

A Study on Subsidizing Mode of Government Public Finance for Non-Profit Privately-Run Higher Education Institutions

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Received 16 March 2016; accepted 10 May 2016
Published online 26 June 2016

Abstract

Non-profit privately-run higher education institutions, as an important carrier of higher education products and services, have direct bearing on the wisdom and superiority of the whole higher education system, and on the distance between supply and demand of higher education in society. The vigorous expansion of non-profit privately-run higher education institutions depends on the support of government public finance. Five support modes are available: First, rigid-flexible coordination support, namely the mode of “establishing certain regulations + creating right environment”; second, direct-indirect coordination support, namely the mode of “direct financial budget inside appropriation + order-based entrustment of training + education voucher + educational materials lease + preferential policies + non-monetary support”; third, competitive-noncompetitive coordination support, namely the mode of “project bidding + targeted funding”; fourth, incentive-subsidy coordination support, namely the mode of “incentive fund + financial aid”; fifth, general-special coordination support, namely the mode of “general policy-based financial support + special financial support”.

Key words: Public finance; Non-profit privately-run higher education institutions; Coordination support; Model

He, G. W. (2016). A Study on Subsidizing Mode of Government Public Finance for Non-Profit Privately-Run Higher Education Institutions. *Canadian Social Science*, 12(6), 75-79. Available from: <http://www.cscanada.net/index.php/css/article/view/8514> DOI: <http://dx.doi.org/10.3968/8514>

INTRODUCTIUON

If the goal of higher education is to provide services for economic society, then non-profit privately-run higher education institutions spontaneously shoulder its public functions. Non-profit privately-run higher education institutions are born to be small and weak, so they need strength; non-profit privately-run higher education institutions are born to be helpless, so they need support; non-profit privately-run higher education institutions are born to be selfless, so they need to be advocated. Non-profit privately-run higher education institutions, as an important carrier of higher education products and services, have direct bearing on the wisdom and superiority of the whole higher education system, and on the distance between supply and demand of higher education in society. The vigorous expansion of non-profit privately-run higher education institutions depends considerably on fund support. Thus, the support of government public finance is prerequisite for the development of non-profit privately-run higher education institutions.

1. RIGID-FLEXIBLE COORDINATION SUPPORT

Neoinstitutional economics holds that “on the stage of social process, institution and human complement and contrast each other, always mutually model each other.” (Lu, 2012, p.66) Non-profit privately-run higher education institutions are an effective public welfare institutional arrangement, which provide higher education products and services to the public, and spontaneously shoulder part of public functions of government; protecting and expanding social public interests are an important responsibility of government. The degree of public welfare is measured by whether government public finance provides fund support or not and the amount of fund support. Generally, the

degree of public welfare is in direct proportion to fund support provided by the government. In practice, both rigid and flexible systems exert function in different ways with certain system as carrier.

Rigid fund support. Rigid fund support refers to guidance-based fund support for a normativity system as carrier. It has both advantages and disadvantages. Advantages: good order, standard conduct, fairness, justice, openness, high efficiency, good effect, and low cost; disadvantages: incomprehension, impersonality, inadequacy, lack of vitality, etc..

Flexible fund support. Flexible fund support refers to emotion-oriented fund support which emphasizes humanistic care, aiming to help and encourage people by ideology. Its advantages include strong self-driven capability, coordination and mutual assistance, farsightedness; its disadvantages include slow effect, high cost, complicated practical operation, information asymmetry, etc..

Rigid-flexible coordination supports. Rigid-flexible coordination supports are mainly to provide non-monetary support to non-profit privately-run higher education institutions in a way that combines institutional and non-institutional aspects to guarantee their normal development, namely the mode of “establishing certain regulations + creating right environment”. In this mode, certain formal regulations and measures are established, and right institutional environment is created for non-profit privately-run higher education institutions to obtain fund support of government public finance, providing necessary institutional guarantee for the scientific development of non-profit privately-run higher education institutions.

2. DIRECT-INDIRECT COORDINATION SUPPORT

According to the theories on neoinstitutional economics, human are characterized by bounded rationality, uncertainty, opportunism. Generally, in a principal-agent relationship, the information grasped by the agent and by the principal is asymmetric. Specifically, the agent may grasp more comprehensive information than the principal does. Thus, the agent is likely to do something in favor of himself but harmful to the principal by making use of his information superiority, to cause problems, namely adverse selection and moral hazard, and finally incur high agent cost. As to government and non-profit privately-run higher education institutions, under the entrustment of government, non-profit privately-run higher education institutions provide higher education products and services. Government can reduce risk of fund support and save financial cost to the extreme by an effective compatible institutional arrangement of direct-indirect coordination support. This provides a theoretical guidance for direct-indirect coordination support.

2.1 Direct Fund Support

Direct fund support is an efficient mode without any intermediate link. The distinct advantages of direct fund support include: simple procedure, obvious effect, and low cost. Yet everything has two sides. Direct fund support also has disadvantages. On one hand, direct fund support is of low incentive effect, as it is a mode that fund is directly given to the helped without any intermediate link, and it is hard to arouse the enthusiasm of the helped. On the other hand, since the fund is directly given to the recipients with little investigation on the performance and achievement of the recipients, the recipients are liable to form undesirable dependent idea and spawn laziness.

2.2 Indirect Fund Support

Indirect fund support is a mode realized via certain intermediate link(s). It has distinct advantages and disadvantages. Advantages: strong self-constraint force, high incentive effect, capability of effectively enhancing utilization efficiency of the subject, convenience for effective supervision by the supporter. Disadvantages: no conspicuous effect, limitation of recipient, and high implementation cost. It is bound to incur certain costs in the intermediate link(s), including direct cost and indirect cost (such as time, energy).

2.3 Direct-Indirect Coordination Supports

This mode mainly refers to that government directly allocate a certain amount of funds from its budget to non-profit privately-run higher education institutions first, and either allocate part of funds from the education budget increment to support the development of non-profit privately-run higher education institutions on the premise that the total input in state-run universities is not reduced or appropriate educational funds to non-profit privately-run higher education institutions according to the number of students and specific fund appropriation standard in the form of education voucher; and also give related indirect appropriations, namely the mode of “direct financial budget inside appropriation + order-based entrustment of training + education voucher + educational materials lease + preferential policies + non-monetary support”.

Wherein, direct financial budget inside appropriation refers to government directly providing financial appropriation to non-profit privately-run higher education institutions as it gives to state-run universities; order-based entrustment of training refers to that government entrusts non-profit privately-run higher education institutions to undertake related education and training tasks and makes related payment based on order via fiscal instrument, so as to increase income of non-profit privately-run higher education institutions, relieve their funds shortage, improve teachers' remuneration, and expand financing channels; issuing education voucher refers to a tuition payment system in which government subsidizes tuition fee in the form of education voucher,

and people can pay tuition for their children with such education voucher; educational materials lease refers to that government subsidizes non-profit privately-run higher education institutions by means of leasing educational materials; preferential policies refers to that government supports non-profit privately-run higher education institutions by means of tax preference, tax credit for the donators, preferential land policy, financing support, etc., which reflects that non-profit privately-run higher education institutions and state-run universities are in equal access to related national education policy; non-monetary support refers to that powerful state-run universities assist non-profit privately-run higher education institutions to develop on their own initiative. The said power universities include “985” universities, “211” universities and provincial key universities, support forms include “one to one” or “one to more” form, “more to one” or “more to more” form, and the form combining “calling in” with “going out”, and the said support ought to cover teaching management, curriculum provision, training scheme, scientific research, and campus culture construction, etc..

3. COMPETITIVE-NONCOMPETITIVE COORDINATION SUPPORT

Competition and cooperation, and fairness and efficiency are two pairs of contradictory unity. If cooperation brings harmonization, fairness and efficiency, then competition brings vitality, justice and efficiency. Fairness refers to that interpersonal interest relationship and the principle, system, practice and behavior of interest relationship all accord with the requirements of social development, and efficiency refers to the ratio of resource investment to production. One of the ideals of human is to require a high efficiency of society so as to create more wealth, and realize equitable wealth distribution to reflect a rational interpersonal social relationship (Yang, 1995). Competition and non-competition can be taken as a kind of staged dynamic game. Through stages of game, as long as the doer is patient enough, any feasible payoff meeting individual rationality can be achieved by a specific subgame perfect equilibrium, and a cooperation relationship is reached on this basis (Lu, 2012, p.233), to finally realize the unity of fairness and efficiency. Competition-based fund support and non-competition-based fund support, as an institutional arrangement taking account of both efficiency and fairness, is a kind of incentive and constraint contract. Since government has a principal-agent relation with non-profit privately-run higher education institutions, the agent is certainly required to take effective measures to maximize the utility of both sides.

3.1 Competition-Based Fund Supports

Competition-based fund support is a dynamic support mode of incentive and challenge. It has both advantages

and disadvantages. Advantages: First, it is liable to form self-pressure, to arouse the internal motivation and promote self-development; second, it is liable to form a dynamic composite force of racing, and then form a benign competition pattern, so that all competitors can make progress together; third, limited financial fund can exert the maximum efficiency. Disadvantages: first, it is adverse to schools in poor basic conditions, tending to take on the Matthew Effect; second, it is unfair. Under rigid competition conditions, disadvantaged schools can hardly win out, and hardly stand a chance to obtain government financial support. Relatively speaking, competition-based fund support is unfair to the schools in poor conditions. Third, it may widen gaps between the disadvantaged and the advantaged, to result in disharmony.

3.2 Non-Competition-Based Fund Supports

Non-competition-based fund support is a model based on self-restrain and self-conscious progress and posing no obvious pressure. It has both advantages and disadvantages. Advantages: First, it makes for fairness and harmonization; second, it is favorable to self-development of those temporally disadvantaged schools; third, it makes for optimum allocation of resources. Disadvantages: It lacks motive force of development, and is of low efficiency; second, it is liable to cause dependent consciousness and corruption, meaning reining in growth of schools to a certain extent; some schools don't treasure, spend freely, and even inappropriate the fund supported by government, as such fund is obtained without efforts, and is extraneous income.

3.3 Competitive-Noncompetitive Coordination Supports

Competitive-noncompetitive coordination support is a mode in which government organizes and provides teaching-related scientific research projects open to both state-run and privately-run universities for public bidding in accordance with certain standards, encourages non-profit privately-run higher education institutions to take part in competition with state-run universities to obtain public financial support according to bidding rules, and directly gives targeted fund support, say, financial appropriation, to less competitive or incompetent non-profit privately-run higher education institutions, namely the mode of “project bidding + targeted funding”.

In this mode, project bidding mainly covers scientific research projects and vocational training projects; targeted funding mainly targets at non-profit privately-run higher education institutions which are vocation-oriented and engaged in training talents in badly need, covering key laboratory, key library construction, necessary infrastructure construction, non-profit privately-run higher education institutions in poor areas or ethnic minority areas, and newly-built non-profit privately-run higher education institutions.

4. INCENTIVE-SUBSIDY COORDINATION SUPPORT

Efficiency and fairness are an eternal topic in economic activities, and both are related to certain production mode. Efficiency is an index for evaluating the output-input ratio, reflecting human's conditions in production activities; fairness is an index for evaluating justice and fairness concerning benefit distribution, reflecting the rational degree of benefit distribution and the status in distribution field thereof. Efficiency and fairness are internally consistent, and are in interassociation and mutual unification. Generally speaking, fairness lays a foundation for efficiency, and efficiency promotes fairness, namely "giving priority to efficiency while giving consideration to fairness". Incentive-based fund support and subsidy-based fund support is an institutional arrangement of incentive contract nature under the principle of efficiency and fairness, specifically referring to a mode in which the principal motivates the agent to act according to the wishes of the principal via a formal or informal incentive mechanism. Incentive and subsidy are a multistage dynamic game between government and non-profit privately-run higher education institutions, which finally will bring about an effective cooperative relationship. Effective social cooperation is feasible, for people acquire experience from real world, and more people will realize that human share common interests. Furthermore, cooperation behaviors are mutually beneficial (Ibid., p.239).

4.1 Incentive-Based Fund Supports

Incentive-based fund support is a mode based on incentive and benefit implemented in certain ways. It has both advantages and disadvantages. Advantages: first, it is motivating; second, it has example and demonstration effect; third, it makes for maximizing the efficiency of limited financial fund. Disadvantages: first, it is liable to cause imbalance of development; second, it is unfair.

4.2 Subsidy-Based Fund Supports

Subsidy-based fund support is a special "compassionate" grant mechanism, aiming to narrow gaps and achieve equity. Its advantages include: first, it makes for fairness and harmonization; second, it makes for effectively promoting the sustainable and stable development of disadvantaged non-profit privately-run higher education institutions; third, it makes for optimum resource allocation. Its disadvantages include: First, it lacks motivation, and is of low efficiency; second, it is adverse to arouse initiative and enthusiasm; third, it is liable to cause corruption.

4.3 Incentive-Subsidy Coordination Supports

Incentive-subsidy coordination support refers to that government gives certain amount of financial support to those non-profit privately-run higher education

institutions which get prominent achievements based on examination and evaluation as a reward according to certain principles, and gives financial subsidies according to the same standard to all non-profit privately-run higher education institutions, namely the mode of "incentive fund + financial aid".

Incentive fund includes efficiency bonus, reward for distinctive school-running mode, and reward for distinguished contribution to society. For purpose of efficiency bonus, government establishes a performance evaluation standard for non-profit privately-run higher education institutions, regularly or irregularly evaluates the performance of non-profit privately-run higher education institutions, and gives a reward with the public finance for subsidy on this basis. Reward for distinctive school-running mode is designed to encourage and reward those non-profit privately-run higher education institutions whose school-running mode is significantly distinctive. All those non-profit privately-run higher education institutions whose school-running mode is significantly distinctive and education quality is high deserve one-time or repeated rewards. Reward for distinguished contribution to society, also called special fund support, refers to that government rationally determines reward objects, forms and amount according to specific principle, strictly evaluates and assesses non-profit privately-run higher education institutions, gives certain amount of contribution-based incentive fund support on this basis, and regularly or irregularly provides special funds to non-profit privately-run higher education institutions, to reward the good in various ways. Normal financial aid includes financial aid to schools and normal financial aid to students. Financial aid to schools mainly covers infrastructure construction, essential teaching apparatus and equipment, student's average educational expenditure, cost of scientific research, teachers' salaries and benefits, etc.. Normal financial aid to students refers to subsidies provided by government public finance to students of non-profit privately-run higher education institutions in the form of scholarship, student grant, etc.. It reflects that non-profit privately-run higher education institutions and state-run universities have equal access to related preferential policies. It also can be realized by appropriating funds to students of non-profit privately-run higher education institutions or increasing the amount and range of student grant. Besides, concerning targeted scholarship and other subsidies, government is supposed to complete policies relating to non-profit privately-run higher education institutions and the reward and student grant to students thereof, and create an environment where students of non-profit privately-run higher education institutions and that of state-run universities have equal access to financial aid policies, to truly form a fair, equal and rational college student-specific public financial aid mechanism.

5. GENERAL-SPECIAL COORDINATION SUPPORT

Samuelson, an economist, held that: "Economics is a subject researching how a society produces valuable goods and labor services with scarce resources, and distributes the goods and labor services among different people". This saying implies two viewpoints: on one hand, goods and resources are scarce; on the other hand, they must be effectively made use of. This gives rise to an issue on how to effectively allocate scarce resources and distribute them among different people. Obviously, it relates to "efficiency" and "fairness". General fund support and special fund support, as an institutional arrangement embodying fairness and efficiency, are an implicit relational contract, and also a neutral system. According to neoinstitutional economics, neutral system is favorable to or at least not harmful to every one. Under a neutral system, no one suffers benefit loss, but at least one person gain, so that the benefit level of the whole society rises (Ibid., p.270). As specified in the *Planning Brief*, people's government at county-level and above may set up special funds based on particular situations of the administrative region for subsidizing privately-run schools. Such an institutional arrangement makes for motivating the enthusiasm of the agents, standardizing and restraining the agents' school-running behavior, raising school-running efficiency, promoting rational allocation of education resources, and saving school-running cost.

5.1 General Fund Support

General fund support is a flexible financial aid mode with few requirements. Its advantages include: first, it is fair and inclusive; second, the use of funds is free and flexible; third, it ensures reliable and stable financial resources for school-running; fourth, it helps to positively guide individuals and non-government organizations. Its disadvantages include: First, it is of less incentive, and lacks extrinsic motive; second, there is little necessary supervision, which is liable to cause misuse or waste; third, it is liable to give rise to dependent idea.

5.2 Special Fund Support

Special fund support is a targeted financial aid mode. Its advantages include: first, it is provided to specific targets in specific directions; second, it can be ensured to be put into effective use; third, it is favorable to enhance the supervision and guidance of government.

Its disadvantages include: on one hand, the eligible fields and projects are limited, so it is hard to balance or coordinate related fields or rationally distribute funds in projects; on the other hand, the usage of fund is restricted, liable to cause repeated construction of some projects or unnecessary waste. Therefore, it is necessary to adjust the form or contents of special fund support, to make it more suitable to integral and comprehensive development.

5.3 General-Special Coordination Supports

General-special coordination support refers to a mode in which the government gives special financial aid to non-profit privately-run higher education institutions while giving a certain amount of policy-based subsidy, namely the mode of "general policy-based financial support + special financial support".

General financial aid mainly covers student's average educational expenditure, infrastructure, teachers' salaries, and students. Special financial aid includes special financial support for general projects, for special projects, and for key projects. Special financial support for general projects mainly includes three aspects: First, government public finance gives necessary financial support inclined to elementary development projects of non-profit privately-run higher education institutions; second, selectively provides special fund support to part of non-profit privately-run higher education institutions; third, provides special fund support to all eligible non-profit privately-run higher education institutions for infrastructure construction. Special financial support for special projects mainly covers feature subjects and specialties, feature courses, and extraordinary and outstanding talents. Special financial support for key projects specifically covers major projects, key research projects, key subject construction projects, and efforts to improve school-running level. To sum up, general-special coordination support takes account of non-profit privately-run higher education institutions at different levels of development, and embodies both efficiency and fairness of China's higher education.

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