosive growth of English coaching class in cities and large towns, concentrated in and around the IT cities but not limited to these. Little is known about the quality of teaching, teaching faculty, certification requirements, and fee structure of the coaching classes or the employment prospects of their graduates.

4.3 The IT sector and the problem of inclusive development

The growth of the IT sector is an anomaly that is best explained by the uneven development of the higher education sector (D’Costa, 2003; Khadria, 2001). The majority of software revenue comes from three southern states of Andhra Pradesh, Karnataka and Tamil Nadu, while the southwestern states of Gujarat and Maharashtra are a close second. The three southern states account for nearly half of all degree and diploma granting technical institutions and are the main suppliers of software professionals. All the IITs combined contribute only 3% of the workforce for the software industry (D’Costa, 2003). This regional imbalance is a result of policies in the Southern states that invested considerably more in tertiary education at an early stage and introduced flexible rules to encourage private sector initiatives in higher education. Most of these states also have a better record of primary education, contributing to overall development of human capital in those states (Dreze and Sen, 1995). The educational momentum gained gives them an advantage over other states. The success of the IT sector has created an extremely small highly mobile class of elites, what Friedman has termed ‘super-empowered individuals’, who through informal and formal channels influence economic policy at the highest levels. Dreze and Sen (1995) caution that economic policies that concentrate for the most part on developing software exports and the technology service sector will not help overcome the marginalisation of vast sections of society. The challenge is to develop policies that will moderate this unbalanced growth and create conditions for overall economic growth and inclusive development (D’Costa, 2003; Kapur, 2002; Khadria, 2001):

There are development lessons to be learned from the Indian experience. Global integration has been beneficial to the Indian software sector but it does not mean that other sectors will necessarily experience the same. It is imperative that the state acts in the same aggressive fashion in other less glamorous areas to minimise the fallout from uneven development (D’Costa, 2003: 2).

The selective growth of the IT sector in a few urban pockets has exacerbated rural-urban inequalities, and produced divisions between the southern states and the northern states.

The Government has initiated the use of information technology in the rural population but this has been limited to electronic services such as computerised land records, birth and death records and so forth. However, IT-related service provision is not expected to contribute to rural economic growth since there is no scope to integrate the rural sector into IT product manufacturing or delivery. In order to reduce these disparities D'Costa (2003) and Khadria (2001) recommend that the wealth produced by the IT sector be invested in improving education, health, employment and infrastructure development in rural areas instead of the current focus on investing in IT businesses in the metropolitan centres.

Khadria (2001) argues that improved education, health and employment in the rural areas will raise rural productivity which will have a positive impact on wages and employment in the urban areas and stem the migration of skilled human capital in the IT and technology sectors to foreign countries. D'Costa (2003) makes a similar proposal for direct distributive measures and resource transfers to the poor and landless to eradicate poverty and ill-health and illiteracy and indirect macro-economic measures that foster economic growth in other sectors. He states that this need not be at the expense of growth and global integration of the software sector. The high growth of the IT sector should be complemented by comprehensive state reforms and investment to increase organisational and technological capability, skill levels, incomes and wages in other sectors, with a concerted focus on the rural economy. Otherwise pronounced imbalances generated by the high growth of the software sector in a structurally weak economy will lead to intense social and political polarisation of the population and foster conditions of conflict. The studies also caution that India's development strategy cannot depend on narrow export specialisation based on low value services and strategies are needed to position India's software industry more productively in the international division of labour.

5. Globalisation and education: policy issues and proposals

Globalisation has not only intensified competition between nations on economic targets such as trade and foreign direct investment but has also led to greater scrutiny and comparison between nations on social development indicators such as child mortality, literacy and education, poverty and income inequality, access to housing, drinking water and so forth. Comparisons with China and East Asian economies on indicators of poverty, literacy and education are commonplace in policy, media and academic discourse today. Recent writings by economists and political scientists are noteworthy for their careful consideration of the ills of the Indian education system and analysis of its role in social and economic development. Research by Indian economists on education *per se*, and its role in national development, has been scarce. The domestic corporate sector has also become a vocal advocate for increasing expenditure for elementary education. Written by leading industrialists in the country, the Birla-Ambani report (as it is popularly known) affirms the new wisdom:

We have to fundamentally change our mindset – from seeing education as a component of social development to realising that it is a means of creating a new information society, resplendent with knowledge, research, creativity and innovation. It is not a social expenditure but an investment in India's future. The education opportunity before us is right, so funds have to be made available under any circumstances. Neglect of education will turn out to be India's nemesis (Prime Minister's Council on Trade and Industry, 2002).

Achieving universal elementary education is expected to raise productivity and incomes and strengthen the domestic market, which the private sector sees as a condition for continued economic growth. The most extensive reform of school education is taking place through a national programme called Sarva Siksha Abhiyan (SSA or Education for All) that is discussed below. The SSA is committed to ensuring that children of all ages receive an education, including overage and underage children, dropouts, and difficult to reach children. SSA is therefore a more ambitious and demanding programme where the commitment is that all persons – child, youth and adult – should be able to benefit from education.

Wide-ranging reforms have been proposed in the higher education sector as well. The tenth plan by the University Grants Commission (UGC), an autonomous state body that regulates higher education, provides a detailed overview of reforms to improve quality of higher education that will allow public universities and colleges to be internationally competitive. These include performance-based grants, course credit systems and a ‘cafeteria approach’ that gives students greater flexibility and choice of courses, as well as a one year ‘utility oriented diploma/certificate’ that students can complete along with their general education degree of three years. Improvements in course content, the use of Information and Communications Technology (ICT) in teaching and the management of higher education, and support for professional development of faculty and administrators are among the several reforms to upgrade university education. Unlike the SSA campaign for universal elementary education, the UGC Tenth Plan (2002-7) explicitly justifies reforms and increases in public and private sector investment to meet the challenges of globalisation:

The world will be looking for trained persons in all basic fields with a sound knowledge base in their core discipline and with the ability to adapt to new demands. The universalisation of the job market and the acceptance of Indian skills at a global level have opened up opportunities for the creation of new jobs internally. Moreover, the service sector, which is on the rise, requires trained human power at various levels. Globalisation has thus spurred the demand for quality in education as well as increased the numbers of those wanting such education. There is need to create more opportunities for better education for a large number of students who want to be a part of the new economy revolution (University Grants Commission, 2002).

By contrast, the policy discussion on universal elementary education emphasises the intrinsic value of basic education for overall human development. There are positive externalities to elementary education, through improved health, lower infant mortality rates, and enhanced opportunities participation in public life. These are of intrinsic value to a society and therefore basic education must be treated as a non-negotiable right of all people (Sen, 1999, 2005). However, there is growing concern that the focus on basic education is too limited in the current economic scenario and does not adequately consider the education and skill requirements to enhance productivity and incomes in a changing economy. The emerging scenario is one where reforms in the higher education sector are likely to be better coordinated with economic opportunities while the basic education sector remains poorly linked to opportunities for economic and social mobility. The implications of this disjuncture are extremely significant given that higher education serves a relatively small section of the population while the majority of the population are expected to access only basic education.

This issue is discussed in more detail in a subsequent section (6.0) on the relevance of post-secondary education for equality and growth in the new economy. The remainder of this section examines the strengths and limitations of policy reforms that have acquired salience in the context of globalisation.

5.1 EFA and universal elementary education

The optimism reflected in the constitutional directive of 'free and compulsory education up to the age of 14' remains a distant dream after almost six decades of education planning and investment. Neighbouring countries such as Sri Lanka, Malaysia and Thailand, with comparable resources to India, have managed to match the performance of developed countries in this sphere. The ability to attract markets and foreign investment is seen as severely constrained because of a largely illiterate or semi-literate population.

Enrolment increased significantly during the 1990s, and a 100% gross enrolment rate in primary education was achieved in 2003. Scholars have questioned the data on gross enrolment rates and say micro-studies in specific states and districts do not bear this out (Dreze and Sen, 2005; Kingdon, 2002). Regardless, the official position is that universal access to primary school is more or less assured and targets are being met. But official data also shows high drop-out rates, low levels of learning and achievement, inadequate school infrastructure, high rates of teacher absenteeism and large number of teacher vacancies are endemic problems in government schools in comparison to private aided and unaided schools.

The government launched the SSA campaign in 2001 as a comprehensive mission to transform the primary school sector through introducing institutional, administrative, fiscal and curricular reforms. The objective of the SSA is to provide quality and useful education for all children and close gender and social gaps. The campaign also includes special programmes and provisions such as the Alternative and Innovative Education (AIE) scheme, the Education Guarantee Scheme and bridge schools to reach out to child workers, migrant children, street children, children in remote habitations and other typically excluded populations. The goal is universal retention by 2010. The central government proposes to work in coordination with state governments and local communities. Some of the unique features of the reform are community based planning where the habitation will serve as the unit of planning, ensuring a sustainable financial partnership between the central and state governments, and a focus on minorities.

The Central government has increased allocations for elementary education to ensure the success of this campaign. The 2% education 'cess' that is expected to generate Rs. 400 million per year will also be used to fund the SSA. The budgetary commitment for SSA from the central government is a departure from previous reform efforts that relied on state and/or donor agencies to provide most of the budget that did not allow for large scale and sustainable reform. Further, allocations will be made only after each district submits a District Elementary Education Plan that outlines 'all investments being made in the education sector, with a holistic and convergent approach' (GOI, 2004).

Early studies indicate that states are rushing to achieve enrolment targets but providing substandard education in the process. States are hiring para teachers or education volunteers on a contract basis who are not certified teachers and are paid a modest honorarium. The concept of a para teacher or education volunteer was initially proposed as an aide to the regular teacher in single teacher schools. Official data shows that the trend is to hire para teachers or part time teachers in place of regular full time teachers (Govinda and Josephine, 2005). Thus a proposal that was put in place to mitigate the high student-teacher ratio and to provide support for single teacher schools in rural areas, is being misused to cut costs. In part, the severe resource constraints faced especially by backward and already poor states such as Uttar Pradesh, Bihar and Orissa press them to adopt cost cutting measures to fulfil enrolment targets. As a result any levelling off in achievements of educationally backward states (clustered in the north) and the educationally forward states (clustered in the south) are likely to be superficial and transitory.

Dreze and Sen (2005) document that though percentage growth rates in recurring expenditures such as teacher's salaries have risen through the decades, in real terms the percentage expansion of number of teachers has actually fallen and shows no signs of reversing despite the recent budget increases to elementary education. The policies of the advanced Asian economies are instructive here. Their teacher-pupil ratios, at 40 plus in primary education, were as high as those of other developing countries. Yet the levels of achievement of school children in the advanced Asian economies have been very high, comparable to those of children in Organisation for Economic Cooperation and Development (OECD) countries. According to Mingat (1998) the high levels of learning were achieved because teachers enjoyed a professional status and higher salaries relative to average incomes in those countries. The higher socio-economic status of teachers in these countries was reflected in higher teacher quality despite more pupils per teacher. Thus despite the renewed emphasis of the Indian government on achieving universal primary education, the tendency to compromise on critical aspects such as hiring qualified teachers at regular salaries is likely to jeopardise the fundamental objective of comprehensive and quality primary education provision for all.

5.2.1 Decentralisation of education

A constitutional amendment in 1993 gave extensive decision-making powers to local communities over village development projects, including education and health services. The idea of village level governance is a radical reform aimed at deepening democratic participation while also reducing wastage and inefficiencies (example, absentee teachers on the state payroll). The high rates of enrolment and significant improvement in retention rates at the primary level are attributed to the success of this policy, particularly in Madhya Pradesh and Kerala where local governance has received exceptional state support (Ramachandran, 2004a; Mukundan and Bray, 2004).

Notwithstanding the success stories, the overall picture that emerges is a troubling one. Evaluation studies show that decentralisation has created an excessive bureaucracy at district and village levels and has increased incidents of corruption and elite capture of public resources (Vasavi, 2004)⁵. The ostensible goals of decentralisation and state devolution – to improve

⁵ Transparency International (2005), a non-profit organisation that monitors corruption in different countries has produced a damning report on the staggering amounts of corruption in the education sector in India. Their estimates of bribes paid for education services totaled Rs. 400 million per year, the same amount that the 2% education 'cess' is expected to raise! This figure does not include embezzlement and diversion of educational expenditure for non-educational purposes that also appear to be widespread problems in certain states.

accountability, transparency, efficiency and equality – may prove to be difficult to accomplish in a decentralised context, as we saw in the case of China (see Chapter 2), and may thus contrast with the successes of the more centralised systems of the East Asian tiger economies (see Chapter 1). Decentralisation demonstrates the state's willingness to share powers and typically adds to the political legitimacy of the state. Where decentralisation results in unchecked corruption and elite capture not only does it erode popular support for decentralisation but it also undermines the legitimacy of the state (Jhingran, 2004).

Dreze and Sen (2005) argue that the assumption that decentralisation results in local democracy is naïve and misplaced, particularly in the socio-economic context of an India characterised by sharp inequalities, feudal relations and community power structures that are deeply prejudicial towards women and low caste members. Mansuri and Rao's (2004) study of anti-poverty programmes in developing countries similarly concludes that local participation of affected groups is high in communities that are more homogenous and egalitarian.

Unfortunately, as they point out, participation by the poor is most needed in communities that are fractured by class/caste hierarchies and are ruled by elite politics. Similarly, in his study of decentralisation in economically less developed countries, Fiske (1996: 24) concludes that 'the impact of decentralisation [on spending for education] is as much a function of context and external economic and political conditions as it is a function of decentralisation itself'. For example, Narayana (2005) found that in Kerala the poor and the socially disadvantaged show high levels of participation in local governance while in Tamil Nadu socially disadvantaged groups are well represented in local decision-making but the poor are excluded. The benefits of decentralisation therefore cannot be realised without the support of effective social policies that address endemic poverty and hunger, social security, land redistribution, and gender and caste inequalities (Ramachandran and Saihjee, 2004).

5.3 Privatisation of education

While private unaided schools, primarily at the elementary level, have been on the rise since the eighties (see section 2.2.1), recent studies show that the number of private aided and unaided schools have exploded and has led to greater market segmentation and increased competition for access to quality education.

State governments have liberalised criteria and procedure for establishing private elementary schools though unaided secondary schools remains more tightly regulated. Schools have therefore grown up in an *ad hoc* manner and are of widely differing quality. There is an increase in private sector provision (mostly aided schools) in rural areas as well, that are of lower quality than private (aided and unaided) schools in the urban areas. Lower quality 'budget schools' cater to the urban and rural lower middle and working poor. Inadequate regulation by the state allows private (aided and unaided) schools to hire unqualified teachers at lower salaries with no job security. In addition to tuition fees, schools supplement their revenues through 'donations', hidden fees and extra charges for co-curricular activities.

Despite the differential quality and costs of private schools, public opinion appears to favour private schools. The government schools are simply written off as uniformly dreadful and only the very poor or parents in rural and remote areas where private schools may not exist send their children to the local government school. Enrolment rates in government schools are therefore in decline compared to enrolment rates in private schools. Studies show that poor families increasingly opt for private schools. However, this does not indicate higher incomes and affordability but rather a willingness to bear additional costs in the quest for quality (PROBE, 1999; De et al, 2002). The state policy of benign neglect of government schools and freely handing out licences to private schools is indicative of the implicit middle-class bias in education policy and the lack of commitment to universal elementary education. In the urban centres, competition for reputed schools is fierce and coaching classes that train three and five year olds for admission tests to private (aided and unaided) schools are common. The stress on students has increased dramatically to the extent that anxiety, depression and suicide among students due to uncompetitive marks in state examinations appears to be on the rise.

5.4 Language policy and inequality

The preference for English-medium schools is evident even among the working poor who are opting out of government schools that typically offer English as a subject only in Grade VI (though this varies by state). Instead they choose private aided schools that offer English as a subject from Grade I or English-medium schools that teach all subjects in English. Munshi and Rosenzweig's (2003) detailed study of returns to English language skills before the reform period and after shows that there is a dramatic increase in returns in the post-reform period. Their data on school choice and income for boys and girls show that for given years of schooling in 1980 men who had attended an English medium school earned 17% more than those who had visited a Marathi-medium school. In the post-reform era this gap rose to 22%. For women, the same figure rose from practically zero prior to reforms to 25% in the post-reform period. The ratio of upper class male to lower class male having been trained in the English language was 8 to 1; for women this ratio was about 15 to 1. Thus, differential access to English-medium schools in the post-reform period is likely to result in income inequality.

Studies show that students who have passed Grade 10 from government schools are often unable to read or write in English. The demand therefore from parents is that government schools should introduce the teaching of English language from Grade 1 so that English proficiency standards are on par with middle class students. Some state governments, such as Rajasthan, have responded to the pressure from parents and introduced English as a subject in Grade 1 in all government schools. The controversy over language policy in government schools and the poor proficiency of its graduates has become a national issue. The debate, however, is divided between the intelligentsia who claim changes in school policy will lead to the demise of regional languages and parents from poor and low caste backgrounds who claim that their children are being denied a fair chance in the new economy because of the government's language policy. The danger is that the issue will be polarised along caste lines. Meanwhile the growth of the service sector and the consequent demand for English proficiency has led to the unregulated growth of private coaching classes that focus on conversational English skills. The emphasis on rote learning and examinations has resulted in low proficiency not just in the English language but in regional languages as well.

5.5 Higher education

5.5.1 Regulating higher education

The number of colleges and universities across the country has risen from 565 and 25 in 1953 to 15,600 and 311 respectively in 2004. Simultaneously the number of students in higher education has risen from 230,000 to 9.28 million. India produces over 2.5 million university graduates per year. Approved engineering and management colleges number over 4,000 with an annual intake of 6.7 million students. Most of the growth in higher education institutions has been in the private sector. Growth of the private sector was slow in the 1980s compared to the increase in number of colleges in the last 15 years. Government aid to private institutions is as high as 45% of total expenditure for higher education in 1990-91 (Tilak, 2001). At present, there are more private unaided colleges than aided colleges by a large margin, and their exorbitant fees are a deterrent even to middle class students. A new category of engineering and management colleges called 'self-financing' colleges has come into operation in the Southern states. The growth of private investment in higher education shows that this sector is now seen as profitable business.

A troublesome trend that began in the 1980s is that politicians who hold elected office are also investors and part owners of private colleges causing a potential conflict of interest between those who are responsible for regulating the sector and those who profit from the lack of regulation. In response to writ petitions, the Supreme Court regulated the fee structure and the examination system and enforced the reservation policy for SC and ST students even in private unaided colleges. Also, private unaided colleges were required to maintain a certain quota for students on merit basis and admit them at reduced fees. These policies have become controversial and the Supreme Court recently ruled that private unaided engineering and medical colleges are not required to fulfil any government quota. According to a recent news report, Karnataka has 27 medical colleges of which 24 are private unaided, 39 dental colleges of which 38 are unaided, and 119 engineering colleges of which 107 are unaided (*Deccan Herald*, 2005). The ratio of aided to unaided colleges provides an indication of the potential impact of the recent Supreme Court ruling on students who have little option but to access private institutions. The Supreme Court ruling to not enforce 'quotas' in private institutions has led to student protests and is also opposed by the legislature.⁶

In 1997, the government recommended the reduction of state subsidies to 'non-merit' goods by 50%. In the list of merit and non-merit goods, secondary and post secondary education were classified as non-merit goods and elementary education as a merit good. This new classification as a 'non-merit' good marks a different understanding of the role of education from the pre-reform period in which higher education was seen as a public good. The rationale for this policy is that subsidies in higher education accrue primarily to the middle and higher income groups and are therefore an inefficient use of scarce resources, and secondly, private returns in this sector are higher than social returns. The macro-economic policies of liberalisation that

⁶ At the time of going to press, the Central government has proposed a draft bill that supports 27% reservation of seats in all centrally funded institutions of higher education for Other Backward Castes (OBCs) bringing the total percent age of seats reserved for minority groups to 49.5% (that includes the existing 22.5% reservation for Scheduled tribes and Scheduled castes). If passed, the new reservation bill will affect admissions in premier medical and engineering institutions in the country, including the prestigious IITs as well as premier universities such as Delhi University. The bill is supported by all political parties but is opposed by students, faculty and the corporate sector arguing that it will compromise excellence. At present, the government is revisiting the draft bill to satisfy all sides of the debate.

call for greater fiscal efficiency in state expenditures are used to justify the cuts in subsidies. Reduction in subsidies has been contested as inadequate and short-sighted. Both empirical and theoretical research illustrates that market imperfections and consumer ignorance make investment risky and private returns uncertain. Second, externalities are considerable in the form of human development and economic growth (Tilak, 1997; Levin, 1993). Cuts in public subsidies to higher education are coming at a time when the productivity of knowledge is seen as the primary basis for competitiveness in the international economy (Robertson et al, 2007; Marginson, 2000).

To ensure the competitiveness of higher education in a global market, the Indian government's proposal is one of targeted investments. Concerned that its star institutions will be unable to compete in the 'knowledge economy', the Tenth Plan proposes to invest in 25 universities across the country that have 'potential for excellence' (UGC, 2004). These universities, as well as colleges that have established a reputation for quality education, will have autonomy to develop their own curricula, conduct their own examinations and award joint degrees with affiliating universities. In many ways, this continues the elitist policy of post-independence India where a few institutions are nurtured to be the best rated institutions in the world while the rest offer substandard education.

5.5.2 Implications of GATS for the education sector

For the first time in the history of trade negotiations, the Uruguay Round negotiations included services in multilateral trade negotiations – hence the General Agreement on Trade in Services (GATS) which came into effect in 1995 (see Robertson et al, 2007). A major concern for India with regard to the service industries is maintaining a balance between market mechanisms and public policies. The debate on the pros and cons of liberalising education services (and health for that matter) is divided between the private sector which is inclined to see the new regulations as leading to growth and efficiency of higher education and government and public institutions that see GATS as undermining national sovereignty and the gradual annihilation of national universities that serve broader public interest. In her analysis of the implications of GATS for developing countries, Chanda (2002) concludes that both are extreme views and the reality lies somewhere in between. She urges a balanced and comprehensive review of GATS that will 'identify potential benefits and areas of concern' for social and economic policy making in developing countries (Chanda, 2002, 2). Nevertheless, current GATS commitments are often seen as skewed in favour of developed countries. To produce a shift in the pattern of trade in favour of developing economies is therefore an important part of the GATS negotiations for the Indian government.

Research on higher education shows that Indian universities and colleges, including the star institutions, will not be able to withstand competition from foreign education institutions (NIEPA, 2004). Certainly, the need to improve standards of quality, relevance and efficiency of public higher education institutions is an issue that predates GATS. While these are laudable goals, a legitimate fear is that the environment of global competition and GATS regulations will force public higher education to adapt to market demands and forsake broader national interest. One can already see this in the growth of private institutions that offer only a narrow range of professional courses such as finance, management and BPO training.

6. Reassessing reforms in the school sector

The issues outlined above with respect to SSA and elementary education policies have generated a public debate on the need for more radical measures that tackle the structural inequities of the education sector.

6.1 The demand for a common school system

Indian educationists are calling for a common school system. They point to the historical development of common school systems in the developed countries of Europe and North America which were able to provide universal, standardised education and build a cohesive national identity in a relatively short period (Sadgopal, 2000, 2003). In their draft position paper, the Committee on Work and Education appointed by NCERT (National Council for Educational Research and Technology) issues a strong warning to the government of the risks involved in refusing to implement a common school policy:

Let us recall that no developed or developing country has ever achieved UEE [Universal Elementary Education] without a strong state-funded Common School System with Neighbourhood Schools. India is not going to be an exception either to this historical experience. And without an effective and universal programme of work-centred education, it is unlikely that UEE (and later Universal Secondary Education too) would succeed! The proposed radical departure from the present educational system would not be obviously possible without building up a nation-wide social movement in its support (NCERT, 2005: 318).

Whether the government will continue with the present structure of education or whether civil society groups will be successful in pressuring the government to implement a common school system remains to be seen. Clearly government, civil society and the private sector are convinced that the country's ability to move from an emerging market to a developed economy depends fundamentally on fulfilling the constitutional objective of universal school education.

6.2 Secondary and post-secondary education

A second, related concern is that the focus of the present policy on elementary (mainly primary) education does not take the long view on human capital needs, skill development and social development that is required in the global economy. Ramachandran (2003) warns that 'linking up with the rapidly changing economy remains the biggest challenge' and argues for a comprehensive approach to education reform that is not limited to achieving universal elementary education:

[U]nless the government is willing to invest in quality, children are not likely to be equipped to compete with the better-off sections of society. The academic rigour, time and environment necessary for children to move from primary to secondary to professional education are still beyond the reach of poor children. At best, most programmes for the poor go up to the secondary level. Even vocational education and training in livelihood skills are beyond their reach. The forward linkages necessary to make primary education a means to

livelihood security are yet to be created. Creating exit points at different stages, especially between Classes VIII and XII, would enable children to move on to livelihood and life skills oriented programmes (Ramachandran, 2003: 26).

The NCERT committee on Work and Education arrives at a similar conclusion on the changing employment scenario and the need for expanding post-secondary education:

There is no option for India but to include universalisation of education up to at least Class X (extendable to Class XII) in its political agenda in the foreseeable future in order to build an educated workforce in consonance with the needs of a democratic society and the fast growing globalised national economy (NCERT, 2005).

The experience of East Asian countries, as shown in Chapter 1, demonstrates the importance of secondary and post-secondary education. The development of quality secondary education and higher education was a conscious strategy of the governments of East Asian countries to link human capital investments with economic growth targets (McKay and Mills, 2004; Jones, 2000). The ‘first wave’ tiger economies, South Korea, Taiwan, Singapore and Hong Kong followed a more sequential process of prioritising quality basic education (that included lower secondary) followed by higher secondary education and tertiary education. In the ‘second wave’ tiger economies, such as Malaysia, Vietnam and Thailand, a policy of compulsory elementary and secondary education was pursued simultaneously and was important for broad sections of the population to benefit from rapid industrialisation and high wage jobs (Jones, 2000).⁷ South Korea and Taiwan relied on private sector investment at the secondary school level while Singapore’s secondary school system was state funded (Mingat, 1998). Studies show a correlation between investment in post-primary education and job growth, higher wages and improved standard of living (Green, 1997). In assessing the relevance of East Asia’s education policy for Africa, McKay and Mills (2004) conclude that no macro-economic policy can succeed without investing in quality secondary education and training.

7. Globalisation, growth and equality: the role of the state

This section focuses on two main issues that have serious implications for equality and social cohesion but have not received adequate attention from policy makers. The two issues – regional imbalances and the nature of the labour market – have only been exacerbated in the reform context with no viable solutions in sight.

7.1 Addressing regional imbalances

Regional disparities have increased in the post-reform period. States with better infrastructure in terms of power, transport, communication, education and health facilities attract private capital, new industries and generate productive employment (World Bank, 2004a). Inequalities within

⁷ According to Jones (2000), the strategy of investing in secondary education paid off only partly in the case of Thailand. They were successful in increasing the transition rate from primary to secondary from 50% in 1990 to 85% by 1995 but the rate of completion was not as high as expected and the education reforms were a little too late and did not anticipate the economic boom and the inflow of foreign investment. Policy analysts forecast that by 2010, a high proportion of the labour force in Thailand will only have primary education.

states have also increased because of the concentration of infrastructure, educational and other resources in urban areas. In general southern states that invested in education at an earlier stage are doing better than northern states. A good example is the IT industries that are concentrated in states that have reputed and well-developed higher education sectors. Bihar, for instance, has less than one engineering college for every ten million people in the state while Tamil Nadu has more than forty engineering colleges for every ten million people.⁸ According to Finance Minister Ahluwalia (2004), regional imbalance is a greater problem in India than in China where regional disparities have also worsened in the reform period. This is mainly because in China the benefits of liberalisation have flowed to the most heavily populated regions, the coastal areas, whereas in India, the most populous states are in the hinterland have the worst social and economic indicators and are unable to attract investment.

The data on inter-state disparities display an alarming picture:

Five major states, namely, Gujarat, Maharashtra, Tamil Nadu, Andhra Pradesh and Karnataka, that together account for less than one-third of our population, accounted for almost two-third of the private investment proposals over the last 10 years since August 1991. The same set of states benefited from over 60% of the commercial bank credit and financial flows from national level financial institutions like IDBI [Industrial Development Bank of India], IFCI [Industrial Finance Corporation of India] etc.. In contrast, another set of seven major states, viz. Uttar Pradesh, Bihar, West Bengal, Madhya Pradesh, Rajasthan, Orissa and Assam, together accounting for 55% of the population, received less than 30% of the private investment proposals and a similar share of bank credit and other institutional finances during the last decade. In terms of per capita incomes, the gap between poorer and richer regions has grown in recent years. The per capita income in Maharashtra was 3.8 times that of Bihar in 1998-99 as against 2.8 times in 1990-91 (Kurien, 2002).

There is concern that the increase in regional disparities could lead to social conflict and internecine violence. Liberalisation has increased the autonomy of state governments to negotiate investment and aid agreements with multinationals and lending agencies. Conversely, the redistributive capacity of the central government to mitigate imbalances in favour of poorer states is curtailed. The danger of polarisation and conflict between the northern 'backward' states and southern 'forward' states is not an unimaginable prospect.⁹

7.2 Changing labour market conditions: implications for education

Generating productive employment for a wide base of the population is an essential component of economic growth and equality. Neo-liberal reforms, including reduced state expenditure, withdrawal of rural credit and the privatising of public industries, have tended in the opposite direction. Market-oriented reforms in the economic sectors for more than a decade have led to a dramatic decrease in the rate of employment in both rural and urban areas (Ghosh, 2004b).

⁸ Bihar is India's second most populous state with 83 million people and Tamil Nadu is the sixth most populous state with 62 million people. Numbering almost 300, Tamil Nadu has the largest number of recognised engineering colleges in the country.

⁹ It is revealing that student protests against proposed reservations for OBCs in central government institutions are concentrated in Delhi and some northern cities and are absent in the south. Though systematic data is unavailable, this indicates that higher education is accessed more broadly by a cross section of caste groups in the south than in the north.

This situation requires urgent policy intervention to create effective linkages between education and the world of work.

7.2.1 Informal sector labour

Studies also show that informal sector manufacturing and trade that typically provided jobs in rural areas are moving to cities and large towns. As informal sector manufacturing, such as agro-business and processing, are getting ‘modernised’ and export oriented, these industries are seeking an educated workforce in the urban areas. The low level of education and low skills of rural workers, where up to 90% of rural women are illiterate, excludes them from manufacturing jobs just as these jobs are becoming more productive with higher remuneration (Dev, 2002). Several economists recommend diversification of employment opportunities in rural areas but this diversification will not have the intended effects if rural youth are not educated and well-trained (*ibid.*). Rural infrastructure and credit facilities also need to be provided in a systematic manner.

7.2.2 Organised versus unorganised labour

Employment in the organised sector has also declined since 1993 and in 2000 accounted for only 8.3 per cent of the total employment, the private sector share being only 2.5%. The scant increase in numbers employed in the private sector from 1990 to 2000 calls into question whether further deregulation of labour laws (hiring and firing, minimum wages and so forth) will actually lead to increases in the private sector workforce, a solution that is proposed by advocates of market-oriented reform (Ghosh, 2004b). Data shows that the unorganised sector expands under globalisation (sub-contracting and ‘flexible’ labour). The state therefore needs to ensure better working conditions for the unorganised sector through provision of social security, health care and skills training. Micro-studies suggest that much of the increase in women’s employment is attributable to the growth of subcontracting and home-based production that are typical of export production processes in the global economy (Ghosh, 2004b). Construction, transport and mining, the fastest growing units, are generally male dominated areas of work. Therefore strengthening manufacturing and trade in rural areas is important for women’s employment outside the farm sector along with providing appropriate skills and training.

7.2.3 Child labour

The official incidence of child labour appears to have declined from 1980 to 1997; however, the figures may be misleading since they tend to represent the full-time urban child workers rather than the rural child workers who constitute the majority in India. Research in South Asian countries show that higher GDP does not translate into better wages or improved working conditions, and literacy or primary schooling does not help overcome the demand for or supply of, child labour in a largely poor economy in which export industries, subcontracting and home based production dominate (Dev, 2000). For instance, between 1991 and 1993 Gujarat received the second largest inflow of foreign investment, an impressive 15% of total foreign investment in the country. However, a significant part of the new investment was in

industries that employed children. A micro-study of 13,000 child workers in the city of Bhavnagar showed that 17% were going to school while working. Although 50% of children had completed primary school these did not yield any income gains and moreover most were illiterate (Swaminathan, 1998). Large-scale studies that study the relations between economic reforms, quality of schooling and child labour are needed in order to produce a national perspective on this issue.

The experience of developed economies in Europe and Asia shows that schooling has to be of sufficient quality and number of years to eradicate child labour. In addition, labour laws have to be stringently applied and social security and decent working conditions in the unorganised sector must be guaranteed. Evidence from advanced industrialised countries shows that enforcement of quality free and compulsory primary and secondary education needs to go hand in hand with improving the social net and working conditions for poor adults in order to end child labour.

8. Conclusion

The study of education and economic reform in India provides interesting insights into the re-organisation of the nation-state, the influence of regional politics and the importance of democratic culture in the process of globalisation. In the face of global market forces, the Indian state is not declining in influence but is instead playing an authoritative role in the economic reform process. The role of the state in planning and directing economic reforms is not without new and difficult challenges. The rise of political parties that are responsive to regional politics and to their own constituencies presents a new challenge to governance and policymaking. The Indian state is a conglomeration of political interests and actors, and policymaking requires a great deal of negotiation across multiple and competing political groups. Decentralisation of governance to local bodies and district levels requires further negotiation and consensus building among village level, district level, regional and national interests and objectives. The Indian state is less able to function as a single behemoth and instead has a more complex, differentiated and contradictory character than for instance the Chinese state as discussed in this volume.

Pro-liberalisation pundits tend to see this as the downside of the Indian state and a problem of 'too much democracy' being a barrier to market friendly reforms. The argument is often made that the federal democratic character of the Indian state is the main culprit for why India is unable to implement reforms as efficiently and rapidly as China. Another more optimistic view is possible – namely, that multi-party coalition politics serves as a protectionist measure against rampant liberalisation and privatisation measures that in the short run may lead to higher economic growth but not without extracting a huge social cost that ultimately will have serious political ramifications. Increase in income inequality, high rates of extreme poverty and food insecurity, and rising sectarianism within the country, speak to the need for an integrative reform process that considers welfare and equality goals.

Further, there is a surprising degree of consensus among the various political parties on the importance of education reforms for growth and equality, be it expansion of the private sector

in education, strengthening the competitiveness of higher education or decentralisation of elementary education. The concern, however, is that measures which ostensibly promote equality in education, such as decentralisation of elementary education and quotas in higher education, are populist in nature and ultimately only bolster the *perception* that the state is 'equitable and caring' while doing little to actually reduce educational inequalities. They may, as suggested here, even increase them.

A related concern is that the potential impact of the reforms on social cohesion has not been seriously considered. For example, in the Indian context, decentralisation and community control of schools may end up strengthening caste-based affiliations with wealthier and more powerful caste groups in a village controlling the local government school. It may also provide access to Hindu nationalist sympathisers to influence the curriculum and pedagogy in public schools. Similarly privatisation of higher education is predicted to encourage caste-based education trusts that will serve primarily students from their own community with scholarships and loans and even building their own colleges and universities thereby strengthening caste identities and exclusivities.

A final observation is that Nehruvian development policy that gave priority to higher education, especially in the fields of science and engineering, generated unanticipated benefits. The 'elite bias' of India's leaders is today considered as visionary policy making that in a manner of speaking 'anticipated' globalisation. The evidence, however, cautions that such celebrations may be short-sighted because it is only a slim minority that has benefited from the knowledge-based economy and a vast majority who find it impossible to be part of the new growth economy because of poor educational infrastructure at all levels. Correcting this imbalance in the economy will need more than the palliative measures of 100 days of state provided rural employment or increases in quotas in government colleges and universities.

In the short run, India is well positioned as an emerging economy with high growth potential. The challenge facing the country is to move from a position of an emerging economy to a developed economy in which growth is more even across sectors and the opportunities and benefits enjoyed by a tiny middle class are extended to the lower middle classes and the poor. In order to achieve this, quality basic education for all must become a reality while also building on the accomplishments of the tertiary system. The need for a strong democratic and secular state that is able to balance growth-oriented policies with genuine equality related measures cannot be overestimated.

Chapter 4: Promise Unfulfilled: Educational Improvement and Economic Decline in Kenya – Moses Oketch

1. Introduction

The aim of this chapter is to discuss the role of education in encouraging ‘successful’ engagement with globalisation in Kenya’s context and to reflect on some of the lessons of the East Asian success stories. Between 1960 and 1964, Kenya had a higher investment ratio than Hong Kong, Indonesia, Korea, Singapore, Taiwan, and Thailand (Mwega and Ndung’u, 2002). Kenya continued to outperform the East Asian tigers between 1965 and 1974 although the out-performance gap was by then much narrower. By 1975, the East Asian tigers were outperforming Kenya for the first time.

It will be argued that education policy in Kenya has contributed significantly to nation building, particularly through language policy. Education has contributed to economic development, particularly in the phase up to the mid 1970s during which the economy grew at a comparable rate to those of East Asia and when agricultural improvements benefited from educational advance. Liberalisation and Structural Adjustment Programmes (SAPs) recommended and supported by the World Bank and IMF in the late 1980s as part of economic recovery measures had only a weak effect on economic growth and have inhibited education expansion. Unlike the East Asian states, Kenya has been unsuccessful in equalising access to education thereby contributing to rising income inequality. Failure until recently to control population growth has retarded economic growth and social well-being generally.

The rest of this chapter is divided into six main parts as follows. Section 2 focuses on economic development strategies from the 1960s to 2005. Section 3 reviews Kenya’s education development strategies in the same period. Section 4 reviews education’s contribution to economic growth, equality and nation building and Section 5 briefly explores education’s role in encouraging ‘successful’ integration into the global economy. The final section provides the conclusion.

2. Economic development strategies 1960s-2005

Studies of Kenya’s economic development naturally divide the period since the 1960s into two phases. The first, from independence in 1963 to the beginning of the 1980s, was characterised by economic growth alongside problems of inequality and unemployment (Godfrey, 1982; Leys 1975; World Bank, 2003; UNDP, 1999; Legovini 2002; Arnold, 1981; Republic of Kenya, 2002). The second, from the 1980s to the present is characterised by slow and declining growth, mounting macroeconomic imbalances and significant losses in social welfare, including rising poverty and falling life expectancy (Legovini, 2002; UNDP 1999; World Bank, 2003; Republic of Kenya, 2003). Yet Kenya’s economic aims as documented in *Sessional Paper No. 10* (Republic of Kenya, 1965a) and often restated since, rightly place strong emphasis on the priority to be attached to balancing growth and other economic objectives with the need to ensure that fruits of growth are equitably distributed, and to make rapid headway in the abolition of poverty and disease (ILO, 1972: 100). A range of important policies, not least in education, have been directed towards these objectives (see Republic of Kenya, 1965a, 1965b, 1969, 1976, 1981, 1988, 1999, 2005). But when compared to the East Asian countries that Kenya outperformed three decades ago, there is considerable truth in the ILO’s conclusion in 1972 that Kenya had been robbed of her full potential (ILO, 1972: 100).

2.1 1960s and 1970s: a historical overview

Pre-colonial Kenya was dominated by subsistence activities in trade and farming and, unlike Sri Lanka, China and India, there was not any form of systematic 'export' trading during this period. Contact with overseas regions was limited to a few Arab and European traders who ventured into the interior in search of ivory, slaves, and other commodities. Following British colonisation in 1895, this way of life changed and a cash economy gradually began to operate. Government institutions were put in place which dictated the direction of development including activities such as trade and farming which had hitherto been directed by communities. The organisation of economic activities and the social policies which were pursued by the colonial government favoured British interests, regarding Kenya primarily as a source of raw materials for British industries (Mwega and Ndung'u, 2002; Kitching, 1980).

Only basic manufacturing, dominated by domestic household consumer goods, existed in Kenya before World War II. Most of these small manufacturing industries specialised in agro-industrial products although primary products such as soda and cement were produced by subsidiaries of multinational corporations. This sector of the Kenyan economy was dominated by the Asian community who had been excluded from export farming dominated by European settlers but firms were not supported directly by the state (Mwega and Ndung'u 2002).

After World War II, the colonial government developed an interest in the small industrial sector in Kenya and introduced tariffs to protect colonial markets from foreign competition. This paved the way for massive investment by British firms in Kenya and other East African countries leading to a monopoly for East African Industries, a subsidiary of Unilever. As pointed out by Mwega and Ndung'u (2002:24), the introduction of tariffs was the beginnings of what would later become a deliberate post-colonial policy of ISI.

In 1963, Kenya became independent but inherited a government whose structure had been determined by and remained under the influence of the colonial system. Development strategies tended to emulate strategies of Western industrialised countries, notably Great Britain (Mwega and Ndung'u 2002). But the economic ideologies of the former Soviet Union as well as those of Western capitalism were advocated by various politicians and later led to a fall-out between Kenya's founding President Jomo Kenyatta and his Vice President, Jaramogi Oginga Odinga. Odinga was perceived as socialist leaning while Kenyatta followed the British script on issues of development.

The struggle for independence had slowed industrialisation and triggered capital flight by the European settlers and investors. In a bid to halt capital flight to Europe and to reestablish confidence in Kenya, the newly formed government passed the Foreign Investment Protection Act (FIPA) in 1964. This Act guaranteed protection against nationalisation as well as allowing foreign firms the right to repatriate profits, loans and interest on their loans and parts of the proceeds from sales (Mwega and Ndung'u 2002). In the 1965 *Sessional Paper No. 10*, the Government outlined even more ambitious plans for a free market economy. This was a deviation from its neighbours, particularly Tanzania under the leadership of Julius Nyerere who was a believer in complete African socialism, thereby making Kenya a more attractive location for multinational companies that wanted to take advantage of the East African market.

As a newly independent government, Kenya was full of the development ideas which were circulating throughout much of Africa under the banners of Pan-Africanism and African Socialism. Policy pronouncements stressed the importance of hard work, self-reliance, entrepreneurship and the need to build 'local' capital (Republic of Kenya, 1965a). The market was viewed as an important vehicle through which investment would flow from the developed world. Emphasis was also placed on the need for massive injections of capital into the economy in order to accelerate the pace of economic development (Mwega and Ndung'u, 2002). In line with the colonial structure, the state was however to be in control of the market and of the means of production.

With a population of about 8.6 million (1962 census) and one which was growing rapidly at 3% per year, the government emphasised the need for self-reliance in its First Five Year National Development Plan (1964-1970) (Government of Kenya, 1964). The development of agriculture was to be the foundation of self-reliance and of growth which was considered essential for increased social welfare. True to this strategy, agriculture was allocated on average 28.8% of the total government expenditure during 1964/65 and 1969/70, the largest share of Government resources during the First Five Year National Development Plan (Government of Kenya, 1964). Over this period, education and health were allocated a combined expenditure of 16.1%. To supplement the policies spelt out in the national development plan, agricultural policies pursued by the Government were also based on the objectives outlined in the 1965 *Sessional Paper No. 10* on African socialism and its application to planning in Kenya (Republic of Kenya, 1965a) which accorded a greater role to the state in matters of economic development, including control of the economy. The objectives stated in this sessional paper amounted to what some writers have referred to as a 'pragmatic blend of laissez-faire capitalism and African socialism' (Hazlewood, 1979: ix).

A balance of payments crisis in 1970/71 prompted Kenya to revert to a full scale ISI development strategy. For example, in 1971 the Capital Issues Committee was set up to facilitate and oversee a reduction in capital outflows and to encourage local ownership. Tariffs went up, capital outflows were controlled, and import licensing became more restrictive. During this period, the government also introduced a highly protective policy for domestic firms ensuring that importers would only import goods Kenya itself did not produce. Firms seeking to operate in Kenya had to seek a *no-objection certificate* from their potential Kenya based competitors. As pointed out by Mwega and Ndung'u (2002: 25) 'import substitution had in effect been introduced leading to an almost non-existent role of the market, reduction in domestic competition and competitiveness – all of which shifted incentives against export production.' ISI also ensured that large subsidies from the state were directed to the manufacturing sector at the expense of the rest of the economy, particularly agriculture.

By the end of the 1970s, ISI had become unbearable, demand had slowed and the competitiveness of Kenyan exports in regional markets had been severely affected by the break-up of the East African Community. Mwega and Ndung'u (2002) note that the decade ended not only with serious disequilibria in the economy, but also with Kenyan firms in a weak position to compete by producing goods at uncompetitive levels of cost and selling them at uncompetitive prices, all of which led to a proliferation of an informal sector that catered for basic needs of low-income households at affordable prices. While Kenya was clearly unable to

make a successful transition to export-led economic development strategy, the East Asian states successfully implemented export led growth, contributing to differential growth between them and Kenya from this period onwards.

To conclude this brief historical overview of Kenya’s economic development history, it is worth noting that the 1965 Sessional Paper No. 10, *African Socialism and its Application to Planning in Kenya*, continues to be quoted even in the latest Ninth National Development Plan (2002-2008) (Republic of Kenya, 2002). Whilst its relevance is not clear today, it charted the development strategy that the Kenyatta regime pursued throughout the 1960s and 1970s. Whilst the tone of the Sessional Paper No. 10 emphasised African socialism, the policies that were derived from it were, according to Mwega and Ndung’u (2002:29), ‘managed capitalism’. The Sessional Paper, however, envisioned development in Kenya characterised by economic growth accompanied by social justice and reduced unemployment, income inequality and poverty. None of these aims of Kenyan development strategy was to be fully realised in the period since the 1970s.

The first two decades after independence did, however, satisfy one of the aspirations expressed in this ambitious Sessional Paper No. 10 – that of economic growth. It was also a period with clear parallels in the East Asian states. Sadly, economic growth was not accompanied by other development aspirations such as social justice, reduced income inequality and reduced poverty. Those who had been poor remained poor while the elite who had become wealthy at independence continued to become richer. Table 4.1 shows indicators of poverty and inequality in Kenya for the period from 1964 to 1977. Inequality continued to widen until 1977 when there was a ‘coffee boom’ following high demand and favourable international prices.

Table 4.1 Income Inequality and Poverty, 1964-1977, Kenya

Year	Household Income Gini Coefficient (measure of inequality)	% Population Below Poverty Line
1964	0.63	38
1967	0.66	40
1969	0.68	40
1971	0.70	42
1974	0.69	40
1976	0.68	40
1977	0.59	n.a.

Source: Bigsten (1986) and van Ginneken and Park (1984) in Mwega and Ndung’u (2002:29).

2.2 The 1980s-2005

Kenya's development strategy from the 1980s has been characterised by economic reforms promoted by World Bank and IMF advocated SAPs aimed at aiding the market to work better and at reducing active role of the Government in the running of the economy. The implementation of these reforms has never been smooth because of the conditionalities attached to them, sometimes resulting in slow implementation and at other times even policy reversals. As a result, it has been impossible to evaluate accurately their long term benefits but the general view is that they seem to have had only a weak effect on economic growth (Mwega and Ndung'u, 2002). More generally, SAPs have been criticised for being too 'economistic' and condemned for lacking a 'human face' (United Nations Economic Commission for Africa, 1989).

What is clear is that the economic growth experienced in the 1960s and 1970s did not continue into the 1980s, 1990s and into the 21st Century. UNDP (1999: 4) observes that the rate of growth of Gross Domestic Product (GDP) began to decline to an average of 4.1% during 1980-85, and to 2.5% during 1990-95. It declined further to 2% between 1996 and 2000 (Republic of Kenya, 2002). But even when, as in the 1960s and 1970s, the rate of economic growth in Kenya was respectable by the standards of Sub-Sahara African and East Asian countries, its impact on the poor was modest and limited largely to improvements in social welfare, notably education and health (UNDP, 1999).

Several casual factors can be identified for the economic down-turn, among them being: (i) the change of political leadership from 1979 when Moi officially took over the mantle as the President following the death of Kenyatta and during which resources were devoted to solidifying his political base by rewarding total loyalty, often at the expense of equitable economic prosperity; (ii) past mistakes occasioned by import substitution industrialisation (ISI) strategy which led to a low priority being given to agriculture; (iii) the failure to make a successful transition from ISI growth to export-led growth and; (iv) changes in weather and geopolitics over which the government had little control. The oil shocks of 1973 and 1979, the collapse of the East African Community in 1977, and an attempted coup in 1982 also affected the economic slow down and subsequent down turn in the 1980s. In the first half of the 1980s, growth in all sectors declined and all the aspirations in the Sessional Paper No. 10 became unattainable.

Alongside declining economic performance there was growing unemployment and uncertainty. The government moved quickly to deal with the lack of employment among the population by expanding services and increasing public employment of civil servants and teachers. The recurrent budget suddenly operated in deficit triggering a depreciation of confidence in Kenya's economy which in turn resulted in the depreciation of the Kenyan Shilling, scarcity of foodstuffs and consumer goods and the deterioration of wider macroeconomic indicators such as inflation. The situation got worse in the 1990s when donors became impatient with the Moi Government's on-off style of implementing agreed but locally upopular SAPs economic reforms. Compounded by severe weather conditions, Kenya's economic growth slumped to near zero in 1992 and 1993. Inflation went up and,

shaken by a multi-party election, the government printed money to finance its campaign. Ethnic tensions associated with politics escalated in the 1990s leading to full scale clashes in 1992, all of which affected Kenya's economic performance tremendously (Mwega and Ndung'u, 2002).

Apart from implementing the less than successful Structural Adjustment Policies, the Government has found it hard to promote a development strategy with the same confidence as it did in the 1960s. The optimistic language of development used in the first Five Year National Development Plan (1964-1970) has been replaced by one of caution, hardship, revitalisation, and recovery in the Ninth National Development Plan (2002-2008) (Republic of Kenya, 1997; 2002). Current discussions focus on increasing poverty, HIV and AIDS, declining quality of life, escalating unemployment, the brain drain, corruption, and feelings of insecurity. It might be argued that substantial development has been elusive in Kenya and the government must surely expect to be asked 'where has all the development gone?'

2.3 Economic development record

Rural development programmes leading to increases in cultivated land through the smallholder scheme led to a switch to high- value crops such as hybrid maize and to the development of dairy farming, resulting in higher agricultural output. As a result of this and good market conditions, rural incomes rose by 5% a year in the 1960s and 70s, and the smallholder's share of coffee and tea production rose to 40% and 70% respectively in the early 1980s (Legovini 2002; UNDP, 1999). In addition to favourable government agricultural policies, Mwega and Ndung'u (2002) argue that there was a network between the rural and urban Kenya which enabled resources to flow from the urban to rural for further development of the agricultural sector.

The effects of high growth were felt in all sectors of the economy. The agricultural sector grew at about 5% throughout the 1970s, the industrial sector by a buoyant 11%, and the services sector by 8% (Legovini, 2002). Industrial growth was a result of the ISI development strategy that the Kenyan government had adopted as well as the monopoly that Kenyan products enjoyed within the East African Community which allowed access to Ugandan and Tanzanian markets. The East African Community was an economic federation of three countries, namely Kenya, Uganda and Tanzania, which permitted free trade and movement across the borders of the three countries but one that was dominated by Kenya's products.

In recent years, the World Bank (2003) has analysed Kenya's fluctuating economic performance under three distinctive phases as follows. Firstly, economic mismanagement during 1990-93 negatively affected growth through high inflation and interest rates. Concerns about a broad range of governance issues led both bilateral and multilateral donors to freeze aid and in some cases to cancel their programmes. Investor confidence also sank, linked to government's slow pace in implementing agreed reforms. Secondly, and as expected, there was rapid recovery during 1994-97 due to sustained implementation of reforms and to

buoyant world demand. According to the Bank, GDP grew at an average annual rate of 3.3% during this period due to reforms that included the elimination of price and exchange controls, the removal of most trade restrictions, and cuts in public expenditure. Agricultural markets were liberalised, and by the end of the 1995 the government divested its holdings in about 170 small non-strategic public enterprises. Some 36,000 civil servants left the Government's payroll, most through early retirement schemes famously known as 'golden handshakes'. Thirdly, performance worsened between 1998 and 2001 as a result of wavering government commitment to reforms and several weather related shocks. The latter included the severe droughts of 1997 and 2000 which significantly reduced agricultural output and disrupted electricity generation. The *El Nino* floods of 1998 severely affected infrastructure and the flow of produce across the country.

A drop in the number of tourists and the withdrawal of capital as a result of political violence related to the 1997 elections also negatively affected the economy. Analysis by the World Bank (2003; 2004a), Kenya Central Bank (2005), and reports in the various local daily newspapers (e.g., *Daily Nation*, November 4, 2005; May 23, 2006) show that there has been improvement in economic growth figures in recent years but more Kenyans have also become poorer. This is in contrast to the optimistic feeling among Kenyans reported by the same daily newspapers when the National Rainbow Coalition (NARC), a loose coalition of several opposition parties, defeated the governing African National Union (KANU) which had been in power for thirty nine years (with Moi serving as president for 24 of those) and formed new government in 2002. Those hopes have since been dashed by reports of rampant corruption within the government, 'recycling' of old friends, and cronyism, the extent of which put the immediate former British Higher Commissioner to Kenya, Sir Edward Clay, on a collision course with the ruling political elite when he attempted to question why a government elected on a platform of eliminating corruption was now openly tolerating the vice. John Githongo, a Permanent Secretary in charge of ethics in government, later resigned from his post because of his lack of trust in the government's ability to effectively deal with corruption cases. This has exposed Kenya's corruption scandals at international level (see e.g., Report by the African All Party Parliamentary Group, House of Commons, UK, March 2006), creating an image that is not encouraging for any nation that aspires to 'positively' engage with globalisation. One gets the sense that Kenyans generally feel more uncertain economically and much poorer today than they did two decades ago and whilst the Government has printed several documents outlining policy reforms (see e.g. Republic of Kenya, 2003), and ministers speak at forums day in day out about what the Government is doing for its people, new statistics released by the Ministry of Planning show that 50% of the Kenyan population are now living below the poverty line and that inequalities between regions in terms of income and in the provision of education are enormous (*Daily Nation*, November 4, 2005).

Table 4.2 Average GDP Per Capita Growth (Annual %), selected periods, Kenya

Year	1963-1973	1973-1983	1983-1993	1993-2001
Growth	4.67	0.66	0.1	-0.52

Source: author's calculations based on World Bank (2003a). World Development Indicators.

Table 4.3 GDP Per Capita PPP (Current International \$), selected years, Kenya

Year	1975	1980	1985	1990	1995	2000	2001
GDP	380	590	660	930	990	980	980

Source: World Bank (2003a). World Development Indicators.

In conclusion, Kenya's economic growth has been patchy. The picture is often divided into two phases, namely, high economic growth in the 1960s and 1970s and poor performance from the 1980s to the present (Tables 4.2 and 4.3). During the 1960-64 phase, Kenya's economic performance was positive and paralleled those of East Asian states. Analysis by Mwega and Ndug'u (2002) show that between 1965-69 the economy of Kenya continued to perform better than those of the East Asian states. From 1975 onwards the economic performance gap between Kenya and the East Asian tigers reversed in favour of the latter. As Kenya's economy slumped in the 1980s and 1990s, the East Asian tigers grew miraculously at an average of more than 6% a year and the gap widened.

2.4 Integration into the global economy

The World Bank (2004b) ranks countries in terms of their integration into the global economy. The indicators used to rank countries are: (1) trade in goods (% of GDP); (2) ratio of commercial service exports to merchandise exports (%); (3) growth in real trade less growth in real GDP (% points); (4) gross private capital flows (% GDP); and (5) gross foreign direct investment (FDI) (% of GDP). Data is available for Kenya on all of these indicators. Trade in goods as a percentage of GDP increased from 38.1% in 1990 to 43.6% in 2002 and trade in goods as percentage of goods (GDP) increased impressively from 68.5% in 1990 to 100.6% in 2002. The ratio of commercial service exports to merchandise exports however declined from 75% in 1990 to 37.8% in 2002. Growth in real trade less growth in real GDP was 1.43 percentage points in the 1990-2002 period while gross private capital flows as a percentage of GDP increased from 3.6% in 1990 to 5.4% in 2002. Gross FDI (foreign direct investment) as a percentage of GDP was 0.7% in 1990 and nil in 2002.

An alternative indicator for measuring integration in global economy is one offered by A.T. Kearney/*Foreign Policy Magazine* Globalisation Index. It ranks 62 countries according to 14 variables grouped in four baskets, namely, economic integration (trade, portfolio, FDI, investment income); personal (telephone, travel, remittances and personal transfers); technological (internet users, internet hosts, secure internet servers); and political (international organisations, peacekeeping, treaties, government transfers). In this ranking Kenya is 54, down 10 points from 2003.

2.4.1 Trade integration

According to the World Bank (2003a), Kenya's trade openness is high but stagnant. It has not improved during the past twenty years. According to the Bank, countries that have integrated into the world economy 'tend to exhibit low tariffs (indicating less divergence between domestic and international prices) and a high trade to GDP ratio (or 'openness ratio')'. On the basis of these measures, the Bank notes that Kenya's trade openness was relatively high at roughly 64% during 1995-2000, compared with 62% for Sub-Saharan Africa and 47% for low-income countries over the same period. While this ratio may appear positive, the Bank notes that it has in fact declined since the early 1990s and is roughly the same as it was some twenty years ago, prompting the conclusion that it has not improved for two decades. This statement by the Bank may seem contradictory if viewed in the context of the liberalisation policies that Kenya started to pursue has continued to implement since the late 1980s. Kenya's stagnant level of integration is in contrast with more dynamic countries in Africa and Asia, which are said to have become significantly more open to trade over the same period of time (World Bank 2003a: 8).

Kenya's regional integration has, however, deepened in recent years. Aside from being a member of World Trade Organisation (WTO), Kenya also participates in 'various sub-regional and regional initiatives including the Common Market of Eastern and Southern Africa (COMESA), the East African Community (EAC), the Inter-Governmental Authority on Development (IGAD), and the African Union (AU) (World Bank 2003a: 8-9). Two central reasons are identified in the Kenya Ninth National Development Plan 2002-2008 (Republic of Kenya, 2002) for the modest performance in trade, namely, non-competitiveness of Kenya's products in the world market; and limited negotiation capacity of both private and public sectors on trade deals leading to less favourable terms of trade. Trade openness through liberalisation of the local markets has also meant that Kenya's products have to compete locally with imported products which sometimes are of better quality at more affordable prices compared with Kenya's products.

In terms of external trade, the value of domestic exports increased marginally by 3.8% between 1999 and 2000 whereas that of imports rose by 20.1% over the same period. This trend has worryingly continued to widen the trade deficit gap (Republic of Kenya, 2002). Table 4.4 illustrates trading trends in Kenya in recent years.

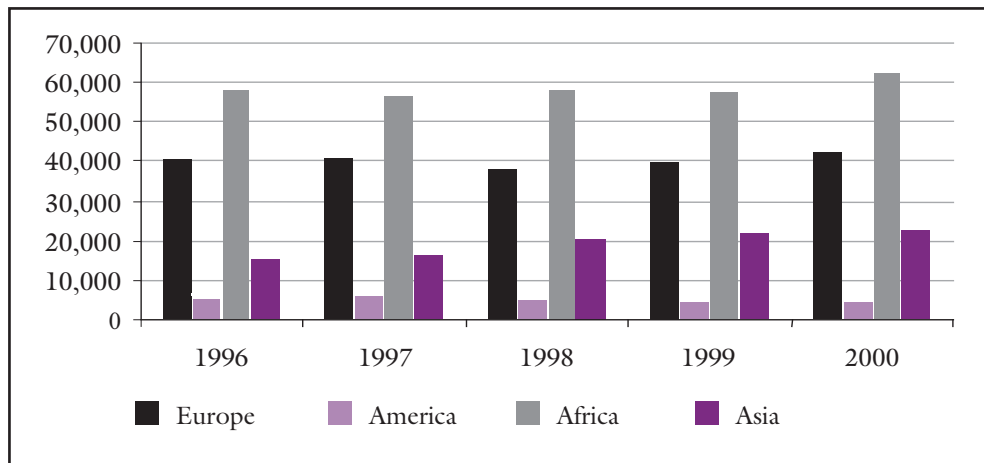
Table 4.4 The External Economic Environment for Kenya

Average annual percentage changes, unless otherwise indicated)	1991-96	1997-2002	2003-04
Real GDP growth			
World	2.3	2.5	2.8
OECD countries	1.9	2.3	2.4
Developing countries	3.1	3.3	4.3
Sub-Saharan Africa	1.9	2.8	3.5
Kenya	2.5	1.3	2.0
Export market indicators			
World trade growth	5.3	6.0	7.2
World Exports	6.1	5.8	6.9
OECD import demand	4.8	6.4	6.1
Developing country import demand	3.8	6.2	10.1
Market growth for Kenya	11.0	4.1	5.5
Kenya's exports	5.7	0.6	6.5
Terms of trade			
Developing countries	-0.5	-0.4	-1.8
Sub-Saharan Africa	0.1	0.7	-2.2
Kenya	3.7	-2.1	2.4
Prices (1990=100)			
Export price indices	3.3	-2.1	4.5
Coffee	9.1	-3.5	9.2
Tea	-0.3	0.9	5.6
Horticulture	5.5	10.1	8.5
Manufacturers	2.7	-3.5	2.2
Import price indices	-0.4	2.5	3.0
Food	4.8	-1.3	3.2

Source: World Bank (2003a: 17)

The main trading partners of Kenya and destinations for Kenya’s products are first Africa followed by the European Union. The others are America, Asia, Australia and Oceania. In 2000, the share of total exports to Africa and the European Union accounted for 46% and 30% of total exports respectively (see Figure 4.1).

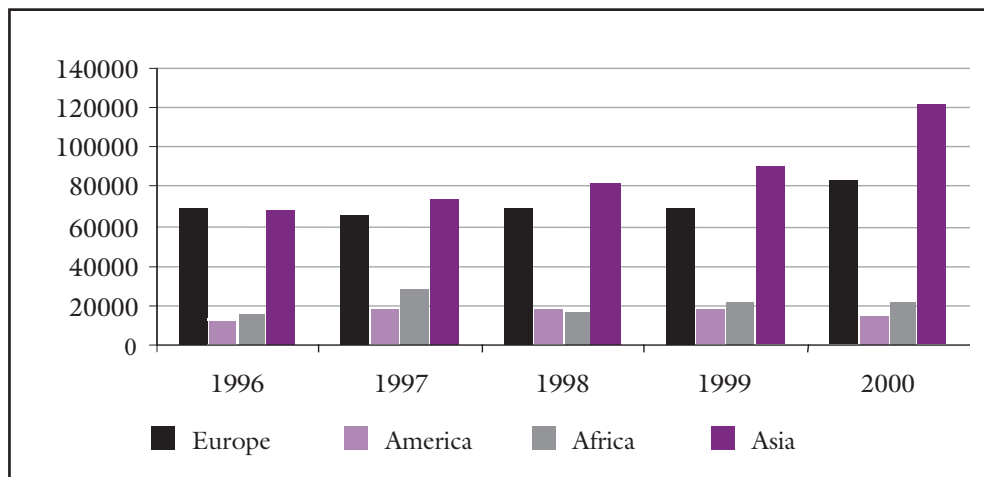
Figure 4.1 Total Exports from 1996 to 2000, Kenya (kshs. Millions)



Source of data: Republic of Kenya (2002)

Currently Kenya imports more from Asia than the other trading partners but the volume of imports has been on the increase with almost all the trading partners. Asia has overtaken Europe as the main source of imports to Kenya since 1997. It is only in trade with Africa that Kenya has exported far more than that it has imported (see Figure 4.2).

Figure 4.2 Total Imports from 1996 to 2000, Kenya (kshs. Millions)



Source of data: Republic of Kenya (2002)

The overall picture of trade in goods and services suggests that Kenya is trading less as a proportion of GDP than in the 1960s, with the lowest averages apparent over the period 1980-1990 (Table 4.5 and 4.6)

Table 4.5 Trade in Goods and Services (% of GDP), selected years, Kenya

Year	1960	1963	1965	1970	1975	1980	1985	1990	1995	2000	2001
Trade	31.1	32	31.4	29.5	29.8	27.9	25.3	25.9	32.5	26.3	26

Source: World Bank (2003a)

Table 4.6 Average Trade in Goods and Services (% of GDP), selected years, Kenya

Year	1960-1970	1970-1980	1980-1990	1990-2001
Trade	31.1	29.6	24.8	30.2

Source: Author’s calculations based on World Bank (2003a) – World Development Indicators

While Kenya is still a long way from being regarded as a country that has benefited from globalisation, there is evidence that the country has both willingly or by lack of options opened its economy and attempted to orient it towards the global market. A few examples of policies and events may serve as evidence. First, Kenya is a member of the world’s famous vehicle for trade integration, the WTO. Second, the state has been undertaking massive privatisation of what had hitherto in the 1990s been state protected parastatals. This has necessitated the restructuring of these organisations leading to loss of jobs and retraining being required. Third, with more imports coming into the country, the local industries have found it increasingly difficult to compete. This has meant that some industries have been closed down, leading to loss of industrial jobs and an to a movement of labour towards alternative jobs in the service industry. Finally, the state itself has been forced to accept a supervisory role rather than provisionary role in matters that directly affect the economy. This has meant that state capacity had to be restructured again leading to loss of civil service jobs under various programmes which are said to have been recommended by the World Bank and IMF(International Monetary Fund).

2.4.2 Foreign direct investment (FDI)

Kenya’s performance in attracting and retaining private external financing has been dismal (World Bank 2003a: 11; Kenya Central Bank, 2005) and lower than Sub-Saharan Africa’s (SSA) overall performance (see Table 4.7 below). For example, in the 1990s, the ratio of FDI to GDP was only 0.4% compared with the 1.9% for SSA. Neighbouring East African countries of Uganda and Tanzania have in recent years attracted a ‘significant amount of FDP’. This is attributed to their improved investment climate and to acceleration in the process of privatisation, both of which have been problematic in Kenya’s case.

Table 4.7 Net FDI Inflows to ‘Developing Countries’ 1999-2004 (US\$ Billion)

Year	1999	2000	2001	2002	2003	2004
East Asia & Pacific	50.00	44.20	48.20	55.60	59.60	63.60
Europe and Central Asia	28.40	29.20	31.40	35.00	35.60	37.60
Latin America and Caribbean	88.20	78.90	70.20	45.70	36.50	42.40
South Asia	3.10	3.30	4.40	4.80	5.20	6.50
Middle East & North Africa	3.70	4.30	5.70	3.80	4.80	4.10
Sub-Saharan Africa	9.10	6.30	14.90	9.00	10.10	11.30
Kenya	0.01	0.11	0.01	0.03	0.08	0.04
Total	182.40	166.20	174.80	154.00	151.80	165.50

Source: Global Development Finance (2005) cited in Central Bank of Kenya (2005: 24, Table 9).

Other factors which explain the dismal FDI performance include a slowdown in the world economy, which was exacerbated by the events of September 11, 2001 and by a decline in new international investment, particularly cross-border mergers and acquisitions (World Bank 2003a: 11). Kenya’s ranking in the United Nations Conference on Trade and Development’s inward performance index – the ratio between a country’s global share in FDI and that of GDP – declined significantly compared with other countries during the 1990s. Her ranking fell from 90 to 117 of 140 countries between 1990 and 1998-2000 (World Bank 2003a: 11). In terms of the FDI potential index also computed by the United Nations Conference on Trade and Development, Kenya dropped from 120 to 124 (World Bank 2003a: 12).

2.4.3 Technologies and infrastructure

There has been tremendous growth and intensified use of technology in Kenya in recent years. Fixed lines and mobile telephone per 1000 people have more than quadrupled from 11.4 in 1999 to 51.8 in 2002. Over the same period, the number of personal computers has improved from 4.4/1000 in 1999 to 6.4/1000 in 2002, and the number of internet users has risen tremendously from 35,000 in 1999 to 400,000 in 2002. Road transport is poor with only 12.1% of total paved in 1999. The number of aircraft departures has, however, increased from 25,100 in 1999 to 25,900 in 2002 (World Bank, 2004b).

2.4.4 Exploiting new frontiers of comparative advantage

Among the key exports from Kenya today are horticultural products. This sector has grown very rapidly over the past decade following the failures in the coffee industry and in the agricultural sector in general. Legovini (2002:7) has termed it Kenya's success story. It is a sector of mainly fruits and cut flowers. As Legovini observes, Kenya has become England's winter supplier of fruits and vegetables, and the sector has grown since the 1960s with increased frequency of tourist related airfreight transportation. The vegetable industry boomed in the 1970s and has continued to grow to the present (Legovini, 2002: 7). The cut flower industry mainly served the local hotel market in the 1960s. It grew steadily in the 1970s and, with subsidy from the Government, combined with a foreign company that made large investment into the sector exports to Europe. In the 1980s, this sector had grown by 380% making Kenya the largest single winter supplier of cut flowers on the European market. In the 1990s, the export doubled and today Kenya represents about half of Sub-Saharan Africa cut flower exports (Legovini, 2002).

In conclusion, Kenya is not a major player in the global economy now and perhaps for the foreseeable future. However, economic liberalisation introduced through SAPs since 1990 has opened the economy and encouraged market determination of economic activities such as trade thus reducing government control over economic activities. This said, however, Kenya is locked out of global economic partnerships. Regional trade has intensified and the horticulture sector indicates that there are parts of Kenya's economy that have always been plugged into the global economy. The overall assessment nonetheless leaves little room for discussion in favour of globalisation in the Kenyan case as is the case in East Asian countries whose economies are fully integrated into the global economy through export manufacturing and technology. Failure to make transition from raw material and unprocessed agricultural produce to enhanced and processed export manufacturing is one key explanation for Kenya's less integration into the global economy.

3. Education development strategies 1960s-2005

To consider the evolution of education policy in Kenya and to reflect on aspects of it that may relate to globalisation, it is necessary to pay attention to watershed policy initiatives over the years – those that have had a major influence in the direction of education in the country. Figure 4.3 provides a brief review of the key education commissions and their main recommendations. These commissions have been influential in the direction of education policy in Kenya.

According to Sheffield (1973: 86), when independence was achieved in 1963 'the orientation in Kenya shifted towards two urgent new priorities: training Africans to fill high-level positions, and the creation of a sense of national unity'. The ILO (1972) report entitled *Employment, Incomes, and Equality* referred to this shift as Africanisation and Kenyanisation, a process whereby British settlers and colonial administrators in high-level positions were being replaced by African Kenyans. Shortly before independence, there was already an enormous demand for education to which the colonial Government made some response. Even in the 1963 election

campaign, the promise of Universal Primary Education (UPE) was one of the ‘basic planks in the KANU platform’ (Sheffield, 1973: 86). UPE was never realised in KANU’s 39 years as the ruling party. Financial constraint was often cited, relegating UPE to ‘a long term goal at best’ although ‘it remained a sensitive issue, at times an embarrassment to the Government’ (Sheffield, 1973: 86). The NARC Government which brought to an end KANU’s 39 year political dominance also made ‘Free Primary Education’ an election pledge, one which it subsequently implemented successfully in January 2003. Right from independence the Kenya government had attached to education a key role in its development strategy, and the idea of universal primary education was a key theme in its political campaign. The faith in education of the newly elected Kenyan government in 1963 reflected the recommendations made at the First Conference of Africa Ministers of Education held in Addis Ababa in 1961 (UNESCO, 1961). The following statement from the first National Development Plan sums up the young nation’s vision on education and development:

Economic growth will itself create many opportunities for Africans to enter the monetary economy. We must provide education and training to prepare Africans to take advantage of new opportunities and to prepare new generations of responsible, active citizens. Our Plan places particular emphasis on the expansion of secondary education. This should have the greatest and earliest effect on the capacity of Kenya’s citizens to contribute to the nation’s development and to benefit from it...(Government of Kenya, 1964: i).

The emphasis placed on secondary education reflected the skills challenges that the nation faced. Annual per capita income, while perhaps much better than today in real terms, was slightly over \$20, and an overwhelming majority of the population were engaged in subsistence farming in rural communities. Apart from land, there were few natural resources and the prospects for mechanised farming were limited. The rate of population growth was high at 3% a year, and nearly half of the population was under fifteen years of age. According to Stabler (1969), problems associated with the educated were particularly acute and mirrored the first shift in orientation to be later noted by Sheffield (1973). For example, a 1964 high-level labour force survey revealed how few Africans there were in the professions: thirty-six doctors, twenty electrical engineers, seventeen university teachers, and seven economists. This signaled an immediate need to train the labour force at middle and high-levels. And along with the need for labour force training, there remained the question of how education could also be used as an instrument of national development (Stabler, 1969: xxii).

As a young nation, the Government quickly realised the need to address the set of problems that it was facing and those that lay ahead. The objective, as expressed in the first National Development Plan (1964-1970) (Government of Kenya, 1964) was simple – to replace the colonial administration and its mechanisms in government with a system staffed by the indigenous population. Education was the means for doing this. It was a factor in the fight for independence, and later was to become not only an instrument of development, but development in its own right.

Figure 4.3 Kenya Education Commissions: Purpose and Key Recommendations

Commission	Key recommendations relevant to this chapter
<p>Kenya Education Commission Report (Ominde Report) – 1964. This was the first national enquiry into the whole education in Kenya.</p> <p><u>Main purpose:</u> Exhaustive enquiry into all aspects of education in Kenya.</p>	<ul style="list-style-type: none"> (i) The government must take full charge in determining the planning of education; (ii) Education policy should be consciously directed towards training in national unity; (iii) English should become the universal medium of instruction from primary I, but Kiswahili should become a compulsory subject from primary I wherever possible; (iv) The opening of new schools or streams beyond the limits of Government planning must be forbidden; (v) Unaided schools should be controlled and the law strengthened and simplified for this purpose; (vi) Not less than 20% of the intake of all boarding secondary schools should be from other regions other those regions where these schools are located.
<p>Report of the National Committee on Educational Objectives and Policies (Gachathi Report) – 1976.</p> <p><u>Main purpose:</u> Redefine the educational objectives and policies.</p>	<p>Education should continue to:</p> <ul style="list-style-type: none"> (i) Promote national unity; (ii) Remove social and regional inequalities; (iii) Create international consciousness; (iv) Expose youth to productive labour and to eradicate negative attitudes towards work, especially manual work.
<p>Second University in Kenya: Report of the Presidential Working Party (Mackay Report) – 1981.</p> <p><u>Main purpose:</u> To look into the implications of setting up a new university.</p>	<ul style="list-style-type: none"> i) The 'A' level segment of the Kenyan secondary education should be scrapped and the entire education system suitably restructured; (ii) Primary education system be extended from seven to eight years; (iii) University education be at least four years; (iv) A second university be established in Kenya; (v) The new university should not be constituted by taking over of existing institutions.

Commission	Key recommendations relevant to this chapter
<p>Report of the Presidential Working Party on Education and Manpower Training for the Next Decade and Beyond (Kamunge Report)-1988</p> <p><u>Main purpose:</u> Review generally the whole educational philosophy, policies and objectives to ensure that they are in consonance with changing social, cultural, economic and political demands of the country.</p>	<p>(i) Education and training should prepare Kenyans to be nationalistic and patriotic towards national independence values;</p> <p>(ii) Education and training should develop skills which promote self-reliance and self-employment;</p> <p>(iii) Local communities and parents' associations be encouraged to provide primary schools with libraries and adequate reading materials;</p> <p>(iv) The policy of admitting students nationally to mix young Kenyans of different parts of Kenya in secondary schools be extended to more secondary schools;</p> <p>(v) The Government should encourage the establishment of more private schools but require them to maintain acceptable standards; and the development of private educational and training institutions at all levels;</p> <p>(vi) Some of the existing training and research institutions be developed as university institutions offering degrees;</p> <p>(vii) Students at the public universities and training institutions be required to pay the full cost of boarding and feeding.</p>
<p>Totally Integrated Quality Education and Training (TIQET) Report of the Commission of Inquiry into the Education System of Kenya (Koech Report) – 1999.</p> <p><u>Main purpose:</u> To review Kenya's educational system and recommend ways and means of enabling it to facilitate the following:</p> <ul style="list-style-type: none"> • national unity • mutual social responsibility • accelerated industrial and technological development • consolidation and enhancement of life-long learning and adaptation in response to changing circumstances. 	<p><u>Key findings</u></p> <p>(i) National goals of education as they have evolved over the years are valid, but their achievement has been limited by avoidable policies such as the quota system for admission into various categories of secondary schools, which worked counter to the goal of national unity;</p> <p>(ii) Anticipated growth in the middle level colleges in areas of technical and artisan skills didn't happen following the abolition of 'A' level;</p> <p>(iii) The 8+4+4 was hurriedly implemented and stakeholders were not consulted;</p> <p>(iv) There is poor linkage between educational institutions and industry;</p> <p>(v) Quality at public universities had been affected by rapid expansion.</p> <p><u>Recommendations</u></p> <p>(i) Expansion of access to basic education from eight to twelve years;</p> <p>(ii) Address geographic inequalities in educational supply.</p>

Source: Republic of Kenya, 1965b, 1976, 1981, 1988, 1999.

Within a month of independence, a commission was appointed by the Minister of Education. Led by one of Kenya's first academics, Professor S.H. Ominde, the commission was mandated with the role of surveying the existing educational resources in line with the Addis Ababa, 1961 conference (UNESCO, 1961), and with advising the new Government on matters of policy formulation and implementation. According to Stabler (1969: xxii)

the members of the commission... were acutely aware of the differences that separated them from colonial committees on education. Never before had an inquiry been made into the whole of education in Kenya.

The previous colonial education commissions had worked under a framework and arrangement whereby education was largely supported by Christian Missions and Churches. For example, the Beecher Commission of 1949 only recommended that the Government should work through these voluntary faith organisations in its support for education. The Ominde Commission (see Table 4), in making its recommendations to the Government, felt that the significant role played by church missions in the education system, although useful during the colonial period, had now 'outlived its usefulness' in the newly independent nation. One of its key recommendations was active and direct involvement of the state in the provision and management of education (Republic of Kenya, 1965b) – a move that has some parallel with what happened in Sri Lanka where mission schools were taken over by the state.

At the same time that the Ominde Commission was at work, three new documents that would come to influence the direction of Kenya's development and the role of education were published. Falling under the Ministry of the influential and pro-Western Kenyan Minister of Planning Hon. Tom Mboya, the *Development Plan 1964-70*, the survey *High Level Manpower Requirements and Resources in Kenya 1964-70* and Sessional Paper No. 10, *African Socialism and its Application to Planning in Kenya* (mentioned earlier) were gazetted. A common theme was the idea that education and national development 'must form a new partnership' (Stabler 1969: xxiii). It is evident that the Government believed that economic growth and development could be speeded up if the gaps in the labour force at middle and high levels were filled. Stabler (1969: xxiii) has succinctly summarised the role that was assigned to education:

Never before had education been regarded as the seed of economic development. Schools had hitherto been regarded more as social than as economic institutions and their function was to train individuals for their appropriate places in society.

Now education was to be considered a key instrument of development entrusted with the task of producing teachers, doctors, engineers, mechanics, secretaries and all the skilled people that were in short supply. It is clear from this discussion that the Kenyan Government realised very early in its independence that no form of economic development and nation building was going to be possible without emphasising and supporting education.

Today, Kenya can pride herself on impressive gains in education. The composition of the labour force is no longer a major issue. Kenya even exports teachers to neighbouring countries such as Rwanda. Enrolment at primary level has increased from 891,533 in 1963 to over 7 million today (World Bank, 2004b). Enrolment at secondary level has increased from 30,000 to over

800,000 within the same period. From just one university in 1971 with a mere 571 students, university education in Kenya has grown to incorporate six public and seventeen private universities with student enrolments of around 92,000 (Oketch, 2004; Republic of Kenya, 2005). But Kenya still faces challenges in education although these differ significantly from those of forty two years ago. More specifically, the environment in which education policy is formulated and education itself functions has changed considerably. The challenge of nation building which was one of the roles assigned to education at independence is still there in some respects and the challenges of economic development have become even greater. But policy formulation is no longer confined to the relatively simple issue of creating high skill levels in the labour force to take advantage of new opportunities created by the departing colonial administration as was the case in 1963. Instead, the issues that Kenyan and its education system must face up to today are those that have been occasioned by and have become intertwined with the idea and process of globalisation.

The Eighth National Development Plan (1997-2001) (Republic of Kenya, 1997) sets Kenya on the path to industrialisation by the year 2020. It is stated in the Plan that this would be achieved by emulating the new development path paved by the newly developed nations of East Asia. These countries, apart from Thailand were colonised. They were poor, had limited natural resources, didn't gain their wealth by war or imperialism, but become wealthy. They also became wealthy much faster and with less inequality and hence deviated from the development process experienced in Western Europe and North America. How have they done it? And what can Kenya learn from them? It is not surprising that the major preoccupation in Kenya lately has been what should be done to realise similar fortunes as these East Asian Miracle countries. Many seem to agree that in present day knowledge-driven economies thought to have been occasioned by globalisation, the answer largely lies in education. Yet, while this is acknowledged by the Government in the Ninth National Development Plan (2002-2008) (Republic of Kenya, 2002), it is less clear what education policies aimed at orienting Kenya towards global economic integration have been initiated, if any. If anything, the issue of globalisation is only given one paragraph of coverage and the education section in the National Development Plan is nothing much more than repetitive descriptive statistics that self-congratulate the expansion in education that Kenya has achieved. There are no indications of how the education system is be realigned to steer Kenya towards global economic integration. This is not anything new in Kenya where the Government has a tendency to get fatigued quickly with good and ambitious strategies which it hardly carries forward. For example, the informal sector, which has been an important component of the Kenyan economy, is hardly linked to the education system (King, 2005a; 2005b).

In conclusion, it is nonetheless fair to say that the Government of Kenya has had a positive vision of education's role in preparing Kenyans to be active participants in the process of economic development (see e.g. the purpose and various recommendations in Table 4). Despite the issues discussed thus far, quantitative expansion of education is an important move in the right direction towards qualifications and economic development as necessary ingredients for 'successful' integration into the global economy.

4. The contribution of education to economic growth, income equality and nation building

Several studies have shown that higher educational attainment improves the quality of the labour force and enhances the earning ability of an individual person (Mincer, 1958; Schultz, 1961; Hansen, 1963; Manda, 2002). Schultz (1961) emphasised the importance of including human capital as well as non-human capital in explaining economic growth. By doing so, Schultz presented investment in education as a capital building process, and pointed out that increases in national output tend to be relatively large in comparison to increases in land, labour, and physical reproducible capital. Education, which is widely seen as investment in human capital, is viewed as the dominant explanation for this additional increase in national output (also referred to as the residual). Lewin (1993) and Oketch (2006) provide a comprehensive review of the literature and empirical analysis respectively on the subject of education and economic development and detail both evidence and issues in relation to Sub-Saharan African countries, Kenya included.

The government of Kenya has continuously put educational expansion high on its agenda, initially with the belief that development of the economy, and thus employment of the educated, would automatically accompany such expansion (see e.g., Republic of Kenya, 1965a; Republic of Kenya 1965b). This belief in education is reflected in the number of children completing primary education which, as already noted, increased from fifteen thousand at independence in 1963 to over seven million by 2004. Rapid growth of enrolment has also been witnessed at secondary and tertiary levels from 30,000 at independence to over 800,000 and from 571 in 1971 to over 90,000 respectively (Republic of Kenya, 2005). However, and contrary to the belief and expectation of the Government, many of the school graduates failed to secure employment. Educational expansion has not been accompanied by comparable economic growth in Kenya, especially since the 1980s, although it has generally increased the level of qualifications available to employers. This has led to studies focused on educational expansion and economic decline in Kenya (e.g., Appleton et al, 1999; King, 2005b; Manda, 2002). At the individual level however, Manda's study reveals that 'those with no education earn less than those with formal education and the earnings increase with the level of education' (Manda, 2002: 22). Manda also reports that the private rate of return to education for those with university education has increased over time while that of secondary education has declined (Manda, 2002). In the 1960s, the preoccupation of the Government was with increasing the number of individuals with secondary school qualifications, who were much needed in the civil service. Today, even with a university degree, employment is not guaranteed. While the Government was looking at meeting its skills requirement in the 1960s, by attaching education to employment, particularly in the civil service where terms were better than employment in the private sector, a civil service jobs syndrome was created in the country and it has not been easy to change this. It is, therefore, not surprising that the informal sector that flourished in Kenya as early as 1972 (ILO, 1972) has not been mainstreamed because the educated have never seen it as a means of livelihood. The problem, evident as early as 1964 and owing much to the legacy of 'manpower planning' was that *employment* of the educated was seen as the means by which education and development were connected.

4.1 Mismatch between educational expansion and economic growth

Appleton et al (1999) reviewed Kenya's educational expansion and economic performance from the foundation laid by Mincer (1958) among others. Their analysis endorses earlier studies (see e.g. ILO, 1972) showing that Kenya's tremendous expansion of education has not been matched by an equally expansive economic performance, although their study is limited to the urban labour market. They note that rapid urbanisation in Kenya in the face of a declining economic performance has meant that the 'increase in the supply of urban labour... was not matched by demand' (p.3).

This is a problem that has long been recognised by the Kenya Government (Sheffield, 1967). In the Kenyatta era, it was dealt with by restricting the expansion of higher levels of education (Oketch, 2003; 2004). But the problem continued and even worsened in the Moi era when the imbalance between educational expansion and economic growth was a major issue of concern (Abagi, 1996; Oketch 2004). The Government was apparently convinced that the problem had to do with the system of education which had very little vocational content. Consequently, they attributed the imbalance to the then 7+4+2+3 system which it was argued produced graduates with high expectations but few vocationally oriented employable skills.

The National Committee on Educational Objectives and Policies (NCEOP) formally reviewed the school leaver problem in 1975. The Gachathi Report of 1976, as it became known, recognised the large and increasing number of unemployed school graduates in Kenya, and the reality that self-employment was the only feasible solution for many of them (Oketch, 1995). The findings were not new as an ILO Report released in 1972 had concluded that the informal sector was what kept the majority of the urban population in some form of employment (ILO, 1972). Despite these findings, the Kenya Government was ambivalent towards any national policy on the promotion and development of the informal sector. But the school leaver problem and the inequalities in Kenya were not by and large confined to the urban areas. Rural areas also experienced similar problems. Hughes (1991) observed how rural households traditionally known to be self-sufficient in providing for their subsistence needs from their own agricultural production were now frequently able to fulfill only a fraction of their needs. He noted that rapid population increases in rural areas meant that the reliance on land as a means of meeting daily needs was no longer feasible.

One alternative to this scenario, as proposed by Hughes (1991), would be to utilise existing resources more efficiently. Livingstone (1981) had argued earlier that increased cash cropping (higher valued crops permit household viability on smaller holdings) and increased yields through the use of hybrid maize, vegetable and fruit growing, and livestock and milk production, would have provided important aspects of the 'sponge effect' for the rapidly rising population. The 'sponge' represents what Hughes (1991) termed as the ability of the rural sector to absorb the large population and labour increases of the 1970s. Hughes cautioned, however, that innovation was predicated on the achievement of a certain income level which, for the majority, came only from non-farm earnings.

Hunt (1976 cited in Hughes, 1991) found that in Mbere Division of Eastern Kenya, innovation was likely to occur when household income rose sufficiently to protect the

household against any risk and uncertainty associated with the change. A similar study by Paterson (1980) also found that the cost of the material inputs for the cultivation of hybrid maize was far beyond the ordinary household means. Another study by Collier and Lai (1980) further revealed the connection between income and farming by noting that although small-holder farm income was dramatically influenced by the adoption of innovations, the propensity to innovate was powerfully affected by the availability of regular non-farm earnings from wage employment.

Wage employment as the next strategy pursued by small-holders, provided the capital and the cushion necessary to promote innovation (Hughes, 1991). This according to Hughes had by far been the preferred choice. As early as 1974 to 1975, non-farm income contributed 43% of total small-holder income. For the poorest small-holders, wage employment accounted for 77% of total income (Livingstone, 1981: 6). Paterson (1980) found that nearly 93% of all households were relying on the employment earnings of at least one of their members. In the 1960s, the jobs secured demanded little formal education. Today, although work as an agricultural labourer still has minimal educational prerequisites, most wage employment requires some education. The level of education needed to secure such employment has been continually rising (Hughes, 1991; Oketch, 2004).

People in rural communities have come to recognise that a major portion of their total household income needs to come from non-farm sources. Getting a job is a long and complex process, however, and this process begins with education (Hughes, 1991). Since there is no alternative to education if wage employment is to be gained, and since many households are almost completely dependent on the remittances from wage labour for survival, education becomes increasingly essential. This has resulted in an almost desperate demand for education of virtually any type and at every level (Hughes, 1991; Oketch, 2004). A study by Orvis (1985) among the Kisii tribe in Western part of Kenya found that the expenditure for education was especially large relative to any other use of male earnings, including investment on land. A man's investable income was spent, to a large degree, not on agriculture but on education for his children and or his siblings. A similar study by Martin (1982) among the Maragoli tribe, also in Western Kenya, found that 80% of household incomes could go towards education. Paterson (1980) concluded that a father's responsibility to his children, especially the male ones, had been shifted to that of providing education. These findings evidently suggest that rather than land, the son's major productive resource was now seen to be his labour which could be enhanced and made marketable by education (Hughes, 1991).

Unfortunately a further chain of events known as the 'diploma disease' (Dore, 1976) had essentially been initiated by the abundance of school leavers and the paucity of jobs. It occurs when employers raise their hiring standards until they clearly exceed the training necessary to successfully fulfill job responsibilities (Hughes, 1991). The 'diploma disease' sheds light on why the relationship between education and economic growth does not always operate in practice as in theory. Wolf (2002) has recently contributed to this debate by referring to this relationship as a myth. Others have viewed this problem as being that of 'qualification chase' (Little, 1996). People are compelled to pursue more and more education to the point where much of the demand for expensive higher training is largely fuelled by credential inflation. The returns to

society from superfluous training are minimal. It is this relationship between education and employment that has fuelled much of the tremendous demand and expansion of educational opportunity of the 1970s and 1980s (Hughes, 1991).

Enrolment at primary level has gone up by 485% between 1971 and 2004 (Republic of Kenya, 2005). This is itself a welcome trend and Kenya has been praised by the international education stakeholders for trying so hard to meet universal primary education. However, rapid expansion at primary level has had an effect on other levels of education. It has led to, and depended on, similar expansion at secondary and tertiary levels of education, making education one of the largest items in the nation's annual budget. Not only has the cost of this expansion become unbearable, but also the value of educational growth has increasingly been undermined by what Hughes, writing in 1991, saw as credential inflation. One viable alternative to this issue of credential inflation identified by Livingstone (1981: 60) would be a policy diverting 'entrepreneurs from land accumulation towards non-farm entrepreneurial activity.' This could bolster formal sector employment if non-farm entrepreneurial activity became the preferred investment alternative. Livingstone (1981) and Hunt (1984, cited in Hughes, 1991) concurred that agricultural productivity would increase significantly if such a dual policy were to be successfully pursued. The equality effect in the rural areas of Kenya would be quite substantive as well (Hughes, 1991).

Collier and Lai (1984, cited in Hughes, 1991) had suggested that off-farm income (generally wage employment) was necessary to offset the risks of farming and to provide the initial capital for innovations such as highly productive, high-value cash crops. Yet high support for education by the government had contributed to a relatively small amount of resources being available for employment creation and rural development.

Hughes (1991) and Collier and Lai (1984, cited in Hughes, 1991) held the view that only by increasing the income potential of the rural sector would the government be able to limit educational demand for primary education. Only then would the philosophy of the 8+4+4 system of education, introduced in 1984 following the MacKay Report of 1981 (See Table 4) in order to make education more relevant to the needs of the rural economy, work. The 8+4+4 (8 years primary, 4 years secondary, and 4 years university) system of education was adopted about seventeen years ago to replace the 7+4+2+3 (7 years primary, 4 years secondary, 2 years A level, and 3 years university), partly in response to the mismatch between education and the labour market in Kenya. Its main aim was to instill vocational skills and, in particular, rural farming culture among the youth so that they could become self-employed within their communities, thus curbing aspirations for higher levels of education. Today, its effectiveness has remained controversial as the Government has admitted. This controversy resulted in a Presidential Commission of Inquiry into the education system, which became known as the Koech Commission of 1999 (Republic of Kenya, 1999). It collected views from various stakeholders and finally prepared a report which concluded that the 8+4+4 system was not working, was hurriedly conceived and while it may have had good intentions, wasn't properly implemented. Its vocationalisation aim and curriculum had failed to inspire the youth towards self-employment.

Foster (1965) observed that vocational aspirations of Africans had little to do with the schools themselves but were a direct reflection of the actual vocational opportunities open to them. It seemed that they were a result of African perceptions of the differential rewards accruing to different types of occupations. Where education is viewed as a potentially profitable investment, educational demand will be more specific and closely related to African perceptions of the differential rewards of the occupational structure. Foster explained that education meant one thing above all, the opportunity to enter more highly paid posts within the exchange sector of the economy. This view continued to be living reality of Kenyans' perception of their education system, hence the hopelessness of the 8+4+4 vision. Kenyan political elites who ran the Government had often seen causes for unemployment as being the 7+4+2+3 system of education with its academic oriented curriculum.

4.2 Education and inequality

In their 1972 report, the ILO reviewed the roots of Kenya's inequality. Even when growth was strong in the 1960s and 1970s, only a tiny minority benefited, mostly those Kenyans who filled high level positions previously held by expatriates. A similar view has been expressed by UNDP (1999), Mwege and Ndung'u (2002) and the Society for International Development (SID) (2004). A sizeable number of people, however, benefited from the transfer of land and new opportunities in trade, building and manufacturing, including those largely employed in the modern urban sector. For a majority who were mainly rural dwellers and for the urban poor, 'unemployment and inequality continued and even increased' (ILO, 1972: 83). Inequality in the provision of education and in all other aspects of life among the different races in Kenya had been one of the forces for the agitation of independence. According to the ILO, inequality was planted in Kenya by the mechanisms of colonial administration which had controlled urban unemployment by means of restrictions on who would be allowed to migrate to Nairobi or Mombasa (ILO, 1972: 85). When independence came in 1963, 'Kenyan attitudes and aspiration had perhaps been moulded more than was realised by the style and ethos of the divided economy, by the colonial experience of having to accommodate oneself and to work within the existing structure of the economy rather than to change it' (ILO 1972: 87). This resulted in inequalities that have affected Kenya's development path to the present.

Following independence in 1963 'the political aim of taking over the economy became merged almost imperceptibly with the individual aspirations to take over the jobs, positions and life styles which the economy made possible' (ILO 1972: 87). By doing so, the new Government accepted the inheritance of a system that was largely unequal with a tiny minority that was privileged and a significant majority that remained poor. The inequality that existed in Kenya at the dawn of independence was much wider than that found in Latin America and Asia although the report notes that it would be much harder to tell whether and by how much, if any, it differed from the rest of Sub-Saharan Africa during a similar stage of political independence. Still, many did gain, particularly through the expansion of education and health services by the independence Government (ILO, 1972; UNDP, 1999). Education was immediately seen by parents and their children alike as the vehicle to achieve affluence and lucrative jobs in the Government. According to the ILO, the small group that had benefited from the existing unequal income structure would stay ahead of the rest by consolidating their positions and passing them on to their children.

The benefits of education had quickly been turned into a system that prompted ILO to observe that ‘what is now merely the beginnings of stratification by education and incomes could very easily within a further generation become a rigid and institutionalised barrier’ (ILO 1972: 97). Predictions and concerns revealed by the ILO report written 33 years ago are a reality in Kenya today, reflected by the levels of poverty in the country. Statistics over the past decade show that Kenyans have become poorer and that past efforts to use education seem to have only perpetuated the inequalities (*Daily Nation*, November 4, 2005). Some of the present condition can arguably be said to stem from how the Kenyan leaders viewed and used the inequalities they inherited from colonial administration as well as the policies that have been adopted to remedy them (Court, 1979; Alwy and Schech, 2004; UNDP 1999). There is some truth in the ILO’s conclusion three decades ago that while Kenya’s economic growth was impressive in the 1960s and 1970s, there was an ‘absence of a strong and coherent strategy for rapid economic growth accompanied by a more egalitarian distribution of the benefits of growth’. Sessional Paper No. 10 which laid the foundation for Kenya’s development strategy did not become a living document true to what it had proclaimed. Instead inequality inherited at independence continued, with the Kenyan elites pursuing the same patterns of economic inequality that had previously existed under colonial administration (ILO, 1972).

According to the ILO report, the poor and less educated found it difficult to ‘break out of the circle of poverty’ (p.97) and yet poor education also resulted in a denial of job opportunity. A similar view is expressed by Court (1979) in his analysis of educational inequalities in Kenya where he points out that an education policy that places greater emphasis on academic achievement for economic advancement, and yet which allows inequality of access to quality schools by virtue of the distribution of good schools between ethnic groups and geographic regions perpetuates inequality. A remedy to this problem was put in place in 1985 by the Moi regime through the introduction of a quota system in selection for admission into secondary schools (Amutabi, 2003). This, according to Amutabi, has only worked to encourage regionalism and localisation of the problem, and it may be added, is in contravention of the nation building and national unity role assigned to government boarding secondary schools by the various Education Commission reports, which recommended that these schools should admit no less than 20% of their students from different regions of the country other those in which they are located.

The report by the Society for International Development documents various types of inequality in Kenya based on secondary data. According to the report, the top 10% of Kenya’s households control 42% of the total income while the bottom 10% control less than 1% (SID, 2004: vii). It is noted in the report that the gap between the rich and the poor is most visible and widely talked about form of inequality in Kenya. This is because this type of inequality creates a society of people with different lifestyles, opportunities and standards of living. The report indicates that income inequality is enormous in Kenya. Table 4.8 and Figure 4.4 below illustrate the level of income inequality in Kenya.

Table 4.8 Household Income and Expenditure Distribution by Deciles, 1999, Kenya

Deciles	Income			Expenditure		
	Value Ksh (Millions)	Share (%)	Cumulative %	Value Ksh (Millions)	Share (%)	Cumulative %
Lowest	387,996	0.76	0.76	579,622	0.86	0.86
Second	893,380	1.75	2.51	1,070,859	1.58	2.44
Third	1,385,264	2.72	5.23	2,320,817	3.43	5.86
Fourth	1,952,556	3.83	9.06	2,166,319	3.20	9.06
Fifth	2,574,966	5.05	14.11	3,082,143	4.55	13.61
Sixth	3,356,565	6.58	20.70	4,270,059	6.31	19.92
Seventh	4,343,231	8.52	29.22	6,075,953	8.97	28.89
Eighth	5,918,406	11.61	40.83	6,848,167	10.11	39.00
Ninth	8,389,841	16.46	57.28	11,071,978	16.35	55.35
Highest	21,775,814	42.72	100	30,235,252	44.65	100

Source: SID, (2004, p. 6) Table 2.1

The most widely used measure of income inequality is the Gini coefficient. Available estimates (Table 4.9) indicate that Kenya has not significantly narrowed the gap between the rich and the poor. It has widened in most years. With a Gini coefficient of 0.57 for 1999 Kenya is ranked among the top ten most unequal countries in the world (SID, 2004).

Table 4.9 Household Income Gini Coefficients, 1960-1999, Kenya

Year	1960	1961	1964	1967	1969	1971	1974	1976	1977	1981-83	1992	1994	1997	1999
Gini	0.68	0.49	0.63	0.66	0.68	0.70	0.69	0.52	0.57	0.57	0.57	0.44	0.45	0.57

Source: WIDER World Income Inequalities Database (2005) and SID (2004)

4.3 Education and nation building

Sessional Paper No 10. (Republic of Kenya, 1965a) as well as the First National Plan 1964-1970 (Government of Kenya, 1964) assign a key role to education in developing responsible citizenship as well as in nation building (see Table 4). The first post-independence Education Commission, often referred to as the 'Ominde Commission', not only endorsed government's policy of bringing an end to racially segregated schooling that had existed during colonial administration but also recommended that education in the post-independence Kenya should aim at promoting national unity and should provide learners with a sense of national identity (Otiende, et al., 1992: 88). With 43 different languages and several ethnic groups, the need to bring unity was part of the KANU manifesto. At independence in 1963, the opposition party, Kenya African Democratic Union (KADU) had justified the need for its

existence on the basis of championing the interests of minority tribes. It claimed to represent 'small' or 'minority' tribes against the 'big tribes' that dominated KANU. But soon, they were persuaded to join the Government and abandon fears of being marginalised on the basis of their tribes. Thus, politically, tribes have co-existed in Kenya although rivalries have often been part of this co-existence. Education has played a critical role in keeping the political unity dream a reality. One area where education has particularly been effective in promoting national unity and creating a national identity is in the teaching of history of the various tribes of Kenya (or history of Kenya) and the use of English language as the medium of instruction in schools.

There are two national languages in Kenya, English and Kiswahili. The former is also the medium of instruction in Kenya's education system. One reason why English and Kiswahili have been positively accepted in Kenya's education and national organisation is that neither belongs to any particular African tribal groupings. A survey by the Ominde Commission (Table 4) found that many parents had wished to see the universal use of English language as the medium of instruction early on in the education system. The commission endorsed these views in the recommendation that English should be made the universal medium of instruction from Standard I and that Kiswahili should be a compulsory subject. For some analysts (e.g., Mbaabu, 1996: 123), this relegated Kiswahili to a lesser status compared to English. To others, this move helped unify the nation even if it brought pedagogical challenges. Several other education commissions have touched on the issue of language seen as being at the heart of learning as well as national unity. The Gachathi Report of 1976 reversed some of the Ominde recommendations by advocating that pupils be taught in the predominant language of the catchment area as a first step and that English be taught as a subject and only be used as a medium of instruction from Standard Four onwards. Over the years, Kiswahili has acted as a unifying national language but English has maintained its higher status as the medium of instruction in schools. It has made it easy for Kenyans from various tribes, who otherwise would find it difficult to communicate across different tribal groups, to have a common language and sense of national identity. In this regard, the role of education in fostering national unity through language has been obvious. The prominence given to unity in the history curriculum and the use of neutral languages both in education and in public life have helped to mould a Kenya that has enjoyed relative peace since independence. There is a sense in which Kenyans feel that Kiswahili acts as unifying factor and brings both the elites and the non-elites together. One of the aims of the Kenyan education is to bring about national unity and the evidence is there to show that it has worked because Kenyan students of different tribes attend schools far away from their own localities, and conflicts based on tribal differences have mostly been avoided. The two languages have been fused within the Kenyan cultural diversity helping to almost eliminate quarrels based on tribe (Notes from Nairobi Dissemination Seminar, September 1-2, 2005).

Pupils in schools often sing the national anthem in both English and Kiswahili and the national flag is frequently raised in schools, acting as symbols of national unity. It is at secondary schools that young Kenyans from different regions of Kenya are brought together and taught common values. To date, Kenyans have been unified although tribal rivalries dominate politics, and national unity is often an issue of national political campaign. What is separating Kenyans is not the diversity of the languages but rather the gap that exist between the rich and the poor. Differences between elite schools and schools for everyone are particularly becoming major concerns for national unity (Notes from Nairobi Seminar, September 1-2, 2005).

4.4 The impact of population

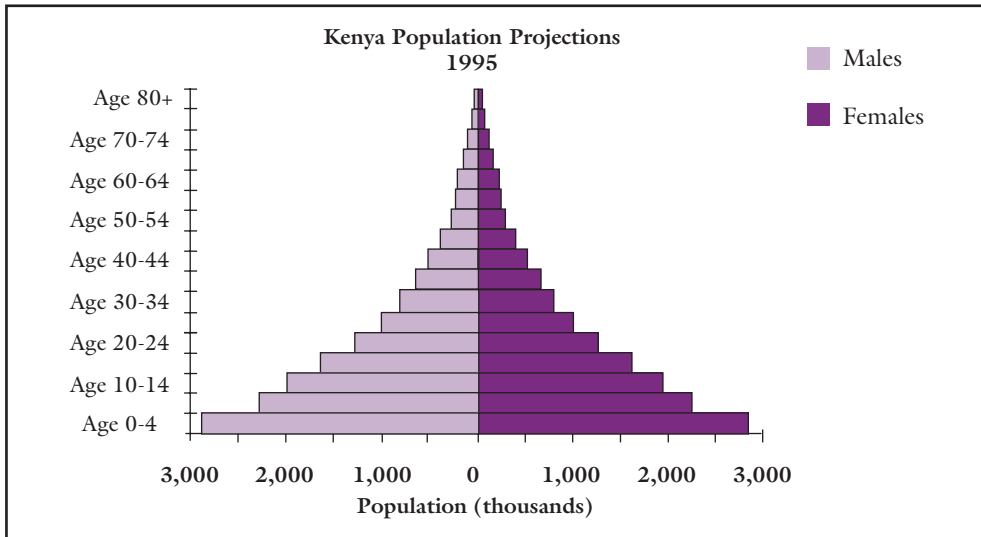
Kenya's population has grown very rapidly from 5.4 million in 1948 to an estimated 33 million at present (World Bank 2004b). Much of the rapid growth occurred in the 1980s and peaked in 1988 at 4.2% (Legovini, 2002). The currently available figure for 1997-2003 of 2.3% annually is still above the average growth in low income countries, estimated to be 1.9% (Legovini, 2002; World Bank, 2004b). Kenya's economic underperformance and the myriad problems that have followed have partly been blamed on her rapid population growth rate. At 3% at independence in 1963 it was already one of the highest in the world (Stabler, 1969). The ILO report (1972: 121) called it 'an obstacle in Kenya's development'. But the issue of population has always been contentious in Kenya's multiethnic nature. This made it difficult for the Government to have a policy of demographic planning which would have the required political backing. Some communities see any attempts to control population as a means of limiting their political base and therefore their power in the affairs of the Kenya Government. Even to date, with an impressive demographic transition and a rapidly declining population, some politicians continue to advise their communities to reject family planning because regional and ethnic rivalries, as noted by ILO in 1972, continue to be cast in a framework of relative population size (ILO, 1972). The quote that follows sums up the view of the ILO report on the issue of population, education and health in Kenya, which even though it was written three decades ago, is still relevant today:

Kenya's aspirations to acquire a place of greater independence in the world community are more a matter of economic power than of population size... Everything else being equal, the numbers are obviously important. But, in the modern world, 'everything else' is highly unequal and economic power is strongly associated with levels of health, education and training of the population and the degree of economic development that tends to follow (ILO 1972: 124).

The Kenyan Government has equally been very concerned about the country's rate of population growth (Republic of Kenya, 1997: 130-131). Figure 4.4 below indicates how Kenya's young population remains a challenge to the provision of education which results in an increase in dependency. It reveals that the effects of the previous rapid rates of growth will be felt for several decades to come.

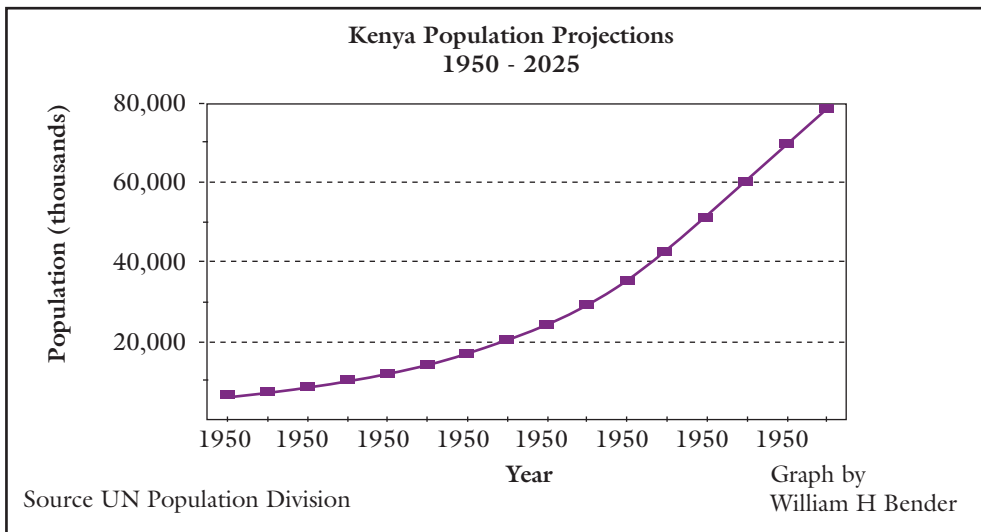
There are two other issues about Kenya's population. First, regional population densities are extremely diverse, ranging from over 230 persons per sq. km in high agricultural areas like Kiambu District to as low as 3 persons per square km in arid and semi arid areas such as Turkana. Second, the level of urbanisation, currently estimated to be 36% (CIA, 2005), indicates that rural population sizes are declining rapidly and yet urban unemployment is growing. This will affect subsistence agricultural production in the rural areas and will complete the destruction of the flow of food from rural to urban and of cash from urban to rural families which has traditionally sustained urban-rural link. Moreover, urbanisation leads to new and complex human development needs that the Government of Kenya has acknowledged it is yet to prove itself capable of meeting (Republic of Kenya, 1997). Yet projections indicate that Kenya will continue to experience population growth in contrast to decline in East Asian countries. Figure 4.5 illustrates Kenya's projected population growth to year 2025.

Figure 4.4



Source: <http://www.africaindex.africainfo.no>

Figure 4.5



Source: <http://www.africaindex.africainfo.no>

5. The role of education in ‘successful’ engagement with globalisation

As noted earlier, the role of education in shaping the direction of Kenya’s development goes way back, perhaps to colonial times, but more realistically to independence in 1963. Upon attaining independence, education was assigned the role of a partnership with the state in transforming Kenya (Stabler, 1969; Government of Kenya, 1964; Republic of Kenya,

1965a). The key educational commissions which provided watersheds in the educational changes in the country have already been briefly reviewed. What follows are snapshot examples of specific educational initiatives that have been geared towards sustained development of education but which can separately be argued to be manifestations of the role of education in steering Kenya towards global economic integration.

5.1 Prioritising education in development strategy in the 1960s and 1970s

Following independence in 1963 and the recommendations of the Ominde Commission (1964), Kenya, much like Sri Lanka, significantly reduced the role of religious missions in the supply of education. This not only ensured Government control of education policy but also facilitated an expansion of education that would not be dominated entirely by parochial aims but rather lead to holistic development of an individual, as well as a national citizen. It can therefore be argued that this move laid the foundation for any elements that might be considered as Kenya's engagement with globalisation in later decades. The various commissions set by the government linked education to national development.

5.2 Free primary education policy in 1974 and 2003

As early as 1974, Kenya had committed herself to the idea of free primary education. Although never to be realised, it set a target for the Government which they continuously strived to meet, leading to what became an internationally recognised expansion of access at primary level. Although wider macroeconomic conditions associated with SAPs in the 1990s and early 2000 led to stagnation and then to decline in the GER (Gross Enrolment Ratio) at primary and secondary level, it then picked up through the new FPE (Free Primary Education) policy implemented in 2003. Millions of children have trooped back to school, raising GER to well above 100%.

In economic literature it is suggested that countries cannot take off economically before they attain a certain level of literacy, thought to be about 40% of the population. With illiteracy now below 20%, the expansionist policies that were laid down in the early years mean that Kenya has now reached a level where it may be less difficult to engage with globalisation. This is reflected by the rapid increase in the number of mobile phone and internet users, as noted in the earlier parts of this chapter. Such a tremendous increase in the use of technology could not have possibly happened had Kenya still been a largely illiterate population. Recently there have been reports of call centers, Bangalore style, established by American companies in Kenya. This has only been made possible because of a literate population and international activities such as the country's ability to attract outsourcing. This is surely an indication that Kenya's education has played a positive role in steering the country, albeit modestly, toward the global market.

5.3 Encouraging private provision of education

Unlike Sri Lanka, the Kenyan Government has not restricted the establishment of private institutions. There are many private universities in Kenya today as well as several private primary and secondary schools. These private institutions, although sometimes blamed for perpetuating inequalities and fuelling credentialism, are by several accounts an indication of how the education system has engaged with globalisation. Investors in the private education sector have come to Kenya, first because of its history of quality education within the SSA region, and second because of the assured availability of qualified teachers who with minimal training, can teach an international curriculum and international students. With new education players, the Kenya education sector now offers a variety of qualifications, some national and others international, which have arguably helped to attract such international organisations such as the Headquarter of United National Environmental Programme (UNEP) to be established in Kenya. Kenya also boasts a large number of international non-governmental organisations (NGOs) that operate humanitarian assistance using Kenya as a base in difficult settings such as in Somalia and Sudan. With a more literate population, it has been easy to find staff to assist as well as local media houses to connect with the international scene. All these are elements of integration with global economy as a result of a more literate population.

6. Conclusion

The discussion throughout this chapter suggests that post independence Kenya attached a significant role to education in its development agenda and strategies. Education contributed to economic development, particularly in the phase up to the mid 1970s during which the economy grew at a comparable rate to East Asia and when agricultural improvements benefited from educational advance. During this phase of Kenya's development, in which ISI was a favoured development growth strategy, there are clear parallels with East Asia as well as Sri Lanka and India. But the transition to export-led growth did not occur in Kenya as it did in East Asian states which managed to increase primary and secondary enrolments much faster to the benefit of manufacturing growth. Geopolitics also favoured the East Asian states. Education has also played a key role in fostering national unity, a theme that is evident in each of the various key Commission recommendations (see Table 4). The policy requiring government boarding secondary schools, where elite political socialisation and formation begins, to admit no less than 20% of their pupils from various geographical locations has ensured an acceptable mix of various tribes and has served as a means of fostering national unity. In this respect, Kenya has been different from Sri Lanka where education has not necessarily contributed to national unity.

Rapid educational expansion acted to increase rather than decrease inequalities that were inherited from the colonial administration, in contrast to Asian tigers which experienced equitable access. Kenya's case is perhaps similar in some respects to the experiences of inequalities in China's rapidly expanding education system today. Court (1979) argued that education could not act to reduce inequalities in Kenya because in spite of rapid expansion, much of which occurred through low quality community self-help schools (*harambee schools*), the academic orientation of the education system mainly emphasised progress to higher levels where access and provision remained unequal among regions and between rural and urban areas.

The role of education in development, much as in the cases of India and Sri Lanka, was mainly tailored to prepare young people for employment, mostly in the civil service. While this reflected the African skills shortages at the time of independence for Africanisation and Kenyanisation, little deliberate effort seems to have been made immediately and thereafter to make the education system respond to a prevailing economic structure that was predominantly agricultural. Not surprisingly, there has been a mismatch between educational expansion and the labour market. Education has acted mainly as a means of social mobility, particularly by enabling those who have acquired it to access government employment, and less as a means of supporting economic transition from low agricultural production to export manufacturing. However, the fact that Kenya started in the 1960s with a much lower education base compared to the Asian tigers, coupled with the idea of using education to Africanise the Government following independence, may have arrested a transitional role of education from low agricultural production to export manufacturing production. Moreover, by emphasising the civil service labour force role of education, the government may have early on in the post-independence era inadvertently signaled that any type of education that did not lead to white collar employment was rather 'second class' education. Hence the fallacy of vocational and technical education alluded to by Foster's study among Ghanaian youths is still relevant in Kenya (Foster, 1965). However, if education was instrumental in helping the tigers to overtake Kenya, then Kenya is now at a stage when education should act to help it take off. Moreover, the economic malaise since the 1980s is probably due mainly to causes other than lack of skills (i.e. lack of FDI due to perceptions of corruption combined with a down turn in East African markets and over-rapid population growth) given if anything, there has been a surplus of qualifications since the 1980s.

Kenya's population growth has been particularly problematic as it has posed challenges for the education system in inhibiting economic growth. At 3% growth in 1963 (Stabler, 1969) Kenya was starting at a disadvantage compared to the Asian tigers that were already experiencing demographic shift. Kenya's population continued to grow much more rapidly than the rate of economic progress, much in the same way as India's. This was partly due to reduced infant mortality as a result of expanded primary education (which is correlated with improved hygiene). Improved provision of public health through local dispensaries also contributed to a decline in infant mortality and improved population growth. Unlike in China where the Government enforced a policy of 'one child' to deal with an explosive population, Kenya failed to have a consistent policy on population control. Those having more children were not the elites but rather the poor masses in rural and urban areas thus adding to the population that was poor. Thus, as the population grew and primary education expanded, it became difficult to break the circle of poverty by merely completing primary education. This placed a high demand on any form of post-primary education, which has also remained unequally distributed and limited in size, particularly in the poorer regions of the country.

If FDI is a necessary means for integration into the global economy, then the picture from Kenya is not encouraging. This said, one positive recent development is the Government's pronouncement of the success in the implementation free primary education policy, along with reports of the Government's plan to either expand or build ten new schools in every district in the country (*Daily Nation*, May 20, 2006). This is an indication that Kenya is gearing up for the possibility of playing a more positive and active role in the global economy in the near future.

Chapter 5: Paradoxes of Economic and Social Development in Sri Lanka: the Wages of Civil War – Angela W. Little

1. Introduction

The overall purpose of our research is an examination of the contribution of education to successful engagements with the global economy. We have defined the first two elements of ‘successful engagement’ through reference mainly to the development trajectories of East Asia in the second half of the twentieth century: *export-led economic growth with growing income equality*. Sri Lanka, formerly Ceylon, was striving for these goals before independence in 1948 and even before the East Asian tiger economies. However, some of her economic policies and political programmes from the late 1950s diverged from them, resulting in a considerable loss of economic opportunity.

From 1977 a series of liberalisation policies forged a *re-integration* with the global economy. The term *re-integration* reflects Sri Lanka’s long history as a trading nation integrated vertically into the global economy throughout the nineteenth and early twentieth centuries but with an inward economic orientation between 1956 and 1977. In the years immediately before and following re-integration Sri Lanka’s progress on human development was lauded by sections of the international development community as an example of what could be achieved by governments committed to welfare, social justice and equity in spite of only moderate levels of economic growth (Isenman, 1980; Sen, 1981). The course of Sri Lanka’s development shortly thereafter – and her decline into civil war – surprised many. Because of this we extended our understanding of ‘successful engagement’ with globalisation to read: *export-led economic growth with growing income equality and peace*.

This chapter explores how education has facilitated and inhibited Sri Lanka’s *re-integration* into the global economy since 1977. The first part provides a brief overview of economic, educational, political and social developments prior to 1977 which led to the conditions under which the new economic policies of 1977 were implemented. These include expanded educational opportunity, population growth, growing levels of educated unemployment and the development of nationalisms based on ethnicity. The second part examines progress since 1977 on our three dimensions of development: economic growth, income equality and peace. Economic growth will be seen to have been moderate in relation to that witnessed recently in China and India and high in comparison with Kenya. Income equality has been maintained at levels similar to those since independence, contrasting with China and India, where levels of income inequality were lower initially but which have risen steadily to levels similar to Sri Lanka; and Kenya where levels of income inequality were higher initially and have continued to worsen. Sri Lanka also stands in marked contrast to China, India and Sri Lanka on her record on peace and national unity. The period since the late 1970s has been marked by ethnic strife, civil war and a breakdown of national unity.

The third part of the chapter explores the contribution made by education and education policies to growth, equality and peace/national unity since 1977. Education’s contribution to economic growth is explored through social and private rates of return, through the impact of specific education policies, and through the impact of economic liberalisation on new types of educational provision. Income equality is linked with equalities of access to different levels of education and through a series of education policies designed to promote education and income

equality directly. Recent trends towards *de facto* privatisation in education suggest increasing gaps between the richest and poorest. Education's contribution to peace – and also to civil strife – is explored through policies on language-medium and student and school segregation by ethnicity. The fourth part assesses the potential contribution of current proposals for educational reform to our three dimensions of development.

2. Development pre-cursors

In 1901 Sri Lanka's population was 3.5 million. In 1953 it was 8 million. Currently it is around 20 million. In terms of ethnicity, religion and language the population is diverse. Ethnically the Sinhalese predominate totalling around 70% of the population. Of the minorities – Tamils, Moors and Burghers – Tamils predominate comprising around 18% of the population¹. Formerly a Portuguese, Dutch and British colony, Sri Lanka gained independence in 1948.

Sri Lanka as trading nation

Chinese and Arab traders predated the arrival of the first colonial European power by many centuries but it was the Portuguese who:

proceeded to become the first nation to establish a relationship based on trade and the political domination of the coastal areas of Sri Lanka on the basis of having advanced military technology and a will to capitalise on it (Kelegama and Madawala, 2002: 3).

Like the Portuguese (1505-1658), the Dutch who succeeded them (1658-1796) confined their activities to the coastal areas. It was during the British period (1798-1947) that the entire country came under colonial rule. From the 1830s the British Colonial government promoted a *classic commodity export strategy* which integrated segments of the Sri Lankan economy into the emerging global capitalist system. The economy was characterised by a dual economic structure. The 'modern' sector comprised plantations, transport and communications, external trade and public administration. The 'traditional' sector comprised peasant agriculture, small scale fishing, cottage industry and various informal sector service activities. Labour flowed 'freely' from India and capital flowed from Britain. Plantation agriculture would dominate the modern sector economy until the 1960s (Snodgrass, 1966). Coffee, then tea, then rubber took their turn as the engine of growth. By the twentieth century Sri Lanka's export-led economy was strong enough to give her 'a standard of living well ahead of that in the rest of South Asia and most of South-East Asia, with the possible exception of Singapore and parts of the Federated Malay states' (K. M. de Silva, 2006, personal communication).

The plantation sector rode out the world economic depression of the 1930s and continued to dominate the economy up to independence in 1948. With a trade to Gross Domestic Product (GDP) ratio of over 70%, compared with India's of 15% at the time (Jayasuriya, 2002), Sri Lanka's economy was already well-integrated into a global trading system. A strong balance of payments position and a government budget with a current account surplus allowed Sri Lanka to enjoy a standard of living among the highest in the South and South-East Asian countries (Gunatilleke, 1974).

¹ Since 1981 and the onset of civil war accurate population statistics have been impossible to gauge.

The first democratically-elected government, led by the United National Party (UNP), maintained the colonial economic policies with their stress on agricultural development. The UNP promoted 'a liberal, market-oriented, free trade regime, in which the private sector was to be the prime mover of economic activity' (Lakshman, 1997a: 6). In the years immediately after independence Sri Lanka benefited from the economic boom of the Korean war (1951-52) and from favourable global market conditions for tea. The trade balance was positive and the import purchasing power of the earnings generated through exports steady. Export income was derived mainly from the plantation sector and its surpluses were used to support government administration and social welfare, the urban commercial sector and limited local industry.

Free education, free health, improved nutrition, subsidised food, a low cost of living, a fair distribution of income became the articles of faith in the political credo of all parties (Gunatilleke, 1974: 17).

The boom was shortlived, Gross National Product (GNP) declined while welfare expenditures were maintained. Social goals of development predominated over the economic and in 1954/5 transfers to the social sector accounted for 33% of government expenditure. Attempts to balance the books by raising the price of subsidised rice led to a campaign of civil disobedience, the resignation of the Prime Minister and constraints on economic growth (Snodgrass, 1998).

2.2 Retreat from the global economy

The direction of economic development policy changed significantly in 1956 when the socialist-oriented coalition, the Mahajana Eksath Peramuna (MEP), led by the Sri Lanka Freedom Party (SLFP), came to power. The state was assigned a central role in the economy and attempted to diversify its economic base by promoting a new role for manufacturing. This was the beginning of a twenty year regime of Import Substitution in Industry (ISI), characterised by 'high tariff levels, import and exchange controls, price controls, industrial licensing, an over-arching presence of state enterprises and central planning' (Lakshman, 1997a: 7). A positive aspect of ISI was an increase in the domestic production of rice through the introduction of high yielding varieties. Some have characterised this *de facto* ISI strategy as 'unusual in that the leading sector was food production for the domestic market' (International Labour Organisation (ILO), 1971: 14, footnote 3). Industry began to expand but 'much of the benefit of import substitution in finished goods was lost because of the large foreign exchange payments necessary to manufacture them' (ILO, 1971: 14). In response to worsening terms of trade², imports were heavily restricted and imports of finished consumer goods (car imports were all but banned) declined. So too did the imports of intermediate goods necessary for the production of manufactured exports. Foreign-owned oil companies were nationalised in 1961 and plans to nationalise foreign owned plantation companies were announced.

A 'limited, cautious liberalisation' of the economy occurred when the UNP returned to power from 1965 to 1970 (Snodgrass, 1998: 14). The government re-liberalised imports, devalued the currency and modernised agriculture through technology. It cut food subsidies and

² Export prices divided by import prices X 100

encouraged foreign aid. It encouraged the export of non-traditional items through a favourable exchange rate on foreign sales and allowed the import of previously banned non-essential items via a higher exchange rate than that applied to essentials. But the basic economic strategy remained one of ISI. At 5.5% the growth of real GDP per capita during this period was very high (Snodgrass, 1998: 3). Social sector spending (36.8% of government expenditure in 1968/9) also remained very high (Gunatilleke, 1974: Table 11).

The ISI policies were re-strengthened when, in 1970, the socialist United Front (UF) returned to power. By this time however:

A vicious circle had in fact been developing. The public were cushioned against the effects of Ceylon's deteriorating foreign exchange position. But this also made it harder to solve the basic economic problems – and thus to provide any real basis for meeting the public's expectations. Ceylon was increasingly often described as a welfare state, but in fact its social problems, including unemployment, were now growing, not diminishing (ILO, 1971: 15).

An open unemployment rate of 10.5% of the labour force in 1959 grew to about 14% by 1969/70. Education expenditure as a proportion of GDP during this period averaged 2.6% and more and more young people were staying on to the middle and upper grades of schooling. Since the labour force was growing at about 2.5% per year and employment at only 2.0% over this period, unemployment was emerging on an explosive scale. In April 1971 an insurrection by educated but unemployed youth underlined the scale of the challenge. Whilst the unemployment rate overall stood at 14%, the rate for those aged 20-24 with General Certificate of Education Ordinary (GCE O) Level qualifications was a massive 63% (ILO, 1971). The plantation sector continued to generate much-needed foreign exchange and to provide the main integrating links to the global economy. Its nationalisation in the early 1970s completed the UF's programme of action for state control of the economy.

2.3 Sri Lanka as welfare state

The goal of development strategy is only partly economic and, as we have seen already, Sri Lanka has long been committed to broader welfare goals. Alailima (1997) explains how welfare measures introduced in Sri Lanka in the 1930s were strongly influenced by political and social developments in Britain current at that time through the strong links between the 'democratic socialists' in Britain and the local emerging labour movement. Jayasuriya (2000) traces the origins of welfarism in Sri Lanka to the British colonial period when:

Sections of the comprador elite of colonial Sri Lanka were imbued with the liberal social and political values of Victorian England and manifested a kind of utilitarianism in their social thinking.....the social legislation during the Donoughmore period (1931-47), relating to child and family welfare, poverty alleviation, social security, education and health bears witness to the ways in which these ideological influences of visionary idealism of social justice and equality, influenced social and political development in the pre-independence period (Jayasuriya, 2000).

These welfare measures established an enduring political commitment to social justice pursued to greater or lesser degrees by all political parties who:

attempted to attack poverty through redistributive measures. A massive programme of social welfare was introduced on the eve of political independence... Free education (from 1945), free health services and food subsidies brought relief to low income groups, reduced inequalities and raised living standards, culminating in a relatively high Physical Quality of Life Index of 80 in the seventies (Jayaweera, 1986: 3).

From the 1940s the tension between the economic and social goals of development was apparent. In 1948 the Minister of Finance asserted:

Social services are not a means of creating wealth but of distributing it... The question then arises as to what extent the wealth that is produced can be distributed without causing prejudicial effects on the national economy.... if the entire national income is distributed equitably among its population it would make beggars of us all (quoted in Gunatilleke, 1974: 13).

Income equality was moderate and remained so over the period 1948-1977. The income Gini coefficient (for spending units) in 1953 was 0.46, in 1963 0.45 and in 1973 0.35 (Central Bank of Sri Lanka, 2005).

2.4 Education as welfare and channel of social mobility

Colonial education policy promoted English-medium education among a small elite and vernacular-medium education (in Sinhala or Tamil) among the majority. Whilst often described as having a dual structure, a more appropriate structural characterisation of education pre-independence is tripartite, with a privileged English-medium minority, and two under-privileged majorities, one Sinhala-medium and the other Tamil-medium. Free and compulsory vernacular education was promoted from the early years of the twentieth century while English-medium schools charged fees.

Educational expansion was a key element of Sri Lankan social development strategy. Constitutional changes recommended by the Donoughmore Commission in 1928 placed education under the control of a popularly elected Minister in 1931 (Dr. C. W. W. Kannangara), removed income and literacy franchise criteria and enacted universal franchise. Popular demand for education grew from the 1930s.

So linked was the expansion of education to the political projects of franchise and independence that educational opportunity came to be conceived of as a developmental end in itself. In the years leading to and following independence three main education policies with accompanying legislation were introduced, which were central to the long term goal of creating a national system of education and a strong independent nation. Spurred by political as much as economic considerations, these would come to shape the capacity of society to engage with the economic demands of global re-integration in later years.

2.4.1 Free education

In the run-up to independence the 'free' education policy was introduced. While vernacular-medium education was already free, English medium schools charged fees. Vernacular education, perceived as inferior to English-medium education, led children to modest employment as vernacular teachers, *ayurvedic* physicians or notaries while fee-charging English-medium schools offered the best employment opportunities. Only when these were free and open to all would equality of opportunity be realised, or so the political rhetoric went. Unsurprisingly, the policy attracted considerable support from the poorer sections of society (Jayasuriya, 1979).

The free education act was passed by the State Council in 1945, heralded as transforming education from a 'patrimony of the rich' to an 'inheritance of the poor'. It received widespread political support from the English-educated nationalists and socialists and the vernacular-educated Buddhist monks, *ayurvedic* physicians and vernacular teachers.

Described by some of its critics as 'the pearl of great price', the free education scheme had such appeal to the recently enfranchised population that it would have been suicidal for any politician to have opposed it openly. The funding of the scheme was made possible, in part, by the government revenues from the still-buoyant plantation sector (Little, 1999: 91).

In reply to opposition to the scheme from the Financial Secretary in the State Council in 1943, Kannangara replied:

.... the financial wisacre... advised that education was not a long-term investment, that it did not produce anything, that loan funds should be given only for projects which give a return in money – quite irrespective of the consideration that the best investment a country could make is for education of the people. (C.W.W. Kannangara quoted in Gunatilleke, 1974: 4).

The immediate consequence of the free education act was that the well-to-do continued to send their children to prestigious government and government-aided schools without paying fees, while the masses 'continued to receive free the poor quality education that had all along been free to them' (Jayasuriya, 1979: 475). On the eve of independence in 1948 Sri Lanka could boast a literacy rate of 58%, a primary enrolment ratio of 80% (on a par with Korea, Taiwan and Singapore) and a secondary enrolment ratio of 20%.

2.4.2 The relegation of English and take-over of denominational schools

The second major policy change concerned medium of instruction. Language was a central plank of the political project of Sinhalese nationalism and of the relationship between the post-independent state, religion and education. The policy was intended to remove privileges attached to an English medium education. English was relegated from a medium of study for the few to a subject of study for all. Sri Lankan educators were adamant that the political goal of nationhood, the social goal of equality and the pedagogic advantage of mother tongue learning would override the value of English and the advantages enjoyed by the elite.

..... English, compulsory or optional, must drop out of the primary school altogether. It must drop out for the educational reasons...(and) for the sake of making equality real at the 5th Standard test. For if all schools are expected to teach English, and if English is a subject for the selection test we may rest assured that those pupils who are most proficient in English will, as now, find their way in to the best secondary schools (Nesiah, 1945: 58).

The relegation of English began with the acceptance by the State Council in 1944 of the motion which read

That with the object of making Sinhalese and Tamil the official languages of Ceylon within a reasonable number of years this Council is of the opinion....that Sinhalese and Tamil should be the medium of instruction in all schools (State Council motion quoted in Jayasuriya, 1979: 488).

From 1945 the medium of instruction in all primary schools became Sinhala or Tamil, starting with Grade 1. The policy worked its way through the secondary system in the mid 1950s and to the universities through the 1960s. The relegation of English from a medium of instruction to a subject was paralleled in public administration by the controversial Official Languages Act of 1956, commonly referred to as the ‘Sinhala-only’ act, which made Sinhala the official language of government in place of English. Significantly, the 1956 act contradicted the 1944 justification for the introduction of Sinhala and Tamil as media of instruction in all schools – that both Sinhala and Tamil would become the official languages of Ceylon.

The third policy contributing to the creation of a so-called national system of education was the take-over of denominational schools. Through an act of parliament in 1961³ all assisted schools and their properties (bar a very small number that opted to become private, unaided and non fee-levying) were vested in the state. The establishment of new private schools was barred, a legal restriction which remains in place today.

The expansion of free public education in vernacular languages up to and including higher education within a nationally controlled education system has been a major and continuing ‘development’ project in Sri Lanka since the 1930s. Educational expansion has been viewed both as part of the definition of development and as a means to it. Education policy has been largely determined by ‘the popular demand to equalise educational opportunity and remove privileges in education in whatever form they existed’ (Ministry of Education, 1971: 2) and has been guided only minimally by the needs of the economy and labour market.

2.5 Population growth and mismatches between education and the economy

The competition between economic and social goals as objectives of development resulted in major disjunctions or ‘mismatches’. Sri Lanka’s strong commitment to health and education led to reductions in death and infant mortality rates and to a spectacular growth in the population. Prior to independence, the population growth rate averaged a low of 1.4% per year. But

³ Section 25 of the Assisted Schools and Training Colleges (supplementary provision) Act No 8 of 1961

between 1946 and 1963 it increased to 2.8% per year, owing to a precipitous decline in the death rate following anti-malaria and other health related campaigns and declines in infant mortality (Central Bank of Sri Lanka, 2003, Kiribanda, 1997). Population growth led to huge increases in education enrolment and progression and to an eventual 'mismatch' between the outputs of education and the absorptive capacity of the economy. The mismatch became apparent during the 1960s and culminated in a rise in the general unemployment rate from 7.6% in 1963 to 19.8% in 1975 (Central Bank of Sri Lanka, 2003). In 1970 almost 80% of the labour force aged 15-24 was unemployed (Jayaweera, 1986).

The SLFP-led coalition that came to power in 1970 promised to reduce unemployment. But in April 1971 the rural Sinhala-based *Janatha Vimukthi Peramuna* (JVP) organised an unexpected insurrection. Dominated by disaffected, rural and educated Sinhalese youth, the JVP was frustrated with the slow pace at which the government was reducing unemployment. Public opinion attributed much of the blame for the insurgency to failings of the education system.

The result was a Five Year Plan (1972-1977), designed to maximise the development of national resources within a social framework consistent with rapid socialist development. Radical educational reforms were introduced hastily in 1972. The National Certificate of General Education (NCGE) and the Higher National Certificate of Education (HNCE) replaced the GCE O and A levels. Both were intended to achieve a re-orientation of the types of knowledge, skills and qualifications promoted by formal education and to de-link the Sri Lankan education system symbolically from that of its former colonial power. A common curriculum was introduced for all students studying up to Grade 9 and curricula were re-designed for all levels of the primary and secondary cycles of education. The introduction of a new curriculum subject – vocational studies – aimed 'to shift labour from its present aimless search for nonexistent white collar occupations to economic activities which increased the income of the country' (Ministry of Planning and Employment, 1971). The reforms and the new structure of curriculum and examinations would, it was asserted, serve the cause of intellectual de-colonisation.

Of all the great deficiencies created in our societies by colonial rule nothing is so pervading as a lack of moral courage and strength to think beyond the intellectualism imposed on us by the imperial powers....The pre-occupation of us all with what occurs in developed societies has stifled our intellectuals, thinkers and innovators in education (Curriculum Development Centre, 1975).

Educated youth unemployment also spurred radical change of the university admissions policy in 1970. During the 1960s university enrolments expanded and their social composition changed. The proportion of Sinhalese and Buddhists gaining admission to universities increased and the corresponding proportions of Tamils and Christians decreased. Much of the expanded admission had been in arts subjects and consequently arts graduates experienced higher rates of unemployment than science graduates. Sinhalese Buddhists were disproportionately represented in arts courses while Tamil students were disproportionately represented in the prestigious science, engineering and medical courses. Claims began to be made that Tamil examiners were over marking the GCE A-level scripts of Tamil students, resulting in disproportionate admission of Tamils to the prestigious courses. Although the claims were unsubstantiated, the recently elected government:

chose to bow to the agitation and to a threat of communal violence on the campus. A lower qualifying mark was set for Sinhalese medium candidates so that a ‘politically acceptable’ proportion of places in science-based university courses would be secured for them... the uproar which followed from the Sri Lanka Tamil leaders and a few University academics made it clear that this procedure could not be repeated with impunity (de Silva, 1974: 157).

The procedure was abandoned in 1971 and replaced by an equally controversial system of subject and language media standardisation. Standardisation was supplemented by a district population quota allocation system in 1974. The Tamil share of admissions to the prestigious engineering course fell from 41% in 1970/1 to 16% in 1974 (de Silva, 1974). The sense of grievance and discrimination on the part of Sri Lanka Tamils intensified.

Changes in admissions policy for higher education strongly influenced the course of communal relations and politics in the early 1970s and contributed in no small measure to the calls of Tamil politicians for the creation of a separate Tamil state in 1976 and to a gradual breakdown in social cohesion. The attempts of policymakers to address questions of youth unemployment through changes to curriculum, qualifications and access to university – in the context of a continuing economic regime of ISI – had failed.

2.6 Nationalisms and the state

As early as 1931, Sri Lanka became the first Asian country to enjoy universal suffrage and limited self rule. It was also the only country in South Asia to enjoy a peaceful transition of power from the British. In contrast to the violence leading to independence and subsequent partition of India and to the civil war in Burma, Sri Lanka was ‘in 1948.....an oasis of stability, peace and order’ (de Silva, 1981: 489). But the transition was flawed and the stability fragile, as Gunatilleke (1974: 7) explains:

Political struggles which throw masses into action help in the formation of a unified national will. When the transfer of power finally takes place, the national leadership ... is usually closely identified with the people, and the disciplines of development they choose to impose can command ready popular acceptance. Sri Lanka’s political evolution did not provide the conditions for the emergence of such a charismatic leadership.

The protection of the rights of minorities, in particular those of Tamils, had ‘absorbed the energies of its politicians and the British... to an inordinate degree since the early 1920s’ (de Silva, 1981:490). Ideas about a federal constitution were advanced but never accepted by all parties, particularly not by the majority Sinhalese who wished to maintain central control of a unitary state. The first Prime Minister, D. S. Senanayake, promoted a Ceylon nationalism that emphasised:

the common interests of the island’s various ethnic and religious groups. It had at its basis an acceptance of the reality of a plural society, and sought the reconciliation of the legitimate interests of the majority and minorities within the context of an all-island polity (de Silva, 1981:496).

There were other nationalisms at work which were 'as insidious as they were truly formidable' (de Silva, 1981:496). The majority Sinhalese tended to equate Sinhalese nationalism with Ceylonese nationalism. The Tamils rejected this vehemently and developed instead an 'inward-looking ethnic nationalism' (de Silva, 1981: 496). For their part, the Sinhalese and Tamil Christians resented the tendency to equate Sinhalese nationalism with Buddhism.

In the early years of independence, D. S. Senanayake worked hard to subordinate communal differences to the idea of a single nation, a secular state and a multi-racial polity. But this nationalism had:

a crucial flaw. It was basically elitist in conception, and it had little popular support extending beyond the political establishment (de Silva, 1981: 496).

The majority of rural Sinhalese subscribed to the Sinhalese-Buddhist version of nationalism which, under the leadership of S.W.R.D. Bandaranaike, became the dominant political force in 1956. The introduction of the Official Language Act in 1956 made Sinhala the official language, ending the role of English as the official language of government and subordinating the Tamil language and people. Henceforth, language, rather than religion and culture, became the fundamental basis of both Sinhalese and Tamil nationalism (de Silva, 1981).

The introduction of the 'Sinhala-only act' is sometimes described as one of the first significant breakdowns in the checks and balances to protect the rights of minorities (Bastian, 1999). This act was followed in the early 1970s by the introduction of a republican constitution that gave a pre-eminent position to Buddhism as well as the Sinhala language and, 'most importantly, concentrated all power in the Sinhala-dominated legislature' (Bastian, 1999: 6).

The state came to be dominated by a single ethnic group whose interests were promoted over those of others. Notwithstanding the aspirations of D. S. Senanayake for the creation of a strong Ceylonese identity, the actions of the 1956 government privileged the development of ethno-national identities over the national. As we shall see this had implications for education and employment in the period leading up to and beyond economic re-integration liberalisation and for the transformation of ethnic tension into full scale civil war.

2.7 The Sinhala-Buddhist state, education and employment

The 'Sinhala-only act', combined with the growing importance of the state in economic development, came to play an influential role in the distribution of life chances among citizens:

The state became the dominant source of almost everything that the citizens desired (e.g., land, education, health facilities, credit consumer goods, business opportunities, foreign exchange, employment, funds for grassroots level development, agricultural inputs, permits, water, electricity, transport, telecommunication, etc). While politicians became the main benefactors, state officials became the key gatekeepers (Hettige, 2000: 10).

State expansion into the economic and educational spheres came to work against minority youth in at least four ways. First, the State became a major avenue of employment and the imposition of Sinhala as the major language of state business reduced opportunity for the Tamil speaking population:

This was a blow to a population whose opportunities for social mobility depended very much on getting an education and becoming professionals and obtaining employment in the formal sector. The limited opportunities for social mobility that land and agriculture provided for the population in the Jaffna peninsula were at least part of the reason for this trend. Over the years the Tamil population in Jaffna had perfected this avenue of social mobility with the growth of good schools in the peninsula. The Official Language Act became a barrier for this well-established avenue of social mobility (Bastian, 1999:10).

Second, political patronage further restricted the opportunities for state employment among Tamils:

Doling out state sector jobs to the activists and supporters of political parties that won power became a tradition in Sri Lankan politics. And since political power was always in the hands of two parties supported largely by the Sinhala population political patronage networks discriminated against the Tamil speaking population (Bastian, 1999: 10).

Third, state policies on education in the media of Sinhala and Tamil contributed to a breakdown of communication between ethnic groups, especially between the middle classes. On one hand, the use of Tamil and Sinhala as media of instruction met the cultural and political demands of the then dominant groups among the Sinhalese and Tamil communities and was consistent with the pedagogic policies of learning through mother tongue education. On the other hand, the relegation of English as the medium of instruction for the middle classes meant that middle class Sinhalese and Tamils no longer studied together.

Fourth, and arguably most damaging, was the discriminatory policy on medium-wise-standardisation of A level marks for university entry and the consequential reduction in the numbers of Tamils entering university. Some have argued that this was a turning point in the emergence of Tamil militancy:

The disgruntled Tamil youth saw their traditional avenue of socio-economic betterment and their future prospects being severely limited by these policy measures. They spurred the Tamil political parties to form an alliance, the Tamil United Liberation Front (TULF) with a common manifesto demanding an ‘independent, sovereign, secular, Socialist State of Tamil Eelam that includes all the geographically contiguous areas that have been the traditional homeland of the Tamil-speaking people in the countries’ (TULF Manifesto, 1977).... Thereafter, the competition for resources was translated into ethnic terms, on a rising tide of violence (Alailima, 1997: 152-153).

When Sri Lankan politicians and policymakers chose to re-integrate the national economy into the global economy in 1977, the seeds of civil war had already been sown.

2.8 Sri Lanka on the eve of global re-integration

On the eve of global re-integration, Sri Lanka's twenty year economic experiment with import substitution was characterised by increasing state control over the economy, growing unemployment, especially among the educated, and declining economic growth. The East Asian tiger economies, which, some years earlier, had eschewed ISI in favour of export-led development (ELD), were surging ahead. Welfare measures introduced from the 1930s were, by now, a welfare *tradition*. Though politically still a parliamentary democracy, the state had become increasingly Sinhala-Buddhist in orientation. Tamil and Sinhala nationalisms continued to grow. The contrast with the East Asian tigers could not have been greater. Where these societies had emerged from political conflicts of varying kinds in the 1950s to create strong states based on national unity legitimated through shared economic growth based on exports and international trade, Sri Lanka was set to follow a similar economic strategy but this time driven by a state that did not represent all ethnic interests and a society increasingly divided by ethno-nationalisms. Educational opportunity was expanding and aspirations high among all social groups; though for most young people employment success meant securing a government job.

3. Export led growth and global re-integration, 1977- 2005

Sri Lanka's re-integration into the global economy may be traced to 1977 when the UNP was returned to power on a ticket of Export Led Development (ELD). Global integration/re-integration in Sri Lanka came in two waves (Lakshman, 1997a). The first, in 1978, liberalised and deregulated the economy, promoted exports, and eliminated restrictions on imports including terminating the public monopoly on certain imports. Tariffs were reduced, export duties revised, exchange controls liberalised and most price controls removed. The rupee was devalued. Private sector investment, including foreign investment, was encouraged and export processing zones established (Jayatissa, 1993: 6). The role of government as 'entrepreneur as well as a provider' was reduced and economic growth took precedence over income distribution (Abeyratne, 2000: 41). Food subsidies were drastically reduced and replaced by a targeted 'food stamp'. Education expenditures, as a proportion of total government expenditure, dropped from an average of 12% between 1955 and 1975 to 6% over the period 1976-1986, but as a proportion of GDP remained at 2.6%

A second wave, launched in 1989 under the umbrella of 'structural adjustment' and with major support from the International Monetary Fund (IMF) and the World Bank, promoted the privatisation of semi government corporations, further rationalisation of tariffs, the partial liberalisation of the capital account and the relaxation of some restrictions on the Export Processing Zones (Salih, 2002). The targeted food stamp scheme was supplemented by targeted cash subsidy schemes – Janasavaya (from 1989) and Samurdhi (from 1994). Education expenditure as a proportion of all government expenditure increased gradually from 8.1% on average over 1991-95 to 10.5% in 1997. As a proportion of GDP, educational expenditure averaged 2.6% over the period 1990-2002, the same average as over the period 1976-1986.

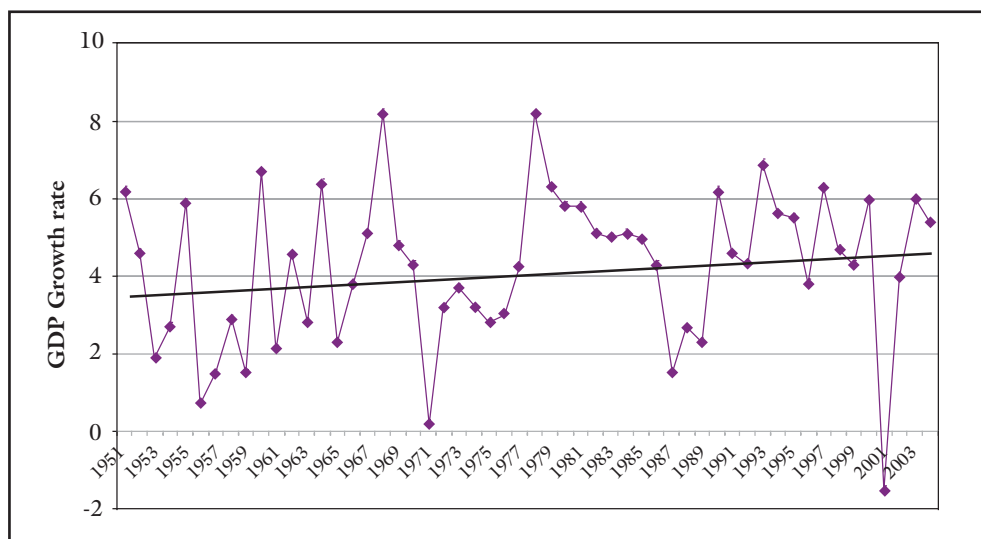
The economic policies introduced after 1977 marked the turning point for Sri Lanka's re-integration into the global trading economy characterised by trade in manufacturing and services rather than agriculture. The East Asian economies were surging ahead. South Korea, whose involvement in war had contributed significantly to Sri Lanka's economic prosperity in the early 1950s, was by now enjoying average economic growth rates of 10.6% between 1970 and 1977 compared with Sri Lanka's of 4% (Snodgrass, 1998: 4).

3.1 Global re-integration and economic performance

The economic policies of 1977 led to significant economic growth and structural change in the economy. In the first five years after liberalisation inward foreign investment flowed rapidly and the private sector flourished. The economy as a whole registered an annual average growth rate of 6%, the highest registered rate since independence. Western countries applauded the change in economic and political direction and rewarded Sri Lanka with substantial amounts of financial aid. Much of this aid was used by the UNP to support major public investment programmes in rural and urban areas.

Figure 5.1 indicates a linear upward trend in economic growth over the period 1951-2004. It also indicates a clear difference in the pattern of growth in GDP in the six years preceding and following liberalisation in 1977. Over the entire period there is marked variation from year to year and significant dips appear in 1956, 1971, 1987 and 2001. The annual average growth of GDP has been 4.23%, increasing from 3.67% between 1951 and 1977 to 4.78% between 1978 and 2004.

Figure 5.1 GDP Growth, 1951-2004, Sri Lanka



Source: Graph constructed from data from Central Bank of Sri Lanka (2005)

Moderate but unstable upward growth in the economy has been accompanied by greater integration with the global economy, a change in the sectoral composition of the economy and reduction in unemployment. There has been

- an increase between 1983 and 2003 in exports of goods and services as a proportion of GDP from 26% to 35.8%;
- an increase between 1990 and 2002 in trade in goods (exports and imports) as a proportion of GDP from 57.3% to 65.2%;
- an increase in gross foreign direct investment from 0.5% of GDP in 1990 to 1.5% in 2002;
- an increase in the proportions employed in manufacturing and services between 1978/9 and 2002 from 12.5% to 16.7%, and from 29.2% to 44.8% respectively;
- a decline between 1977 and 2003 in the proportions of GDP accounted for by agriculture, from 30.7% to 19.0%;
- a decline between 1975 and 2003 in the unemployment rate from 19.8% to 8.4%.

(Sources: World Bank, 2004e; Central Bank of Sri Lanka, various years)

By 2003, the Gross National Income (GNI) per capita (Atlas method) had reached US\$ 930. This figure was high in comparison with South Asia as a whole (\$510) and low in comparison with lower middle income countries (\$1480) (World Bank, 2004e). In the mid 1990s Sri Lanka's international economic status was reclassified from a low income to a lower middle income country.

The key importance of youth participation in the labour force was underlined in 1971 and again in 1987-89 when the political power of this group was demonstrated unambiguously. Labour market participation rates have since increased among males and females, especially through the 1990s. The sectoral distribution of employment for youth is similar to that of the labour force as a whole. But the rate of youth unemployment was three times as high as the general rate with the highest rates found among females. In 1997 rates were highest among those with Grade 8-13 education, and lower among those with undergraduate degrees. And unemployment had begun to emerge among those who had participated in vocational training (Salih, 2002).

After the second wave of liberalisation there was a decline in the proportion of those employed in the public sector from 17.4% in 1993 to 13.2% in 2003. Conversely there were increases in private sector and self employment over the same time period from 42.0% to 44.1%, and from 27.4% to 29.2% respectively (Central Bank of Sri Lanka, 2003). The decline in public sector employment was most evident in the semi-government sector where public enterprise reforms were taking effect. Much of the new private sector employment was in the low skilled and unorganised private sector. In a recent government move (2005) to create jobs for unemployed graduates it was found that many of the applicants were graduates already employed in the

private sector. It would seem that despite the monetary incentives offered by the private sector many graduates continue to prefer the security, status and respectability and absence of pressure to communicate in English of government employment.⁴

Foreign employment, especially in West Asia (Middle East), became increasingly important after the 1977 reforms. In 2002 over 200,000 persons (representing just over 3% of persons employed in Sri Lanka) were recorded as having left Sri Lanka for employment in West Asia. Sixty five per cent of those employed were female, 35% male. 53% were employed as housemaids, 22% in skilled labour jobs, 18% in unskilled positions and 7% classified as 'other'. At any one time it is estimated that around a million Sri Lankans are working in West Asia. This is around 13% of the labour force. Since the late 1980s foreign worker remittances have been the country's largest single net foreign exchange earner.

By 2006 the economic strategy of ELD remains in place. The economy has shifted away from the agricultural sector and towards manufacturing and services. Exports have become a more important contributor to GDP. Employment has shifted away from the public sector and towards the private sector. Unemployment rates have declined though continuing high rates among educated youth suggest a less than optimal match between the economic strategy and education and training policy.

3.2 Global re-integration and income equality

Sri Lanka remains a primarily rural country in which just under one quarter of the population is judged to live at below the national poverty line (World Bank, 2004d). Available evidence on self-reported income over the period 1953-2003/4 indicates a remarkable degree of stability in its distribution (Table 5.1). Discernible shifts occurred between 1963 and 1973 and between 1973 and 1978/9. Between 1963 and 1973, during the period of ISI, income inequality appears to have decreased. By 1978/9 one year after the introduction of ELD policies it appears to have increased. Because comparable surveys were not undertaken between 1973 and 1978/9 it is difficult to be precise about the point at which incomes became more unequal, though, as Lakshman (1997b) notes, it is probable that the trend towards greater equality observed hitherto reversed around the time of the 1977 policy reforms, becoming more unequal to 1986/7. By 1996/7 the trend had reversed again – and again by 2003/4. With the exception of the marked improvement between 1963 and 1973 the overall trend is rather stable. By comparison with Korea and Taiwan, as described in Chapter 1, the Gini coefficients are high, but by comparison with the world as a whole, where, for countries with available data, reported income Ginis range from 0.12 to 0.79, Sri Lanka's levels are moderate (WIDER World Income Inequality Database v 2.0a, June 2005). Indeed, compared with countries with similar (low) levels of per capita income, Sri Lanka was, for many years regarded as a 'model' case of egalitarianism and income equality (Lakshman, 1997b: 171).

⁴ Notes from discussions during project seminar in Colombo September 15th 2005.

Table 5.1 Household Income Gini Coefficients, 1953-2003/4, Sri Lanka

Year	1953	1963	1973	1978/9	1981/2	1986/87	1996/97	2003/4
Co-efficient	0.46	0.45	0.35	0.43	0.45	0.46	0.43	0.46

Source: Central Bank of Sri Lanka, 2005, based on Consumer Finance and Socio-economic Surveys. Income Ginis are based on the income of spending units.

Measures of equality and distribution vary in both their approaches and results. The Gini coefficient measures income equality/inequality across all income groups. Comparisons of the richest and poorest suggest a slightly different picture of equality. Table 5.2 shows the income shares of the bottom 40% of income receivers compared with the top 20% of income receivers over the period 1953-2003/4.

Table 5.2 Income Shares, 1953-2003/4, Sri Lanka

Income receivers	1953	1963	1973	1978/9	1981/2	1986/7	1996/7	2003/4
Bottom 40%	13.0	12.0	15.05	12.13	11.56	11.33	12.83	11.90
Top 20%	56.65	55.25	45.89	54.09	56.80	56.74	52.96	55.10
Ratio top quintile/bottom quintile	11.17	14.27	9.23	14.38	15.69	16.02	13.11	14.42

Source: Data from Central Bank of Sri Lanka, 2005, Special Statistical Appendix, Table 9. Provisional figures for 2003 exclude Killinochchi, Mullativu and Mannar Districts. Based on income receivers

The bottom 40% of income receivers shared slightly less of total income in 2003/4 than they did at the start of the liberalisation period and the top 20% slightly more. The trend is by no means smooth, with increases in income share experienced by the poorest over the period 1986/7 to 1996/7 and decreases by the richest over the same period. Another way of expressing the distribution of income shares is the ratio between the top 20% (quintile) and the bottom 20% (quintile). This suggests that in the years immediately following liberalisation the ratio increased to a high of 16.02 by 1986/7 but reduced thereafter.

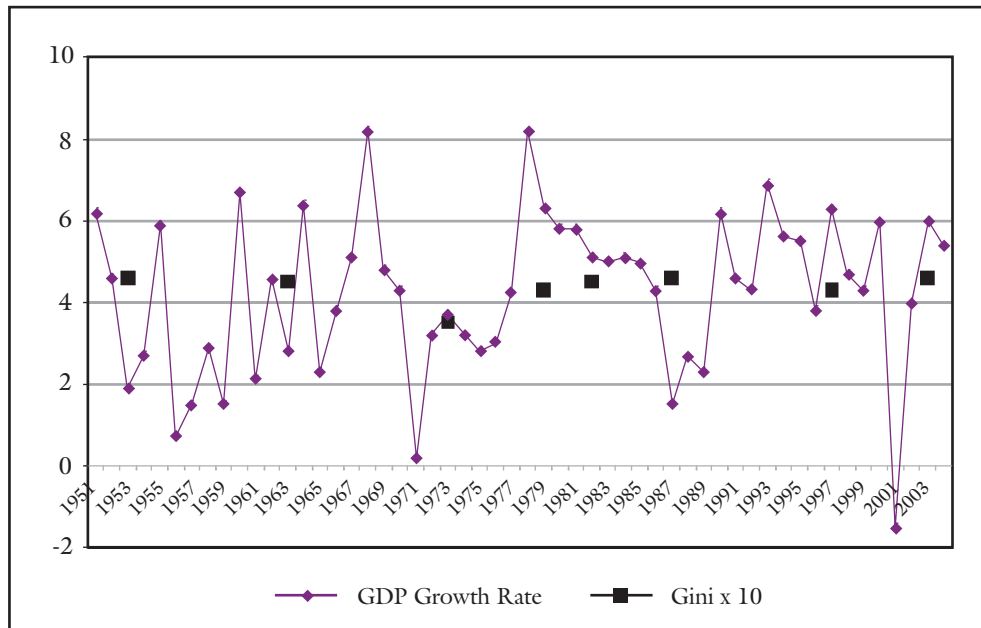
The poverty headcount provides yet another indicator of income distribution. Between 1990/1 and 1995/6 the poverty headcount ratio increased from 26% to 29%, and from 1995/6 to 2002 reduced to 22.7%. However, national figures mask considerable sectoral variation. Over the 1990/1 – 2002 period the incidence of poverty in urban areas halved from 16.3% to 7.9%. In rural areas the fall was much more modest – from 29.4% to 24.7%. In the estate sector the poverty headcount ratio increased by 50%, from 20.5% to 30% (World Bank 2004d). In sum, over the period since independence the distribution of income in the country as a whole has been remarkably stable. However, in the years immediately following liberalisation, income inequality increased slightly but has subsequently stabilised. Most recently, inequalities between urban, rural and estate areas appear to be increasing.

3.2.1 Economic growth and income equality

In Chapter 1 we referred to Kuznets’ 1950s hypothesis that the early stages of economic growth would be accompanied by a worsening of income equality, to be followed by an improvement in the distribution of income at higher levels of economic development. The hypothesis has been much debated and disputed.

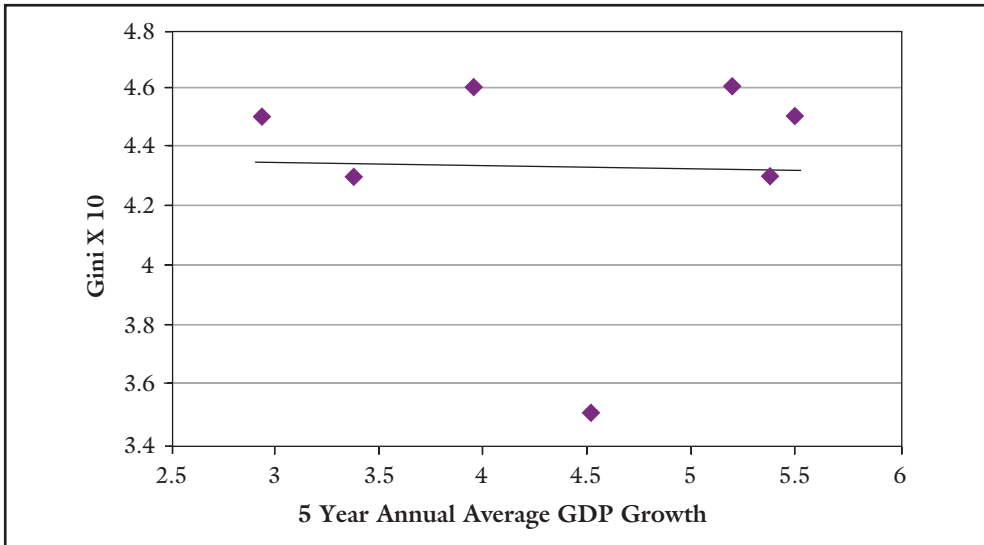
Figure 5.2 presents the growth rates of GDP for the period 1951-2002 against the Gini coefficients for household income at selected points in time. This indicates little or no relationship between rates of economic growth and the distribution of income.

Figure 5.2 GDP Growth, 1951-2004 and Household Income Gini Coefficients, selected years, Sri Lanka



Source and note: Graph constructed from data from Central Bank of Sri Lanka, 2005. Gini coefficients vary from 0 (complete equality) to 1 (complete inequality). For representational purpose all Gini coefficients are multiplied by 10. Income Ginis based on spending units

Figure 5.3 Household Gini Coefficient (selected years) by Annual Average Growth over previous five years, Sri Lanka



Source: Graph constructed from data from Central Bank of Sri Lanka, 2005.

Figure 5.3 explores this apparent non-relationship further. By plotting the household Gini coefficient along the vertical axis and the annual simple average growth rate of GDP per capita for the previous five years along the horizontal axis it examines whether economic growth is associated with subsequent income distribution. The absence of a relationship between growth and distribution of income illustrated in Figure 5.2 is confirmed by Figure 5.3. Both high and low growth rates are associated with subsequent and similar Gini coefficients in the range 0.43 – 0.46. This contrasts with the experience of the Asian tiger economies in which high growth rates have been associated with decreases in income inequality (World Bank, 1993).

Lakshman (1997a) explains how relatively equitable income distribution in Sri Lanka can be traced to the social democratic experiment started in the 1930s and reflects on Kuznets' 'particular reading of the history of capitalism' which suggests that:

Production of wealth, initially, would proceed unhampered by considerations of equity, and only subsequently, after achieving a high level of development, would a society move towards greater equality in the distribution of increased incomes and wealth. This would happen..... through various mechanisms, emanating from public pressure. What is forgotten in this argument is the fact that the background conditions of the Sri Lankan polity... would not have permitted the smooth working out of this development strategy in the country (Lakshman, 1997a: 17-19).

Although the financial viability of state-sponsored social development policies was questioned in the 1950s when commodity prices were low, the social democratic government of 1956 ensured their continuation up to 1977. Even after 1977, when the objective of economic growth moved into ascendancy, gains continued to be made in regard to a range of human development indicators. As we saw above in Table 5.1, income distribution in the country as a whole did not appear to

worsen substantially, though, on average, Gini coefficients have been a little higher in the post liberalisation period, especially in the most recent year for which data are available, 2003/4.

For Lakshman (1997a) the post 1977 period offers three lessons about the relationship between economic growth and income equality in Sri Lanka. First, in spite of authoritarian mechanisms (which became apparent after 1977) and the commitment of the government and the international finance institutions to ‘growth first, equity later’, welfare policies were demanded and delivered. Second, the objectives of growth and equality are not necessarily in tension. Liberalisation post 1989 ‘recorded greater successes in terms of many economic aggregates than the 1977-88 phase, in spite of a commitment to a very expensive safety net and household transfer project in that phase’ (Lakshman, 1997a: 19). Third, a strong welfare state requires a strong and growing economy. While policies of growth without equity were unsustainable politically, welfarist policies without sustainable economic growth were unsustainable economically.

The absence of an association between growth and income distribution in Sri Lanka leads us to re-examine the mechanisms presumed by economists to translate growth into distribution. In Korea and Taiwan growth was translated into distribution via the market and wages and in Hong Kong and Singapore via wages and publically subsidised housing and education. In Sri Lanka, the welfare traditions established in the 1930s persist and the state continues to support redistribution via welfare measures directly and to a greater degree than in Singapore and Hong Kong. Subsidies for education, health, housing and food, and direct income support measures, have continued irrespective of whether economic growth rates were high or low.

3.3 Global re-integration and national unity/disunity

Section 2.6 described the gradual deterioration of communal relations between the Tamils and the Sinhalese from the 1950s. Policies for global economic re-integration followed the first public calls by Tamil militants for a separate state of Tamil Eelam by just one year. Between 1977 and 1983 the breakdown of relations between militant minority Tamils and the Sri Lankan state was referred to as an ‘ethnic crisis’. By the mid to late 1980s the term ‘civil war’ was more apt. The coincidence of economic liberalisation, the gradual breakdown of national unity and the emergence of civil war is striking, and stands in marked contrast with the development experiences of China, India, Kenya and the East Asian tigers.

This is not to say that Tamil calls for political separation caused liberalisation, nor that liberalisation transformed an ethnic crisis to a civil war. Rather, political developments from the 1950s had contributed to a breakdown of ethnic relations and to the emergence of new forms of ethno-nationalism while economic developments over the same period stifled economic growth, generated high levels of unemployment and prompted calls for economic re-orientation. The coincidence of these political and economic movements was unfortunate to say the least.

The implementation of the 1977 economic policy was compromised by the civil war. Political instability and turmoil was accompanied by massive increases in defence expenditure.

Assessments of the costs of war point to the increase in government expenditure on defence, from 1.1% of GDP in 1982 to 6.0% in 1996. Members of the government armed services grew from 58,660 to 235,000 over the same period. In 1986 the estimated cadre of the Liberation Tigers of Tamil Eelam (LTTE) was 3000 (Arunatilake et al, 2000). The conflict is judged to have retarded economic growth directly by an estimated 2-3 per cent annually, and indirectly by diverting government expenditure and the attention of policy makers away from economic priorities and social reforms (World Bank, 2005, World Bank, 2004a).

A second major source of political instability stemmed from a resurgence in the mid 1980s of the Sinhalese JVP militancy. This was linked with liberalisation more directly. In spite of economic growth and a lowering of general unemployment, youth unemployment among the educated remained high. A reduction in the rate among those aged 20-24 years with GCE O level qualifications from 63% in 1970 to 43% in 1986 was matched by a significant increase among those with GCE A level qualifications from 27% to 52% over the same period. The JVP re-emerged as a violent political force in 1987. Among its several grievances was a claim that the policies of economic liberalisation were benefiting only selected sections of society. The JVP rejected the policies. They also objected to the presence of the Indian army 'invited' by the President to assist with the war against the Tamil Tigers, and to the continued use of political criteria in the allocation of government jobs (Little, 1997).

The second wave of global integration policies had a strong emphasis on employment generation. While the civil war in the North and the East continued, the implementation of the second wave policies and the quelling of a Sinhala youth rebellion in the South combined to regenerate the economy. But economic regeneration failed to quell the increasing disenchantment with the government, which, by the early 1990s had been in the power for longer than any other post- independence government. There was growing disenchantment with

authoritarian methods of rule,a culture of crony capitalism, the continuing civil war, political violence and rampant corruption (Athukorale and Rajapathirana, 2000 quoted in Salih, 2002)

and with

political violence, intimidation of voters, election irregularities, abuse of power, corruption, alleged lack of transparency in business transactions, favouritism and political interference (Hettige, 2000: 9).

By 1994 the People's Alliance, a coalition of the left led by the SLFP, enjoyed a landslide victory. Hitherto, swings in political orientation had signaled major shifts in economic strategy. This swing would be different. The People's Alliance which ousted the UNP in 1994, was voted in on the platform of 'an open economy with a human face'.

The process of integration of the domestic economy into the global economy and that of liberalisation and de-regulation had proceeded to such an irreversible extent as to compel even the new government to continue with the same fundamental policy posture, in spite

of well known anti globalisation rhetoric of certain constituent parts of the government. Sri Lanka appears to be firmly committed to a market-oriented policy framework, the hallmark of which is the commitment to a global integration (Lakshman, 1997a:12).

Alongside the commitment to global integration and a partnership with the private sector, the new government obtained a mandate to negotiate a political solution to the 11 year civil war with the LTTE. The government promised to end the financial drain of war expenditures and to enquire into human rights abuses, high profile assassinations and corruption (Keerawella and Samarajiva, 1995). The early signs were promising. Foreign investment flowed in. Despite the fall of the pro-foreign business UNP government, a series of high profile privatisations was announced and talks with the LTTE, aimed at a political settlement of the war, commenced. But a proposed revision of the constitution towards a federal state was resisted by the opposition UNP on the grounds that it would concede too much to the Tamil minority. Characteristically, it was also resisted by the Buddhist clergy 'which generally views concessions to Tamil opinion in the starkest terms, as imperiling Sinhalese culture and civilization' (Fernando, 1999). Military offensives on both sides continued and by 1998 hopes of an early end to the war, promised four years earlier, were all but extinguished.

From mid 1997 the temporary collapse of the East Asian economies and the collapse of the rouble in Russia and the Newly Independent States (NIS) buffeted the economy. Hong Kong, Singapore and South Korea were among the largest foreign investors in industrial projects and Russia and the NIS had become the largest importers of Sri Lankan tea. However Sri Lanka's low levels of private debt and currency controls enabled her 'to avoid the worst of the financial contagion' (Fernando, 1999: 188). Net long term private capital inflows during 1997 reached a record high of \$376 million (due mainly to the foreign sale of shares in the National Development Bank and Sri Lanka Telecom) and a free trade agreement was signed with India at the end of 1998, reinforcing the importance of trade with India. Foreign direct investment inflows had grown fourfold from 43 US\$ million in 1990 to 178 US\$ million in 2000 (Jayasuriya, 2002).

In 2002 the government and LTTE engaged in meaningful peace talks. Some twenty years of ethnic civil war had resulted in an official loss of life of 65,000 persons and displacement of 1.6 million. The events of September 11th 2001 resulted in growing international isolation of the LTTE. The LTTE was declared a terrorist organisation by various foreign governments and its offices were subsequently closed down and its financial operations constrained. The government too was experiencing financial constraint. In 2001, around \$900 million was spent on the war, the economy experienced negative growth and interest rates shot up. Public expenditure on development, infrastructure and the social sector had been kept to a minimum for a number of years.

Successive rounds of peace talks would be held in foreign countries, including in Thailand, Norway and Japan. The LTTE announced that it was ready to accept a form of federalism within a united Sri Lanka (Shastri, 2003). In the wake of the cessation of hostilities and of moves towards peace, the international community provided aid for relief and rehabilitation and for subsidies and support programmes for the poor. The Oslo talks were attended by 40 nations who pledged around \$70million for reconstruction and development. The events of 2002

highlighted more clearly than ever before the extent to which not only Sri Lanka's economic but also its political processes had become internationalised.... The mediation of the conflict resolution by Norway, the ceasefire monitored by representatives from Nordic countries, and the venues of peace talks in capitals around the globe, each round hosted and supported by an increasingly broad phalynx of states and international agencies (Shastri, 2002: 220-221).

A year after the February 2002 Ceasefire Agreement was signed between the Government and the LTTE in February 2002, the Central Bank underlined optimistically the economic benefits of peace.

The two decades of civil war hindered Sri Lanka's economic development through inefficient allocation of resources, productivity losses, destruction of infrastructure, under-utilisation of production capacity and weak investor confidence, along with political instability and human suffering....With the peace initiative, product, labour and capital markets have been revitalised, supported by productivity gains, opening of access to new markets, improved investor confidence and market friendly policies.... Though difficult to quantify, the direct and indirect benefits from halting the loss of human life, prevention of dislocation of families and minimising general disruption to social life have significant economic payback (Central Bank of Sri Lanka, 2003: 5).

The Gaullist cohabitation of the political Left and the Right ended in divorce in 2004 when the People's Alliance swept back to power. The new government 'set new directions to the growth and poverty alleviation programmes with a greater focus on regionally balanced growth as well as rural and small and medium sector development' (Central Bank, 2005:3). The government set out strategies to achieve a regionally balanced growth rate of 6-8 per cent over the medium term within the market based economic policies that have been pursued since 1977 but with roles for both the public and private sectors and with an emphasis on pro-poor as well as pro-growth programmes.

Late in 2004 a tsunami affected the coastlines of twelve Indian Ocean countries and led to the loss of an estimated 270,000 persons. In Sri Lanka it caused unprecedented devastation and the loss of an estimated 35,000 lives and left over half a million displaced and homeless. It affected communities on the East coast in areas still under the control of the LTTE as well as the South of the country. Tamil, Moor, Sinhalese, Buddhist, Hindu, Muslim and Christian communities alike were devastated, yet the peace process had not proceeded to a stage whereby the LTTE and the government could agree to coordinate their efforts for a national programme of relief and reconstruction. The North and the East remained under the substantial administration of the LTTE. Shortly after the disaster, Kofi Annan, the United Nations Secretary General, was prevented by the government from visiting stricken communities on the East Coast. It took six months for government, the LTTE and donors to agree a joint plan for rehabilitation, and even then the right of the government to negotiate a plan of this kind was challenged in the Supreme Court by the JVP. Sri Lankan politics not only influence the meandering course of implementation of economic policies but they also constrain the ability of government to respond to a natural disaster affecting all communities. At the time of writing (May 2006) a lasting peace remains elusive.

3.4 A summary assessment of development

Sections 3.1-3.3 have outlined Sri Lanka's progress since 1977 on the three dimensions of development that we have judged to constitute successful engagement with globalisation: economic growth with growing income equality and social peace. Since independence in 1948 there has been an underlying positive trend in economic growth. The annual average growth of GDP has been 4.23%, with an increase from 3.67% between 1951-1977 to 4.78% between 1978-2004. While this increase in average economic growth reflects the introduction of liberalisation strategies, the increase is rather modest when compared with China and India although positive when compared with Kenya. The composition of economic growth has changed significantly since liberalisation. There have been increases in the export of goods and services and in manufacturing and service sector employment. Since liberalisation Sri Lanka has been reclassified from a low income country to a lower middle income country.

Income equality across the country appears to have been relatively stable over the period 1951-2004. Distribution of household income was most equal in 1973 at a time when the economy was declining. In the pre-liberalisation years (1953-1973) the Gini coefficient averaged 0.42 compared to 0.45 in the post liberalisation years (1979-2003). There is some suggestion that the household income gap between the urban sector and the rural/estate sector has widened in recent years. This is consistent with an urban-oriented economic strategy focused on manufacturing and services rather than agriculture. The marginal increase in income inequality across the country as a whole stands in contrast with China (Chapter 2) where inequality appears to have increased rather rapidly over a similar period of global integration. Given the rather stable trend of income Ginis in Sri Lanka it is not surprising that no significant association can be detected between economic growth and income inequality. This conflicts with both Kuznets' hypothesis about high growth and growing inequality and the experience of some of the East Asian tigers which saw improvements in income equality following high economic growth (see Chapter 1).

National unity and peace is the dimension of development on which Sri Lanka compares very unfavourably with our comparator countries – the East Asian tigers on the one hand and China, India and Kenya on the other. Since the late 1970s Sri Lanka has experienced ethnic strife and civil war *alongside* economic growth and income equality. The roots of the civil war may be traced to at least the 1950s and predated re-integration with the global economy. While the independence movement was fuelled by anti-British nationalism, the movement was much less conflictual and turbulent than India's. And while the first prime minister strove to foster a Ceylonese national unity through the inclusion in government of Tamil political forces, these efforts were shortlived. The change of government in the mid 1950s fuelled the development of nationalisms based on ethnicity and communalism. By contrast, the East Asian tigers began their drives to economic growth with political turmoil. The need for political survival gave rise to the development of a strong sense of national unity and identity and the emergence of a strong 'developmental state' in which all social groups shared the benefits of economic growth. Where Sri Lanka began her independence in relative peace with discord to follow, the East Asian tigers began their economic drives in political conflict with peace and consensus to follow.

4. Contribution of education to economic growth, income equality and national unity

Section 2.4 outlined three important education policies implemented since the 1950s – the free education policy, the media of instruction policy and the state take-over of assisted schools. These would come to shape the characteristics of the youth labour force in 1977, on the eve of global re-integration. Some characteristics would facilitate global integration; others would inhibit it. Facilitating factors included a very high literacy rate of around 80% among young people and the population at large and an abundance of young labour educated to GCE O level and A level (c 10 and 12 years of education respectively) seeking new employment opportunities. The inhibitors were high aspirations of youth for scarce government jobs which, in the context of economic liberalisation, were likely to become even scarcer, Sinhala and Tamil middle-class youth separated by parallel education experiences, and declining levels of proficiency in English among the population as a whole.

By 1977, concerns about equivalencies between the new examinations introduced from 1972, about the questionable international currency of the new qualifications, and about the truncated cycle of 'open access' education and the economic value of the new curriculum had produced widespread dissatisfaction and contributed to the downfall of the government (Lewin and Little, 1984). Committed to a return to educational standards which were 'internationally comparable', the UNP government re-introduced the GCE O level and A level examinations. Although their roots were in the United Kingdom (UK), these examinations had been controlled by the Sri Lankan government for several decades. These qualifications had been respected internationally prior to 1972 and the return to internationally recognised qualifications *titles* in 1978 was viewed by government as important, even if much of the content of the reformed curriculum remained in place

This re-linking of the examination and qualification system to a system of internationally comparable qualifications signalled a first step in Sri Lanka's educational re-integration into an international network of educational and qualification institutions which, as we shall see, would assume growing importance towards the end of the century.

4.1 The contribution of education to economic growth

To what extent did education contribute to the goal of economic growth during the period? This will be examined through evidence on (i) the links between education and income (ii) education policies designed to contribute to economic growth (iii) the impact of liberalisation on education provision oriented towards economic growth.

4.1.1 External efficiency of education and education externalities

A synthesis of recent research on the external efficiency and externalities of education is published by the most recent Education Sector Review of the World Bank (2005e).

External efficiency effects

Estimates of social and private rates of return based on data from the Labour Force Survey 2002 (Table 5.3) suggest that both rates of return for the compulsory (i.e. Grades 1-9), senior secondary (Grades 10-13) and university level are high and positive for men and women.

Table 5.3 Social and Private Rates of Return to Education, 2002, Sri Lanka

	Social Rate of Return		Private Rate of Return	
	M	F	M	F
Compulsory	15	20	19	25
Senior Secondary	20	18	25	22
University	11	10	26	24

Source: World Bank, 2005e

The difference between the private and social rates of return at compulsory and senior secondary is modest. This is attributed to the low unit costs of education at both of these levels. By contrast, the difference between private and social rates of return to education at the university level is considerable, due chiefly to the high unit costs of university education (World Bank, 2005e).

Based on an analysis of the same Labour Force Survey, the relationship between education and earnings is strongly positive and statistically significant (World Bank, 2005e). The relationship holds for men, from incomplete primary education through to postgraduate university education. For women, the rate of return for incomplete primary education is slightly negative, but becomes more positive for each successive level of education, implying an increasing private rate of return. Overall the findings ‘are consistent with the idea that education enables individuals to accumulate human capital, increase labor productivity and improve earnings’ (World Bank, 2005: 49).

The probability of working in a high level occupation (managers, senior administrators, professional) for both men and women is positively and significantly affected by senior secondary and tertiary education attainment, once parental earnings, education and occupational attainment are controlled for. Attainment of middle-level occupations (technical, clerical, sales, service) and skilled and artisan occupations is also predicted by compulsory and senior secondary education. These relationships ‘represent the central avenue of social mobility for individuals from disadvantaged and low status household backgrounds’ (World Bank, 2005e: 51).

The growth of female participation in the labour force has been marked, increasing from an average of 19% over 1953-1975 to 32% over 1985-2002 (Central Bank, 2005: Special Statistical Annex, Table 3). Educational achievement up to GCE O level exerts a negligible, if slightly negative, marginal effect on labour force participation. Educational achievement above GCE O level exerts a positive and statistically significant marginal effect, rising from

1.4% for GCE A level qualified women to 5.2% for those with first degrees and 6.1% for postgraduate qualified women. This interaction effect of higher levels of education on female labour force participation confirms the findings of earlier studies conducted in the 1980s and 1990s and has been attributed to two factors – the selective effect of higher educated women possessing the ability and motivation to work in the paid sector, and the high opportunity costs for well-educated women of not participating in the labour force (World Bank, 2005e: 51). Section 2.5 highlighted what some have termed a mismatch between the outputs of the education system and the absorptive capacity of the labour market in the mid 1970s. This challenge first became apparent in the late 1950s and early 1960s and can almost be considered endemic. The scale of the mismatch and the youth most strongly affected has changed over time. Between 1963 and 1975 general unemployment rates increased from 16.6% to an all-time high of 19.7%. In the first few years after liberalisation they oscillated, followed by a steady decline from 15.5% in 1986/7 to 9.2% by 2002 (Central Bank, 2003). The highest levels of unemployment were still found among those with higher levels of education. While the unemployment rate for those aged 20-24 and with GCE O level qualifications reduced from 63% in 1970 to 43% by 1986, the rate for GCE A level qualified youth had increased from 27% to 52% over the same period. As more young people gained access to GCE A level, and as employers raised qualification levels for similar jobs over time, the pressure point on educated unemployment was ratcheted upwards (Dore, 1997; Little 1997). By 2002 the highest rates of unemployment were still found among those with GCE A level (34%). Similar rates were found among those with GCE O level and a university degree (27% and 26% respectively). Unemployment rates were greater for females though the general patterns by level of educational qualification were the same (World Bank, 2005: 52). It should be noted, however, that high employment rates do not necessarily indicate a good match between skills supply and job opportunities. Those in employment may be under-employed or employed in jobs that do not require the skills they bring. Schemes that recruit large numbers of graduates into government jobs may reduce unemployment and contain political discontent but the jobs these graduates find themselves doing do not necessarily require graduate level skills. The exception perhaps is teaching but even here the addition of 17,000 teachers in 2005, graduates mainly in arts subjects, will create efficiency problems for a system already adequately staffed with arts graduate teachers.

Unemployment is a result of both demand and supply side factors and assessments of its underlying causes lead to different proposals for reform. Supply side factors have frequently been apportioned a large share of 'blame', prompting calls for a more relevant general education curriculum and the instillation of attitudes and skills that prepare young people for work and self employment. In its analysis of youth unrest and insurrection in the 1980s, the 1989 National Youth Commission (NYC) had observed:

the mismatch between education and employment, leading to large scale joblessness and frustration among the school leavers either before or after their examinations irrespective of whether they had passed or failed their examinations. They had also noted the moral vacuum, which the curriculum and the teaching methods or indifferent teachers had created. There were of course, other major factors which had also caused much of the youth discontent, *but defects in the educational system, inclusive of tertiary education, had been perceived as one of the roots of the problem* (author's emphasis) (National Education Commission (NEC), 1992 (referring to NYC findings)).

Demand side factors have played an equally large, if not more important, role in explanations of imbalance. Economic growth has been modest and, equally importantly, the skill demands of jobs have remained low. In a study of education-employment linkages from the 1970s to 1990s Alailima concluded that many employers are content to employ low skilled labour on low wages and that so long as technological change remains slow and productivity growth low, the educated workforce will be underutilised (Alailima, 1991).

By 2005 this diagnosis of the primary causes of educated unemployment remained valid. The recent World Bank assessment (2005) cites the slow growth of the economy as the primary cause of unemployment and long job search among educated youth. Secondary causes are various characteristics of labour supply. These include low levels among job seekers of generic skills for which there is a demand, especially English Language fluency and skills in Information Technology. They also include the absence of a disciplined work ethic, good team work, creativity, flexibility and adaptability, effective communication and a problem solving approach. Echoing earlier policy analyses the responsibility for the development of these orientations is placed at the door of the education system (World Bank, 2005). The Bank report notes that government strategies to reduce unemployment have included the absorption of young people into public employment (a political measure to forestall social unrest), the promotion of skills development through Technical Education and Vocational Training (TEVT) and an increase in labour market flexibility.

Externality effects

Recent studies of the impact of education on nutrition and family health indicate that increasing levels of maternal education decrease the probability of a child being severely or moderately underweight and stunted and increase the probability that a mother will adopt pre-natal and neo-natal practices, obtain and respond faster to new information on child nutrition and utilise health care services for respiratory and water-borne disease more frequently and effectively (World Bank, 2005e: 53). There is also some suggestion (though the evidence is not presented) that these externality effects showed a steady relationship with education up to GCE A level but did not carry over to tertiary education,

supporting the view that the gains of tertiary education are mainly appropriated by graduates as private benefits.... Women educated to these levels normally go to work, so that their time at home is too limited to help improve health and nutrition outcomes (World Bank, 2005e: 53).

4.1.2 Post 1977 education policies designed to promote economic growth

Notwithstanding the efficiency and externality effects of educational attainment, few education policies both before and after economic liberalisation have been linked *explicitly* to economic growth and even fewer have been systematically implemented. Perera's review of a series of reforms since those advanced by the Committee of Education chaired by Kannangara in 1943 concludes that education reforms oriented towards the economy and economic growth have generally been abandoned during implementation while those oriented towards equality of opportunity have generally survived (Perera, 2005). The over-riding concern of the Sri Lankan

population and polity for equality of educational opportunity has determined the fate of reform implementation since independence.

Between 1977 and 1994 most of the general education reforms concentrated on improving quality through curriculum development, teacher training and management reforms. While these reforms may be construed as reforms contributing to the internal efficiency of the education system they may also, indirectly, be seen as improving external efficiency *de facto*.

The 1995 reforms included two reforms more directly related to economic performance and growth and to the changing technological environment of the 21st century. The first was an intensification of the teaching of English.

The government recognises that...the only certification in English that a pupil obtains...is the O-level certificate. Most such pupils cannot read, write or speak the language at an acceptable level. Thus they are unable to find suitable employment or to proceed easily into tertiary education. They cannot benefit from the immense pool of information available through the multi-media systems (NEC, 1997).

It was proposed that 'oral English' be introduced for communication alongside the mother tongue from Grade 1. English would be taught as a subject from Grade 3. At GCE A level a new subject – General English – would be introduced, designed to cover diverse content areas such as banking, commerce, agriculture, computers, space travel, tourism and health.

A second economy-oriented reform was the development of technical and practical skills throughout the system. A revised primary curriculum was to be based on activity learning, activity rooms were to be introduced for Grades 6-9, Science and Technology O level was to be revised and a new technology stream was to be introduced at GCE A level.

The education sector which responded most readily to the policies of economic liberalisation was TEVT. TEVT policies were designed explicitly to meet the additional demand for skilled, semi-skilled and unskilled labour in the expanded secondary and tertiary sectors of the economy. The private sector expanded to meet the needs that the public training institutions failed to fulfill and their role was further promoted as part of the 1989 industrialisation strategy of the Ministry of Industrial Development which included, *inter alia*, the upgrading of technical training institutes and the establishment of a Vocational and Tertiary Education Commission. The industrialisation strategy also encouraged industry to provide training facilities at lower levels and voluntary organisations to provide training in technology and management skills. The call for more and improved TEVT continued through the 1990s and on into the new century. Myriad policy statements have noted, *inter alia*, the qualitative and quantitative mismatch between skills supply and demand and have promoted private sector-led skill training, the provision of skills to compete in global labour markets, the establishment of a degree awarding institution for TEVT and accreditation and quality monitoring of all training institutions. Concluding its review of policies the World Bank has recently noted that the progress of the TEVT sector in implementing the several proposals introduced since the mid-1990s is modest (World Bank, 2005e).

Even where courses leading to tertiary level awards have been provided by privately run TEVT institutions there has been little public resistance. Many local institutions offer tertiary level courses in technical and professional subjects and award diplomas or certificates, but not degrees. Exceptions are the private institutions that offer degree level courses of the external programmes of the public Sri Lankan universities. Other institutions have formed partnerships with foreign institutions in technical and professional subject areas and award foreign, but not Sri Lankan, degrees.

Expansion of the private TEVT sector has been considerable. Total tertiary enrolment is estimated to have expanded 60% between 1997 and 2002, accounting for 11% of the relevant age group – 3% is in public universities, 2% in the advanced technical education institutions (assumed to be 50% public and 50% private) with the majority (6%) enrolled in a variety of private sector tertiary institutions offering professional courses and a range of degrees from foreign universities (World Bank, 2005e).

4.1.3 The impact of economic liberalisation on educational provision

Despite references in general policy documents to the world of work in the twenty first century, Sri Lankan education policies have not, historically, been driven by economic considerations. With the exception of developments in the TEVT sector, this has changed little since 1977 in the period of global integration. Where calls for reform on the grounds of finance, efficiency and international standards have been made, they have emanated mainly from the World Bank and not from the Sri Lankan government. But even these have been of recent origin since in the history of international lending of finance for education, Sri Lanka was a ‘late borrower’, taking her first loan from the World Bank only in 1988. Attempts by the Bank to spur the introduction of private education in the 1980s were resisted by the then government, the UNP. The most recent World Bank sector review (2005e), once again, promotes the re-introduction of private schooling, the enhancement of English, the provision of more information and communication technology (ICT) courses and a major expansion of the private tertiary sector. ‘Cost sharing’ and reduction of unit costs have generally not been a major focus for reform efforts, partly because the unit costs of general education (up to Grade 13) are very low by international and Asian standards.

Although global economic re-integration has had little direct influence on education *policy* this does not mean that globalisation has had no impact on education *provision*. Little and Evans (2005) argue that a number of changes in education and qualifications provision have occurred as a direct result of economic liberalisation policies and global re-integration but that these have been mediated by *economic* rather than educational policies.

The effects of economic liberalisation on education and qualifications operates in at least three ways which interact (Little and Hettige, 2006). The first is through change in the structure of the economy and in the volume and types of employment opportunities. These influence the demand for new skills by employers and for qualifications sought by job seekers. The second is through the direct impact of liberalisation measures on the provision of both education and qualifications, public and private, local and foreign. The provision of both education and qualifications is, for some providers, a business, little different from any other. Liberalisation

has benefited these providers and has stimulated consumer markets. The third is through the aspirations of youth, who gradually become aware of new job and skill opportunities, both at home and abroad, and of the new types of qualifications that provide the passport to them.

While foreign investors and employers work to integrate firms into the global economy, job seekers work to improve their qualifications as a passport to the best opportunities in the global economy, for themselves and their families, both at home and abroad. But the opportunities to gain this passport are not equally distributed across society. Liberalisation has differential impacts on the opportunities and aspirations for different types of education and qualifications. Higher income groups, especially those based in the Western Province and around Colombo are able to access opportunities that lead to foreign qualifications and high paid jobs, both at home and abroad.

As we saw earlier, the economic structure has changed substantially in the years since liberalisation, away from agriculture and towards manufacturing and services. Employment rates and women's participation in the labour force have increased. Private sector employment has increased; so too has self and casual employment. However many of the new employment opportunities are low-skill, mainly in the garments manufacturing sector. Employers, foreign and local, have recruited young people, especially women with basic secondary education from rural areas, and trained them on the job. New courses and qualifications in garment manufacture have arisen. The service sector has expanded greatly with demand for skills in information and computing technology, English, and management and finance (Little and Hettige, 2006).

Growth in demand for these skills is evidenced by a plethora of new types of skill provision, public and private, Sri Lankan and foreign. Public provision has expanded at many levels of skill – from basic crafts and trades to higher technical skills alongside opportunities in ICT and English in the general education system. Private provision has expanded at the primary, secondary and tertiary levels. Much of the expanded private provision is oriented towards foreign qualifications and most of it falls outside the quality assurance purview of the government. The economic liberalisation measures of 1977 and 1989 facilitated foreign private provision through two main measures. First, the lifting of currency restrictions meant that Sri Lankans could convert Sri Lankan Rupees and pay tuition fees in foreign exchange. Second, as part of the general move towards foreign direct investment and the establishment of foreign partnerships, foreign education interests could find a local partner and register themselves as a Sri Lankan company. Some registered through the Board of Investment and the majority through the Sri Lankan register of companies. Behind these measures was huge pent up demand for private sector provision, both local and foreign, especially among the middle classes (Little and Hettige, 2006).

Foreign education and qualification suppliers use a range of modes of provision. Some provide only the examination syllabus, the examination and the qualification leaving course delivery entirely in the hands of Sri Lankan education providers. Others provide both the course and the qualification through franchises, access pathways, correspondence materials, online tutoring and assessment. Students in Sri Lanka are integrated into education institutions in a wide range of countries including Australia, Canada, India, Ireland, Japan, Malaysia, Russia, Singapore, UK and the USA.

In general, global re-integration has had a *de facto* impact on educational provision, but an impact that has occurred in the absence of educational policies. With the exception of the TEVT area, educational policy has not been substantially influenced by new skill demands generated by changes in the economic structure post liberalisation; nor has it promoted a liberalisation of private education and training provision. *De facto* privatisation and internationalisation of education and qualification provision has occurred in spite of an absence of government policies to promote them (Little and Evans, 2005).

4.2 The contribution of education to income equality

To what extent has education contributed to the goal of income equality during the period since liberalisation? This question is examined in three ways – first through evidence on the links between education and poverty reduction; second through evidence on equality of access to education and third through the identification of education reform policies designed to contribute to equality during the period.

4.2.1 Education and poverty reduction

Recent evidence establishes a clear link between education and poverty reduction. In 1985/6 the incidence of poverty among households with uneducated household heads was 45%; and in 1995/96 40%. Rates of poverty are lowest when household heads have attained GCE O and A level. Aside from straightforward income poverty, education is also associated with other indicators which impact on poverty including fertility control and family size. Similarly, studies of consumption suggest that, among male headed households in poor regions, families with primary educated heads consume 20% more than households with uneducated heads. For female headed households this figure is 8%. Consumption gains increase sharply for households with GCE O and A Level educated heads (World Bank 2005e: 55).

4.2.2 The distribution of education opportunities

Inequalities by economic group

Table 5.4 presents net enrolment rates at the primary, secondary and tertiary stages by economic group. It indicates a high degree of equality between different economic groups in primary and junior secondary enrolment. Disparities appear at the senior secondary level (the GCE O and A level grades) and become marked at the tertiary level. While the overall tertiary enrolment rate in 1995 was 5%, only 2% of those from the lowest quintile gained admission to a tertiary level course compared to 13% from the highest quintile. More recent evidence is not available but, as the World Bank (2005) report suggests, this disparity is likely to have widened since 1995/96 since tertiary expansion since 1995/96 has been primarily in the fee-levying private institutions and professional and technical courses. Expansion of tuition-free university education, by contrast, has been moderate.

Lorenz curves of shares of public expenditure among economic groups reinforce the picture of equality at the primary, junior secondary and even senior secondary levels. Public expenditure

on tertiary education is more unequal with increasing shares of expenditure being utilised by richer households (World Bank, 2005c: 24). However, this apparent equality at primary, junior and senior secondary levels depends on an estimate of near equal unit costs at primary and secondary. Since government budgets have not, historically, distinguished between levels of general education, and since the majority of schools contain both primary and secondary grades, it is difficult to understand how these estimates have been made. If secondary expenditures were higher than primary (because of lower pupil:teacher ratios, higher salaries etc) then the Lorenz curves might be expected to show greater inequality at junior and senior secondary levels.

The growth in the supply of foreign qualifications at secondary and tertiary level was noted earlier. Access to foreign qualifications is heavily skewed by income group (Little and Hettige, 2006). The most expensive option is to 'study abroad'. Only the richest can afford to send their children abroad for an entire course of study. Many more young people follow part of the study in Sri Lanka and move to a foreign country for a final year. This is a cheaper option. Still others follow the entire course in Sri Lanka and gain a foreign qualification. Others, in the technical and vocational field, can now gain dual certification from a government ministry and foreign qualification provider at relatively low cost. Other young people aspiring to gain access to the skills required by the liberalised economy rely on the government sector and local private providers, at widely varying fee levels. Students in urban areas have the greatest level of opportunity. Even in the public school system, opportunities for learning English and access to ICT centres are skewed towards Colombo.

Table 5.4 Net Enrolment Ratios in Primary, Junior Secondary, Senior Secondary and Tertiary Education, by Economic Group, Sri Lanka

Consumption Quintile	Net Primary Enrolment (grade 1-5) %	Net Junior Secondary Enrolment (grade 6-9) %	Net Enrolment (grade 10-13) %	Net Tertiary Enrolment %
Lowest 1-20	95	61	31	2
21-40	96	66	35	2
41-60	95	67	41	4
61-80	96	77	47	5
81-100	97	76	60	13
Poor	95	63	32	2
Non poor	96	71	47	6
Sri Lanka	96	68	42	5

Source: World Bank, 2005c. Estimates based on Household Income and Expenditure Survey, Department of Census and Statistics (Sri Lanka), 1995/96

Inequalities by region

Although regional disparities in enrolment are minimal at the primary level, they are more apparent in the learning achievements of students. The proportion of students achieving mastery of first language in Grade 4 primary (Sinhala or Tamil) ranges from 51% in the affluent and urbanised Western province to 23% in the North-East where much of the civil war has been prosecuted and 34% in the up country areas of Central and Uva provinces which have a large concentration of tea plantations and remote rural areas. The pattern is similar for Mathematics. The variation in mastery of English at the Grade 4 primary level is even greater, albeit with rather low levels everywhere, ranging from 20% mastery in the Western province to 5% in the North-East and 8% in the up country areas. Regional variations in enrolment at the junior secondary and senior secondary levels are greater than at primary, though the range is modest: at junior secondary, from 73% (North East) to 87% (Western) and at senior secondary, from 46% (Uva and North Central)⁵ to 52% (Western) (World Bank, 2005c).

4.2.3 Post 1977 education policies designed to promote income equality

Subsidies

Education policies in Sri Lanka have long been driven by the goals of equality. While schools and universities have been tuition fee-free since the 1940s, additional subsidies have been offered through the 1980s and 1990s since liberalisation – free textbooks, free material for school uniforms, transport subsidies, bursaries for enrolment at high status secondary schools for able children from poor families, quotas for university admission which favour students from poor districts, central public finance policies which favour poorer provinces and the application of a norm-based unit cost resource allocation mechanism for school budgets.

Several current policies designed to promote income equality and the democratisation of education predate liberalisation. But liberalisation has not led to their overthrow.

Bar on private provision

As we saw in 2.4.2, legislation prevented the establishment of new private schools from 1961. This legislation was enacted as part of the creation of a state-controlled national system of education designed to democratise access to education.

Since independence in 1948 no policy measures have been introduced to shift control of university education and qualifications away from the public sector. Unlike with schools there is no legal bar to the establishment of private universities. However, the power to grant degree-awarding status remains with the government's University Grants Commission and majority public opinion has always resisted the establishment of private universities. Attempts to establish a private degree-awarding medical college in the mid 1980's led to protests so violent that the government was forced to integrate the courses into one of the state universities. While many have argued that private universities should be permitted in order to meet growing social demand, opponents argue that private universities will charge high fees,

⁵ Figures for North East province not available for senior secondary.

meet the needs of the rich and lead to a polarisation of poorly endowed state universities and well equipped private universities (Hettige, 2005). Others suggest that the containment of the public sector's supply of university education in order to protect opportunities for low income rural students has 'failed to understand the ground reality' (Central Bank, 2005:72). They argue that the establishment of private universities would meet some of the current demand for higher education and release more places in the public universities for poor students. Moreover, the competition between public and private would, it is suggested, promote quality and innovation.

In spite of this opposition, many private-sector tertiary institutions (not universities) offer courses leading to degrees. Significantly, however, these are not degrees of Sri Lankan universities but degrees offered by foreign suppliers, ranging from well-established degree providers in the UK, US and Singapore to less well known or recognised institutions. Political debate and controversy focuses on Sri Lankan not foreign degrees. Meanwhile, the better-off seek foreign degrees at home and abroad, and are prepared to pay for this educational import or to pay for it in another country.

The absence of a strong private sector in secondary and university education distinguishes Sri Lanka from China where the private sector has flourished since 1978; from India which has long encouraged private sector education at all levels; and from Kenya which encouraged private sector secondary education as a means of meeting social demand from the 1960s and higher education over the past decade. It also distinguishes Sri Lanka from several, though not all, of the economically successful East Asian states where private education beyond the basic cycle has been encouraged.

Educational selection criteria

A much contested area of policies for equality concerns the criteria for educational selection, especially from secondary to university education. Since 1977, policies concerning the criteria for admission to university, which had so incensed the Tamil minority in the early 1970s, have been changed several times. In 1978 the UNP government overturned the controversial medium-wise standardisation of GCE A level marks. The new procedure awarded 30% of places on 'merit' (i.e. raw marks), 55% on a district population quota and 15% on a quota for educationally backward districts. In 1990 the percentages were revised again to merit at 40%, district at 55% and underprivileged districts at 5% with admission to the Arts Faculty based solely on merit. By the early 1990s the cry for admissions to revert to the pre-1973 system of 100% merit for all subjects was gaining ground (e.g. *Sunday Observer* 2.3.91). It has continued to the present. The intense debate that surrounds university admissions policy reflects the extremely high value attached to university education and its perceived importance for livelihoods and life chances. With university admissions in the early 1980s restricted to around 2-3% of the eligible age group and reaching only 9% by the turn of the century, and an ever expanding system of secondary education, the transition from Grade 13 to University has been via a very tight and socially explosive, bottleneck. The criteria used for selection represent a balance between the goals of excellence and equality, a more subtle form of the 'red and expert' tensions which have marked selection systems in China for centuries.

4.3 The contribution of education to national unity

In a society divided by civil war it is difficult to identify how education has contributed positively to a sense of national unity and social cohesion. It should be noted here that social cohesion is a term that has only quite recently entered the education discourse in Sri Lanka – and largely through external influence (e.g. World Bank, 2005e; Colenso, 2005). The Sri Lankan policy and education discourse is more likely to speak of national unity, national integration, national cohesion and amity.

Various small-scale reforms since 1977 to introduce ‘link languages’ and revised social studies curricula may be seen as positive efforts to stem the deterioration of communal relations. But few of these have been implemented with sufficient resources and political will to represent more than a drop in an increasingly turbulent ocean.

Moreover, these small-scale reforms have been grafted onto a ‘national’ education system whose structure is segregated along lines of ethnicity and language. In 1998, 71.5% of schools offered education in the medium of Sinhala and 27.8% in the medium of Tamil. Less than 1% of schools were classified as bi-media. The classification of schools by medium of instruction matches the classification of curriculum. Sinhala-medium schools use Sinhala-medium teacher and student materials. Tamil-medium schools use Tamil-medium teacher and student materials. Bi-media schools receive materials in both media for their Sinhala and Tamil streams.

Some have suggested that all of the major education reforms of 1972, 1981 and 1997 have been responses to sociopolitical crises rather than reforms designed to promote development (Perera et al, 2004). None has addressed issues of national unity and national integration in a conscious and determined way.

Other than an attempt to deal with the imbalances in educational provision in rural and urban areas in terms of equity in access, the 1972 reforms did not seek to address, either directly or indirectly, the major divisive systemic features such of segregation of children by ethnicity, the need to enable children to become bi-lingual and thereby facilitate communication among them, and the need to introduce a multi-cultural perspective in designing curriculum....based on the rationale of enabling schools to share resources, the 1981 reforms attempted to bring schools together in ‘school clusters’. Ideally, this innovative clustering of schools at the regional level could have been used to bring together the schools that were segregated by medium of instruction within a cluster, and to consciously build in a component of social harmony. This was potentially feasible, given the relative numbers of Sinhala and Tamil medium schools in most provinces, yet no such objectives were indicated in the reform rationales (Perera et al, 2004: 397).

The NEC report of 1992 proposed nine national goals for education, two of which were:

- the achievement of national cohesion, national integration and national unity;
- the active partnership in nation-building activities to ensure the continuous nurturing of a sense of deep and abiding concern for one another.

These were subsequently translated into a set of comprehensive reforms in 1997. Perera et al (2004) evaluate the extent to which those reforms were designed to facilitate or have facilitated the achievement of these objectives. During the 1990s, scrutiny of the content of textbooks had identified biases of various kinds – ethnic, religious, gender-based, cultural and those based on factual error. Process biases, including those concerning the ethnic composition of the panels that wrote and reviewed textbooks and the practice of writing texts in Sinhala first and subsequent translation to Tamil were identified as discriminatory. Since the introduction of the 1997 reforms the National Curriculum Policy and Process Plan (2000) has provided a curriculum framework to serve the needs of a multicultural, pluralistic but nationally integrated society, involving no bias on the basis of ethnic, religious, gender or economic grounds, and providing for regular curriculum reviews of potential bias. New evaluation procedures implemented from 2003 are intended to assess the 'respect for diversity' of new texts to ensure that their design committees are multiethnic and multid denominational.

All students in Sri Lanka learn the 'official' languages of Sinhala and Tamil in Grades 6-9 (and officially from Grade 3) (World Bank, 2005e: 88). In grade 10-11 Sinhala-medium students can elect to study Tamil; and Tamil medium students Sinhala. Second language proficiency among 14 year olds is low. Reported second language proficiency (good/very good in Sinhala/Tamil) is greater among Tamil and Muslim youth than among Sinhala (41%, 83% and just 3% respectively). By contrast, those reporting 'opportunities to learn a second language' vary from 62% (Sinhala), 83% (Muslim) and 88% (Tamil) respectively⁶, though figures reported by the World Bank present a slightly different picture. In this report students were classified according to the medium in which they learned. This spreads the Muslim students across the Sinhala and Tamil media and suggests that 34% of Tamil-medium students 'never' or 'rarely' had an opportunity to learn a second national language, compared with just 11% of Sinhala medium students (World Bank, 2005e). The gap between perceived opportunity to learn and proficiency in a second national language is wide among Sinhala youth and relatively narrow among both Tamil and Muslim youth. The same survey reports that 51% of students have 'sometimes' or 'often' had the opportunity to learn alongside students from other ethnic groups. The lowest figure (28%) is found in the Northern province. More positively, some 82% of all students said that they should be given the opportunity to learn together with students of other ethnic groups. In the war torn Northern and Eastern provinces these figures were 57% and 75% respectively (World Bank, 2005e:88)

This policy on bilingualism in the official languages predated the 1997 reforms but then as now has failed to be implemented in a sustained way because of a lack of proficient teachers and the absence of the requirement that the subject is compulsory and examinable. Perera, Wijetunge and Balasooriya assert:

the outcomes of the peace process may give the official language teaching initiative the drive it seems to lack, for in the final analysis, macro-level decision-making in the political realm emerges as the arbiter of what change will take effect at the school and curriculum level It is not apparent..... that tapping the power of bilingualism in the official languages for sustainable social cohesion is being genuinely pursued (Perera et al, 2004: 403).

⁶ Figures presented by Swarna Wijetunge at British Association of International and Comparative Education conference Education in the 21st Century: conflict, reconciliation and reconstruction, held at the University of Sussex, September 2004

Interestingly this analysis presents peace as the driver of education rather than education as the driver of peace.

English has been promoted as a 'link language' between communities for some years. The 1997 reforms promoted the introduction of oral English from Grade 1, the strengthening of the teaching of English throughout the school system and the teaching of Science and Mathematics in Grades 12-13 through the medium of English. Teaching through the medium of English gained further support through the 'amity schools' initiative in 2001. The aim of these schools was:

to allow high-achieving students representing different ethnic groups to grow up in an amicable atmosphere, studying and working together, using a common link language to forge common thinking and learning, and, in doing so, harnessing core values of goodwill for the country (Perera et al, 2004: 404).

Two years later implementation was

a far cry from the originally articulated concept of these schools. In practice, education authorities gave schools that opted to offer classes in the English medium a green light, but little else has been accomplished in terms of setting up these schools.... One may hope that the ideal amity schools... may still be achieved, but it will only happen if a conscious effort is made to admit students from all ethnic groups (Perera et al, 2004: 404).

The delineation of subjects and their content has also come under critical scrutiny, especially with regard to History and Social Studies, Religion, Language and Civics. Among several criticisms of the content of history textbooks has been the presentation of single rather than multiple interpretations of events, the disregard of fluid identities and avoidance of contemporary issues of ethnicity, ethnic conflict and war. Vested interests in maintaining the structure and content of religion are seen as barriers to the teaching of religion as 'comparative religion or the culture of religions, which would be particularly conducive to a multicultural, pluralist society' (Perera et al, 2004: 406).

In short, the contribution of education to national unity has been compromised over the past few decades. Attempts made to ameliorate the ethnic conflict through education have focused on bi-lingualism, link languages and subject content. With the exception of the amity schools designed to admit students of all ethnic groups, none of the reforms has tackled the fundamental segregation of young people in education by medium of instruction. Significantly, the so-called 'amity schools' have succeeded in establishing English as the medium of instruction but have not succeeded in ensuring admissions from all communities. In a nationally representative study of 2,660 students, 51% reported having 'sometimes' or 'often' having had the opportunity to learn alongside students from a different ethnic group, with the lowest percentages among students in the Northern part of the North-East province and in the Southern province. Asked whether they *should* learn alongside students of other ethnic groups an overwhelming majority, 82%, agreed. The figures for the Northern part of the North-East province and the Southern province were 57% and 85% respectively (World Bank, 2005). Segregation of the education system by language and ethnicity may not have generated civil strife in any direct

sense – but indirectly it has failed to generate the necessary opportunities for young people to forge lasting friendships and identities that transcend ethnic and other markers of social division.

Paradoxically, the single social institution that has maintained its legitimacy and been protected by all sides throughout the civil war has been the national school examination. Students attending schools that have come under the *de facto* control of the LTTE have been registered for the national examinations of GCE O and A level. The Department of Examinations has found ways of delivering examination scripts to the war torn areas – and the LTTE has offered protection to students in examination halls. Educational qualifications are still perceived as the fairest means for recruiting young people to jobs and further education. The reader will recall (Section 2.7) how dispute over changes to the GCE A Level criteria used for university admission in the 1970s had fuelled the emergence of the call for the state of Tamil Eelam. Education and examinations were perceived, by Tamils, as part of the growing sense of discrimination. Twenty years on, in the grip of civil war, Tamil parents have struggled to keep their hopes for the future alive through education and through examinations. Though the criteria for university admission continue to be contested in society as a whole, medium-wise standardisation is no longer the issue. Debate revolves currently around admission via merit and via quotas designed to support students in rural areas with access to poorer educational resources. The issue has been transformed from one of ethnicity and language to one of class and achievement. Examinations no longer divide society along the dimension of ethnicity. All ethnic groups are united in their pursuit of national examinations (Little, 1997).

5. Current proposals for policy reform in education

This section presents current proposals for educational reform that bear directly on the three themes of engagement with globalisation – economic growth, equality and national unity. In 2003 the NEC made 122 recommendations on general education consistent with the national development process and a vision of human development that

encompasses social, economic, political and personal development and ethical values reflected in our religions traditions and is rooted in the principles of equity, relevance and excellence in a transformative process of education (NEC, 2003).

Five bear directly on our themes:

- curriculum renewal in the context of national identity and social cohesion;
- curriculum renewal in the context of 'the world of work';
- the promotion of English;
- education technology;
- private tuition, private schools and international schools.

5.1 Curriculum renewal, national identity and social cohesion

With a view to enhancing the role of education in the promotion of national identity and social cohesion the NEC recommends that the subjects of History, Geography and Civics in Grades 6-9 should replace ‘environmental studies’ in Grade 6 and ‘social studies and history’ in grades 7-9. The learning-teaching process, it is argued, needs to be revitalised and enhanced in relation to needs such as personal growth, national identity and harmony, responsible citizenship, ethical values and behaviour, social justice, social cohesion, awareness of changing contours in the economy and environment and internationalism. The proposals are intended to contribute to the process of peace. This objective requires reconstruction of the curriculum by persons representing many viewpoints able to reach consensus as well as a teacher training programme and a shift in assessment and examination procedures.

Any assessment of these new proposals must revisit some of the questions raised in 4.3 about the reasons why similar attempts to reform curriculum content and structure have failed in the past. Where is the political will to restructure? Where is the commitment of institutions to ensure that curriculum-decision groups represent all communities and interests? Where are the resources to ensure that changes are made not only to curriculum and texts but also to teacher education and pupil assessment?

One should also ask whether curriculum reform is the most effective way in which the education system can contribute to national unity and peace. It could be argued that even if curricula were revised and implemented, most of their impact would be lost in a system that continues to divide and segregate young people by ethnicity and medium of instruction, from kindergarten to university. Following the proposition that ‘values are caught not taught’, could the structure of the education system be changed at key points to bring children and young adults from different communities to learn together and to forge common identities? The ‘amity’ schools were a courageous start – but where is the commitment to ensure that they not only teach through the medium of a common language, English, but that they admit students of all communities? Where children and young people learn in separate schools and never form lasting friendships and bonds of trust with young people of various communities is it surprising that they form separate rather than common identities in times of crisis?

5.2 Curriculum renewal for the ‘world of work’

The recommendations oriented to economic growth include:

- *Grades 6-9* The technical skills component of the core curriculum should provide training in relevant multi skills and ‘hands on’ experience, awareness of the changing needs of the economy, and at least minimum competence in basic skills in Information and Communication Technologies.
- *Grades 10-11* The technical studies/design and technology component of the compulsory curriculum should initiate students into specific occupations in the agriculture, industry and services sectors of the economy. This component should be developed and conducted with the assistance of relevant employment agencies.

- *Grades 12-13* The options offered in the new subject, Technology, and existing courses such as Agriculture and Business Studies, should have a practical component/assignment organised in collaboration with employment establishments.
- *TEVT* Improved vocational guidance, links between schools and vocational training institutes; re-organisation of vocational institutions/centres in each district to provide a diversity of training opportunities; encouragement of private sector involvement in the provision of equipment and facilities for technical teachers and subjects.

Many of the above proposals are sound, but, like many before them, require considerable inputs of facilities and equipment, support technicians and teachers with qualifications and hands-on skills in these subject areas. The process of curriculum implementation requires strong leadership and a dogged persistence on the part of curriculum managers to coordinate the curriculum, training, assessment and equipment needs of teachers and students, as outlined above. More effective coordination of activities across state Ministries is required if the vocational guidance centres are to be a success. Innovative financial and administrative procedures which foster rather than hinder the market are required if private sector proposals are to succeed. Those who manage curriculum proposals dependent on equipment and technical facilities and the promotion of the private sector need to be extra sensitive to issues of equality of opportunity between already well-off and poor schools and between urban and rural areas.

5.3 The promotion of English

In its executive summary the NEC (2003) notes

In the context of the increasingly important role of English in the national and global environment, it is necessary to work towards the goal of providing equal opportunity to all segments of the population to learn English' (NEC 2003, Summary: para 56).

More specifically the recommendations include:

- *Primary (Grades 1-5)* Extension of current oral English programme to Grade 5 (currently Grades 1 and 2) and the continuation of the formal teaching of English as a subject Grades 3-5; allocation of one or more teachers proficient in English to each school and training programmes for teachers.
- *Junior Secondary (Grades 6-9)* A Bilingual policy should be phased in over the period 2004-2008 to promote the teaching through the medium of English of Science, Mathematics, IT, Health and Physical Education, Environmental Studies and Social Studies.
- *Senior Secondary (Grades 10-11)* Extension of the bilingual policy to these grades from 2005/2006; and continuation of English as a compulsory subject of study.
- *Senior Secondary (Grades 12-13)* Deployment of qualified teachers to facilitate the teaching of Science and Mathematics through the English Medium to at least one school in each

Division; the provision of qualified teachers and materials to all schools and monitoring of timetable in order to eliminate current discrepancies in the implementation of General English as a core subject; the appointment of retired teachers to meet teacher requirements and/or the appointment of qualified English teachers from overseas (volunteers and others).

These proposals have moved significantly beyond those proposed in the 1990s and reflect the growing need for English in the economy and the growing acceptance by a broad cross section of society of English as a medium of instruction as well as subject of study. Many sections of society no longer perceive English to be the language of the coloniser and English has gained a new status as an international language. But many resist.

It is important to remind the majority of people in Sri Lanka (both Sinhalese and Tamils) of the importance to (sic) continue the language policy and free education as they are important sources of empowerment, especially for the poor people. Mother tongue was introduced in place of English as the medium of instruction to regain the lost identity of Sri Lankans under colonial domination. Furthermore, the greatly upheld view that a better ethnic harmony could be achieved through the re-introduction of English medium is an illusion. Since English is a tool of upward mobility and a passport to the affluent class, instead of achieving a greater harmony and integration between the majority of Tamils and Sinhalese, it would lead only to a fusion of two thin groups, namely the English educated Tamils and English educated Sinhalese (Punchi, 2001: 376-377).

The sentiment underlying this and similar statements obscures the fact that the poorest groups in society were *never* educated in English. The mother tongue was not introduced in place of English for these groups. Rather, English was the medium of instruction for the privileged classes. Its relegation was seen as a way of democratising educational opportunity. For many, policies to enhance of English, both as medium and subject, will be seen as promoting economic growth and national unity. For others, perhaps still a majority, English will be viewed as socially divisive and promotive of a new English-educated Sinhalese and Tamil elite.

An equally pressing obstacle is the proficiency of teachers, many of whom were schooled at a time when English was a subject of study not used extensively in wider society. The current introduction of English as a medium of instruction for some subjects is already biased towards schools in the Western province (Little and Hettige, 2006).

The school is not the only means of promoting English. Access to radio is very widespread and to TV increasingly so. The efforts of schools to promote English could be supplemented or even driven by the wider media. Already, a fair number of programmes are telecast in English and provide opportunities to use one's English proficiency. These could be supplemented by attractive programmes designed for family audiences to promote the teaching of English. In the interests of equality these should also be developed for island wide radio transmission.

As well as promoting English as skill for economic growth, might English also be promoted as a link language and as one means of promoting national unity? 'Amity' schools have tapped into the social demand for English. Where they have been less successful has been in the admission of students from all social backgrounds. But there is another source of information about the

potential of the English medium to promote common identities based on education. Several of the so-called 'international schools' – fee charging and with English as the medium of instruction – admit students of all of Sri Lanka's ethnic communities as well as foreign students. Limited studies of the effectiveness of these schools in promoting cohesion and intergroup socialisation suggest that:

cohesion is more of a cumulative by-product of 'all contrived experiences within the school environment' than a direct outcome of the formal curriculum.... on how the whole ethos of the school was facilitating peace and harmony irrespective of students' ethnic or other group affiliation (Perera et al, 2004: 405).

While it would not be feasible to introduce English as the medium of instruction for all subjects for all grades in all schools, imaginative and well resourced measures to promote English for its contribution to economic growth and national unity, and in ways that create new equalities of opportunity, need to be considered. 'National schools' have the advantage of residential facilities that make it possible for young people to live together as well as learn together. They also attract additional economic resources from the national ministry of education and from their alumni networks. Because they continue to be segregated by language medium and ethnicity these schools more appropriately warrant the label of 'ethno-national' rather than national. So-called 'National' Schools could play a particularly important role in the promotion of national unity by admitting children and teachers from all communities and by promoting an environment in which young people learn to live and learn together, supported by a tri-lingual language policy. In this way, national schools could live up to their name and spearhead national unity and development.

5.4 Education technology

The NEC recommends the preparation of a national policy and action plan for technology-enhanced education; improved training for teachers and other ICT personnel; staged establishment of connectivity to all schools; using Internet protocol and virtual private networks, low cost computer clusters and pooled hardware resources; establishment of a national education network to ensure the availability of content in Sinhala and Tamil; and the extensive use of ICT and Management Information Systems (MIS) in school management.

This is an eminently sensible proposal but one which also requires attention to software needs and both hardware and software support for teachers over a period of years. It is also hoped that a national policy and action plan could be systematically adhered to by the education bureaucrats without political and personal interference.

5.5 Private tuition, private schools and international schools

The NEC notes that demand for private tuition has been fuelled by a competitive examination ethos and by the poor quality of teaching. It also acknowledges that private classes are being conducted during school time. It recommends the introduction and enforcement of

regulations to prohibit students participating in and teachers conducting private tuition during school hours.

In recognition of the growth of ‘international’ schools in the private sector and of the absence of any supervision of them by the Ministry of Education, the NEC is now recommending that the Ministry should be the appropriate authority for granting permission for opening and registration of schools and that private/international schools conform to Ministry requirements regarding minimum facilities and standards. It is proposed that in future there should be 3 types of private schooling arrangement: (i) non fee levying assisted private school; (ii) fee levying private schools; and (iii) international schools.

Marking a break with a policy in place for forty years, the NEC recommends the amendment or repeal of current legislation to allow the establishment of private schools. Interestingly however they recommend that fee-levying private schools and international schools should be free to choose the medium of instruction while non fee levying assisted private school should follow the guidelines on the medium of instruction in government schools.

The most recent World Bank report on education in Sri Lanka strongly supports the move towards private education (World Bank, 2005e). While applauding Sri Lanka’s historic emphasis on public financing of primary and secondary education for the entire population – a policy that was ‘generations ahead of its time’ and is consistent with current development orthodoxy – the absence of private sector involvement is noted as a deviation from what is deemed the ‘classical recipe’. The report draws selective comparisons with other countries. It is claimed that in the state of Kerala in India and Costa Rica there is heavy reliance on private sector provision in school education; and that in Korea there is a heavy reliance on private provision at university level. These comparisons are used by the Bank to illustrate the success private provision.

However, it should be noted that Kerala, Costa Rica and Korea did not have long established traditions of mass, state-funded education prior to the promotion of private provision. There is undoubted social demand in Sri Lanka for private provision at all levels, from kindergarten to postgraduate university education. There is also considerable investment in informal modes of private tuition that supplements government and private schooling. The state will need to protect and nurture opportunities for families who cannot pay.

5.6 Prospects and challenges for education reform

Sections 5.1-5.5 highlight current proposals for policy reform which bear on our three dimensions of successful engagement with globalisation: economic growth, equality and social peace. In Perera’s (2005) view, prospects for success of all the proposed reforms including those highlighted in 5.1 to 5.5 above, will be determined by continued political will and vision. The deployment of resources and teacher training do not in themselves pose major obstacles. The greater challenge lies in sustaining the flow of resources for equipment maintenance and in the deployment of trained personnel long after the initial momentum and injection of external funds. Other challenges include: (i) ‘transmission losses (in curriculum) and distortions along

the line'; (ii) low motivation based on low conviction of perceived usefulness; and (iii) negative perceptions among some groups based on hostile attitudes to 'globalisation', the increasing use of English and to the international agencies, especially the World Bank (Perera, 2005).

The above list was drawn from a total of 122 recommendations made by the NEC. By contrast with the education discourses of the multi- and bi-lateral agencies (Robertson et al., 2006), globalisation is almost invisible within the NEC discourse in Sri Lanka. Perera (2005) notes only occasional references in the most recent round of reform proposals to the demands of an expanding economy and to the challenges of the emerging 21st century.

6. Conclusion

As a relatively small island, located in the Indian Ocean, Sri Lanka has long been a trading nation. In the nineteenth century, as a colonial economy, she participated in the global economy exporting plantation crops of coffee, tea, rubber and coconut. These remained the mainstay of a strong export economy up to and beyond independence. A significant change in economic strategy occurred during a twenty year period from 1956 to 1977 with a shift towards Import Substitution Industrialisation (ISI) and move towards economic self reliance. Towards the end of this period economic growth had slowed and unemployment soared. In 1977 Sri Lanka embarked on a series of reforms designed to liberalise the economy and promote foreign trade. This signalled a return to greater integration with the global economy, but with a greater emphasis on the export of manufactured rather than agricultural goods.

Equality of education opportunity has long been central to definition of social development in Sri Lanka. High levels of literacy and basic education at independence in 1948 and even higher levels in 1977 on the eve of liberalization, provided the educational preconditions for rapid economic growth. With the exception of the education reforms between 1972 and 1977, characterised by an economic development agenda of self-reliance, education policy has rarely been designed in line with economic policy. Rather, economic growth and equality of educational opportunity have been conceived as separate goals of development. Policies for neither have been planned deliberately as a means to the other. Where education policies have been consistent with economic growth and equality of opportunity, those promoting equality of opportunity have tended to endure and those promoting economic growth have been abandoned. This does not mean that education does not contribute to economic growth. Studies of private and social rates of return to education and of the contribution of education to health provide ample evidence of a beneficial connection between education, economic growth and health. Rather, it suggests that the implementation of educational policies more deliberately linked with economic objectives might have even more impact on economic growth.

Education and education policy can be argued to have contributed to economic growth, income equality and national unity variously over time. Economic growth has been facilitated by widespread access to basic education since the beginning of the twentieth century and by the expansion of secondary and tertiary levels thereafter. Fee-free vernacular education from the early twentieth century, fee-free English medium education from the 1940s and the creation of a so-called 'national' system of education from the early 1960s fuelled popular aspirations for participation in the modernising economy. Selection for jobs in the modernising economy was

underpinned by strong orientations to public examinations by both job seekers and employers. Since the 1990s, the expansion of the public and private (domestic and foreign) TEVT sector has contributed to the skills needed by the export-led economy. Income equality and equality more generally have been well served by fee-free education policies and by a range of subsidies for households, from free school uniforms, meals, textbooks to free transport to school. Government commitment to provision of education for all communities in rural as well as urban areas has led to remarkably equal access to primary, secondary and tertiary levels of education, though with decreasing equality with each higher level of education. Additional allowances are allocated to schools in disadvantaged areas and quotas are applied to university admissions for students studying in disadvantaged districts. The bar on private school education since the 1960s may be argued to have had the effect of maintaining equalities of access to education and thence to incomes. Popular resistance to the privatisation of university education has had much of the same effect. In both cases however, those who can afford to pay have found ways around the restriction – through access to international schools on the one hand and to study abroad and to courses leading to degrees of foreign universities on the other.

Of our three themes, national unity has been least well served by education. Since the 1960s almost all children have been enrolled in a national system of education segregated by language and ethnicity. Although the masses have always gained their education through vernacular schools, the Sinhala and Tamil middle classes who, in an earlier period would have been educated together in English, now learned apart. The introduction of medium-wise-standardisation of General Certificate of education (GCE) A level results for admission to universities in the early 1970s, designed to improve the access of Sinhala-educated youth to prestigious courses in science, aggrieved Tamil youth and contributed to the calls for an independent Tamil state in 1976. Several education reforms attempts thereafter including bilingualism, link languages, improved social studies curricula and the re-strengthening of English have had very little impact on national unity and the creation of a national identity.

It would be a mistake to conclude that if only education policies could be changed then economic growth, income equality and national unity would improve. The processes we have described as ‘successful engagement with the global economy’ have as much, if not more, to do with sectors and institutions beyond education. It is true that some of the credit for the ‘Asian miracle’ must go to education – but not all, only a fraction. In all development experiences, successful or not, education is only one part of the story. It may be a necessary part, but is certainly not sufficient. Economic growth in Sri Lanka has been determined by ISI and ELD economic strategies which have had little to do with education. Improvements in health, reductions in infant mortality and increases in life expectancy – all positive development outcomes – resulted in population growth so great that the economy could not absorb the numbers of educated young people seeking work. Youth unemployment and social unrest have been as much, if not more, to do with the limited demand in the economy for skilled young people as with the ‘unrealistic aspirations’ of youth. Income equality has been effected through various welfare measures and direct income subsidies to the poorest and has not relied on the ‘trickle down’ from economic growth. National disunity has been promoted by political programmes that have favoured the interests of some social groups over others and by the absence of a developmental state committed to the creation a secular nation identity in which all groups find a place and by the increasing level of political ‘interference’ in the implementation of policies on the ground.

The political will for development needs to be matched by political abstinence in the day to day implementation of policies, both education and non-educational. The recent, unprecedented and somewhat paradoxical call from the NEC for political will to eliminate political interference in policy implementation needs to be repeated over and over. Historically, the Sri Lankan state has been properly applauded for its delivery of services consistent with high levels of human development. History will show how, despite the civil war, economic growth has been maintained at over 4%. But history will also show how political hopes for a unified Ceylon were quickly dashed by a series of measures designed to promote a strong Sinhalese rather than Ceylonese state, followed by increasing levels of political interference in policy implementation. This has substantially compromised the ability of the education system to meet its goals, the ability of national government to deliver equitably to all constituencies, and the ability of the state to maintain its legitimacy. The extent of Sri Lanka's re-integration into the global economy over the past twenty five years, despite civil war, combined with her continuing high and relatively equal levels of educational achievement are indicative of what could be achieved in the future if only genuine peace could be achieved in the meantime.

Chapter 6: Conclusions – Andy Green and Angela W. Little

1. Introduction

Our case studies have shown that there are complex relationships in each of the countries between education and the various social and economic outcomes that have been the focus of our study. The patterns of these relationships also vary across the countries. These findings were to be expected.

Countries have different priorities regarding economic and social development which are not always aligned in the same way. The relationships, within each country, between education, economic growth and social outcomes in income equality, poverty reduction, health and social cohesion/national unity, are inevitably complex because of the multiplicity of intervening variables which also impact on economic and social outcomes. These include not only the contextual factors not amenable to policy change, such as basic geographical and geopolitical attributes, but also other significant factors which are contingent and subject to change, such as the nature of the state and its policies in diverse fields. Our studies have shown that education is an important factor in achieving what we call ‘successful’ forms of globalisation, but that it is not necessarily the main factor in each case.

The complexity has partly to do with the varied endogenous characteristics in play in each country, but it is also because of the variety of exogenous influences impacting on the relationships in each case. The developmental paths of the various countries discussed in this volume are not synchronised, except in the case of the four East Asian tiger economies. The countries analysed in our four case study chapters embarked on their pursuit of economic development, industrialisation and modernisation at different points in history and therefore with different global conditions enabling or constraining their options for development. One of the objectives of this study has been to show how the recent post-1980 phase of globalisation changes the terms on which countries are able to pursue development.

As our research progressed we arrived at a broad operational definition of ‘successful globalisation’ as *growth with relative income equality and social peace*. The post-1980 phase of globalisation promoted by the West has been characterised by the introduction of policies designed to forge a greater integration of economies with global markets and the growth of information technology. The goal of economic growth, entailed by these policies, nationally and globally, appears to have overshadowed equally important goals of development – equality and peace. Our concern has been to assess national performance in relation to all three aspects of development, and the role of education in contributing to this.

The course of growth, equality and peace in our target countries has varied. Broadly speaking we judge that in both China and India the implementation of export-oriented policies has been accompanied by positive economic growth, increasing income inequalities and moderate levels of social cohesion. In Kenya social cohesion has been largely maintained, but economic growth has been disappointing and income inequalities have remained high relative to our other countries. In Sri Lanka, re-integration into the global economy has been *accompanied* by moderate economic growth and stable but only moderate levels of income equality. However national unity and social cohesion have been undermined by civil war. We emphasise the term ‘accompanied’ rather than ‘caused’ since many other factors besides the implementation of global reintegration policies have been at work during this period.

Clearly none of our case studies countries has achieved the range of economic and social benefits that we observed in Japan and the East Asian tiger economies as complements of economic globalisation. In terms of economic growth, both India and China appear to be benefiting from policies designed to forge integration with the global economy. However, their record on income equalisation is not so good (Figure 6.1). Income inequality in China has risen rapidly in recent years and more steeply than in most of the East Asian economies during their equivalent stages of growth (i.e. 1960-1975 for the tiger economies and 1950-1970 for Japan). Data on income dispersal in India is somewhat limited (see Chapter 3) but it appears that the country had levels of income inequality in the 1970s which were higher than those in Japan and the East Asian economies (except Hong Kong) in the 1960s and 1970s. Since the 1980s most Indian surveys have focused on consumption rather than income. These indicate much faster rises in consumption among urban populations than among rural populations and rising inter-state inequalities in the post 1991 period. If the problems of rising inequality in China and India are not urgently addressed, it seems likely that likely that resultant social and political instability may threaten national unity and social cohesion, as well as international peace. However, in comparison with China and India, our other cases provide even less evidence of all round benefits from globalisation. Sri Lanka has been only a partially successful globaliser, having achieved moderate growth and reasonably stable income equality but with a high level of national disunity. Kenya, whilst maintaining social peace, has to date seen very few of the fruits of successful globalisation.

As we have argued in Chapters 1 – 5, this unevenness in the forms that globalisation has taken is largely due to factors other than education. East Asia was uniquely favoured as a globalising region by virtue both of the prevailing geopolitical conditions and the timing of development. Our case study countries have not been so fortunate. Kenya has been handicapped by its geography and lack of geopolitical advantages; Sri Lanka had many of the same historical and geopolitical advantages as the tigers, but failed to shift early enough to export-led manufacturing and to resolve its problems of statehood, perhaps partly, and paradoxically, as a result of its historical advantages in possessing an abundance of exportable agricultural commodities and having experienced a relatively smooth transition to independence.

Figure 6.1 Household Income Gini Coefficients, 1940-2001, Selected Countries



China and India, for different reasons, did not receive the Cold War dividend paid by the West to Japan and the tigers, and have had all the problems associated with their vast and diverse territory and populations, but they have benefited geopolitically in other ways from the enormous reach of their diasporas. Moreover, none of our case study countries have been quite so fortunate as Japan and the tigers in the timing of their development, since, despite benefiting from the expanding world markets of the liberalising post-1980 era, they have been more constrained by an evolving global trade regime (Robertson et al, 2007) which has allowed them less scope for deploying the extraordinarily effective strategic trading policies which were key to rapid growth in many of the East Asian economies. Only China, with its vast economic strength, finds itself in a position to negotiate terms of engagement with the global economy as positive, in some respects, as those enjoyed by the tiger economies. In addition to – and perhaps to some extent because of – these involuntary conditions, our case study countries often did not make the economic policy choices which would have best promoted their successful globalisation. Most notably, each of them, for different reasons, continued to rely for too long on ISI policies and in several cases, disastrously, on limiting exporting to a narrow range of primary products whose value was declining in world markets.

These broader, macro-level, contexts for development clearly provide a large part of the explanation of uneven development and of the differential ability of our countries to achieve more successful forms of development. However, education has also played a considerable role in this respect.

2. Education and economic growth in the global market

As we suggested in Chapter 1, a common conclusion in much of the general literature on globalisation is that the latter radically changes the terms of engagement between national states and their economies and the global market. This means that the options for development change also. In an era of rapid globalisation, foreign trade becomes more important for development as do foreign investment and the transfer of skills and technology. Economic growth through import substitution, practised from the 1950s through to the early 1970s, has no longer been an option during the most recent phase of globalisation, partly because of the power of global markets and partly because of the weak terms of trade for the primary goods which used to constitute the main export earnings of the import substitution economies. All successful developing countries have now to adopt export-led strategies for growth based on a diversity of traded goods, whether in manufactures or services. This requires international sources of investment whether through FDI, aid, loans, or equity. Sustained economic growth, in a rapidly changing and highly competitive global market, also requires constant economic adaptation, not only in shifting production in each sector to goods which carry the best terms of trade in the global market, but, most importantly, through continual shifts to sectors with higher-value-added tradable goods. The latter inevitably requires successful transfer of skills and technology from abroad. Our case studies all broadly illustrate these general principles.

The countries in our study which have been least successful in economic growth, Kenya, Sri Lanka and, until recently, India, were all countries which delayed the transformation from import substitution policies to export-led development strategies. These countries relied for too long on domestic production for protected home markets and on exports of a limited number of primary products which generally had diminishing value in world markets. It was only when the Indian and Sri Lankan economies became oriented towards the export of a more diversified range of products and services from the 1980s that growth rates increased substantially. The economies in our study which experienced rapid development earliest and which have grown furthest – that is Japan and the East Asian tigers in the 1960s – were, of course, also the first to adopt export-oriented policies based on manufactured goods. Japan and the tiger economies have travelled furthest down the developmental path with sustained growth over 40 years and continual upgrading of their economies to more knowledge-intensive and higher value-added areas of production and services. These have also been the countries which have been most successful in transferring knowledge and technology from other countries, either, as in the case of Singapore, through foreign direct investment, or, in the other cases, mostly through the licensing of technologies and reverse engineering of products. They have also been the countries which have proved most 'successful' as globalisers in that they have reaped a wide range of both social and economic benefits from the process.

Our analysis has shown that many factors have been involved in rapid growth of the most economically successful countries. Some of these were largely serendipitous and others the result of policies chosen. Geography, geopolitics and timing all helped the East Asian tigers substantially and were matters of fortune rather than policy. Other countries, such as Kenya, India and Sri Lanka, lacked all or some of the advantages in these areas and were thus less favoured in their prospects for development. However, other factors responsible for rapid growth in the tigers, and arguably also in China, have had to do with specific policy choices. Most importantly, perhaps, it has been the nature of the state in several of these countries which has been the major factor in development. Governments in India, Sri Lanka and Kenya have been less successful in promoting development because of civil war or political instability or lack of the concerted drive towards economic development which was exhibited by those East Asian economies which may be classified as developmental states.

Clearly, as our analysis of the different cases shows, there have been multiple conditions associated with rapid economic development, and no single factor can be considered a sufficient cause. However, education has been central to the development process in each case. All of the countries which developed most rapidly – including Japan and the four tigers in the early 1960s and China in the 1980s – boasted, at the outset of industrialisation, near-universal primary enrolments and high levels of adult literacy. Conversely, two of the countries which developed less rapidly, Kenya and India, had much lower levels of primary enrolment and continue to have much lower levels of literacy. In the case of Sri Lanka, educational levels in the early 1960s matched those of the tiger economies, but this was not accompanied by rapid growth for other reasons, because of the late transition to export-oriented manufacturing and the civil war. High levels of primary education and the wide availability at low cost of the basic skills associated with primary school education would seem to have been conducive to inward investment in China, Singapore and the other East Asian tiger economies. In addition, it would seem likely that the levels of labour discipline promoted by the emphasis placed on political socialisation in

the education systems in these countries, proved an asset in the early stages of industrial development. Conversely, the lack of basic skills in India until recently may have been a barrier to investment and probably remains so in those regions with the least educated populace. Kenya and Sri Lanka, admittedly, present more complex cases since neither, and particularly Sri Lanka, have lacked the basic skills base required for successful development, and indeed would appear to have possessed an excess of skills relative to demand at various points. In both these cases, it would appear that education has played an important role in such development as has occurred, and cannot be held primarily responsible for the lack of more rapid and sustained growth.

As our studies show, education has not only been a significant factor in the early stages of development for our countries. It has also been of major importance for the capacity to sustain high levels of growth through economic restructuring and shifts to more knowledge-intensive sectors of manufacturing and services. The key factor here has been the ability to transfer and utilise foreign technologies. The East Asian tiger economies constitute the pre-eminent examples of this with their rapid extension of educational access through the secondary and higher levels of education providing the skills required by each successive shift to higher-margin sectors. The other countries in our study have not yet reached levels of development where such shifts are imminent across a range of sectors. However, India, in the rapid development of its IT sector, has shown that one sector at least is able to make the transition on the basis of its long accumulation of high level skills in Mathematics, IT and Engineering. China, with its very rapid recent expansion of secondary and higher education in some regions, also looks well placed to make such moves in the future. In both India and China, however, opportunities to engage with the more knowledge-intensive sectors of the global economy are increasingly unevenly distributed across geographical regions and social classes.

All in all we can say that education has played a critical role in rapid economic development in China and the tiger economies, although our analyses do not show that lack of education has been responsible for arrested growth in Kenya and Sri Lanka. For India the verdict is much less clear. The heavy investment in higher level engineering skills has without doubt paid dividends in the long run by contributing to the growth of the IT sector, which has also benefited from the relatively wide dispersal of English language skills, attributable to the emphasis on these both in public and private sector educational provision. However, at the same time, the arguably excessive emphasis on investment in higher education in India has diverted attention and resources away from efforts to develop good quality basic education for the mass of the population in many of its regions. The recent and extremely rapid expansion of higher education in China, as it aims to catch up with India and the West in training highly-skilled ‘talent’ in Science, Engineering and Technology, has been accompanied by a similar relative neglect of basic education. Thus in both these Asian giants, education is contributing significantly to successful engagement with the global economy, but it is a relatively privileged, though sizeable, urban elite that is reaping most of the benefits, while the bulk of the population is increasingly left behind. The consequences for social and political stability in both cases could be highly deleterious.

3. Education effects on poverty and income inequality

At different points in their development, each of our countries has experienced significant reductions in poverty, linked both to population control and education. The East Asian tiger economies achieved significant reductions in poverty, with falling birth rates, from the late 1950s through the early stages of their rapid economic expansion. This was due to land reform and improvements in agricultural productivity in the late 1950s, and to rapid reductions in unemployment in the early 1960s, both of which were substantially aided, as we have shown, by rising levels of education. China made rapid progress both in population control, from the 1970s onwards, and in poverty abatement during the 1990s as economic growth took off, and, as the evidence suggests, educational advance was central to both of these (though, as noted in Chapter 2, the distorting effects of the One-Child Policy on gender ratios may have a seriously destabilising impact on Chinese society in the near future). Rapid educational advance was also a major factor in improvements in health and poverty reduction in Sri Lanka and Kenya, although in the latter case only until economic slow-down and HIV and AIDS took their toll in the 1980s. In India the picture has been rather more mixed with remarkable improvements in the health, fertility and poverty indicators in some regions and rather less achievement in others. Where the record has been best, though, has been in regions which have also been most successful in widening access to good quality education.

The record in reducing income inequality is much more varied across the different countries but would seem again to be closely related to educational achievements. The economies which have been most successful in reducing, or maintaining relatively low levels of, inequality pursued land reform and improvements in agricultural productivity from the 1950s (Japan, South Korea and Taiwan). In terms of Kuznets' theory these would militate against growing sectoral differentials in productivity which might give rise to mounting income inequality. However, education would also appear to have played a major part, not least in rapidly universalising access to first primary and then secondary education. Comparisons between the East Asian tigers would also suggest that equalisation of outcomes in education, as well as overall increases in average levels of education, may have been important. The economies with the most equal income distributions – Japan, South Korea and Taiwan – also have least selection and tracking in their education systems and, as far as we can tell from international test evidence, the narrowest distributions in skills.¹ Hong Kong, and particularly Singapore, on the other hand, have much more selection in their education systems and are substantially less income-equal than the other three.

India and China present a very different picture. In Maoist China fanatically egalitarian ('better Red than Expert') policies in education no doubt played their part in universalising primary education and promoting an equality of poverty. But in the post-Mao era there has been a marked rise in both educational inequality and income inequality. Deng Xiaoping, succeeding Mao, promoted a return to the more elitist traditions in Chinese education, with the reintroduction of the university entrance exams (*gaokao*). The adoption of liberalising reforms over the past 15 years, including increasing privatisation of provision, reliance on user fees and decentralisation of public funding, seems to be exacerbating inequalities in education, not least

¹ Although the latest results from PISA suggest that educational inequality in Japan is increasing, perhaps because of the liberalising reforms of the past ten years which have promoted limited school choice and school diversification.

between China's various provinces and regions. Inter-regional inequalities in education are more than matched by growing inequalities in income which increasingly divide East and West, rural and urban areas and the Han and the rest of the 'ethnic' groups. Central governments efforts to rectify regional imbalances are often stymied by corruption in regional and local government.

Our analysis of the 'two Indias' tells a similar story. Quite high levels of income inequality, by gender, caste and region, have numerous causes. Not least, with regard to regional inequalities, are the extreme variations in incomes between the newly mobile urban elites associated with fast growing manufacturing and IT sectors, and the impoverished rural subsistence farmers who have not seen the benefits of land reform and productivity improvements noted in East Asia. However, from our analysis it would seem that sharp educational inequalities are also partly responsible. The regions which have exhibited the highest growth, particularly resulting from the expansion of the IT sector, are those which have achieved the highest levels of education, and where skills in English language, Mathematics and IT provide the basis for economic expansion. The impoverished northern regions, by contrast, have seen only depressingly slow improvements in education or economic development. Current liberalisation policies in education including, as in China, decentralisation, may be exacerbating differences in the quality of education provided both between types of school and regions. In both China and India, therefore, levels of inequality are now such as to pose major threats to social cohesion, and we see little promise thus far in either country of education contributing to the amelioration of such dangers.

Kenya presents another picture again. Despite its successes in raising participation in education, Kenya failed to equalise educational opportunities to any degree after independence and this probably contributed to the rising levels of income inequality up until 1977. Subsequent efforts to equalise access to education during the Moi era, through the use of quotas, were largely ineffective and merely served to localise and regionalise the inequalities. Income equality may have reduced somewhat since the high point in the early 1970s but remains high in relation to our other case countries. Kenya's lack of success in equalising educational opportunities no doubt has a number of causes, not least being the continuing lack of popular access to secondary and higher education, whose expansion has been limited by lack of resources. Historical legacies may have also played a part. At independence, Kenya had an urgent need to replace the departing colonial professionals and public servants and consequently invested heavily in an expansion of Higher Education. This established a pattern of the state privileging investment in elite higher education, as well as of popular aspirations for gaining favoured public sector employment through academic higher education, rather than for employment in the private sector through the acquisition of vocational qualifications (a similar pattern to that witnessed in post-independence India). The limitations of access to higher education, and the decline in public sector employment prospects, thus led to a growing divide between those elites achieving degrees and graduate employment and the mass of the population whose education was confined largely to primary schooling.

Unlike Japan, Taiwan and South Korea, which saw declining levels of income inequality during the first years of export-led growth, Sri Lanka has not achieved marked declines in income inequality but rather shows a stable trend of moderate income equality/inequality over the past 50 years. Land re-distribution programmes occurred in the 1970s but these were not as

intensive as those pursued in Taiwan, Japan and Korea and may have contributed less than in those countries towards reducing inequalities. On the other hand, industrial growth has not been nearly as rapid and therefore the tendencies towards urban/rural dichotomisation, which often increase inequality, have not been very strong. Despite the limited land reforms, Sri Lanka has achieved a continuing record of moderate levels of income equality which probably owes in part to the achievements in education, including through policies which emphasise equality and through various state-supported income guarantees for the poorest.

4. Education effects on national unity and social cohesion

We have mentioned some aspects of social development already in relation to poverty reduction, income equalisation and improved health. A further dimension relates to the broader questions of national unity and social cohesion. It is very difficult to encapsulate the diverse roles that education may have played here. We have noted that the East Asian tiger economies did not start out as particularly cohesive societies and that, in fact, several were riven for some years by ethnic conflict (Singapore) and labour and political struggles (South Korea, Taiwan). Yet they have all emerged as more cohesive societies during the past 30 years, with South Korea and Taiwan showing signs of a vibrant civil society and strengthening democratic institutions. Education has no doubt played a significant role in all of this, in various different ways. The strong socialising element in East Asian education has been a powerful generator of cooperative values, which have been an asset in economic and civic life, and has also promoted a robust sense of national identity coupled with an openness to international ideas. This has helped to maintain social unity and has been a necessary spur for the efforts and sacrifices that were required during the arduous years of relentless work and saving to build up those economies. The strongly meritocratic ideals embedded in the education systems have also been important sources of common identification. In culturally plural Singapore, the use of English as a medium of instruction and common language has also played its part in forging a common identity. The medium of English has also contributed to the forging of a new national identity in post-independence Kenya and in maintaining some degree of unity in diversity through the secularist democratic identity of post-independence India.

However, in this area Sri Lanka and China have been less successful, if for different reasons. The ruling Sinhalese elites in Sri Lanka took an early decision to promote a dominant Sinhalese culture, not least through the Sinhala-only language act, which would later prove fatal to communal relations in this multi-faith and multi-lingual country. As vernacular education was increasingly adopted in preference to English-medium instruction for the elite as well as for the masses (for whom vernacular education had been the norm), schooling became largely segregated by ethnic group. In contrast to the situation in Singapore, where the replacement of vernacular with ethnically-mixed English medium schools made a positive contribution to community harmony, in Sri Lanka education not only made little positive contribution to ethnic relations but also became the site of numerous inter-ethnic tensions and disputes, not least around the ethnic quota policies adopted in relation to higher education entry. Subsequent measures to enhance ethnic integration through schooling, such as the introduction of the Amity schools, have not been pursued with sufficient zeal and have proved ineffective. Education in Sri Lanka, despite its regional unevenness, has been distributed in a moderately

egalitarian fashion, but this has done little to ameliorate the social fractures that have resulted from the ethno-cultural orientation of Sinhalese Buddhist nationalism. China, post-Mao, has to a large extent replaced communism with nationalism as its ruling ideology, and this is strongly reflected in schools. Whereas the rather moderate and open nationalism of a country like Singapore has generally been good for social cohesion, China has witnessed the emergence of a quite strident nationalism which threatens peace both internally and with China's neighbours.

5. Educational policies: comparisons with the East Asian states

Our analysis of the common experiences of the East Asian tiger economies suggested to us a number of educational characteristics which, under the right conditions, could contribute towards growth with equality and peace. In this section we briefly assess the relevance for China, India, Kenya and Sri Lanka of some of the educational policies of the East Asian economies which commentators have frequently credited with positive economic and social effects. These relate to skills matching, the respective roles of state policy and markets, and the balance of general and vocational skills.

Economists have generally commended the tiger economies for achieving an effective matching of skills supply and demand during the period of economic take-off. Human capital theorists tend to attribute this to governments following markets, not least in ensuring that educational expansion in primary, secondary and higher education followed increases in demand for skills at these levels. Developmental skills formation theorists have not denied the effective sequencing of expansion but have emphasised, in addition, the pro-active role of government in anticipating demand, and indeed in creating it, through 'manpower planning' and industrial policy. Our surveys of China, India, Kenya and Sri Lanka provide some support for the general argument about matching but more mixed evidence on the importance of states versus markets.

The countries with the least impressive records of economic growth, Kenya and Sri Lanka, have both experienced major problems with aligning skills supply and demand. Sri Lanka has consistently oversupplied qualifications, particularly at the secondary level and above for an economy that has required only low to medium levels of skill. This has led to high levels of unemployment, particularly amongst upper secondary and university graduates, which has been a considerable source of political and social friction. After independence, Kenya needed to re-build its stock of professionals, not least for a civil service now denuded of its expatriate colonial officers, and arguably had to focus on expanding its small higher education sector in order to do this. However, subsequently, and particularly after cut-backs in the public sector, it found itself also saddled with a major problem of graduate oversupply and unemployment. Arguably, in both cases the mismatch of skills supply and demand has had deleterious economic and social consequences. China, by contrast, has managed to match rapid increases in demand for skills, consequent upon economic growth, with equally rapid increases in supply, although evidence is now emerging of graduate unemployment. India, in the pre-1990 period, had a problem over graduate over-supply and unemployment, like Kenya and Sri Lanka, but in recent years has managed to achieve a better balance of skills supply and demand, at least in the growing IT sector, and this has been beneficial for growth. Whether we should attribute the relative successes and failures of manpower coordination here to markets, or specific state interventions, is far from clear.

China and India have certainly used manpower planning more than Sri Lanka and Kenya, which have either lacked the concerted means to do this, or, at times, placed social and political priorities ahead of economic demands. The effective sequencing of educational expansion has been achieved in China in part by the state and in part by markets. It was Mao's command state that universalised mass education, providing the seedbed for later economic expansion, but it has been mainly the educational market that has fuelled the expansion of higher education to meet demand in the recent period. Indian government policy has spectacularly failed to provide the basic educational skills needed for development in many regions, but can take the credit for the early expansion of the IITs which, later, proved to be critical for the growth of the IT industry. Educational markets, to date, have played a rather smaller role. Both cases illustrate some paradoxes as regards conventional human capital theory. India has been generally unsuccessful, either by dint of state or market failure, in sequencing educational expansion in the optimum manner, arguably favouring an elitist expansion of higher education at the cost of under-investment in mass education. However, this has had an unpredicted pay-off in terms of the recent IT revolution which could not have occurred without the earlier investments in higher education. China's early state investment in primary education was not geared towards economic development through manufacturing but later, unexpectedly, favoured it.

As regards the role of markets, here again the picture is complex. Private investment in education in the East Asian economies certainly played a major role in the expansion of upper secondary and higher education. China is following the same path. However, in all cases policies only favoured fee-charging and cost recovery in education after the initial basis of mass education had been established by the state, and when incomes had reached a level where families could afford to contribute towards the costs of education. Even then, the private sector is regulated and usually subsidised by the state. Our case studies suggest that such policies are not likely to be so successful in countries, such as Kenya and India, where the vast majority of families cannot afford to invest in education. Here privatisation and cost-recovery are unlikely to promote rapid expansion of access and will certainly increase inequalities in education as, in fact, they are also doing in China. The lesson would seem to be to get the balance of state and market in education right as regards the particular stage of development. One-size-fits-all developmental policies certainly cannot be the right approach here.

Are there any more straightforward lessons to be learnt regarding the benefits of promoting particular types of skills through education? Two points do seem to emerge clearly from our analysis.

Firstly, widespread fluency in English language has proved to be a considerable asset in many developing countries, particularly for the growth of service industries, as India is now finding. Some successful developers, like Singapore and Hong Kong, had this advantage built into their education systems through colonial inheritance and public policy decisions from the start since English was a major language of instruction (as it was also at one point in Sri Lanka for the elite and still is in India). Other countries, like South Korea and China, have had to develop this through intensive additional provision at a later stage. The importance of English language skills in the global market suggests an as yet unexploited potential in Kenya.

Secondly, the basic skills of Mathematics and literacy and the development of higher level skills in Mathematics, Science and Engineering appear to be important. This was true for the East Asian tiger economies in the past, although their focus is now shifting towards fostering a broader range of creative talents, in line with perceptions of their current developmental needs. It is also manifestly true for China, with its rapid growth in manufacturing industries, and also for India, where growth has been concentrated in IT, software development and the service sectors. In none of these cases has this meant an overwhelming emphasis on vocational education. In fact, many of these skills are learned primarily in general education tracks, and East Asia generally has rather fewer of its upper secondary and post-secondary enrolments in vocational education than many developed western countries. However, governments in China, South Korea and Taiwan have consistently pushed policies to increase the numbers in vocational upper secondary and higher education, even where the demand for it has been low due to traditional preferences for high-status general studies. They have not always been as successful in this as they may have wished, but they have succeeded in raising the output of vocationally skilled upper secondary and higher education graduates above what would have been achieved through market forces alone. This has been an undoubted benefit for economies developing through manufacturing where skilled workers and technicians have been at a premium. It is also a benefit to India whose economy is growing fastest in the service sector. Kenya and Sri Lanka have been less successful in this respect and probably to their cost.

6. The impact of education policy change: the dimension of time

In our assessment of the role of education in promoting successful engagement with the global economy, we have underlined the point that ‘one size of policy’ does not fit ‘all country contexts’. The formulation and impact of education policies are influenced, if not bound, by place and space. In this final section we explore how the formulation and impact of education policies are also influenced by time – in at least four ways.

The first is that most education policies introduced today will take time to make their impact felt on individuals, households, communities and countries. Unlike the lifting of currency restrictions, which may lead fairly rapidly to inflows of foreign exchange in investment, changes to the medium of instruction in schools will take many years to influence the level and composition of language proficiency of a society and its labour force. Policies to enhance pedagogy through technology will also take time to be implemented and to have a significant influence on the learning styles and outcomes of those exposed to the new technology. The time it takes for education policies to have an impact depends, in turn, on how they are funded, implemented and institutionalised. China’s history over the past half century suggests that state-supported policies are implemented, sustained and institutionalised with alacrity and impact. Sri Lanka has demonstrated its capacity to implement policies quickly but its experience of sustained implementation and institutionalisation has been more mixed.

The second is that policy change in the economic domain is implemented in societies where the extant education (and every other) environment is influenced by past education policies and traditions. This can have both facilitating and inhibiting effects on the implementation of policies in both the present and the future. China and Sri Lanka devoted massive resources and

energy to developing equality of access to basic education long before their introduction of economic liberalisation policies in 1977/1978. In both cases an educated labour force facilitated the implementation of export-led policies. Language policies in education in Kenya were, from the 1960s, designed to promote a strong sense of national identity and social cohesion in the post-independence era. English was promoted as the language of education and Kiswahili as a common language of communication. The continuation of these policies to the present day places Kenya in a strong position to take advantage of English language-dependent economic transactions, even if this was not the prime goal of the original policy. In Sri Lanka language policies were also changed in the post colonial/pre-liberalisation period to enhance the development of national cultural identities and weaken colonial identities. But, with just two major language groups in Sri Lanka, this goal led to the creation of an education system bifurcated by language medium. The continuation of this policy down to the present has, besides its effect on inter-communal relations, inhibited Sri Lanka's potential to take full advantage of English language-dependent economic transactions in a globalising economy. In India private education has long been a feature of the education system for reasons that had nothing to do with economic liberalisation. Further attempts to privatise education in a post-liberalisation economic era are likely to meet with much less political and community resistance than in Sri Lanka with its long-held and hard-fought-for traditions of state-financed education.

The third is that the coincidences of the effects of current and past policies are often fortuitous and unplanned. As we saw in Chapter 3, India's higher economic growth post-liberalisation can be attributed to a 'happy, albeit unplanned, coincidence' of higher education policies initiated in the 1950s with the trade liberalisation policies of the 1990s and the global IT revolution starting from the 1980s.

The fourth and final observation on time is that assessments of the joint effects of education and economic policy which focus only on simultaneous change in the present can obscure the enduring impact of the past in both domains. This is particularly important for those who promote specific economic and education policies *across country contexts* in the same period of time. An attempt to transfer a policy that has worked well in one context at one period of time to another context in the same or a different time, with little understanding of the present or the past, is unlikely to succeed – and in some cases will fail miserably. This does not mean that policymakers have little to share with and learn from each other. Many successful ideas and policies in education have been borrowed from elsewhere over the centuries. But policy borrowing and policy lending are different, with arguably differential effects on sustained policy adaptations.

Policy borrowing is a process led by those from within a country with strong interests in adapting ideas from elsewhere, in blending them with endogenous ideas and in seeing the synthesis of the resultant ideas translated into implementable policy. By contrast, policy lending is a process led by those, often from outside a country, with strong interests in seeing policies from elsewhere adopted in another context. Where this is not matched by an understanding of the underlying economic and education conditions specific to a country or with a long term commitment to seeing policies implemented on the ground the resultant effects are likely to be mixed and non-enduring.

Globalisation is a process that occurs simultaneously at national and supra national levels. As De Sousa Santos has put it, and as we argued in Chapter 1, what we call globalisation is always the successful globalisation of a particular localism (Santos in Dale and Robertson 2004: 149). However, the dominant form of globalisation in our era has not issued from the countries which we discuss in this volume but from the more affluent and powerful countries of the West. Our focus here, therefore, has been on the national responses to globalisation. However, the role of the countries studied here has, in many cases, been more than merely reactive. The most powerful global players in the West have largely determined the rules of the game as far as globalisation is concerned. However, some countries have managed to modify the rules to their own advantage and thus engineered more favourable terms of engagement with the global economy. As we show, where globalising states have gained the widest range of economic and social benefits, it has mainly been on account of their own national efforts. Education has been one of their main weapons in this struggle.

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