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Non-state actors, and the advance of frontier higher  
education markets in the global south<sup>i</sup>

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## **Abstract**

This paper examines the growth of global non-state and multilateral actors in the 'global south' and the creation of frontier markets in the higher education sector. These developments are part of market-making changes in higher education as the sector is opened to new actors, logics, and innovative services, aimed at 'the global south'. Yet making a higher education market that brings in new investors, providers and consumers from within and across the global north and south is a complex process that requires imagining and materialising through new social devices, norms and institutions so that the higher education sector works like a capitalist market based on competition, credit, commodification and creativity (Beckert, 2013). The paper examines these processes through three entry points; recruiters of international students; for-profit providers of HE; and financial agents providing new forms of credit. We argue these developments both play off, and reinforce, older and newer asymmetries of power between individuals, social groups and nations, within and between the global north and south, creating an even greater learning divide.

**Keywords:** higher education, marketization, recruitment agents, investors, credit, for-profit providers, global south, global north

## **Introduction**

This paper examines the growth of global non-state and multilateral actors in the higher education sector and the creation of frontier markets in the global south (Marber, 2014). These developments are part of 'market-making' changes in higher education as the sector is opened to new actors, logics and innovative education services aimed at 'the global south' (Connell, 2007a, 2007b; Santos, 2014).

Yet making a higher education market that also brings in new investors, providers and consumers from within and across the global north and south is a complex process (see Komljenovic & Robertson, 2015; Robertson & Komljenovic, 2016). As Beckert (2013) shows, it requires imagining and materialising through the creation and deployment of new social devices, norms and institutions, so that the higher education sector increasingly works like a capitalist market based upon competition, credit, commodification and creativity.

We begin by elaborating our use of the concepts, 'global north' and 'global south'. We then bring these concepts into conversation with wider political, economic and technological conditions for the ongoing expansion of capitalist market-making processes in geographically-located higher education sectors. We then introduce three case studies to explore these processes, and the corresponding non-state actors who work in, on, and through, the global north and south: (i) lubricating the wheels of student mobility via 'recruiters' and 'brokers'; (ii) lubricating the wheels of new 'providers' in the sector who put into place very different higher education practices targeted at a different student demographic, and (iii) lubricating the wheels of student access via new modalities of credit, involving new relationships between education investors and debtors.

We conclude by arguing that there are also considerable frictions confronting these projects, as not only must market-making contend with existing imaginaries and practices regarding the public good nature of higher education and how it should be invested in, but when rogue traders, failed markets, increased indebtedness, and wealth inequalities, are made visible, these act as a contrast to, and also shed light upon, these very different projects and their social relations for the north and the south.

## **The 'Global South' – A Social, Spatial and Relational Concept**

The idea of the global south has several distinct, though related, meanings and it is important to distinguish them so as to avoid flattening class and other relations in any one territorial space.

The more commonly shared meaning of the 'global south' refers to a large number of territorially-located countries in Africa, Central and South America, and Asia, who face major economic and other development challenges. Reference to the global south here is nevertheless a relational concept, in that the level of development that is being referred to is contrasted with other parts of the world – Europe and North America in

particular – who in turn constitute the ‘global north’. Around 160 of a total of 195 independently recognized states are broadly included in the global south; the other 35 countries make up the global north – often also referred to as the OECD, or rich countries, club<sup>1</sup> (Woodward, 2009).

A second meaning of the concept, global south, is also social and relational – but in this case we use it to refer to those communities/populations whose circumstances (economic, cultural, political, technological), when compared to the rest of the population in that territory, are highly precarious and marginal. In this case, the global south can also mean individuals and communities in developed countries. Examples include groups living on or under the poverty line<sup>2</sup>, asylum seekers who have limited access to social welfare, or ethnic and other groups who find themselves marginalised from the mainstream in what are otherwise wealthy countries.<sup>3</sup> Alternatively we might see a global north in the geographic global south; for example, the gated communities and exclusive education aimed at local and international political and economic elites in countries such as Nigeria, South Africa or Brazil.

In this paper we will show that it is not only the emerging middle class and elites in the geographic global south who are the targets of the new for-profit providers and recruiters and recruiting universities from the north, or universities located in those cities and countries – for example the University of Johannesburg in South Africa, who exercise a degree of hegemony across the region. The horizon has expanded to include poorer and marginalised populations in the geographic north with the offer of specially developed on-line programmes, and credit via new financial products to fund their studies. Similarly, new for-profit providers in the United States have focused a great deal of attention in their marketing strategies on aspirational minority groups in the US who have historically not participated in higher education (Deming, Goldin, & Katz, 2011).

## Higher Education and the Global South

It follows from our argument so far we are not only examining the role of non-state actors in exploiting frontier markets in low-income countries. Rather we are also focusing attention on those populations in the south and the north who have historically *not* accessed higher education, and who have become the object of attention by the higher education recruiters and brokers, investors, and for-profit providers. In doing so

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<sup>1</sup> The total GDP of the OECD countries is US\$49.3 trillion (see OECD, 2015, *Gross domestic product (GDP) (indicator)*. doi: 10.1787/dc2f7aec-en – last accessed on 19 December 2015). The total GDP for the world is US\$78.28 trillion [see <https://www.cia.gov/library/publications/the-world-factbook/geos/xx.html> - last accessed 19th December, 2015]. This means that 160 countries share 37% and 34 countries share 63% of the world's GDP.

<sup>2</sup> For example, despite being one of the wealthiest countries in the world, the US Census Bureau in 2014 reported that in the United States, 14.5% of all Americans lived below the poverty line; 33% of all household headed by a single mother live below the poverty line, whilst 42% of all households headed by a single black mother live below the poverty line (see <http://www.census.gov/prod/techdoc/cps/cpsmar13.pdf> - last accessed 19th December, 2015).

<sup>3</sup> "Today, OECD member countries account for 63 percent of world GDP, three-quarters of world trade, 95 percent of world official development assistance, over half of the world's energy consumption, and 18 percent of the world's population" [see <http://usoecd.usmission.gov/mission/overview.html> - last accessed 19th December, 2015].

we are not suggesting that the inclusion of otherwise excluded groups from higher education is a bad thing. Far from it. Rather, we are pointing to the tendency in frontier market-making to exploit the aspirations of the marginalised populations by offering them often inferior higher education experiences at significantly higher costs and levels of indebtedness.

The broad contours of the higher education sector in the global south, both historically and recently, has been shaped by the dominance of a hegemonic global north (aka 'the west, developed west, etcetera'), with its civilizational project – modernity, and its privileging of western science as the engine of progress and principle form of reasoning (Araya & Marber, 2013; Santos, 2004). And though many countries in the south had their own institutions of higher learning for the political and cultural elite well before the creation of the medieval and modern European universities – from Pakistan to China, India, Egypt and Vietnam – these were eventually to be eclipsed by the globalising of a particular set of localisms from within the West around a particular set of ideas<sup>4</sup> defining a university, with its distinctive forms of knowledge production, and relations to the wider world. In most cases, expanding empires and their colonial projects into Africa, Latin America, Oceania and Asia drove these movements and transformations. They also bought with them western disciplinary-based knowledges, and created new dependencies through alignments with universities in the global north. This included educating the university's faculty in the north, funded as part of a university's international mission, or by national and regional aid programmes (for example, the Colombo Plan, established in 1950 to provide development support to the Asia Pacific Region, including scholarships for further studies).

However, many universities in the global south were highly dependent on state funding, and it was this relationship to the state would become problematic for institutional survival by the early 1990s (Robertson, 2009; Salmi, Hopper, & Malee Bassett, 2009; Samoff & Carrol, 2003). Many of the low-income countries in the global south found themselves in the vortex of structural adjustment programmes and the limits that were placed on state investment in higher education; a condition placed on them by the World Bank and the conditionalities it imposed (Robertson et al., 2007).

By the early 1990s, the twin effect of neoliberal structural adjustment policies, on the one hand, and little or limited state investment, on the other, generated a crisis in the sector with a preferred set of solutions regarding its resolution: embracing the private sector as a provider; leveraging new sources of funds through loans and other fiscal arrangements; cross border higher education trade; funded studies abroad and other initiatives; and capacity building partnerships with the global north (Lancrin, 2005). The wide embrace of 'knowledge economy' policies in many countries - with knowledge now regarded a crucial pillar of human development worldwide (World Bank, 2002: ix), the turn to trade in services – including in higher education - for the global north, the growing dominance of English as a global lingua franca, together with pressures to acquire symbolic capital in the form of an education in a 'western' institution to power social mobility, all injected new momentum into the already existing uneven

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<sup>4</sup> Newman's 'The Idea of a University' in 1873, along with the von Humboldt's view that knowledge should be created by research were to have a profound effect on the nature and shape of the modern university, and this version has been the one that has been globalised.

relationship between and within the global north and global south. Yet we do not want to suggest that this newer way of thinking about the economy and society, the legitimacy of a neoliberal market society, and the role of higher education in it, could be or was manufactured overnight. Rather these projects have demanded considerable work – ideologically, materially and institutionally – in the face of competing and existing projects – as we show below.

## **From Old to New HE Imaginaries**

Social imaginaries organise collective understanding and meaning-making; social imaginaries also descriptively normalise things as they are and normatively frame them as they should be (Taylor, 2002). Imaginaries cater for emergence, existence and the legitimation of multiple ideologies and they also condition common sense. Once sedimented into the DNA of any society through its institutions and cultural frames, they make it difficult to imagine possibilities beyond them as they curtail questions that are asked at a societal level and the possible answers that are considered viable (Stein & de Andreotti, 2015).

Beckert (2013) argues that shaping imaginaries, and thus the decisions of individual actors, is a particularly important task in capitalist dynamics, as capitalism as an economic system depends upon being able to anticipate that the future will be like the present, though by definition the future *is* the future and can only be anticipated, and not known. Beckert (1996, 2013) draws attention to the ways in which political regulators and their speech acts in the field of the economy aim to shape the decisions, expectations and actions of actors, and the social and political structures underlying and reproducing those expectations. This demands a great deal of ideological and institutional work, and particularly so in seeking to bring a sector like higher education into the economic field as a commodity. He identifies four Cs of capitalism – commodification, credit, creativity and competition, which lubricate the wheels of capitalism and which need to orient expectations to ensure ongoing accumulation (Beckert, 2013).

Imaginings work at multiple levels – from the macro- to the meso- and micro-levels (Komljenovic & Robertson, 2015). The idea of a knowledge-based economy (Jessop, Fairclough, & Wodak, 2008; Jessop & Sum, 2014) emerged as a distinct imaginary advanced at the macro-structural level by the OECD and those member countries (the USA, UK, Australia, New Zealand and Canada) who have sought to position themselves as services economies in contrast to their former status as primarily producers of goods. Since the late 1980s, higher education has also been constructed as part of a globally-competitive services sector represented in global trade figures (Hughes, Porter, Jones, & Sheen, 2013). This has meant viewing higher education, not as a public good or public service, but as a commodity that can be bought and sold in the marketplace, with sophisticated market intelligence, marketing strategies and systems of credit to oil the wheels of its ongoing expansion. Locking in higher education as an economic good to be managed by the market, and not challenged by politics, is the objective of ongoing global and regional trade negotiations (Robertson & Komljenovic, 2015).

A raft of technologies have also been creatively developed and promoted over the past 30 years aimed at promoting competition, commodification and credit through institutionalising this political project, through social devices and norms that shape, and ensure, its ongoing social reproduction. This includes technologies like university rankings (Hazelkorn, 2009); global competitiveness indexes dependent on proxies like publications in international (English language/US scientific) journals that align knowledge production with global competition (Schwab & Sala-i-Martin, 2014); benchmarks and indicators such as the OECD's *Education at a Glance* (OECD, 2015); and the EU's indicators (DG EAC, 2014) which normalize ideas like competition, efficiency, consumerism, individualism, privatisation, innovation, talent, knowledge, student loans and debt. Such competition is either for a bigger possible share of international students, a higher place in university rankings, higher student enrolment rates, a higher share of public and private investment in education, and so on.

The knowledge economy imaginary also normalizes competition in regional, national and institutional infrastructures, in turn shaping actor's expectations about theirs and others futures. This can be evidenced in institutional, national, and supranational, policies, programmes and practices, where the direction of travel is 'a race to the top' as a globally-competitive knowledge economy (Australian Government, 2015; HM Government, 2013b). Higher education is reframed as an object of national or regional competitiveness governance, where competitiveness and commodification favours market forces over other criteria of judgement (Jessop & Sum, 2014; Sum & Jessop, 2013).

Market making also requires those who are the object of such discourses to 'buy into', and thus 'buy', these ways of looking at the world. Here Howarth (2009) draws attention to psycho-social processes, like fantasy. Similarly Beckert (2013) points to the ways in which desiring and imagining a better life become the rationale for indebtedness, with the expectation (fictional as one cannot know what the future will actually hold) this will be a good investment for the future. Concepts like fantasy and desire enable us to explore how personal/individual, institutional, national and regional wishes and desires are mobilized through marketing and recruitment campaigns which speak to aspirations to 'do well', to 'be western', to acquire the status of 'a good English speaker', and so on, which in turn reproduce and strengthen not only 'global north' and 'global south' relations now shaped through market imaginaries and relations.

## **Lubricating the Wheels of Market Making in the Global South**

So far we have argued the global south is a target for many new non-state actors to expand markets. In this section we explore key processes at work through three new kinds of actors in the HE sector; (i) recruiters/brokers for international student recruitment; (ii) new for-profit providers; and (iii) new forms of credit available from new kinds of investors. And whilst they do not exhaust the new actors and processes in the sector, they reveal a great deal about how the global south is 'spoken to' and enrolled in capitalist market relations. The data for this section comes from selected policies, interviews conducted over 2014, and from secondary data and analyses.

### *Lubricating the Wheels 1: Creating a Pipeline - Recruiters/Brokers*

In this first case we focus particularly on the rise of international student mobility and the role of recruiters as specialised agencies who now interact with universities and other HE providers. An international student recruitment agent is; "...an individual, company, or organization that provides educational advice, support, and placement to students in a local market who are interested in studying abroad" (De Luca, 2008, p. 36). In the past, agents mainly sent people abroad to undertake language training courses. What we report here is a relatively new phenomenon in the higher education sector (since late 1980s starting in Australia and the UK). Agents began to sense students were looking for opportunities to study at a university in a foreign country as a result of factors such as limited home capacity, the desire for social mobility, and learning English as competitive advantage in the labour market. Much of the industry literature frames this in terms of the growth of a middle class in these countries, with aspirations for education and the resources to spend (OECD, 2014). This dynamic has created opportunities for recruiting agents to expand their business to include HE studies more generally.

Despite this emerging phenomenon, few studies focus attention on the role of recruitment agents. As a result, we know little about how many of the four and a half million internationally mobile students (OECD, 2015) use agents, and whether or not agents are influential in student's their decision-making. This matters in that many institutions spend increasing amounts of money on international student recruiters.

The British Council, in a report in 2011) found that "...48% of interviewed East Asian students had contacts with an agent, compared to 41% in Africa, 39% in South Asia, 30% in Latin America, and 23% in Europe" (ACA, 2011). Pimpa (2003) report that recruitment agents and peers are the most influential factors for Thai students in Australia, and that agents exercise a stronger influence than peers. The Observatory on Borderless Higher Education (2014) found that 56 per cent of international students in Malaysia are recruited by agents, 56 per cent of international students in Australia, 47 per cent in New Zealand, 41 per cent in Canada, 38 per cent in the UK, 20 per cent in Netherlands, and 11 per cent in the USA. Agents have thus become increasingly more important and powerful players in international student mobility flows over time (Thomson, Hulme, Hulme, & Doughty, 2014).

Recruiters have also expanded their orbit of interests and influence – from one largely based on the colonial relations of language to now a newer, though no less, colonial and imperialistic economic project. Nevertheless, the practice of using agents is controversial in most 'receiving' countries (see Raimo 2014; Chopra 2015), in that what is implied is that commercial interests and 'hard sell' trump academic standards at universities and enable immigration scams. This is indicative of the struggles and frictions present when a market is being constructed in a sector where previously the language of price/consumerism/competitive markets has been an alien idea.

A given market becomes stable when the product gains legitimacy with customers (Fligstein, 2001). In the case of transforming public sectors into capitalist market



relations, this means securing legitimacy within the public realm. Cultural acceptance of using recruitment agents depends on 'instituting' this market in specific locations, to use Polanyi's (1944) terminology. Where there is growing thickening or 'institutedness' of higher education institutions – in particular the UK, USA, Canada, Australia and New Zealand – we can see recruiting agents also being more freely used.

In the UK, agents are an explicit part of government strategies (HM Government, 2013a, 2013b). The British Council, a public agency who has historically promoted and provided English-language courses, now manages an agents' database, provides training for agents, and issues 'good practice' guidance for agents and universities (British Council, 2015; Raimo, Humfrey, & Huang, 2014). Thomson et al (2014) report that in the last decade, the British Council has reduced its direct presence in African markets and instead expanded its partnership with agents who have a presence in, and thus also operate, locally.

Large exporters of education services (measured in terms of international student mobility), like Australia and New Zealand, have national approval systems for agents (ICEF Monitor 2015). Agents are also part of national strategies for increasing numbers of international students (Australian Government 2015). Education New Zealand, ENZ – a governmental structure provides training for agents, manages a database of trained and reliable agents, manages all promotional material and resources for these agents, and provides general support for the higher education institutions and agents they are working with (Education New Zealand 2015; Custer 2014).

In 2012, education officials from the UK, Australia, Ireland and New Zealand adopted a Code of Ethics for international recruitment agents in what is now known as the 'London Statement' (British Council and Australian Government: Australian Education International, 2012; British Council, 2012). Each country was to implement the principles by 2013. This statement was prepared in a forum called a "Roundtable Discussion on the Integrity in International Education - a Forum at which Australia, the UK, Canada, Ireland, New Zealand and the US meet to share knowledge and experience and identify common areas of practice and concern, as well as scope for collaboration" (Australian Embassy Thailand, 2012). These global north countries share a common language, history and culture. They are also deeply engaged in advancing neoliberalism as a political project, and a market society as an outcome. It is therefore not odd they are cooperating in an attempt to keep their country at the top regarding competition for a share of the global student market, a place in the global rankings (of which one measure is the international nature of the student population), a share of talent, and a healthy economic return in GDP terms.

The practice of using recruitment agents within and between the global south and north in turn restructures their social and power relations in the higher education sector. It means those universities who use agents have effectively out-sourced a large proportion of their institutional representation in fairs and other venues of the student application and selection processes, application support, and ongoing consultation services. Universities instead pay fees to agents, usually ranging between 10 and 17.5 per cent of first year's tuition fee (ICEF Monitor, 2014). In the UK, a Times Higher investigation found that among 158 higher education institutions in the UK, the average

agent fee was £1,767, though this was dependent on the region, market and institution (Havergal, 2015). This means universities effectively 'buy' students through agent's services. The question we ask here is: How, and in what ways do these practices transform the relationship between the university and a student? When this relationship is mediated through a consumer exchange relation, does it change perceptions of the use value of education? And, how does the student view themselves in relation to their learning, to academics, and their enrolling institution?

Our research reveals that the practice of using recruitment agents has allowed for innovation and experimentation in the education sector, including possibilities for new and diverse range of products and services that can be bought and sold, enabling new suppliers to come into the sector. And it is here when recruiters now act as 'edu-brokers' by setting up market encounters between sets of actors and charging a fee for this service. As edu-brokers they forge new economic encounters, and thus change the nature of the social relations between education institutions and recruitment agents (these are private companies, the leading being: Alphe from the UK, BMI from Brazil, FPP EduMedia from Brazil, ICEF from Germany and Weba from Switzerland). These encounters are organised in the form of workshops with much of the agenda aimed at 'speed dating' types of meetings. Education institutions pay fees to attend these events (between £1,050 and £3,700 depending on the company, type of workshop, and location) whilst agents do not. In this respect institutions are paying for the 'promise' they will be able to meet reliable recruitment agents (Mazzarol, 1998).

As Beckert (2013: 332) reminds us, 'trustworthiness' is critically important in making markets so as to generate confidence regarding the promise of a return into the future. For this fee, institutions receive access to material to prepare themselves for the workshop, such as access to the meeting schedule, agents and their details, a table at the workshop where agents move every half an hour, and participation in receptions and parties. These workshops aim to reduce risks and accelerate trust in agents by higher education institutions. They are also predictable and safe spaces. Recruiting companies differ amongst themselves as to types of workshops offered, locations of workshops, and degrees of rigor regarding quality check of agents.

Some companies have recently begun to transfer the practice of workshops from institution-to-agent to flow back in the other direction; from institution-to-institution. In doing so, they have created a new service at a price, producing an increasingly more mature and dynamic market. The locations of workshops follow markets trends in student flows and recruitment agents. These workshops are organised so that either western institutions can travel to countries of student origin in the global south, or where agents from the global south can travel to the most popular study destination countries (typically the north).

In this sense the brokers' market does not need to be materialised-locally, or territorially embedded (Hess, 2004). But it does need to be fixed, or stabilised, in places in order for it to be reproduced in what Jessop (2006) describes as a 'spatio-temporal fix'. These workshops are efforts at *fixing* social relations at the same time as being *flexible* and *fluid*. In this way, brokers create multiple points of fixity, whilst also being responsive by moving to new places, depending upon imagined future markets. In doing

so, brokers reinforce the asymmetries between the global north and the global south, whilst providing opportunities for 'new players' on each side to enter.

*Lubricating the Wheels 2: New logics, markets and products – 'For-Profit Providers'*

In this second 'lubricating' of higher education market-making, we focus on the expansion of for-profit providers. Global and national education corporations include Laureate Education, Kaplan, Bridgewater, INTO, Apollo Group, DeVry University, and Kroton amongst others. We are particularly interested in the conditions that have enabled their presence as competitors, how they position themselves in the sector and in relation to what kind of student base, the ways the 'for-profit' logic is managed to secure trust, and how they legitimate their presence to ensure, and stabilise, their longer-term futures as sellers of higher education services. We also explore how and in what ways for-profit actors ameliorate or exacerbate, global north-south relations and their attendant social inequalities given that in many cases they legitimate their presence by arguing they bring higher education to a neglected population.

We find Deming et al's (2011: 3-4) definition of the for-profit provider helpful:

The for-profit postsecondary school sector, at its simplest level, is a group of institutions that give post-high school degrees or credentials and for which some of the legal 'non-distributional requirements' that potentially constrain non-profit schools do not bind. For example, for profit institutions can enter the equity markets and there are few constraints on the amounts that they can pay their top managers".

Private and public universities who are not-for-profit might make a surplus, but as their legal status is as a charitable body, any excess must be reinvested in the development of the institution rather than valorised as profits. However, many of the owners and managers of for-profit universities based in the US and beyond take out high levels of CEO compensation, with some CEOs earning the super-salaries (Chronicle of Higher Education, 2010) which Piketty (2014) identifies as part of the 1% of the top 10 %. Not only do the owners and managers of the global education corporations take out a highly lucrative salary, but in public liability companies the manager works for the shareholders and not the students or academics teaching in the institution.

For-profit private institutions have (until recently) been the fastest growing part of the US higher education sector – increasing from 0.2% in the 1970s to 9.1% of total enrolment in degree awarding higher education institutions in 2009 (Deming et al., 2011). Their rise in the USA, as in countries like Brazil and the UK, has been enabled by: growing pressure on adult learners to acquire credentials; the rising cost of tuition, on-line provision as a result of technological developments; and more porous boundaries around nation-state enabling global expansion.

For-profits are highly diverse in their range of programmes and sizes (Hentschke, Lechuga, & Tierney, 2010; Morey, 2004). They also have the highest fraction of non-traditional students obtaining the greatest proportion of their total revenue from federal student aid (loans and grants) programme. In 2009 they enrolled 1.85 million

US students – many in shorter certificate rather than degree programmes (Deming et al., 2011).

For-profit firms are not just active in the USA, though they are particularly prominent there. Recently there has been a major growth in activity in Brazil as part of the overall expansion of HE enrolments (though it is still less than 20% of the 18-24 aged cohort – with government plans to increase the level of participation to 33%). Ten of the largest for-profits now educate about two million post-secondary students and account for over 1/3 of Brazil's students. Recently the largest Brazilian for-profit provider bought Anhanduera, the second largest, with a stock market value of more than \$8 billion and a clientele of one million (Tierney & Iloh, 2014).

Many of the for-profits also tend to serve a particular student population; one that we earlier identified as the 'global south' in the 'global north'. If we look at US-based data, we can see that the for-profits serve older students, women, African Americans, Hispanics and those who are single parents, with much lower family incomes (Deming et al., 2011: 7), and likely to be living under the poverty line. Many of these students are entitled to receive federal financial aid in the form of loans and grants (and in some cases – large national chains like Kaplan University and the University of Phoenix receive more than 80% of their revenues from federal sources) which they must pay back immediately when studies are completed. It needs to be pointed out, however, that at least in the USA, for-profit courses are more expensive than many state universities, and where students also need to take out additional loans in the form of credit to pay for the cost of tuition (see below). In the UK, on the other hand, for-profit universities, such as Pearson College, charge close to 50% less than the average student annual undergraduate fee of £9,000 (Hughes et al., 2013: 65).

In Brazil – the global north (meaning the local social elites) attend the best universities which are both public and free, whilst poorer students have historically attended not-for-profit private higher education providers (Gomes, Robertson, & Dale, 2013; Horch, 2014). The existence of this older private sector servicing the poor has made it easier for the for-profits to enter and survive. That a 'left-wing' government also supports the expansion of for-profit higher education providers to meet its own political objectives, of expanding access to HE service a knowledge economy, in turn shapes acceptance.

Across the countries that we looked at where for-profits are active, the business model for the sector is based on taking a successful programme and using new web technologies to offer standardised curriculum, often in an on-line environment, with a very small back-office staff, to a very large number of students located across the chain, paying part-time instructors (Deming et al., 2011; Morey, 2004). Like all corporations, they benefit from economies of scale and scope, as well as the use of flexible employment practices. As a chain they have centralised sales and advertising – and deploy very large budgets to do so (around 24% of revenue). They have dedicated marketing people acting as recruiters with monthly targets (Robertson & Komljenovic, 2016).

Many for-profit higher education providers are highly innovative in how they have established themselves in the sector, expanding their 'customer' base and accessing sources of credit (often state-backed loan books) to ensure viability and profitability. One example is Laureate Education, whose footprint in the global south tops that of any American higher education institution; 80% of its revenues come from outside of the

USA (Redden & Fain, 2012) and around 60% of its operations are in - developing countries such as Brazil, South Africa and Turkey. In its operations in the USA, students are able to access federal loans to fund some of the cost of their studies. In 2015 it enrolled 1 million students spread across 28 countries and 88 institutions around the globe (Fain, 2014a, 2014b; Laureate Education, 2015) employing 70,000 employees, faculty and staff (Laureate, 2015). Students study in low-cost programmes, such as education, health sciences, business education, engineering and hospitality management.

Tracing through the history of Laureate Education helps illustrate one model of expansion: the use of private equity investors; buying up highly indebted or ailing institutions; operating in those parts of the world where the regulatory environment is more conducive to their operations; a strong marketing department; most recently, a tranche of investment funds from the World Bank's private investment arm - the International Finance Corporation (Laureate Education, 2013); and legitimacy through courting the rich and the famous to appear at its conferences and be on its governing board. These elements combine to make a particular kind of competitive global higher education provider reshaping the HE sector as a result of enabling new buyers (students) of higher education services.

Like most for-profits, Laureate invests a great deal in marketing; its budget is around \$200 million, using telemarketers who have scripts and recruitment targets (Çalışkan & Callon, 2010), with those turning in good sales performances given bonuses (Kimes & Smith, 2014). This means cost savings elsewhere; in comparison to a more convention university - Laureate has most of its academic teaching staff on part-time contracts, and contracts which do not involve and value other cost-adding activity, such as research.

One of the biggest issues facing for-profit providers most particularly in the USA is the lower level of performance of the students, and a high rate of loan defaults, causing the government to try and regulate the sector. At the same time, critics point out that this is not a 'normal' population, and that their minority and disadvantaged profile has a significant bearing on student outcomes (Deming et al., 2011). Others point to the 'hard sell' tactics of the recruiters whose own pay is based on demanding performance targets. The angle on selling is to tap into the desires of marginalised populations - to be someone, and their aspirations for the future of their family. This commodification of aspirations is a form of exploitation. More importantly, in understanding capitalist markets and higher education, this kind of practice generates a lack of trust and the real possibility the investors will not get their money back into the future as the populations targeted will never earn the level of income that enables them to service the debt. This creates an unstable market with wary investors and buyers, as expectations about a future return do not materialise.

### *Lubricating the Wheels 3: Expanding HE as a commodity Financial Actors*

In this third case, we look at the rise of financial actors in the non-state sector. Their role is particularly in ensuring the supply of credit so as to enable the creation of capitalist markets. Credit is an indispensable element in enabling capitalism's economic growth (Beckert, 2013: 330). This axiom led Joseph Schumpeter (1954) to observe that, at its most basic, capitalism was a system of indebtedness. "Capitalism is that form of

private property economy in which innovations are carried out by means of borrowed money, which in general...implies credit creation” (Schumpeter, 1939: 223). Indeed the ‘capitalist engine’ cannot be understood “...without reference to its credit operations and a distinctive monetary system involving the creation of money by banks through the selling of debt” (Schumpeter, 1954: 318-20).

Why is credit, or the selling of debt, so important? It is because the accumulation of capital and growth of the economy depends on a higher level of demand than that which the owners of capital can create through their own payments.

Credit needs to be explained based on the (speculative) expectations of future profits (investment credit) and the desire for a higher living standard in the present (consumer credit). Through credit, an investor obtains purchasing power in the present against a promise – the promise to repay the loan at a specified point in time, together with an additional sum called interest (Beckert, 2013: 331).

Profit-maximising actors, such as those we referred to in the previous two ‘lubricatings’ – the recruiters and brokers, and the new for-profit providers – all use credit to the extent that their investments generate higher profits than the cost of interest. From the point of view of the creditors, for example Banco Santander who sells students in higher education ‘loans’ to cover their fees and other costs, this provides them with a new market from which to gain additional wealth, and to avoid the depreciation of money over time through inflation.

As Beckert (Beckert, 2013: 331) points out, what makes credit and money so interesting from a sociological point of view is that though there is an expectation that the debtor (e.g. the student, a university, other edu-business actors, the state) will live up to their promise to repay the loan, this cannot be rationally calculated because the future cannot be known or foreseen. Here creditors must act as if they can *anticipate* the future. And as we will see in the examples we will explore regarding new financial products in the sector, a range of ‘risk’ checks are built into the assessment of whether or not to lend money, at what rate of interest, with what kind of repayment scheme, over what time period, and so on.

In many countries around the globe, higher education places have been either fully or partly subsidised by the state though this is changing as the sector itself becomes a mass rather than an elite system (OECD, 2014). And whilst the state might lend money to service its public debts, here we are interested in exploring efforts by interested actors and political institutions, such as Lumni, Upstart, and Parthenon-EY, and the World Bank’s private lending arm the International Finance Corporation, to put into place, and normalise, opportunities for investors to enter into the higher education sector offering new and innovative credit arrangements to students and institutions in the higher education sector.

Since the early 2000s, the International Finance Corporation (IFC) has been promoting higher education as a frontier and emerging market, where it argues the private sector could, and should, play a larger role in (Mundy & Menashy, 2012). Over the period 2000-2007 the IFC provided \$237 million in financing to 37 private education projects

in 20 global south countries. Some of these loans were tagged to helping students from poorer household's to access higher education places. But they were also used to encourage local entrepreneurs and transnational firms to develop private fee-paying education. Here the availability of credit then enables students to pay private fees. In 2008, for example, the IFC set up a loans scheme in Jordan with the Omnix International and Cairo Amman Bank to enable 3,000 students to take out loans to cover the cost of their tuition (Robertson, 2009: 127). We noted above that the IFC also made a significant investment in Laureate Education in 2014, as itself an investor and not just a political regulator in shaping expectations and actions regarding market-making practices.

In 2015 the IFC published the report - *Learning from Global Best Practice and Financial Innovations*, with Parthenon-EY (IFC, 2015). Parthenon-EY also produced a further report in 2015 - *Driving Grades, Driving Growth: How Private Capital in Education is Increasing Access, Inspiring Innovation and Improving Outcomes*. EY here is Ernst and Young, one of the top four global consulting firms. Parthenon was created in 1991 as the Parthenon Group with a focus on the education sector. In 2014, the Parthenon Group merged with Ernst and Young to form Parthenon-EY. This partnership is presented as a strategic one; it aims to combine Parthenon's extensive strategy capabilities across the Global 1000, private equity and education markets, with Ernst and Young's global reach. What is important to note here is that this is a strategic investment by both parties to promote a new kind of imaginary; that investors can generate income through selling credit in the higher education sector, whilst students can seek credit to enable them to access higher education places, and an ensuing career.

Three issues are to be noted here. The first is that there is considerable work being done in these IFC-baked reports in 'normalising' the presence of private capital and new financial products in the HE sector. For example, in their introduction, the authors' state:

Whilst the report is supportive of private investment in education, it is also acutely aware of the risks involved when 'private capital engages with public goods' Among acknowledged risks is the danger that profits take precedence over societal impact and that private investment will exacerbate inequality (Assomull, Abdo, & Pelley, 2015: 3).

This is a major issue of legitimacy - or trust and confidence - and one that will continue to challenge those actors actively promoting the making of higher education markets in that it makes it also vulnerable to political intervention and thus regulation of a kind that might be detrimental to rent seeking and profit-making. Flagging awareness is an attempt to proactively manage the strength of an alternative imaginary that continues to shape the overall form and scope of higher education in many countries. Similarly, Laureate Education, until recently an entirely private equity-backed company,<sup>5</sup> has rebranded itself a 'public interest corporation'. Here we might read this 'rebranding a response to the lack of trust that surrounds for-profits in the higher education sector and thus commitment to education as a public good versus a profitable good.

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<sup>5</sup> In October 2015 it made an Initial Public Offer to shareholders

The second is the claim that, despite the reservations noted above, that the presence of private capital in the higher education will be a 'game changer' (Assomull et al., 2015: 5). They argue that it is only private capital that can generate the level of innovation and expansion that will meet the needs and aspirations of the middle classes in the global south, with their aspirations for high quality education and a willingness to invest in education. There is little evidence to support this, and indeed much evidence - as we can see from our previous section on the for profit providers - that this is not the case. But this is not the major point. The main purpose here is to generate sufficient trustworthiness and confidence about the role of the private sector in creating innovative financial products that will in turn generate better learning, greater equity, and so on as the return on the investment.

The third is the substantive content of the reports; the range of highly creative and innovative start-ups and products they are now being promoting to service new emerging higher education markets and market actors – most prominently low-income students. These products include Social Impact Bonds, Development Impact Bonds, Asset-Backed Securities, Crowd Funding, Peer-to-Peer Loans, Human Capital Financing, amongst other products. We will elaborate briefly on two of these to highlight the emerging competition amongst investors, the ways in which these products are legitimated to generate trustworthiness and confidence, as well as how the nature of the credit relation between student and investor challenges and changes what it means to be a learner (i.e. human capital bonded into the future).

Social Impact Bonds (pay for success bonds) were pioneered in the UK, Australia, India and the USA. The service provider enters into a contract with the public sector to administer projects that have a social outcome (inclusion of hard to reach populations in a foundation year leading to studies in a university). If the social impact has been met, the relevant government body pays the investors, along with a proportion of the realised savings (e.g. unemployment benefits).

Human Capital Financing, or Income Sharing Agreements, mostly use web presence to bring an investor into a contractual relationship with a debtor/student. In this case, the investor lends the money to cover the costs of higher education with a view to taking a share of the debtor's employment income over a fixed period into the future. Online intermediaries, like Lumni and Upstart, map the risk of the investment to the investor using statistical models that assess plans, country of residence, academic performance and the job market. These risks are then used to determine repayment requirements and loan amounts. Lumni has been a pioneer in this field, and has financed nearly 7,000 students in Chile, Colombia, Mexico, Peru and the United States, since its launch in 2001.

The risk to the investor is what happens if the student does not pass, or does not secure well-paid future employment. For the moment we know very little about these products, and how they do and don't work (and for whom). What the 'risk calculation' tools suggest, however, is a class bias in that it is seeking to determine who is likely to do well at university and the proxy for this is family back-ground and the reputation of the university. Like with credit more generally, those with poorer credit records (or from asset poor homes) are likely to be charged higher rates of interest to manage the 'risk'. These kinds of products also points to the normalisation of indebtedness as part



of the making and expansion of higher education markets, on the one hand, and the ways in which expectations around repaying might need to be generated also through global institutions in the face of more global working populations, on the other.

## **Conclusion**

This paper set out to make a contribution to work on education markets, this time focusing attention on the growth of global non-state and multilateral actors in the higher education sector and the creation of 'frontier markets' in 'the global south'. Our purpose was to shed light on processes involved in market-making, and to make visible newer actors in the sector whose activities and this interests often go un-noticed. Our interest in the global south is a response to this special issue, and an opportunity to highlight the importance of developing a relational, spatial and social approach to higher education markets within and between the north and the south. It also draws attention to projects and processes that are exploitative of aspirations, given the structural changes in the global economy which Brown et al (2011: 148) describe as the 'broken promise' of the relationship between education, jobs and income

Our cases reveal the global south is simultaneously viewed as a space and potential population for the north, using its comparative advantage to sell higher education as a commodity through innovative and creative approaches to recruitment, new modalities of provision (especially part-time/on-line) and financial arrangements. We also show it is important to view neither the north nor the south as ontologically flat in terms of power and social relations. The aspirations of learners we broadly referred to as the 'global south in the north' are now targeted as requiring ongoing development, or 'servicing', in terms of 'higher education'. The aspiring north in the south, are also the object of highly creative approaches in the competition between institutions for stabilising the international student mobility pipeline, with agents developing and selling a range of products. Beckert's (2013) work has been particularly helpful to us in showing the fragility of higher education market-making in that they require ongoing work to ensure confidence and trust, whilst being faced with questions about whether or not higher education should be a commodity, that the poor should be the target of such a high level of indebtedness, that the north should be able to recruit from the global south, and so on.

There are also considerable frictions confronting these projects, as not only must market-making contend with existing imaginaries and practices regarding the 'public good' nature of higher education and how it should be invested in, but when 'rogue traders', 'failed markets', increased indebtedness, and wealth inequalities, are made visible, this acts as a contrast to, and sheds light upon, these very different projects and their social relations for the north and the south.

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