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HIGHER EDUCATION REFORM AND MARKET DISASTER IN PAKISTAN: A POLICY STUDY OF PUBLIC SECTOR UNIVERSITIES IN KHYBER PAKHTUNKHWA, PAKISTAN

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ABSTRACT
Public sector universities in Pakistan have increasingly been subjected to market-oriented reforms framed around efficiency, accountability, and financial sustainability. Despite these reforms, public universities particularly in Khyber Pakhtunkhwa continue to experience chronic financial crises, governance failures, declining academic quality, and weakened institutional legitimacy. This paper argues that these outcomes cannot be adequately explained through managerial inefficiency or incomplete reform implementation alone. Instead, it conceptualizes the crisis of public sector universities as a policy-induced outcome rooted in structural misalignment between higher education reform agendas and the broader governance architecture of the state. Drawing on political economy, organizational ecosystem analysis, and debates surrounding New Public Management, Weberian bureaucracy, the tragedy of the commons, and the free-rider problem, the study develops an integrated analytical framework to explain why neoliberal reforms have generated destabilizing consequences. Using a qualitative comparative case study of the University of Peshawar and the Institute of Management Sciences (IMSciences), the paper shows that while higher education is rhetorically framed as a public good, it increasingly operates as a depleted common-pool resource. Open access, weak contribution mechanisms, and limited self-governance have institutionalized free-riding at the University of Peshawar, accelerating organizational decline, while IMSciences' bounded governance ecosystem enables conditional resilience. The paper concludes that imposing market logic on unregulated public universities constitutes a market disaster rather than meaningful reform and calls for higher education governance grounded in predictable public investment, enforceable institutional boundaries, and alignment between organizational reform and state governance structures.

Keywords: *Higher Education Policy; Market Disaster; Tragedy of the Commons; Free-Rider Problem; New Public Management; Weberian Bureaucracy; Organizational Ecosystems; Pakistan.*

INTRODUCTION
Public sector universities in Pakistan are undergoing a prolonged institutional crisis marked by fiscal instability, governance failures, declining academic quality, and diminishing public trust (Shah, 2013; World Bank, 2020). Over the past two decades, higher education policy has increasingly been shaped by neoliberal governance frameworks emphasizing efficiency,

competition, performance measurement, and financial self-reliance (Hood, 1991; Ball, 2012). Within this paradigm, public universities are expected to function as quasi-market actors capable of generating their own revenue while simultaneously fulfilling social, academic, and developmental mandates. This expectation has proven deeply problematic, particularly in provinces such as Khyber Pakhtunkhwa, where public universities face expanding enrollment pressures alongside shrinking and unpredictable state funding. Rather than enhancing efficiency or autonomy, market-oriented reforms have intensified institutional stress and governance incoherence. This paper argues that the crisis of public universities cannot be understood solely because of poor management or partial reform implementation. Instead, it must be analyzed as the outcome of a deeper structural contradiction between organizational ecosystems, state superstructures, and the nature of higher education as a collective resource. The central argument advanced here is that public universities in Pakistan increasingly operate as unregulated common-pool resources. While access to university resources for all in the form of academic services, spatial, financial benefits remain broadly open, however, mechanisms for collective contribution, accountability, and self-governance remain weak. Under such conditions, the dynamics described by the tragedy of the commons and the free-rider problem become institutionalized. When combined with externally imposed market logics and declining state responsibility, these dynamics produce what this paper conceptualizes as a market disaster in higher education. To empirically ground this argument, the paper undertakes a qualitative comparative analysis of the University of Peshawar and IMSciences. Although both institutions operate within the same provincial and national policy environment, their organizational trajectories diverge significantly. This divergence provides critical insights into how governance boundaries, institutional design, and ecosystem management shape resilience or vulnerability under neoliberal reform pressures.

2. Conceptual and Theoretical Framework

2.1 Organizational Ecosystems

Universities operate within complex organizational ecosystems shaped by interactions among the state, society, and the market (Adner, 2017; Mintzberg, 2009). These ecosystems include regulatory authorities, funding bodies, political institutions, labor markets, local communities, and internal stakeholders such as faculty, students, and administrative staff. Institutional performance, therefore, cannot be reduced to internal managerial practices alone; it reflects the degree of alignment between organizational mandates and external governance structures (Pollitt & Bouckaert, 2017). In Pakistan, public universities are embedded in contradictory ecosystems. They are formally mandated to serve public and developmental goals while increasingly being governed through market-oriented expectations without corresponding autonomy or support. This misalignment intensifies organizational stress and undermines long-term sustainability.

2.2 Higher Education as Commons

While higher education is often conceptualized as public good, its operational reality more closely resembles that of a common-pool resource characterized by shared access, high social value, and vulnerability to overuse in the absence of effective governance (Ostrom, 1990; Marginson, 2016). Access is broadly available, yet resources financial, infrastructural, and institutional are finite. In the absence of clearly defined boundaries and enforceable rules, such resources are vulnerable to overuse and degradation causing severe financial problems. Hardin's tragedy of the commons highlights how shared resources deteriorate when individuals rationally pursue private benefits without collective restraint. Ostrom's work complicates this determinism by demonstrating that commons can be sustainably managed through self-governance, clear boundaries, and graduated sanctions. The failure of public universities, particularly UoP, therefore, is not inherent to their public character but to the absence of effective governance mechanisms.

2.3 Free-Rider Problem

The free-rider problem arises when individuals or groups benefit from collective resources without contributing proportionately to their maintenance. In UoP, free-riding manifests through extensive benefit extraction by internal and external actors' students, staff, affiliated institutions, and surrounding communities without corresponding financial, institutional, or governance contributions. When universities continue to provide welfare and subsidies under conditions of fiscal crisis, free-riding becomes institutionalized rather than incidental.

2.4 Weberian Bureaucracy, New Public Management, and Superstructural Misalignment

Neoliberal reforms in higher education advocate a shift in the organizational ecosystem of public sector universities from the Weberian Bureaucratic Model (WBM), characterized by hierarchy, centralization, and rule-bound decision-making, toward New Public Management (NPM), which emphasizes decentralization, horizontal structures, efficiency, market orientation, and faster decision-making. However, a fundamental contradiction emerges when such reforms are implemented within a state superstructure that itself remains anchored in Weberian bureaucratic governance. In Pakistan, the state's governance architecture largely reflects centralized authority, hierarchical control, and weak democratic accountability, shaped by an unrepresentative and mistrusted political system and reinforced through bureaucratic dominance. Under such conditions, expecting public universities to autonomously transform their organizational ecosystems in line with NPM principles is structurally unrealistic. Meaningful institutional transformation is feasible only when the broader governance superstructure of the state itself embodies principles of decentralization, accountability, and evidence-based decision-making that underpin NPM and good governance.

The role of the Higher Education Commission (HEC) is particularly illustrative of this superstructural contradiction. While HEC policy discourse promotes performance indicators, competitive funding, quality assurance, and market-relevant outputs hallmarks of NPM it simultaneously exercises centralized regulatory control over universities through funding approvals, staffing rules, academic regulations, and compliance mechanisms. This hybrid governance role positions HEC as neither a fully enabling NPM-oriented agency nor a neutral coordinating body, but rather as a Weberian regulator deploying selective market instruments. Such hybridity deepens institutional ambiguity and constrains universities' capacity to meaningfully internalize NPM reforms. In the absence of alignment between organizational structures and the state superstructure, neoliberal reforms generate organizational confusion and policy incoherence. Universities are pressured to behave as market-oriented entities while remaining constrained by bureaucratic oversight and political interference. This contradiction does not produce efficiency; instead, it culminates in what this paper conceptualizes as a policy-induced market disaster, manifesting in weakened governance, declining educational quality, fiscal instability, and erosion of the public purpose of higher education.

2.5 From Market Failure to Market Disaster

Conventional policy discourse frames higher education reform in terms of market failure and efficiency enhancement. This paper advances the concept of market disaster to capture the cumulative effects of imposing market logic on institutions that function as unregulated commons within weak governance environments. Market disaster does not result from imperfect markets alone but from the inappropriate transplantation of market rationality into structurally incompatible contexts.

3. Higher Education as a Public Good in Pakistan

Historically, higher education in Pakistan emerged as a public good embedded within the post-independence social contract. Public universities were established to promote social mobility, national integration, and indigenous knowledge production. For decades, access was heavily subsidized, reflecting recognition of education's collective benefits. Since the late 1990s, however, this orientation has been progressively undermined by neoliberal reforms emphasizing cost recovery, tuition-based financing, and institutional self-reliance. While public funding expanded temporarily during periods of external inflows, sustainable financing mechanisms were never institutionalized. As funding declined, universities were compelled to rely on fees and commercialization, transferring costs from the state to students and institutions. This shift has transformed higher education into a contested common socially open yet fiscally unsupported. The resulting contradiction erodes equity, distorts academic priorities, and undermines institutional legitimacy.

4. This study: Methodological Approach

This study adopts a qualitative, conceptual, and comparative policy research methodology aimed at diagnosing governance and policy failures rather than evaluating individual institutional performance. The analysis draws on institutional documents, higher education policy texts, budgetary patterns, interviews with key informants and secondary literature to examine how policy design, governance structures, and resource allocation shape organizational behavior in public sector universities. The comparative case study of the University of Peshawar and IMSciences is particularly suited to policy research because both institutions operate under the same provincial and national higher education policies, regulatory frameworks of the Higher Education Commission (HEC), and fiscal environment of Khyber Pakhtunkhwa. This design allows the study to isolate how differences in organizational ecosystems and governance boundaries mediate policy outcomes under identical policy conditions. The analytical focus is therefore on policy-induced structural effects rather than institutional idiosyncrasies.

5. Organizational Ecosystems in Practice

5.1 University of Peshawar

The University of Peshawar exemplifies a public university embedded within a Weberian bureaucratic governance structure that has struggled to adapt to neoliberal reform pressures. As one of Pakistan's oldest public sector universities, it has either failed to fully internalize the implications of the NPM agenda or has responded to it in a largely reactive manner, without a gradual and strategic transition from bureaucratic governance to performance-oriented management. Institutionally, UoP continues to operate as an unbounded common, with extensive academic and residential infrastructure shared by multiple public institutions and surrounding communities. While benefits are widely extracted, mechanisms for accountability, contribution, and strategic governance remain weak. Despite severe fiscal constraints, the university continues to provide extensive welfare services and subsidized education, reinforcing free-rider dynamics and accelerating resource depletion. Notwithstanding these constraints, the University of Peshawar retains a strong normative commitment to its public mission. It continues to prepare students to engage in broader societal challenges, critical inquiry, and global intellectual traditions, emphasizing public responsibility over narrow employability outcomes. This commitment, while socially valuable, becomes institutionally unsustainable in the absence of supportive state policy and governance alignment.

5.2 IMSciences

In contrast, IMSciences represents a comparatively bound and digitally driven organizational ecosystem shaped by selective adoption of NPM principles. Its governance structure emphasizes managerial autonomy, performance orientation, and closer linkages with industry, the market, and government agencies. These features have enabled IMSciences to achieve faster decision-making, diversified revenue streams, and partial insulation from market-driven disruptions. However, this orientation also reflects a differentiated academic mission. IMSciences place stronger emphasis on market-oriented skills, employability, and immediate labor market relevance, largely preparing graduates for private and public sector employment. While this model enhances short-term adaptability, it risks narrowing the broader public and critical functions traditionally associated with public universities.

6. Discussion: Policy-Induced Commons Erosion and Market Disaster

The comparative findings reveal that market-oriented reforms fail most acutely where universities function as unregulated commons under conditions of declining state responsibility. At the University of Peshawar, higher education policy has produced an open-access institutional environment in which benefits are widely extracted while contribution mechanisms remain weak or unenforced, generating dynamics consistent with the tragedy of the commons and free-rider problem (Hardin, 1968; Olson, 1965). Marketization under such conditions does not enhance efficiency or accountability; instead, it accelerates institutional decay, fiscal exhaustion, and governance fragmentation (Marginson, 2018; UNESCO, 2021). Crucially, these outcomes are not accidental, but policy induced. The gradual withdrawal of predictable public financing, combined with continued expectations of social openness, welfare provisioning, and mass access, has shifted the burden of sustainability onto institutions that lack both market capacity and regulatory autonomy. The University of Peshawar's experience demonstrates how policy incoherence transforms a public university into a depleted common-pool resource rather than a resilient public institution. IMSciences' relative resilience illustrates that bounded governance ecosystems characterized by clearer institutional rules, managed access to resources, and selective market engagement can mitigate but not eliminate the effects of market disaster. Organizational design matters, but it cannot compensate for systemic misalignment at the level of the state.

7. Conclusion and Policy Implications

This study demonstrates that the crisis of public sector universities in Pakistan is not merely the result of institutional inefficiency or incomplete reform implementation, but a structurally produced outcome of superstructural misalignment between neoliberal reform agendas and the state's bureaucratic governance architecture. By integrating organizational ecosystem theory with the tragedy of the commons, the free-rider problem, and the Weberian–NPM debate, the paper shows how unresolved conflicts between competing organizational paradigms generate policy-induced market disaster.

The University of Peshawar illustrates how a Weberian bureaucratic institution, operating as an unregulated common and subjected to market pressures without corresponding autonomy or state support, experiences fiscal exhaustion, governance fragmentation, and declining sustainability. In contrast, IMSciences demonstrate that selective alignment with NPM principles and digitally driven governance can mitigate some market pressures, though such resilience remains conditional and insufficient in the absence of coherent state reform.

From a policy perspective, the findings underscore that meaningful higher education reform cannot occur in isolation from broader state transformation. Unless the state adopts a rational, evidence-based, and contextually grounded model of governance, both public universities and the wider socio-economic ecosystem will continue to suffer from chronic financial, managerial, and quality-related crises. Without an indigenous and empirically informed superstructural model aligned with organizational reform, political and economic stability particularly in terms of self-sustaining national resources will remain unattainable. The unresolved tension between New Public Management and the Weberian Bureaucratic Model generates structural incoherence that undermines institutional ecosystems and invites market failure within public sector organizations. Sustainable reform therefore requires alignment between state governance, organizational design, and the public purpose of higher education, reaffirming universities not merely as market actors or open commons, but as regulated public institutions central to democratic and developmental goals.

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