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China Increases University Enrollments, Hoping Student Spending Will Revive Economy

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Beijing

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Arriving on university campuses across China this week, an expanded class of first-year students may be feeling some extra pressure. Not only will they have to work at getting good grades -- they also will be expected to help buck up the economy.

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It is a novel twist on the notion of priming the pump. The hope among Chinese policy makers is that a sudden increase in enrollment will help pull the country out of the stagnation with which it has struggled for nearly two years.

Officials of the Ministry of Education and the State Development Planning Commission announced in July that China's 1,032 universities would be allowed to enroll a total of 1.53 million new students this year, or 331,000 more than originally planned.

Calculating that the typical Chinese student spends some 10,000 yuan, or about \$1,200, each year on tuition, housing, and expenses, officials expect the move to generate a wave of domestic consumption worth an estimated \$400-million to the Chinese economy.

The government continues to grope for new ways to revive the slumping economy. To encourage people to pull money out of their bank accounts and spend it, the government will soon begin taxing the interest earned on savings.

Chinese economists stake particularly high hopes on the idea of stimulating spending, and thus the economy, through expanded access to higher education.

Hu Angang, an economist at the Chinese Academy of Sciences, believes that the country badly needs to shift its economic focus. Among service industries, he says, higher education shows great potential.

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"China has so many single children now approaching college age, and putting them in university is a very high priority for most families," he says. "The demand for higher education is huge, and it is clearly something people are willing to spend their money on."

That the demand for education exceeds the supply in China is abundantly clear. Of the 3.4 million high-school graduates who took the annual university entrance examination this summer, fewer than half were accepted -- even after the universities were told that they could enroll much larger classes.

The proportion of high-school graduates going on to postsecondary education grew from 1.4 per cent in 1978 to 9 per cent in 1997. The current figure is about 10 per cent, which the government hopes to increase to 15 per cent by 2010.

China's limited capacity to educate its own students is one of the reasons that so many Chinese go abroad to study.

A Chinese student who enrolls at a university in Britain, for example, will spend about \$21,700 annually there, Mr. Hu says. "So why shouldn't we do what we can to have this money spent in China?"

Chen Jian, vice-secretary general of the provincial government of Guangdong, which is adjacent to Hong Kong, told *Business Weekly*, one of China's English-language newspapers, that his province viewed spending on higher education "as a growth point in promoting consumption," and would work to keep more of that money at home. Enrollment at institutions operated by the province will be allowed to grow to 82,000 students this year from 50,000 last year, an increase of 64 per cent.

"In coming years, more efforts will be made to improve educational services and to convince students to continue their studies in China," says Mr. Chen. He estimates that students who go abroad cost Guangdong about \$120-million in lost revenues per year.

While applauding the national expansion of enrollment, Mr. Hu says the government has not gone far enough. The Ministry of Education is too conservative and still bound by an old-style, central-planning mentality, argues Mr. Hu, who also teaches economics at Qinghua University, in Beijing. The market is big enough for private institutions, even foreign ones, to operate more freely than they are now allowed to, he says.

Speaking at a Beijing seminar in August, Zhou Yuanqing, the Deputy Minister of Education, proposed a larger role for private universities in China. Such institutions, he said, could help absorb some of the students that state-run universities cannot accommodate because they do not have enough room and because of a "shortage in government educational investment."