

Towards privatisation? Restructuring of the national universities in Japan

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Introduction

One of the characteristics of Japanese higher education is that it has a large proportion of private institutions. It is the sector that has largely contributed to the massification of higher education in Japan. As of 1st May 2003, there were 989 private universities and junior colleges among 1,227 higher education institutions. Nowadays, the private sector assumes three-fourths of students attending higher education institutions.

Private institutions, originally established as miscellaneous schools, have gradually evolved, and nowadays, some of them rival the best national universities. The distinction between the role of the public (national and local governmental) sector and that of private sector has gradually become obscure. Furthermore, in April 2004, the national universities were incorporated and became *national university corporations*, which are supposed to be managed with techniques based on "private-sector concepts". Some of local public universities are also going to be incorporated. It will further blur the distinction between both sectors.

The aim of this paper is to outline, after a brief description on the Japanese private higher education in comparison with the public higher education and the pressure caused by the former on the latter, incorporation of national universities and its incidents. Then the paper will point to some major problems that the Japanese higher education system may face in the future.

I Private Higher Education in Japan

1. A brief history

(1) Pre-war era

In Japan, the modern higher higher education system was originated in the late 19th century when the University of Tokyo (later Tokyo Imperial University) was founded in 1887 by the Meiji¹ Government. Later on, other national, local governmental and private higher education institutions, including imperial universities, were founded in larger cities in Japan. Many of them were classed as miscellaneous schools and had no university status. Private schools were later given, with some public institutions, the opportunity to seek the status of university by the promulgation of the University Order in 1918 (enforced the following year). It was the first

1 Reign name of the emperor (1868-1912). The Meiji era began with a revolution called the Meiji Restoration which marked the opening of the modernisation of Japanese society.

important step for private institutions to seek the same status as the governmental institutions.

However, in spite of the university status given to major private institutions, they remained at a great disadvantage in comparison with governmental institutions. Even if not many in number (Table 1), governmental institutions, especially imperial universities, enjoyed the prerogative of acquiring abundant staff, facilities and prioritisation in other parts budget distribution.

Table 1 Number of higher education institutions by type and sector as of 1943

	<i>Universities</i> [imperial universities]	<i>Specialised Schools</i>	<i>Total</i>
Governmental (national)	19 [7]	58	77
Public (local)	2	24	26
Private	28	134	162
Total	49 [7]	216	265

(2) Post-war era

After World War II, the Japanese education system was entirely revised under the occupation. The school system, from kindergartens to universities, was structurally rationalised and unified into a new educational system. The varying types of higher educational institutions were as a rule integrated into a single four-year university system. Any graduate of an upper secondary school was entitled to apply for entrance to a university, and therefore, the doors of the universities were opened much wider than before.

With respect to private institutions, under the new Constitution and other related laws, powers of government authorities were drastically reduced, and high regard was paid to their autonomy. In addition, the right to found private institutions was given exclusively to "school juristic person²".

In 1949, under the new system, 81 private universities as well as 70 national and 17 local public universities began teaching. In addition, some of the former specialised schools reopened as junior colleges, while the junior college system was regarded as a temporary measure.

(3) The expansion of higher education and its incidents to private higher education institutions

After the reorganisation during the occupation period, the 1960s and early 1970s witnessed the most rapid growth of the higher education system. Numerically, whereas there had been 245 universities and 280 junior colleges in 1960, there came to be 420 universities (Figure 1) and 513 junior colleges by 1975.

² A kind of incorporated foundations without lucrative purposes.

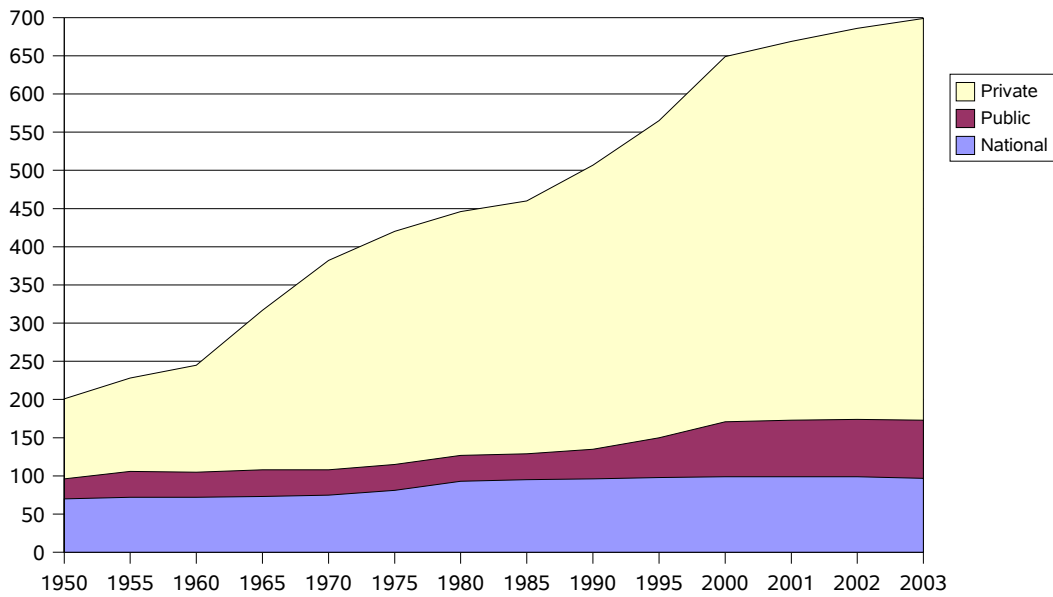


Figure 1 Number of universities by sector

Source : MEXT

In terms of student numbers, by 1975 the population attending universities (including graduate schools) increased to 1,734,082, or 2.77 times the 1960 student population (Figure 2), and in junior colleges to 348,922, or 4.28 times the 1960 figure. The percentage of students continuing on to university or junior college by 1975 increased from 10.3% to 38.4% of the corresponding age group.

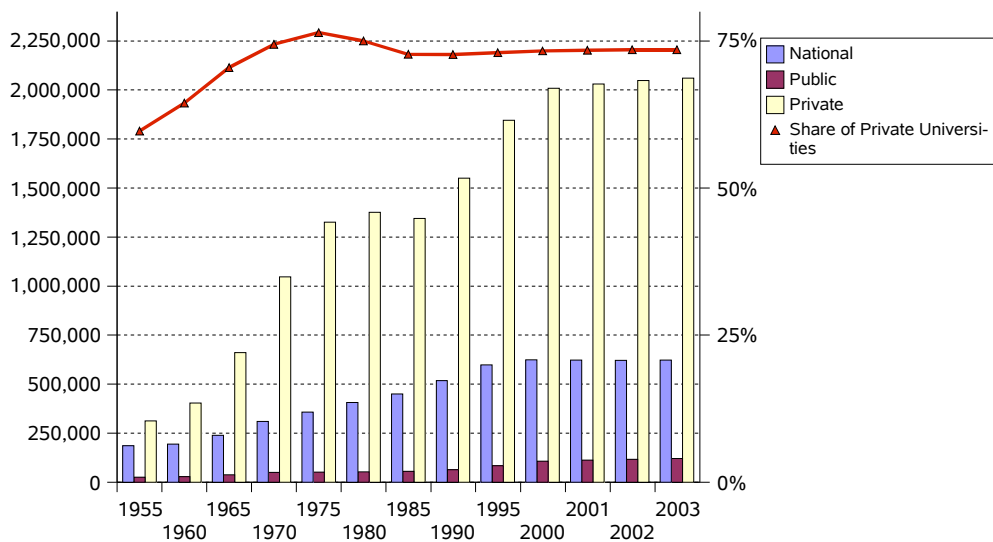


Figure 2 Student enrolment in universities (including graduate students) by sector

Source : MEXT

The development of private universities and junior colleges was well illustrated by the sharp increase in the percentage of their enrolled students out of the total student population: students enrolled in private universities and junior colleges rose from 64.4% for universities and 78.7% for junior colleges in 1960 to 76.4% for universities and 91.2% for junior colleges in 1975 (Figure 2 with respect to universities).

(4) The beginning of decline

The second rapid expansion of higher education occurred in the 1980s and early 1990s (Figure 1 and Figure 2 above). The number of universities increased from 446 (93 national, 34 public and 319 private) in 1980 to 565 (98 national, 52 public and 415 private) in 1995, and 699 (97 national, 76 public and 526 private) in 2003³. However, the number of 18-year-olds reached its peak in 1992, and has been decreasing ever since. Although the number of universities is still increasing, the number of junior colleges reached its peak (596 in number) in 1996, whereas the number of entrants of junior colleges had already reached in 1993. Both numbers are now decreasing rapidly (Figure 3 with respect to the entrants number).

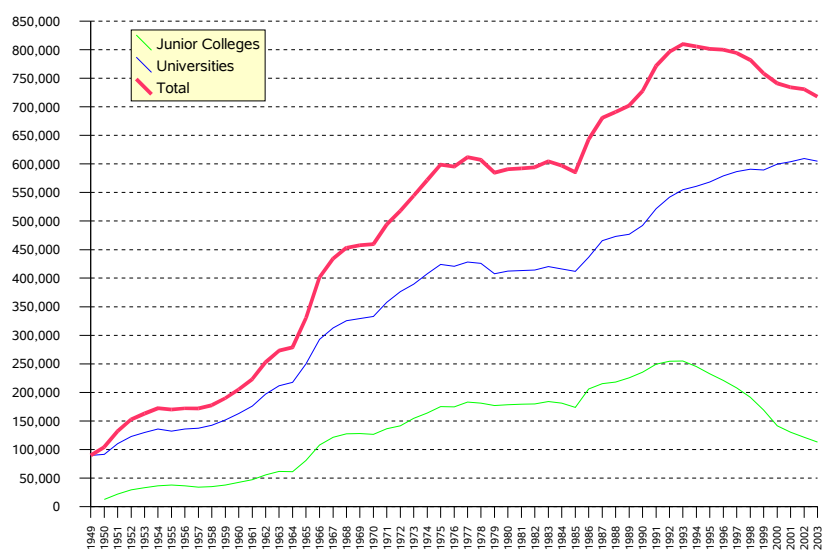


Figure 3 Number of entrants to higher education institutions by type

Source : MEXT

In addition, the proportion of the age group advancing to universities and junior colleges reached 49.1% in 1999, and has been stagnating around 49% since then (Figure 4).

3 All data concerning numbers of institutions and students are those as of 1st May in the corresponding year. As of 1st May 2003, there were legally 100 national universities because of the mergers of two pairs of universities (Yamanashi and Tsukuba), after which coexisted forerunners until the incorporation. In this paper, these forerunners (3) are not included in the statistics of 2003. In addition, ten mergers of national universities occurred in October 2003, which are also not included.

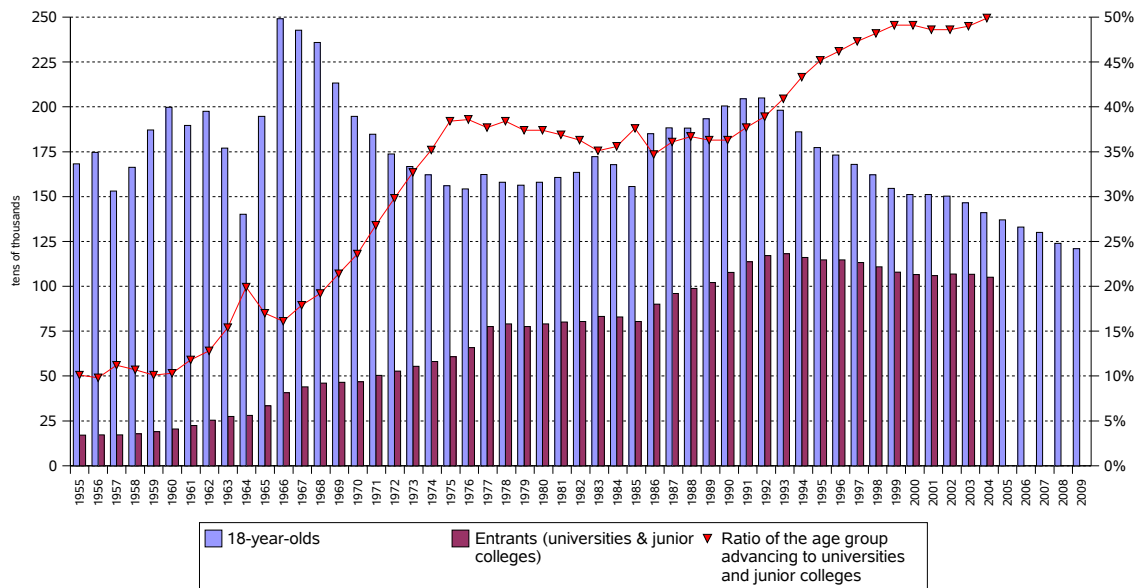


Figure 4 Trends in 18-year-old population and access to higher education

Source : MEXT

It is predicted that, in the near future, the number of applicants for higher education will be inferior to the total enrolment number of universities and junior colleges determined by the Government. Even now, not a few private institutions cannot fill their quota. In 2002, for the first time among four-year institutions, a private university decided to close its doors due to insufficient enrolment as well as to lack of adequate financing.

2. Public financing to private institutions

(1) Introduction of the Government subsidies

Although Article 89 of the Japanese Constitution prohibited the expense or appropriation of “public money or other property” to “any educational enterprises not under the control of public authority”, the Government began financing private schools in the form of loans in 1952 when the Private School Promotion Association was established as a channel through which the Government invested money on behalf of private schools. For that, the Private School Law (1949) had elaborated on the provisions concerning the appropriation of public subsidies to private schools in relation to the relevant article of the Constitution. Governmental direct subsidies to offset the expense of equipment were then made available to private universities in 1953.

(2) Legislation on public financing to private institutions

Despite governmental allocations however, revenue from student tuition was inadequate to cover the balance of private institutions. In the face of rising personnel expenses on the one hand and limits on the amounts by which student fees could be raised on the other, the financial

condition of private universities deteriorated rapidly, especially from the late 1960s. As a result, a noticeable disparity of quality emerged between the education provided by private universities and national universities.

The Government decided in 1970 to make subsidies available for ordinary operating expenses, including personnel expenditure. Furthermore, the Japan Private School Promotion Foundation Law was enacted in 1970, and subsequently the Japan Private School Promotion Foundation was set up in July 1970, to administer the expanded subsidy programme. The Private School Promotion Association was then dissolved.

Finally, in 1975, a Private School Promotion Subsidy Law was enacted. The law provided for public subsidies to private institutions for their current expenditures, and also specified that both the national and local governments should strive to give school corporations favourable consideration regarding taxation. Under this law, the national government has been required to make efforts to promote the activities of private institutions, through (1) providing subsidies to private institutions for their current and other expenditures, (2) offering long-term loans to private institutions through the Japan Private School Promotion Foundation, and (3) taking favourable taxation measures to school corporations.

(3) Subsidies for the current expenditures⁴

The subsidies provided through the Japan Private School Promotion Foundation for current expenditures were classified into "general subsidies" and "special subsidies". General subsidies to each institution are computed by multiplying certain unit costs by the numbers of teachers and other personnel and of students, giving some institutions preferential weight in accordance with the level of the provision of staff and physical facilities.

Special subsidies are intended to support part of current expenditures for distinctive educational and research activities of private institutions (such as distinctive postgraduate education, distinctive research projects at research institutes, international exchange activities, contribution to the spread of higher education in geographical areas other than the largest cities, and so forth). This kind of subsidies are granted to private institutions on a competitive basis in addition to general subsidies.

The amount of the subsidies for the current expenditures of private institutions for fiscal 2004 is 326,250 million yen, including a newly created subsidy to law schools (2,500 million yen). In particular, the Government has been making efforts to increase special subsidies (Figure 5).

⁴ Apart from these subsidies, for the sake of private institutions, the Government provides subsidies for educational and research equipment. The amount of the subsidies for fiscal 2004 is 22,570 million yen. It has been decreasing since 2001.

As a result, in fiscal 2004, the share of special subsidies reached 32.6% of the total subsidies for the current expenditures of private institutions.

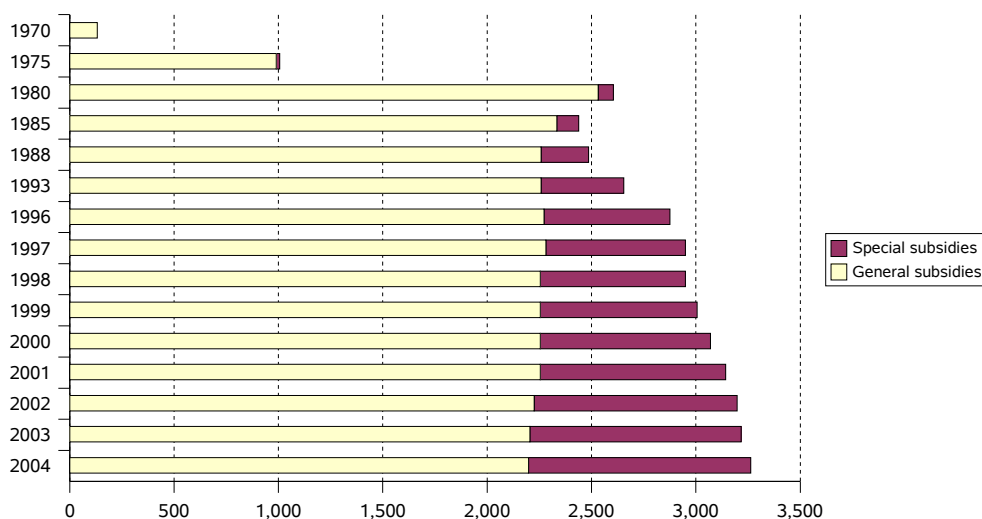


Figure 5 Government subsidies by category to private HE institutions for the current expenditures (100 million yen)

Source : MEXT

(4) Stagnation of the Government financing to private institutions

Under the new legislation, the total amount of the subsidies had gradually increased until 1982. By 1980 the share of the subsidies reached 29.5% of the total current expenditures of private institutions (Figure 6). From 1982, however, the national share in the current expenditures of private institutions had decreased until 1998, reaching as low as 11.8%.

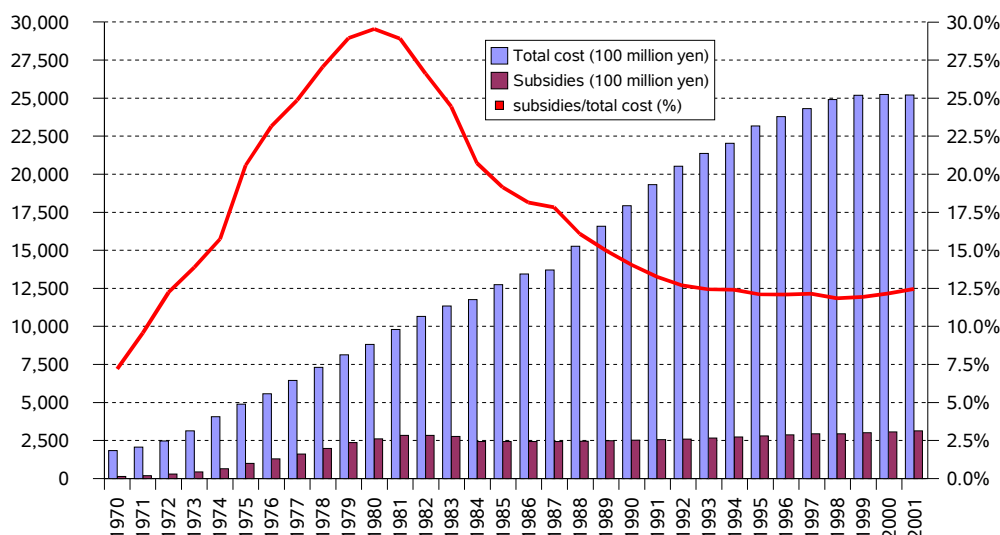


Figure 6 Current expenditures of private higher education institutions and Government subsidies

Source : MEXT

This decrease was partly because the Provisional Commission for Administrative Reform recommended that the Government refrain from increasing the total amount of subsidies to private educational institutions and that emphasis in the subsidy be placed on assistance for appropriate and distinctive educational and research projects. It was also due to the financial stringency of the Government. The share of the Government subsidies has recently remained around 12-13% of the total current expenditures of private higher education institutions.

II Public and private universities in direct competition

1. Increasing pressure on national universities from private universities

The above-mentioned stagnation of the subsidies to private institutions resulted in a strong pressure on the financing of national universities. In fact, in FY2003, whereas 97 national universities (including junior colleges) and other national educational institutions received 1,525,606 million yen⁵, 989 private institutions⁶ received only 321,750 million yen for current expenditures⁷. Private universities have long questioned this financial gap between both sectors, while the private sector are assuming three-fourths students, and have demanded the revision of the Government policy on higher education financing in favour of private institutions.

2. The spiral of tuition fees

The questioning by private universities has resulted in a sharp rise in tuition fees (including entrance fees) in national universities, but it has never worked towards the reduction of the gap of fees of both sectors, since the tuition fees of private universities have paralleled the progress of the tuition fees of national universities (Figure 7). The ratio of tuition fees of private universities to those of national universities decreased from 3.24 in 1975 to 1.40 in 2001⁸.

5 This amount is equal to the transfers from the general account budget to the Special Account for National Educational Institutions (therefore it includes the budget for non-university institutions such as inter-university research institutes). As for the Special Account for National Educational Institutions, refer to Oba (2003).

6 This number includes all the private universities and junior colleges comprising those not receiving national subsidies.

7 Apart from these subsidies, private institutions received subsidies for equipment and facilities (23,550 million yen).

8 In general, apart from tuition fees, private universities collect extra charges such as a charge for facilities.

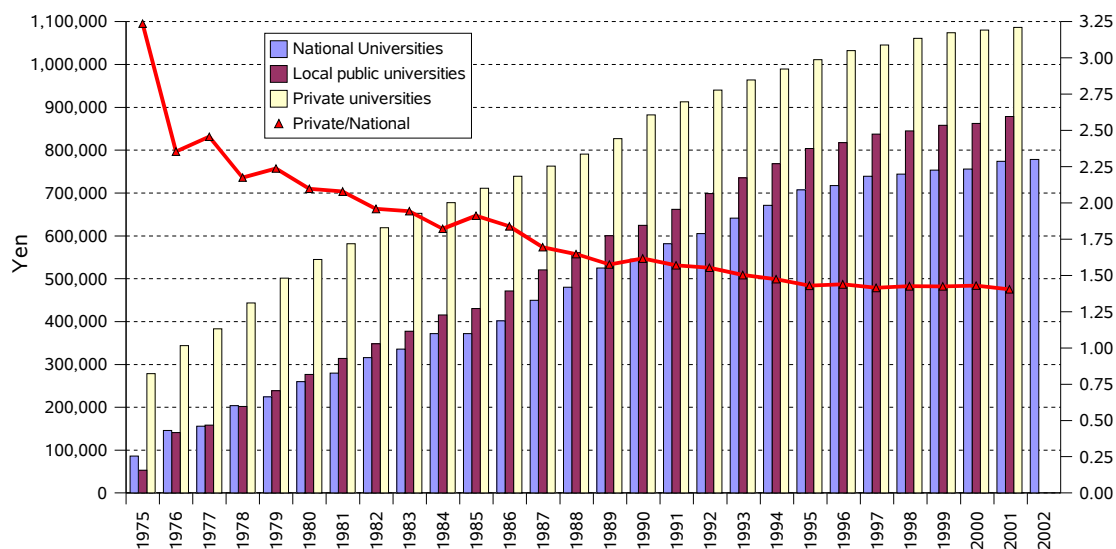


Figure 7 Tuition fees (entrance fees included) by sector

Source : MEXT

(note) The amount of private universities' tuition fees is the mean value of all the private universities' tuition fees. The amount of local public universities' tuition fees is the mean value of all the local public universities' tuition fees applied to entrants from outside the prefecture.

3. Poor public expenditure on higher education

With the aid of the questioning by private institutions on the one hand, and due to the stringent financial situation of the Government on the other, the Ministry of Finance has pressed the Ministry of Education⁹ to raise the tuition fees of national universities. On 26 November 2003, the Financial System Council reported to the Minister of Finance and recommended the adoption of a system that would enable each national university to revise tuition fees, in light of the gap between national and private universities and thorough implementation of the beneficiary-payment principle. This recommendation was confirmed by the council's recommendation to the Minister of Finance on 17 May 2004 concerning the orientation of the FY2005 budget-making, which reiterated the application of the aforesaid principle to higher education.

As a result of the stagnation of the subsidies to private institutions and of the rise in tuition fees of national universities, the share of the costs of higher education borne by governments (national and local) is obviously low in comparison with other OECD countries (Figure 8), which signifies that the costs of higher education is largely borne by students or/and their family.

⁹ The official appellation of the ministry was "Ministry of Education, Science, Sports and Culture" ("Monbusho" in Japanese) until the merger with the Science and Technology Agency in January 2001. Monbusho became then the Ministry of Education, Culture, Sports, Science and Technology (MEXT). In this paper, the Minister in charge of Monbusho or the MEXT will be referred to as the "Minister of Education".

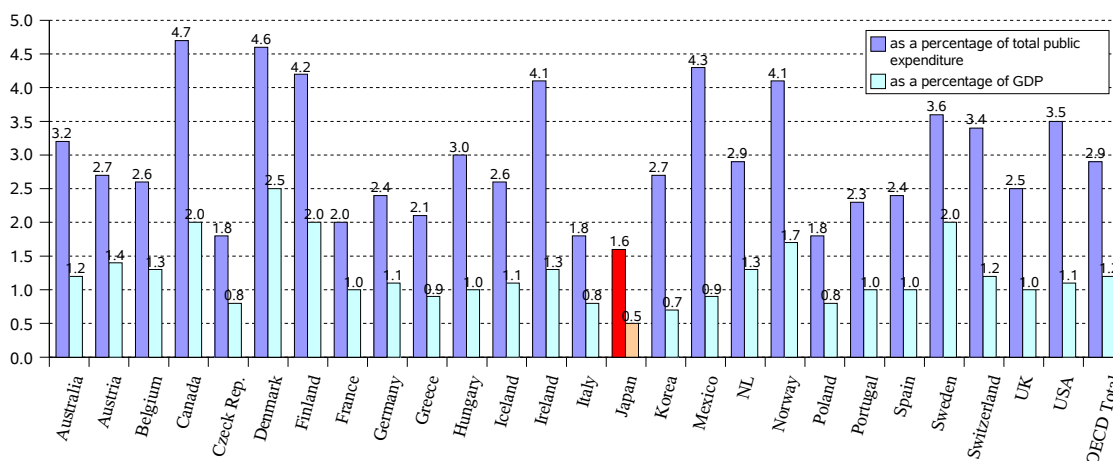


Figure 8 Public expenditure on higher education (2000) in OECD countries

Source : OECD 2003, p. 227

4. Increase in competitive funds open to public and private institutions

As seen earlier (Figure 5, page 7), in the national subsidies for the current expenditures of private institutions, the share of the special subsidies, given on a competitive basis, has been increasing, whereas not only the share of but also the amount of the general subsidies has been decreasing. Furthermore, the Government has concentrated its budget allocation on competitive funds, which have been likely to be indifferently open to public and private institutions, whereas such programmes used to be limited to national universities.

For example, in 2002, the MEXT initiated a new funding scheme called "The 21st Century COE Programme". It subsidises projects proposed by universities (not limited to national universities) to found world-class research/education centres. The proposals are to be screened by a committee composed of specialists from various disciplines. Besides national universities' projects, a certain number of private and public universities' projects were also selected for this programme (Figure 9).

Nowadays, some private universities compete fully with national universities for research funds provided by the Government (Figure 10). Furthermore, in 2003, the Government decided to open up the Grants-in-Aid for Scientific Research, which accounted for about 50% of the Government competitive research funds, to research institutes belonging to private companies (including for-profit ones).

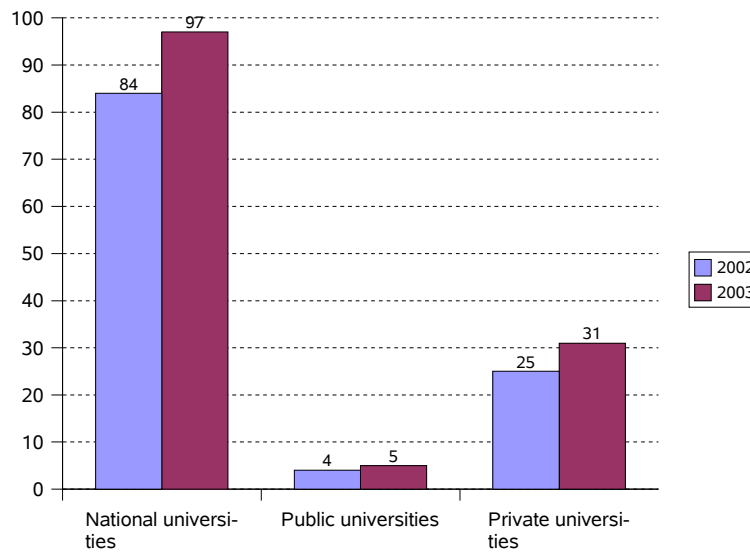


Figure 9 Number of COE projects adopted by the MEXT, by sector
Source : MEXT

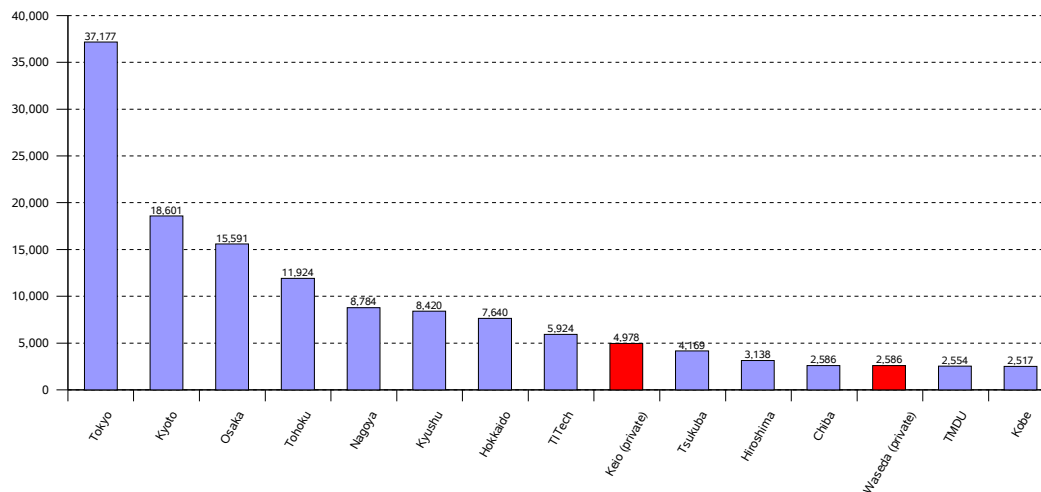


Figure 10 Top 15 universities ranked by the amount of competitive research funds awarded by the Government (million yen)

Source : Council for Science and Technology Policy

(note) TITech : Tokyo Institute of Technology / TMDU : Tokyo Medical and Dental University.

III Development of the evaluation system

In 2002, the National Institution for Academic Degrees (NIAD) was reorganised so that it could carry out university evaluation in addition to degree awarding (National Institution for Academic Degrees and University Evaluation (NIAD-UE)), and began to implement evaluations of national and local public universities.

In the same year, the Central Council for Education recommended the Minister of Education

setting up a new total quality assurance system including a continual third-party evaluation. In response to the recommendation, the School Education Law was amended in the same year, and a continual third-party evaluation system was introduced.

Under the revised law, third-party evaluation bodies, independent from both the Government and higher education institutions, shall be recognised by the Minister of Education, in accordance with published criteria that cover standards, methods, and organisation for evaluating higher education institutions in continual external quality assurance activities. From April 2004, universities and junior colleges have been required to ask an evaluation body to conduct an evaluation once every seven years, with results being reported to each institution and the Minister, as well as being made available to the general public.

IV Incorporation of national universities¹⁰

1. Increased autonomy from the Government

National universities were until March 2004 a part of the national government, and are directly operated by the latter. By acquiring the status of “national university corporations”, they acquired legal personality and became more autonomous from the government. This reform is regarded as one of the most significant reforms of Japanese university since the Meiji era. New national universities are now expected to develop distinctively their educational and research functions

The budget is being allotted by the Government to each university as a lump sum (operational grant) without earmarking, based on the medium-term plan prepared by each university according to the medium-term goals and approved by the MEXT. The medium-term goals are presented by the MEXT, which are elaborated on the basis of the opinion of each university. The duration of medium-term goals/plan is six years.

The performance of each university has come to be evaluated at the end of the medium-term goals/plan period. In addition, the allocation of the budget of the next period will come to vary according to the results of the evaluation.

2. People from outside the university participating in the management

In order to ensure the accountability and the responsiveness to society of the national universities, people from outside the university participate in their management. At least one of executives, who compose the board of directors¹¹, should be a person from outside the university. In addition, an administrative council, which deliberates on important administrative matters, is

10 As for the details of incorporation of national universities, refer to Oba (2003).

11 This is the highest deliberative organ before the final decision by the president.

composed of insiders and outsiders. Not less than half of its total members should be appointed from outside.

Table 2 External members of the Administrative Council of Hiroshima University

<i>Name</i>	<i>Occupation (former)</i>
W. Imanaka	President, Chugoku Newspaper
K. Inai	President, Japan Audio Visual Educational Association (Former Secretary to the Minister of Education)
B. Johnstone	Professor of Higher and Comparative Education, State University of New York at Buffalo (Former President of State University of New York)
M. Ogasawara	President, Board of Education of Hiroshima Prefecture
M. Onami	Special Advisor, Kyoto Tachibana Women's University (Former President of Ritsumeikan University)
T. Shiiki	Lawyer
S. Takasu	Chairman, Chugoku Economic Federation / Chairman of the Board of Directors, Chugoku Electric Power Co. Ltd.
K. Tanabe	Secretary-General, Tokyo Conference for the Collaboration in Chugoku (Former Director-General, Chugoku Bureau of Economy, Trade and Industry (METI Chugoku))

3. Evaluation Committee

With respect to the evaluation of national university corporations, an Evaluation Committee for National University Corporations (hereafter referred to as the "evaluation committee") of the MEXT will be primarily responsible. The evaluation committee was, prior to the foundation of national university corporations, set up on 1st October 2003. It held its first general meeting on 31 October, and selected Ryoji Noyori (2001 Nobel laureate in chemistry) as its chairman.

With respect to matters essentially related to education and research, the evaluation committee is to receive a report from the National Institution for Academic Degrees and University Evaluation (NIAD-UE), in order to respect the specialised nature of education and research of universities. The evaluation committee will report the results of evaluative activities to the MEXT as well as to the Commission on Policy Evaluation and Evaluation of Independent Administrative Institution in the Ministry of Public Management and Home Affairs. The afore-said commission may make recommendations to the evaluation committee as well as to the MEXT, if it deems this to be necessary.

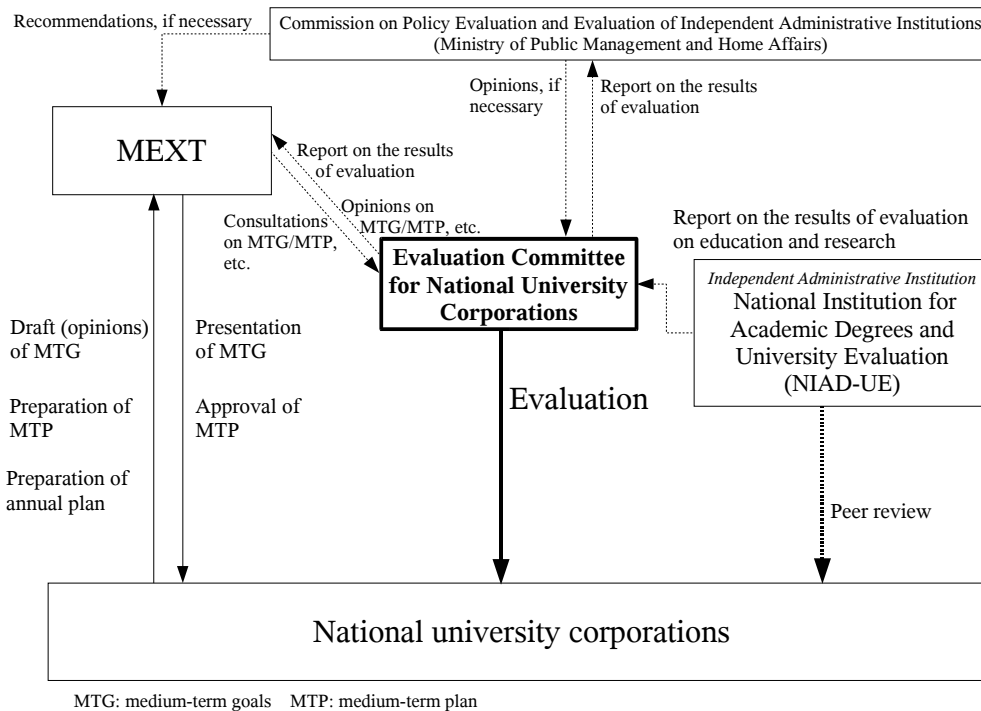


Figure 11 Evaluation system of national university corporations

4. Medium-term goals/plan, presented or approved by the Minister of Education

Not only for the evaluation at the end of the medium-term goals/plan period, the evaluation committee should also be consulted by the Minister of Education when establishing or modifying the medium-term goals, and granting the approval to the medium-term plan. The drafts of the first medium-term goals and medium-term plans were prepared by the former national universities and presented to the MEXT by the end of September 2003. These drafts were transferred to the evaluation committee for consultation and amendment.

A certain number of noticeable initiatives, including new management concepts, numerical targets and enhanced supports for students, could be observed in some, but the drafts were predominantly filled with moderate and inoffensive statements. In fact, the evaluation committee, convened on 18 December 2003, expressed its dissatisfaction with the drafts and decided to ask national universities to revise them. The reason could be mainly attributed to the fact that the detailed organisation of national university corporations, the flow of funds (especially operational grant), and the criteria of the evaluations by the evaluation committee were still not clear at the time of the presentation of the drafts.

The drafts were finally authorised by the evaluation committee during the plenary session held on 11 May 2004, and were subsequently approved by the Minister of Education without modification and presented or notified of to each national university corporation. However, before the authorisation by the evaluation committee, as many as 85 out of 89 national university corpora-

tions had modified their drafts. Among these 85 national university corporations, additionally 37 corporations defined numerical targets (44 in total) and 32 corporations set forth periods of fruition of the targets (43 in total).

Table 3 Examples of numerical targets defined in the medium-term goals/plans of national university corporations

<i>National University Corporation</i>	<i>Target</i>
Muroran Institute of Technology	Increase external research funds, including the Grants-in-Aid for Scientific Research, by around 10% within 6 years.
Tsukuba University	Maintain the the ratio of successful applicants for the National Medical Practitioners Qualifying Examination over 90%.
Tsukuba University	Organise job guidance activities more than 30 times every year.
Tokyo University of Agriculture and Technology	Increase the number of faculty members engaged in commissioned research or joint research by 10% in comparison with the mean value of FY2000-2003, for the period of medium-term goals.
Shizuoka University	Double the number of patents to be obtained (25 to 50) by the end of the medium-term goals/plan.
Kyushu Institute of Technology	Set up at least 5 research projects involving the whole university with a view to solving world-wide problems.
Takaoka Junior College	Open up over half of the classes to the local community.

V Are national universities going towards privatisation?

1. Continuous discussions on the privatisation of national universities

In May 2001, Prime Minister Koizumi, in answer to a question at the Diet, asked by a house member of the Democratic Party, an Opposition party which had claimed for privatisation of national universities, acknowledged the need of privatisation. Subsequently, he ordered the Minister of Education to examine the possibility of privatisation of national universities, whereas the Cabinet Meeting had decided to study their incorporation in April 1999 and the study was going on¹².

In January 2002, a newspaper reported the results of a questionnaire on privatisation of national universities sent to the presidents of all the universities including local public and private ones. According to the article, 70% of the presidents, including those of national universities, recognised the necessity of privatisation of national universities in a certain form. Although this questionnaire was severely criticised later on because the notion of the term "privatisation" had not been clear at all, it showed that the privatisation of national universities was still being

¹² Although it did not result in privatisation of national universities, it led to the ministerial "Policies for the Structural Reforms of Universities (National Universities)" in June 2001 (see Oba 2003) and accelerated significantly incorporation of national universities.

talked over whereas the study of incorporation of national universities was already at the final stage¹³.

The discussion on privatisation of national universities seemed finally over when the National University Corporation Law passed at the Diet in July 2003. Main concern shifted then to how to prepare the incorporation procedure of national universities.

2. Where are national universities going?

According to Kaneko (2003), Japanese national universities seemed in the first place to move from the “state facility model” based on the German concept towards another model, but he concluded that the new system was entirely ambiguous and that national universities might stay in the “state facility model” even after incorporation. However, he also pointed to the existence of political pressures for reform and financial restriction that would displace national universities out of the model.

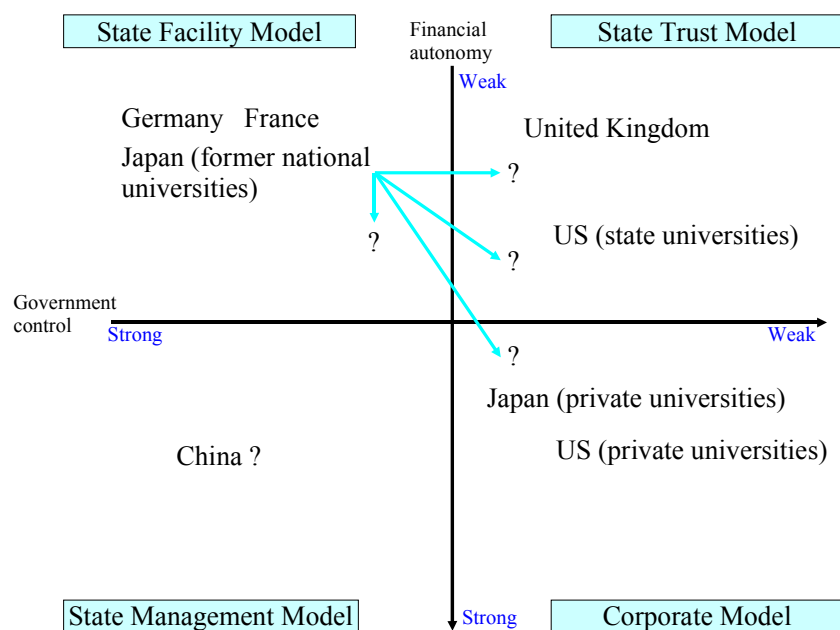


Figure 12 Government control – Financial autonomy Four-quadrant model based on M. Kaneko

(note) This figure was illustrated by the author based on Kaneko (2003) and his presentation at the study meeting to which the paper was presented.

3. Increasingly blurred distinction between public and private sectors

As seen before, national universities and private universities are increasingly competing for the same resources and some of the latter rival the best national universities. Incorporation of national universities will blur furthermore the distinction between both sectors.

¹³ The final report of the study group on incorporation of national universities, set up in the MEXT, put forth its final report on 26 March 2002.

Similarly to private universities, national universities have now considerable autonomy over their structure and management. In particular, the operational grant, given to national universities as a lump sum, has a similar nature to the Government subsidies for the current expenditures of private institutions. New national universities are now able to keep tuition fees and other self-earned incomes for their own sake. In return, the Government will not necessarily ensure their entire operational costs, nor will be accused at court of misconducts committed by national universities.

On the other hand, school juristic persons by which private universities are founded, are also under certain governmental restrictions, including enrolment numbers, fundamental educational organisation, types of degrees that they award, organisation of the board of directors, borrowings, necessary facilities and their disposal. After all, apart from the legal status, principal differences between both sectors can be found now in :

- (1) nomination of the president and the auditors by the Minister of Education¹⁴;
- (2) presentation of medium-term goals and the approval of the medium-term plan by the Minister of Education;
- (3) systematic institutional evaluations by the evaluation committee;
- (4) development and maintenance of important facilities;
- (5) regulations on tuition fees and other important regulations; and
- (6) some programmes restricted to national universities¹⁵.

However, the extent of autonomy that national universities will really have at their disposal is not clear at this moment. The Government – national university relation will be formulated particularly in the course of negotiations in preparation of the medium-term goals and plan.

4. Declining Government institutional support to national universities

As a result of the negotiation between the Ministry of Finance and the MEXT in the winter 2003-2004, it was agreed that the operational grant would be reduced by 1% every year except the salary of faculty members. National universities will surely try to rationalise their administration, but in the long run they will be obliged to raise the tuition fees or take more market-oriented approaches, further moving towards the private sector. In such situation, private universities will certainly not remain calm and demand the revision of the distinction between public and private sectors.

14 The nomination of the president by the Minister may have not so much meaning, considering that the nomination of the president had been always upon the decision made at national universities until incorporation.

15 As mentioned above, this kind of programmes have been increasingly open to other sectors. Additionally, there are some programmes restricted to private universities.

VI What is the future of Japanese higher education?

The distance between the public and private sectors will ineluctably become shorter and shorter. However, certain political powers, a power for the regional development¹⁶ for example, and other factors will not allow the Government, in particular the MEXT, to entirely give up their own universities. Pressed by a variety of stakeholders, for the time being at least, it is very unlikely that national universities will be privatised. Ultimately, the nature or role of national universities will be determined much less likely on a theoretical basis, but by administrative, political, economical and social environment that will encircle the higher education system.

While the determination of the nature or role of national universities will remain mainly political affair, functional differentiation among institutions of all sectors will certainly be more important than the sectorial difference. The Government financing will certainly follow to a certain degree this progress; namely a shift will be made in the financing policy towards the increase in competitive funds corresponding to diverse functions of universities.

Increase in competitive funds will be all the more likely because the institutional evaluation is so difficult that the Government will not be able to vary the amount of operational grant of national universities so much, depending upon the reports of the evaluation committee. The results of the evaluations will not be persuasive enough and the Government will not be able to apply them without so much criticism in deciding the allocation of operational grant for the next term. Ultimately, evaluations can be better done on the basis of projects.

Whereas functional differentiation becoming more important, the role of the Government should be more supportive to universities, rather than adjusting conflicting interests among institutions or evaluating their institutional performance. Within the Japanese higher education system, a certain type of *paraeducational services* or *activities* are really not developed, such as forums of universities, national centres for staff development and other university activities, professional associations, career development system for staff, scholarships and other types of support for students, and so forth. The Government should concentrate more efforts on the development of such activities than institutional evaluations.

VII Concluding remarks

In Japan, the massification of higher education was realised primarily through private institutions. Behind the fact, the post-war economic growth, driven by well-configured Industry-Gov-

¹⁶ This political power is very likely to influence the role of national universities, particularly located in provinces, where national universities are often integrated into the local economical and political structures.

ernment-Education collaboration, has largely contributed to the development of the private sector. In the course of time, the role of national universities has decreased and the distinction between the public and private sectors has been blurred, and it is all the more so when neo-liberal policies are dominating in the Government.

Incorporation of national universities can be looked at in this context. New national universities should now compete with private universities for increasingly scarce resources, including the Government financing and declining 18-year-olds.

However, national universities are not going straight towards privatisation, but its future is very ambiguous and much dependent on administrative, political, economical and social environment. In addition, the institutional evaluation, one of the most important elements of the incorporation policy, will be faced with multiple problems and unlikely to be fully functional. Differentiation among institutions will become more important than sectorial distinction. The role of the Government will be required to be redefined in this context.

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