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ABSTRACT

This paper provides an overview of the development of markets in Australian higher education, with implications drawn for teaching, research, and management. It notes that while many institutions' market activities appear to be developing spontaneously, these changes are also common responses to the policy/cultural environment in which higher education institutions now find themselves. The paper's first part presents a theoretical description of the different markets in higher education and some of their characteristics. The argument draws on Hirsch's concept of education as a positional good. Using this framework, the second section summarizes the development of markets during the last decade in Australian higher education and analyzes the effects of those government policies which constitute part of the conditions underlying market development. Areas covered include the emergence of tuition fees and other user charges, overseas marketing, postgraduate education, and commercial research and consultancy. The third section discusses possible future directions. Contains 40 references. (Author/GLR)

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# Markets in Australian higher education

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*Abstract*

This paper is an overview of the development of markets in higher education, including some implications for teaching, research and management. Markets have always been part of higher education, but market activity is becoming broader, more complex and more important. Both sides of formal politics in Australia support market development, though there are policy differences of both degree and kind. In many institutions market activity appears to be developing spontaneously, but these changes are also common responses to the policy/cultural environment in which higher education institutions now find themselves.

The first part of the paper is a theoretical description of the different markets in higher education, and some of their characteristics. The argument draws on Hirsch's concept of education as a positional good. Using this framework, the second section summarises the development of markets during the last decade in Australian higher education and analyses the effects of those Government policies which constituted part of the conditions of possibility of markets. Areas covered briefly include the emergence of tuition fees and other user charges, overseas marketing, postgraduate education, and commercial research and consultancy. The third section discusses possible future directions.

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## Theoretical note on markets in higher education

The production of education may take either market or non-market forms. Often, especially in higher education, it is a mixture of both.

*Market production*

Three elements are basic to market production. All three are necessary to fully functioning markets, and tend to develop symbiotically with each other.

First, there are defined products or outputs (commodities) that are sold to consumers, for example the student consumer of teaching, or the industry consumer of commercial research and consultancy. Second, there is a system of competitive production, producer institution against producer institution, criss-crossed by market exchange between the consumers (buyers) and the institutions (sellers) producing educational services, sometimes taking a contractual form. Third, there is a set of attitudes and behaviours that are 'market rational', in the sense that they maximise the economic position of the buyer or seller.[1] Thus markets in higher education imply a management that is entrepreneurial, students who want to secure the best possible return from their investment in education, and teacher-researchers whose polar objective becomes the maximum possible net income, from the least possible labour time.

The above represents an internally consistent model of market production, not an empirically-based description of any education system. These features of market production can be identified (to a greater or lesser extent) in any system of higher education, but there are always also other,

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[1] Ruby et al from the Department of Employment, Education and Training argue that 'social markets' in education have ten elements. Two refer to product: 'clearly defined outputs', and 'comparative performance data'. Two refer to exchange between producers and consumers: 'a division between the functions of providing and purchasing services', and 'explicit agreement on desired outcomes between client and provider'. Three refer to competition between producers; 'diversification of providers', 'opportunities for consumer choice', and 'a strong consumer voice'. The element of market behaviours is not mentioned; presumably, Ruby et al see market psychology as a product of the other market structures, in a linear cause-effect relationship (rather than evolving simultaneously, so that market psychology is a cause as well as an effect: the approach preferred in this paper). Ruby et al also include 'a rational financial framework', 'strong lay management', and 'independent inspection and audit functions', but these characteristics refer to an ideal type of market that maximises producer efficiency and consumer knowledge, rather than markets *per se*. These characteristics are not essential to the functioning of markets, and are often missing from education markets, although they are probably necessary for the delivery of the full benefits claimed by the advocates of markets (Ruby et al 1992: 7-27).

'non-market' elements in play: the work of universities is more complicated than any single model of production could suggest. The extent to which production is consistent with market production varies both between and within higher education institutions, is unstable and is subject to change over time. At one extreme there is the fully capitalist form of higher education, in which the only goals are to maximise corporate profits and market share, and providing education becomes merely a means to these extrinsic, economic ends. Overseas marketing, full fee postgraduate training and commercial research sometimes take this form. But in most of the work of universities motives other than market rationality also come into play, such as the academic commitment to scholarship and to pastoral care, or the need to provide equality of opportunity.

Market behaviours in higher education (like other behaviours) are neither 'natural' nor inevitable. They arise when and to the extent that universities -- and the society around them - place a high value on market-defined objectives and skills. Economic identities are a product of their context; they are 'ultimately precarious and unstable', changing as the context itself changes (Daly 1991: 79-102). Further, as the Coalition Parties' policy on higher education suggests, these identities can be *constructed* -- not only by market forces, but by deliberate policy. This will not come as a revelation to system or institutional managers who are in the business of trying to move people from one mindset into another, but it might be disputed by those economists who argue that all people are fundamentally nothing but market actors (*homo economicus*) and in the era of deregulation and micro-economic reform, the task of public or institutional policy is to strip away all the extraneous cultural layers, in order to expose our 'true nature' and allow the unregulated market free play.[2]

*Non-market production*

Non-market production of education takes several forms. One form is that of the local community-based school, where education is treated as a common good not as individualised outputs, the institutional form generates little or

[2] Some market reformers are explicit about the constructed nature of market-rational behaviours. For example Hayek made the point that 'rational behaviour is not a premise of economic theory, though it is often presented as such. The basic contention of theory is rather that competition will make it necessary for people to act rationally in order to maintain themselves ... Competition is as much a method for breeding certain types of mind as anything else' (Hayek 1979: 75-76)

no necessary competition between students, and the boundaries between producers (teachers) and consumers (parents) tend to dissolve. Everyone helps each other.

A second form derives from the scholastic and pastoral tradition in the leading independent schools and those parts of the older universities that identify themselves as the principal bearers of classical liberal education. The objective of the classical liberal education is cultural reproduction, rather than economic production. In the pre-modern era in these institutions, the market elements (such as the scarcity of places) were overshadowed by the liberal tradition and by the internal solidarity of the wealthier classes which used those institutions, which constrained the development of a fully-fledged competition and market-defined efficiency. In the modern era the balance between liberal education and economic production has shifted in favour of the latter, creating tensions within these institutions -- although these tensions have not been disabling ones.

A third form of non-market education is that of the government department subject to bureaucratic procedure and Ministerial control, with administered resource allocation without reference to market signals. A fourth, intermediate form, one with some resonance in Australian higher education, is the semi-autonomous statutory corporation.

The last three of these non-market models have influenced Australian universities, with the balance between the elements changing over time. This balance can also vary by institution and before the Unified National System was established, by sector. Add in the changing role of markets, and it can be seen that universities cannot be reduced to a singular or constant formula. The identity of universities is fluid, complex and also contested. It is not surprising that whenever there is an important change in policy, as in 1988, the 'nature of the university' tends to become one of the mediums of debate.

*Market and state, public and private*

Conventional discussion of market reform recognises two mutually exclusive alternatives, 'state versus market', a dualism which has its origins in seventeenth and eighteenth century liberal theory and has been recycled to powerful effect by Hayek, Friedman and other contemporary free market liberals whose thinking was shaped by the Cold War[3]. To confuse matters,

[3] This market liberal discourse and its policy-related effects are analysed in Marginson 1992.

the alternatives of market versus state are also often understood as 'public versus private'. The dualism runs through the whole debate about market reform in higher education, but it is misleading in several ways. Reality is more complex. First, it is not always a matter of 'either/or'. In universities, non-market and market activities often exist side by side in the same department, and even in the work of the same individual academic, becoming combined in complex ways. Slaughter (1991: 3) makes the remark that scientific work is often characterised by 'shifting allegiances'. Second, the distinction between market and non-market production is *not* the same as the distinction between public and private production. The private sector includes non-market institutions such as the family, the church, community sporting clubs, and even some private schools with open entry and low fees, while also covering corporations and markets. The public sector is involved in commercial, market production as well as bureaucratic, non-market activities. For example some public hospital services are market based, as is much of the operation of public utilities, not to mention the overseas marketing of tertiary courses. Thus the coordinates of market/non-market cut across those of public/private.[4]

The equation of public/private and market/state does have some purchase, in that the *unrestricted* development of markets is more likely to occur under private than public ownership. In the public sector there is always the potential for political decision-making that overrules the economic logic of the market, for example through the introduction of equity objectives.

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[4] Here the economist Paul Samuelson's normative and influential 1954 essay on public goods has muddied the waters considerably. Samuelson defined public goods as goods that were unable to be produced on a market basis, because of their characteristics of non-rivalry (consumption by one person does not harm another) and non-excludability (non-payers could not be excluded from the benefits of consumption). It was assumed that all other goods were inherently 'private' goods produced on a market basis. Samuelson's public goods were in fact non-market goods. Market production was seen as the norm: the public sector was assigned to a residual role, and it was assumed that private sector production was necessarily market production (Samuelson 1954: 387-389). These assumptions are particularly problematic in areas like education which is quite capable of being produced either on a market or a non-market basis. Like free public health services, education can be produced like a common good, where it is freely available for universal use and cannot be made exclusive, as Macpherson's analysis of property forms suggests (Macpherson 1975: 104-124). Or at another extreme, it can be turned into a scarce commodity where consumption is restricted and subject to capacity to pay in the market, like fee-based vocational training when there are a limited number of jobs available. The choice between these (and other) alternatives is determined not by timeless 'essential' characteristics of the good/service called education, as Samuelson implied, but by historical factors, including those public policy decisions that effect the nature of education. Education is what we want it to be.

Correspondingly, markets are more likely to develop under private ownership, in that the private property form readily lends itself to scarcity and competition which are necessary aspects of markets. Those higher education systems where the private sector is strongest are also the systems where market production is most prominent. Nevertheless, there is never a simple one-to-one correspondence between the extent of private production and the extent of the markets -- as the case of overseas marketing in public schools makes obvious.

To complicate matters further, like the private sector, the public sector is varied in character. It rests on the legal and administrative services of the state, but also includes semi-autonomous institutions whose precise location is ambiguous; sometimes they are clearly quite close to the central core of government, sometimes they are moving away and taking on a quasi-private character. Universities lie in this zone of ambiguity. Sometimes they appear to be operating under Ministerial direction, at other times they are more like independent schools. The degree of autonomy also varies between institutions, with the older universities enjoy more real independence than the others.

Like the relationship between market and non-market production, the shading between the public and the quasi-private character of universities tends to ripple and shift over time. This balance, too, is sensitive to both policy and social/cultural changes. In 1978 Partridge noted that in the postwar period Australian universities had taken on a more public character:

> 'It seems to me that until about the time of World War 2 Australian universities were not predominantly in the public sphere; they were certainly not part of the - how shall I say -- the official or the governmental sphere of society; they had more of the character of free-standing institutions.
>
> 'I say this paradoxical thing even though I know that before the last war they were all State universities constituted by, and subject to, State law, partly financed by State Governments (but the proportion of total income provided by the State Government statutory grants was very much smaller than the proportion of Commonwealth grants to the total income of universities) and the universities even before the war were exposed to a variety of State governmental controls and interferences. All this is true, but nevertheless I would still argue that State

universities were far more in the private sphere, outside the sphere of government, than they have become in the last 25 years. The attitude of state Governments, generally speaking, was characterised by a very considerable measure of aloofness and indifference so far as the universities were concerned' (Partridge 1979: 10-19).

One of the effects of the Dawkins reforms was to assert certain 'public' characteristics of the universities, while simultaneously encouraging them to take on a corporate organisational form and more extensive market relationships. The model was that of the public corporation rather than the private corporation. Ironically (at least in terms of the conventional market/state duality), certain market-oriented changes were used to secure Government policy objectives. These issues are further explored below.

*Positional goods*

What then are the products that are sold in the higher education markets? How extensive are these markets? There are two commodities produced in education. These can be described as positional goods and knowledge goods, and they have long been a part of higher education.

Positional goods are places in education which are seen to provide students with relative advantage in the competition for future jobs, income, and social standing and prestige. Not all educational enrolments provide such an advantage -- for example the successful completion of Year 10 no longer confers a positional advantage, given near universal participation to that level -- but all places in higher education still constitute something of an advantage in the struggle to obtain work and avoid unemployment. Thus there is a universal positional market, but the value of the different positional goods is uneven. The most sought-after positional goods are places in the professional training faculties in the established universities, especially in Medicine, Law and Dentistry.

The modern growth of higher education has led to a large, complex and vertically differentiated market of institutions and courses. Within the mass system, some traditional forms of participation have retained their positional value by imposing severe limits on access. In the United States' the Ivy League institutions have grown more slowly than the total system of higher education. In Australia, the positional value of a medical degree has been maintained by holding down student numbers. For example in 1953,

24.9 per cent of all graduates were from Medicine. By 1984 this proportion had fallen to 3.6 per cent.

The main distinguishing characteristic of positional goods is that they are not only scarce (like all market goods) but scarce in *absolute terms*. At any give time, there are a limited number of positions of economic and social leadership. If there is significant growth in the number of students in exclusive university courses, there is a 'crowd out' effect which reduces the value of the average place. The point is that with a fixed number of positional goods, one person can gain positional advantage only at another's expense. As Fred Hirsch put it in *Social limits to growth* (1976):

> 'By positional competition is meant competition that is fundamentally for a higher place within some explicit or implicit hierarchy and that thereby yields gains for some only by dint of loss for others. Positional competition, in the language of game theory, is a zero sum game: what winners win, losers lose' (Hirsch 1976: 52).

Positional goods are always allocated on a competitive basis and because the value of these positional goods is necessarily unequal, there is always a hierarchy of positional outcomes; except in the polar case when education is produced entirely on a non-market basis and has no positional value at all. Likewise, an abundance of positional goods is impossible: as the number of positional goods at a given level rises, they tend to disappear. One of the consequences is that the demand for education as a positional good can never be satisfied. The more that demand expands, the more social resources are absorbed in the positional competition (so that it becomes not just zero sum but negative sum), and the less that new consumers can achieve satisfaction. Even as the new layers of the population obtain access to higher education, the individual benefits fade mysteriously.

Since the late 1960s, as mass higher education has expanded and the proportion of graduates within the workforce has steadily increased, the average earnings received by graduates have declined in comparison to the average earnings received by all members of the workforce. For example in 1968-69 degree holders in the full-time workforce aged 25 to 34 years earned 79 per cent more than the average full-time worker in the age group. By 1989-90 the margin at 30 per cent was still significant, but much less than it was

before mass higher education.[5] The decline in the relative position of the average graduate drives bachelor level students on towards postgraduate qualifications (continuous upward movement of credentials, credentialism) and renders the competition for entry into the most sought-after courses and most popular institutions still more intense, resulting in increasing cut-off scores.

The production of positional goods takes place whenever there is a scarcity of places. Thus even when there are no fees, some features of market production are present. During the period of free education between 1971 and 1987, the professional faculties of the leading universities were in competition for the high scoring school leavers, for example Sydney and the University of NSW, Melbourne and Monash. At that time the competition was mainly for social standing and educational prestige, and perhaps for endowments and bequests. Now, as fee income becomes more important, and relative institutional standing affects the capacity to attract support for all activities, the stakes in positional competition are much higher. We have not yet regulated our positional market with United States' style league tables, or surveys of research performance like those published by the British *Times Higher Education Supplement*, but both of these possibilities, however undesirable, have been floated.[6] Already Ashenden/Milligan's consumption-oriented *Good universities guide* provides something of a positional comparison between Australian universities, although the main emphasis is on quantitative indicators, and the relative prestige of institutions is not addressed.

Nevertheless, positional goods are unusual in that there are certain constraints on the extent of their production as market goods. Because the number of positional goods is *inherently* limited, enrolments cannot be indefinitely expanded and this sets a ceiling on the size of the domestic market and the mass of profits (though not the rate of profit), even in a deregulated, high fee regime. Further, there is a strong tradition of

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[5] Data from the Australian Bureau of Statistics income survey series, Catalogue No. 6546.0 (Marginson, forthcoming #).

[6] In the 1990 election campaign the Liberal and National Parties proposed the introduction of formal league table comparisons of institutions in general and by discipline area. For the British research rankings see *The Times Higher Education Supplement*, 18 December 1992; for early signs of the same process developing in Australia (in the parallel Murdoch-owned newspaper), see Leech (1992: 13) in *The Australian*.

government and professional association involvement in policy on the high-status professional courses, which cuts across the development of a free market. The Coalition Parties' 1992 election campaign proposal to exempt medicine from the general deregulation of enrolments is a case in point (LNP 1991: 49). There are two exceptions to these inherent limitations. First, numbers can expand freely in new areas of fee-based postgraduate training, until the natural limits of the market have been reached. Second, in overseas marketing (as in some business training) the limit on the size of the positional market is set internationally rather than nationally, and the global market is still expanding. It is not surprising that in these areas, the production of positional goods has taken on a fully capitalist character.

*Knowledge goods*

The dynamics of knowledge goods are different. They are not subject to absolute scarcity and the expansion of production of these goods does not necessarily reduce their value. There is no obstacle to knowledge goods becoming subject to fully capitalist production. At the other extreme, the absence of market conditions does not cause knowledge goods as such to disappear: production also takes the non-market form. In these respects knowledge goods are unlike positional goods and akin to more conventional economic outputs in manufacturing and agriculture.

When people purchase an education not solely for occupational or social position, but in order to change themselves, to turn themselves into different people in some way, then in the last respect, they are investing in education as self-transformation: this is one type of knowledge good.[7] But the fastest growing form of knowledge good is that of artefacts of knowledge, as defined by the laws governing intellectual property (copyright, patents, trademarks, etc.). These include the conventional artefacts - books and periodicals, research reports, videos, films, sound recordings, works of art, computer software, information systems, etc - and also discrete bodies of knowledge or 'know how', now a recognised form of intellectual property.

The expansion of the market in knowledge goods has been facilitated by two important developments. First, the interaction between changes in technology and the growing markets in information and education. The

[7] Elsewhere, Foucault has been followed in tagging education as self-transformation with the term *savoir*. See the more extended discussion of *savoir* as a knowledge good, and its relation with classical liberal education, in Marginson, forthcoming ##.

outcome of these combined changes are comparable to the effects of the generalisation of printing at an earlier time.[8] Lyotard (1984: 3-4) notes that 'the miniaturisation and commercialisation of machines is already changing the way in which learning is acquired, classified, made available and exploited'. Only learning which 'is translated into direct quantities of information' is readily adaptable to market exchange, and increasingly, 'the direction of new research will be dictated by the possibility of its eventual results being translatable into computer language'. The development of information technologies is expanding the diversity and range of tradeable knowledge.

> 'Various new media, information and communications technologies, in particular broadcasting, publishing and modern computing and telecommunications are converging to increasingly become integral to a striking new and unfamiliar nexus between education, the market and information technology ... Because of their increasing use of various information and communications technologies, educational institutions are providing an expanding market... Fierce competition developed in schools at all levels, when the first commercially available microcomputers appeared. Schools were identified as the key sites in the commercial contests between computer vendors ... And, on the other hand, educational institutions are using their relationships to information technologies in their own marketing enterprises. Some institutions are seeking to promote themselves on the basis of their use of such technologies in the curriculum and others are using such technologies to offer new forms of pedagogy which increase their market reach both nationally and internationally. A key example in this respect is distance education, a field which is, to some extent, at the cutting edge of the nexus of formal education, the new information technologies and the market' (Kenway 1992).

Second, there is the extension and codification of intellectual property arrangements, partly through contractual agreements between universities and companies at the point of technology transfer, but also through statutes

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[8] With printing 'what had been technically and socially achieved was not only extended distribution but that inherent mobility of cultural objects which is crucial to regular market relations' (Williams 1981: 97-98).

and contracts establishing the corporate interests of universities *viz a viz* their staff. Morris-Suzuki (1984) says that 'the special properties of knowledge (its lack of material substance; the ease with which it can be copied and transmitted) means that it can only acquire exchange value when institutional arrangements confer a degree of monopoly power on its owner'. Patent and copyright law have long been used to regulate some research output, but traditionally, the bulk of academic research has been non-market in character, subject to free intellectual exchange. The balance between market and non-market elements is now shifting, for example in computing, engineering technologies and the biomedical field.

Slaughter draws attention to an important change in U.S. patent law at the beginning of the Reagan years in 1980. Ownership of Federally-funded research projects was transferred from the Federal Government to the university, but not to the individual researcher. The new intellectual property regime made the universities into producers and sellers of research, enabling them 'to engage in privatisation of intellectual property on an unprecedented scale'. As the successive annual congressional testimony of university presidents demonstrates, during the 1980s the basic ethos of university science policy in America became shifted from 'veneration of fundamental science to promotion of entrepreneurial science', and there was an explosion of commercial activity (Slaughter 1991: 5, 20-31; Slaughter and Rhoades 1990). In Australia, most universities have moved or are moving to establish a new and more comprehensive intellectual property regime, facilitating both the extension of the knowledge markets and the management of production and exchange in those markets, though some of the underlying issues, such as the respective ownership rights of academic creators and employer universities, have yet to be settled in law.[9]

As Slaughter notes in relation to scientific research, the evolution of these product markets in positional goods and knowledge goods has been associated with changes to forms of management and academic labour. Concurrently there have been changes to funding arrangements involving the use of *simulated* markets, in order to develop a management focused on competition and corporatist efficiency, but also in conformity with government policy objectives. The next section explores this further.

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[9] For one example of proposals to establish a more comprehensive intellectual property regime see Larkins (1992: 3-4)

## Labor and the development of markets since 1983

When the Australian Labor Party took office in 1983 it inherited a system where there was scarcity of places in many courses and hence an element of positional competition: there was competition between institutions for students, and for academic standing in professional preparation and research. But this positional market was not a fully economic market. With the exception of the overseas student charge there was no fee-based exchange between students and institutions, let alone market prices determined by costs and profit. The scarcity of places was solely an administered scarcity, rather than only or also being determined by market price. There was a modest amount of commercial research and consultancy, but the norm of academic research was basic research of a non-market character. The system was not permeated by the market behaviours favoured in economic textbooks. Some students no doubt saw themselves as investors in future economic returns, but in most places entrepreneurial qualities were not highly valued among academics.

The change over a decade has been considerable. In 1993 the number of places is still in large part regulated by public planning and for most students, institutions are not able to set their own chosen level of fees. But during the Labor years the positional competition has become more intense and market price, while still operating on the margins, now plays a significant role, especially in much of postgraduate education. The Higher Education Contribution Scheme (HECS) has normalised user charges for basic undergraduate education. Commercial research has been mainstreamed and full cost recovery and profit-taking have become the norm. Entrepreneurial and corporate forms of management have emerged as an important part of university life, alongside more traditional academic practices. Fees and other forms of private income are now indispensable, having risen from one tenth to one third of the total income of higher education institutions.

### *The 'mixed economy' in higher education*

Australian higher education is not a fully corporatised or market-based higher education system. But it is a system in which markets have become one of the three forces shaping the day to day life of the university, along with the liberal academic tradition in scholarship and professional preparation, and the role of government. The trend to markets has been shaped partly by institutional practice, partly by the growing market-based

influences from outside the institutions (such as the requirements of employers in what has become a buyers' market for graduates, and the burgeoning markets for knowledge goods), and partly by Government, although the Government has also set certain limits on market activities.

The Labor policy is a hybrid policy and one unlikely to find a stable equilibrium. The policies encourage both common, non-market practices, and market practices. Within Labor's mixed economy in higher education there has been a definite movement towards the market side of the mix. From 1985 to 1992 total student enrolments expanded from 370 016 to 559 337 (51.2 per cent). Nevertheless, over the seven year period retention of students to the final year of secondary schooling rose from 46 per cent to 76 per cent (ABS 1993), and demand for entry into higher education increased faster than the number of places. The result is that positional scarcity was enhanced. 'Unmet demand' among qualified school-leavers was low in the early 1980s but by 1992, despite the rapid growth in enrolments, there were an estimated 34 000 to 49 700 eligible applicants unable to secure places in higher education, not including unsuccessful mature age applicants. Entry has become much more competitive. The table shows the rising Year 12 cut-off scores for entry into three faculties at the University of Sydney:

*Table 1*

**Cut off scores at the University of Sydney**
**Medicine, Law and Economics: 1982 to 1990**

| Course | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|---|---|---|---|
| Medicine | 425 | 425 | 439 | 429 | 440 | 445 | 448 | 447 | 453 |
| Law | 397 | 407 | 406 | 422 | 421 | 433 | 435 | 439 | 446 |
| Economics | 322 | 332 | 352 | 363 | 368 | 371 | 373 | 390 | 393 |

Source: Susskind 1990: 2.

The *Green Paper* and *White Paper* on higher education (Dawkins 1987; Dawkins 1988) spelled out Labor's model of a higher education system that was entrepreneurial in temper, with a management efficient in corporate terms, institutions more responsive to the needs of industry, and drawing a growing proportion of their funds from non-traditional sources, including students. These policies were similar to those pursued by the British Conservative Government and other member countries in the Organisation for Economic Cooperation and Development (Williams 1992, OECD 1990).

Nevertheless, while Labor has encouraged a greater inflow of private capital into the universities, it has sought to centre this capital on the public higher education institutions. Up to the time of writing the Government had refused to provide recurrent assistance to fledgling private institutions such as the Bond University, without which a competitive private sector could not be established. This is similar to the policy pursued in Britain and some European countries while unlike the situation in Japan and United States. Labor has opted for a mixed economy in the public institutions rather than a dual public/private system in which the operations of the private institutions would be largely outside the framework of public requirements for accountability and equity. It has facilitated and encouraged positional competition, and the marketing of selected activities, within the framework of a unified *public* system of higher education. Senator Susan Ryan explained this policy while Minister for Education in 1987:

> 'Public institutions are increasingly geared to attract private sector research funding, to take full cost overseas students, to export consultancies, teaching and other education services and to provide, on a profitable basis, many of the technical and managerial skills sought by industry. Given these developments, there is no need for the development of so called private universities' (Ryan 1987).

*Fees and charges*

Labor's policy on fees has combined the market approach with a traditional laborist commitment to targeted welfare provision, and elements of the common or universal approach used by the 1972 to 1975 Whitlam Government. The 1992 student loans scheme established the market investment model of student financing first outlined by Milton Friedman in 1955 (Friedman 1962: 85-107), foreshadowing a future shift in the balance of government support from grants to repayable loans. On the other hand, the Higher Education Contribution Scheme (HECS) was introduced in 1988[10] in the form of a flat rate transfer from students to government, rather than a

[10] Labor introduced a $250 per annum Higher Education Administration Charge from 1987, generating $105.4 million in revenue in the first year. In 1988 it was decided to introduce the HECS in the form of a charge repayable through the tax system. The HECS was originally fixed at an estimated average 20 per cent of course costs, $1800 for full-time students during the first year of the HECS in 1989.

market-based fee capable of influencing supply and demand: the Government rejected the recommendation of its 1988 Wran Committee that HECS charges should be broadly proportional to the cost of courses. Further, the requirement that the HECS does not have to be repaid until income reached a threshold level constitutes a relative public subsidy in favour of women, who on average have lower life time earnings than men. Thus while Labor has breached its own long-standing commitment to free education, its basic system of fees is an administered charge rather than one based on buyers and sellers, and it is universal in character. Concerns about social justice continue to shape the mainstream of enrolments -- even while at the same time, Labor's policies have also created a free market periphery of international students and vocational postgraduates.

In late 1987 it was announced that higher education institutions would be able to charge up front fees to students in vocational postgraduate courses, subject to certain restrictions, including the personal approval of the Commonwealth Minister for Employment, Education and Training, John Dawkins. Nine institutions began eighteen fee-based courses in 1988. Fee-based courses grew rapidly. Ministerial approval was easy to obtain, and both students and institutions had incentives to go down the fees route: for students, fees (unlike the HECS) were tax deductible, and for institutions fee-based courses provided a pool of retained income. For example in 1989 the University of Melbourne offered 31 fee-based postgraduate courses; by 1993 the number of courses has risen to 76, including the Executive MBA at $36000, the Master of Management (Technology) at $15800, and the Postgraduate Diploma in Management Studies at $14580 (UMPA 1992: 1, 7). Mostly these courses charge part-cost fees at lower levels, the minimum twice the level of the HECS.

There were 11,785 fee-paying postgraduate students in 1992 -- 2.1 per cent of all higher education students, and just over 10 per cent of postgraduates. The overwhelming majority were enrolled in Masters by coursework (6,638) or graduate diplomas (3,931); only 125 were research students. Postgraduate fee-paying students were heavily concentrated in business and law, where they were one third of all students, and to a lesser extent in nursing. In total postgraduate fees provided less than 0.4 per cent of the income of all higher education institutions in 1991: $20 million out of five and a half billion dollars. But fee-based courses were much more important at some institutions than others. There are more than a thousand fee paying postgraduates at the University of Technology in Sydney, Monash, New

South Wales, Deakin, and Macquarie (DEET 1993). In the 1993 Commonwealth budget fee-based postgraduates courses were partly deregulated, while the public funding for postgraduate scholarships and HECS exemptions was reduced. From 1994 onwards the proportion of postgraduates who are paying up-front is likely to increase substantially.

In business training, where there is already an established full-fee international market, the development of fee-based courses has been associated with new forms of corporate sponsorship. To again use the University of Melbourne as the illustration, in 1989 that university announced the formation of a Graduate School of Management in the form of a private company, although one that was also subject to the University Act. Half of the initial governing Board was drawn from the sponsoring companies, including Elders IXL, Pacific-Dunlop, BTR Nylex, CRA and BHP.

*Overseas marketing*

Under Labor the growth in the overseas marketing of higher education has been very dramatic. Here an aggressive and expansionary capitalism has been allowed full play.

International students have long been a significant minority in Australian higher education but until the mid 1980s their participation was governed by foreign policy rather than trade policy, although the 1979-80 Commonwealth Budget introduced an Overseas Student Charge fixed initially at approximately one third of course costs.[11] The Government's 1984 Jackson Committee found that 'international trade in Australian education services had potential as a significant new industry for Australia', that a deregulated industry would maximise competitiveness and that existing student subsidies constituted a form of industry protection and should be abandoned. A 1985 Government mission to Hong Kong and South East Asia estimated the potential market at $100 million per annum. The same year, Education Minister Susan Ryan announced guidelines for full fee marketing. In 1988 it was announced that the main purpose of international student policy would henceforth be overseas marketing, not foreign aid, and the former subsidised program would be phased out. The fees of some students would still be covered on an aid basis, but henceforth full cost arrangements would be the norm for policy purposes (NBEET 1990: 1-2).

[11] In later years the Charge was increased and by 1988 it had reached 55 per cent of average costs for some students. The Charge has now been phased out.

Institutions received strong incentives to expand overseas marketing. Places offered to full fee international students were additional to Government-funded places and 'outside the quota arrangements', so there was no limit on numbers. Initially, standard fees were set, at profit-making levels, so that institutions could use overseas marketing to subsidise other needs, including additional academic remuneration, such as salary loadings. Initially, the minimum fees in university courses in business studies were set at 82 per cent above marginal cost. University fees in engineering and computer science were set at 36 per cent above marginal cost (CTEC 1987: 36).

Rather than certain universities specialising in overseas marketing, within the framework of an overall division of labour, all universities are encouraged to compete for the overseas marketing dollar. Fee income is an important source of discretionary income. The effect has been to generalise entrepreneurial practices and a more competitive approach, throughout the system. With the main source countries being Malaysia, Hong Kong, Singapore and Indonesia, the number of full fee international students in higher education jumped from 1019 in 1987 to 30296 in 1992. English Language training grew almost as rapidly until 1990, when some colleges collapsed, wiping out students' fees. Table 2 shows the trends:

*Table 2*

**Fee paying overseas students in higher education, Australia women and men, 1987 to 1992**

| | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 |
|---|---|---|---|---|---|---|
| women | 341 | 1411 | 3456 | 7097 | 10155 | 13285 |
| men | 678 | 2184 | 5009 | 9708 | 13377 | 17011 |
| total | 1019 | 3595 | 8465 | 16805 | 23532 | 30296 |
| *Change* in total (%) | -- | 252.7 | 135.5 | 98.5 | 40.2 | 28.7 |
| proportion of *all* overseas students (%) | 5.9 | 19.7 | 33.3 | 58.0 | 68.4 | 76.7 |

source: DEET 1993: 36.

Income from all forms of overseas marketing reached $100 million as early as 1988. By 1991 six higher education institutions were listed amongst Australia's top 500 exporters and in 1992 Monash University earned $23.4 million and the University of NSW earned $22.0 million from overseas

students. Overseas marketing was said by one newspaper to constitute an eighth of Monash's total revenue, although the DEET data on incomes state that it was 7.3 per cent (Dwyer 1992; Lewis 1991: 28; DEET 1993: 159-165). In total higher education institutions earned $216.1 million from overseas marketing in 1992. Overseas marketing has sometimes neglected educational values and quality of service, and this has generated resentment in South East Asian countries. A Murdoch University study of the market in Singapore found that 'Singaporeans hold widely to the view that we treat overseas students as a "money making racket"; their reverence for education clashes with our treatment of it as a commodity item' (Laurie 1992: 42-44).

*Knowledge goods*

The production of knowledge goods has also expanded, although here comprehensive data are lacking. The major concern of policy makers has been to facilitate technology transfer, to draw commercial benefits from the research capacity of higher education. Labor's major research initiative is the Cooperative Research Centres (announced in 1990), designed to finance collaboration between academic researchers, the government laboratories at CSIRO, and industry research. The Government has also changed the approach to non-Centre research. Following the 1988 decision to reallocate part of institutions' operating funds to the Canberra-based Australian Research Council (ARC), a growing proportion of publicly-funded research now takes the form of limited life projects with identified outcomes, with the allocation of these projects determined in open competition. Associated with both technology transfer and the greater emphasis on outcomes, there appears to be a swing to applied research, with less research in the form of open-ended programs of basic ('pure') research. These trends are difficult to identify with precision; nevertheless, the OECD has argued that they are common to most of the OECD region (OECD 1987: 101).[12]

The ARC funding system does not itself constitute an economic market. Nevertheless, in certain respects it contributes to the normalisation of market behaviour in the production of research. First, ARC funding is

[12] Japan appears to be exceptional in that its has attempted to strengthen basic research in relative terms, rather than shifting a higher proportion of higher education research resources into applied research and product development. The OECD (1987) reports that in Japanese industry it is often argued that universities should focus on what universities do best, and companies should carry out their own applied research and product development -- though the boundaries between company and university may be fluid (Kaneko 1992).

characterised by hyper-scarcity and hyper-competition. Second, the output-based framework used by the ARC has moved public research effort closer to the norms of commercial research. In project-based research, whether public or commercial, the relationship between researcher and funding agency takes on something of the flavour of the exchange between supplier and client.

By 1985 there were at least 30 subsidiary companies attached to the universities, whose brief was to encourage commercial research and consultancy. By 1989 these companies had a combined turnover of at least $100 million, including $15.2 million at ANU Tech Pty. Ltd. (Maloney 1990: 15). Commercial development was assisted by the 150 per cent (later 125 per cent) tax-write off for corporate research, and the emergence of research and development 'parks', specific sectors set aside for commercial research and university-industry interaction.

Like overseas marketing, commercial research has become a more important source of discretionary income as per capita government funding has fallen. At the key points of appointment and promotion, where the academic profession is formally constituted, the capacity of individual to raise outside money is now more highly valued. While most academics are not involved in the selling of either teaching or research/consultancy, the common academic culture is affected. Academics face new dilemmas. A more corporatised, institution-dominated research program threatens to compromise traditional academic autonomy, with its long-standing balance between non-market basic research and individual commercial work. To what extent should corporate requirements be allowed to dictate the research agenda? Do such requirements constitute a *prima facie* loss of autonomy? Nevertheless, as Slaughter and Rhoades (1990: 351-353) note in their study of American science, the capacity of researchers to oppose the corporatisation of research is reduced by their desire to retain individual commercial links, and their in-principle support for the values of entrepreneurial science.[13]

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[13] Within the organisation of universities there are growing tensions in the traditional nexus between teaching and research, as forecast by Lyotard (1984: 50). The production of knowledge goods is not always compatible with the production of positional goods. Much of the market-based research is separating from the teaching function into specialist centres, or moving outside the academic frame altogether, in order to concentrate research resources and respond more effectively to market demands. Science policy favours specialist centres and is moving away from the traditional system of dual support, whereby research is supported from basic operating resources as well as individual project grants. In social research, the example of the private sector 'think tanks', which in certain respects outperformed the universities during the 1970s, has been much imitated. The proliferation of knowledge goods and specialist vocational training is also dividing the universities more sharply between undergraduate education, where the main focus is on production of positional goods and the

*Increased reliance on private funding*

In 1991 $1,175.3 million of the income of Australian higher education institutions was provided by fees and charges: this was 21.5 per cent of all income. 11.7 per cent of total income was provided from the HECS, 4.0 per cent from overseas marketing, 0.4 per cent from postgraduate fees and 4.7 per cent from other fees and charges, including commercial research and consultancy. Of the remaining income 61.7 per cent was provided by the Commonwealth Government, 5.1 per cent by State Governments and 11.6 per cent from other private sources including investment income (4.3 per cent) and donations and bequests (2.1 per cent).

What is striking about this income profile is the degree to which there has been a shift away from reliance on public funding. In 1983, the year in which the first Hawke Labor Government was elected, 91 per cent of higher education funding was provided by governments (Commonwealth 90 per cent, State Governments 1 per cent). There was no HECS, the only award course fees were the Overseas Student Charge, and 3 per cent of all funding came from fees and charges. Endowments and donations constituted 3 per cent of income and investments of higher education institutions provided 4 per cent of their total income. Thus in eight years the proportion of funds from government sources has fallen from 91 per cent to only 67 per cent. Private funding, including the HECS, has risen from one dollar in ten to one dollar in three. This is a very significant change. Most of the change occurred after the Dawkins reforms of 1987: even in 1986, government funding was still 88 per cent of all higher education funding. The government funding share has dropped by more than 20 per cent in only five years.

In constant 1984-85 prices, Commonwealth funding of higher education, excluding funding derived from the HECS, rose from $1,900 million in 1983 to $2,269 million in 1991. During a period when enrolments rose by almost 200,000 students (53.3 per cent), Commonwealth expenditure rose by 19.4 per cent in real terms. Total funding rose by 62.9 per cent.

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market is substantially modified by public policy requirements, and postgraduate education/research, where knowledge goods play a more important role, corporate involvement in both training and research is profound, and markets have developed more freely. There is no space here to further analyse these important trends.

*Table 3*
**Income of higher education institutions**
**Australia, 1983 and 1991**

| source | *proportion of total income* of higher education institutions | |
|---|---|---|
| | 1983 % | 1991 % |
| Commonwealth Government | 90 | 62 |
| State Governments | 1 | 5 |
| HECS | 0 | 12 |
| other fees and charges | 3 | 9 |
| other private income * | 7 | 12 |
| total | 100 | 100 |

* includes donations and bequests, investments, etc.

sources: DEET 1993; Dawkins 1987: 76.

The degree of reliance on private funding varies by institution. In 1991 9.9 per cent of all the income of higher education institutions came from continuing education, overseas marketing, fee-based postgraduate courses and other fees and charges -- the market-based forms of user charge, those fees that were under the control of the institutions themselves (which excludes payments under the HECS). Fully developed universities with higher than average private income from these sources included James Cook University of North Queensland at 17.3 per cent, Wollongong University at 16.1 per cent and New England at 15.0 per cent. Table 4 provides the details.

The newer universities tend to have the greater dependence on fees and charges. On the other hand it is the longest established universities that draw the highest proportion of their total income from donations, bequests and investment income. In 1992 the national average was 6.4 per cent, but the University of Western Australia received 14.5 per cent of its income in the form of investments and 8.3 per cent in donations and bequests (total 22.8 per cent). Other high figures included Sydney 11.6 per cent Melbourne 11.2 per cent, NSW 8.6 per cent, Monash 8.0 per cent and Tasmania 7.5 per cent.

*Table 4*

**Institutions with above average income from fees/charges * higher education, Australia**

| | % | | % |
|---|---|---|---|
| James Cook | 17.3 | Southern Qld. | 19.3 |
| Wollongong | 16.1 | Central Qld. | 17.7 |
| New England | 15.0 | Charles Sturt | 14.5 |
| Deakin | 14.4 | RMIT | 11.3 |
| ANU | 14.1 | Curtin | 10.5 |
| Monash | 13.1 | | |
| La Trobe | 11.7 | | |
| Griffith | 11.6 | | |
| NSW | 11.3 | | |
| Queensland | 11.1 | | |
| Melbourne | 10.9 | | |

* income from continuing education, overseas marketing postgraduates, other fees and charges (excludes HECS).

source: DEET 1993

*Competitive funding: the culture of compliance*

Within the market periphery, the core funding of institutions has continued to be provided on a non-market basis. The level of public funded enrolments continues to be planned nationally, in total, by level and by discipline, and a range of funded enrolment is negotiated with each institution. In practice this means that in the undergraduate years, where there are no fee arrangements apart from the HECS and overseas marketing, the Government continues to set actual enrolment levels on the basis of central planning. The Government does not haggle with the institutions over the price of each place: its funding model ensures that in large part, institutions with a common course profile receive the same levels of per capita government recurrent funding, enabling both wings of the old binary system to compete on the same terms.

It is in this core system, confined largely to the first degree, that Labor's policy on higher education differs from that of the coalition parties, which support the introduction of a government-subsidised, open-ended voucher-based market, with institutions able to determine fee charging.

The Government's notion of the Unified National System is one of autonomous, corporate institutions, competing freely with each other across the full range of higher education activities, with significant private income and a large measure of discretion in relation to their public money, compared

to previous practice Thus funding for most of the previously separate Federal programs has been collapsed into a single block grant, and the detailed specifications in areas like capital funding have disappeared.

> 'The Government will also ensure that institutions are free to manage their own resources without unnecessary intervention, while at the same time remaining clearly accountable for their decisions and actions. The system of educational profiles will be an important instrument for this purpose...'
>
> 'Institutions will enjoy more flexibility to determine the particular courses to be offered and areas of research to be undertaken; greater control over their own resources, enhanced by revenue-raising options and decreased intervention by governments in internal funding and management decisions....'
>
> 'Institutions will be able to compete for teaching and research resources on the basis of institutional merit and capacity (Dawkins 1988: 10, 27-28).

In Commonwealth policy, the emphasis has switched from control over inputs (for example, through tied grants), to the exercise of government influence over the *product* of higher education (Neave and van Vught 1991: 251-255), via profiles and competitive bidding, and the development of technical tools of corporate management such as performance indicators and quality assurance, which institutions are encouraged to adopt.[14] Between the core public funding and the independent, market-based income a small but significant and growing zone of competitively based public funding has been established. As well as research grants and research centres, this includes allocations to priority projects under the Reserve Fund, monies for enrolment growth and from 1993, monies for quality improvement. Through the allocation of money from these funds, subject to competitive bidding, the Government is able to exercise a broad influence over outputs, out of proportion to the size of the specific grants.

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[14] 'Corporate managerialism', whose origins lie in public service reform and in notions of good practice in the private sector, has been subjected to a number of trenchant critiques. See for example Considine 1988 and Bessant 1992.

Given the strategic resource role played by the marginal dollar, the system of competitive bidding, a form of simulated market competition between institutions, enables the Government to pick and choose institutions on the basis of their cooperation not only with the requirements of the particular program, but with Government priorities (formal and informal) in general. A culture of compliance is thus established. The competitive funds also introduce paradigmatic activities - for example, in output-based research, and programs to improve university teaching -- that once established, tend to be diffused more widely. Likewise, the negotiation of educational profiles enables Government to continue to shape the output of graduates, while doing so within a framework akin to a contract between client and supplier, an arrangement typical of the period: government control, autonomous institution, quasi-market forms.

Here the amount of government influence varies by institution: in the profile negotiations, the Government is able to exercise most power in relation to the smaller, weaker institutions (some of the older universities are able to use a judicious mixture of political criticism of the Government, plus their enhanced autonomy and market-based incomes, to strengthen their private independence -- one of the internal limits of the Labor policy).

Gareth Williams notes that the use of centrally controlled market structures as instruments of policy implementation has become common throughout the OECD region:

> 'There has been a growing interest world-wide in the introduction of market incentives and forms of organisation. Governments are seeing financial incentives as a more effective way of influencing the pattern of activities in higher education institutions than administrative intervention. Changes in public funding have aimed both to increase the financial autonomy of universities and to concentrate funds more sharply on national priorities. In Britain as in some other countries national funding agencies now see themselves as 'buying services' from universities and colleges on a contractual basis, rather than subsidising them... Relatively small amounts of expenditure can exert powerful leverage on the system if they are used strategically' (Williams 1992: 136, 151).

Not least, the systems of competitive bidding formalise competition between institutions, undermining the possibility of a non-competitive

division of labour. Labor's system is a centrally managed positional market, in which the positional hierarchy of institutions is shaped by a combination of historical tradition, student choices, government as monopsonist client, and market activity on the periphery.

However, the rapid growth of fee-based markets encourages the argument that it is 'only fair' that the rest of the system be remade in their image, for example through the provision of full fee places for domestic students. This points to the inherent instability of the Labor 'mixed economy' in higher education in which the core HECS-based undergraduate places, surrounded by an expanding open market periphery, begin to look less like the norm than the exception . Given that Labor has stopped short of opening mainstream undergraduate education to the full market approach (so that in the first degree the Whitlamite notion of the 'right to education' still has some purchase), and that most resource allocation continues to be centrally planned, it is ironic that during the Labor years, the Government's use of simulated markets, and the fostering of an entrepreneurial culture, have legitimated markets as a general form of higher education.

Inadvertently or not, Labor's policies have created favourable conditions for the continued commercialisation of the system, and a continued withdrawal of the proportion of higher education effort that is publicly funded. This can only encourage drift towards the more thoroughgoing market alternative proposed by the Coalition Parties -- and perhaps now being developed by Labor at the postgraduate stage.[15]

## Future directions

The policies proposed unsuccessfully by the Coalition before the 13 March 1993 election constituted far-reaching changes in the higher education system. According to the Coalition's *Fightback!* the central proposal was a three part package of market reforms: the funding of students rather than institutions via the vouchers (National Education Awards), the deregulation of institutional fee-charging, and the deregulation of enrolment targets and

[15] At the time of writing the fate of the 1993 Commonwealth budget proposals on the deregulation of postgraduate education had not been decided by the Senate.

ceilings.[16] This would have dismantled the basic planning tools used by Labor to manage the system of undergraduate education and the remaining HECS-based places in postgraduate education. While the HECS was to be preserved by the Coalition, prices (fees) above the level of the HECS were to be controlled by producer institutions and were to become market-based. The same entrepreneurial logic that has governed overseas marketing was thereby to be allowed full play throughout the system, except and to the considerable extent that the pattern of supply of and demand for places would be modified by the number of vouchers and other government measures.

The Coalition presented its policy as the 'solution' to unwarranted government intervention in higher education, but in reality there was very considerable scope for government intervention in such a system. For example, by fixing standard prices Government could modify the pattern of market-based student choices and institutional provision by discipline. Scholarships paying part or all of the difference between vouchers and institutional fees, or the subsidisation of student costs through loans of different types, could be used to secure particular policy objectives, such as the increased enrolment of aboriginal students, or the more rapid growth of disciplines seen to be of national importance. The Government could create cartels between certain institutions, for example by limiting the distribution of basic research funding to a top layer of `research universities'. It could also continue Labor's techniques of negotiating the 'purchase' of particular activities in exchange for additional government monies, and the use of competitive bidding schemes to drive adoption of specific government objectives. As the British experience shows, mechanisms used to audit the quality of teaching, research and management would have provided another basis for intervention.

Further, *Fightback!* foreshadowed the use of the Higher Education Commission to define standards and run positional comparisons between institutions, and as noted above, the 1990 Coalition policy had suggested the maintenance of league tables ranking institutions and disciplines, thereby forcing compliance with particular models of `best practice'. Changes to the laws governing industrial relations, intellectual property or student unionism provide still further avenues for an interventionist Coalition government.

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[16] However, enrolments in Medicine were not to be deregulated, which would have the effect of preserving the positional value of a medical degree -- see LNP 1991: 49.

The Coalition's plan was sufficiently radical to have been counted by some commentators as one of the elements in its electoral defeat. Here the prospect of institution-determined fees for undergraduates was probably the key element. Nevertheless, it is important to recognise that the Coalition's policies would not have been formulated unless there had already been considerable (albeit selective) market development in Labor.

It is likely that the momentum to markets will continue, whoever is in power -- more so if government funding continues to fall relative to private funding, because this trend drives institutions' need to maximise their market income. The main question is, how far will these trends proceed? It is likely that overseas marketing, fee-based postgraduate education, commercial business studies, research and consultancy will all continue to expand, although with the significant exception of postgraduate courses these markets will grow more slowly than in the last half decade. Further, it is likely that the Commonwealth Government will make increased use of simulated market systems via competitive bidding. For example, it is possible that an open tendering process will be used to finance enrolment growth, with the 'contract' going to those institutions able to provide places at the cheapest price (unless the resulting trade-offs between quantity and quality make the approach unacceptable). There has even been talk about competitive bidding for the base number of student places.

As time goes on it will be harder to separate the market and non-market sectors of university policy, so the conflicts inherent in Labor's approach are likely to become difficult to contain.

One such area of potential conflict between market development and social/political objectives is the policy of equality of *institutional* opportunity that was established in the wake of the Dawkins reforms of 1987-1988. By strengthening the resources and functions of the old college sector Labor set out to develop a broader-based competition between the universities. Nevertheless, as noted, the logic of competition favours the established institutions, which are best placed to raise both private finance and competitive public financing. The more reliance there is on market systems in the allocation of resources in growth areas such as post-graduate education and research, the more that *in*equality of institutional opportunity is liable to develop. Further, Labor will come under increasing pressure to develop world-competitive institutions based on a concentration of teaching and research resources. There has been much speculation about the re-emergence of a binary system through the creation of an internal hierarchy of 'grades' of

university along North American lines. This would strengthen the social standing and the resource base of the major universities, while at the same time it would truncate the growth of research and research-based postgraduate study (although not coursework) in some of the 'Dawkins' universities. The combined effect of partial market funding *and* an elite layer in public funding terms would be a steeper positional hierarchy, with greater vertical differentiation between institutions on the basis of their resources, their standing and their capacity to attract custom. In this situation, smaller and newer institutions might be forced into niche market specialisation in order to develop, and this niche activity - unless tailored by public policies - may take a commercial form.

A second area of potential conflict between markets and Labor policies lies in the question of equality of *student* opportunity, long the primary differentiating feature of Labor's position on education, and a central feature of the Australian educational culture. The shift to markets in higher education threatens to destabilise not only the existing notions of equity at the point of entry into higher education, but other balances and compromises. For example, the inequalities between private and public schools have been tolerated in Australian to the extent that all Year 12 students are able to compete on the basis of merit for entry into university, without regard to direct economic cost. But fee-based higher education fragments equality of opportunity in the transition from school to higher education. Here the decisive issue remains the extent of the fee-paying arrangements, whether fully fledged markets are established for first degrees: whether Labor can hold the line against the pro-market tendency in its own policy. While unmet demand pressures remain significant, the debate about full fee places for domestic students will stay on the agenda. A weakness in the Labor policy is that the 'line of principle' the Government has drawn between undergraduate education and postgraduate education is essentially arbitrary in character.

A third problem area is the inherent conflict between economic and educational objectives, for example in overseas marketing. In *Social limits to growth* Hirsch says that when a product is supplied through commercial markets, rather than 'informal exchange, mutual obligation, altruism or love, or feelings of service or obligation', this changes the nature of the product itself. The market economy focuses on the wants of the individual in her/his 'isolated capacity'. Atomised 'individualistic maximisation' is crucial to the market process. But 'it is precisely this maximisation that makes individuals underproduce the amount of sociability they want':

'It is important to be clear that the distortion with which we are here concerned arises from the essence of the market process itself. The market framework, as has been well established in response to a widespread popular misunderstanding, permits in principle altruistic or communally directed objectives to be pursued so long as they are held by individuals and can be affected by their own actions. It is individual action to optimise individual objectives that is the crux. But there is one objective that the market mechanism cannot optimise. That objective is the altruistic concern for the partner in the market transaction - what Wicksteed called tu-ism' (Hirsch 1976: 81).

Thus to the extent that education is a process of collective consumption, and of co-operation between the parties, this co-operation must be factored back into the market-based courses. Further, market exchange creates an antagonism between teacher and student (and researcher and client) which is necessary to markets. The relationship between buyer and seller is formally understood as one of contractual equality, but in certain respects their ends are different and incommensurate. The buyer is seeking the benefits of education (or research) itself, whereas the seller's objective is income. When production takes the fully capitalist form, as in some instances of overseas marketing, with the relentless drive to maximise the number of 'consumers' and minimise unit costs by standardising the product, the interests of the student are readily undermined. Here again, policy must compensate for the way in which markets work. The use of 'simulated altruism' as a marketing tool is not enough: the problem is more fundamental.

The answers to these dilemmas lie in public and institutional policies which modify the operations and not just the effects of markets. What is needed is another and primarily non-market framework for system development, one that rests on conscious cooperation (unlike competitive markets), while also being more lively, more engaging and much more inclusive than the pre-modern university. Neither Labor Party nor the Coalition have yet produced a system blueprint in which educational objectives are congruent with economic and social objectives, and public policy enhances the capacity of institutions to achieve those educational objectives. What is needed is a new and more stable balance between systems of economic allocation, the democratic responsibilities of higher education institutions, and the academic culture that is distinctive to them.

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