

# **Marketisation & Trade in Higher Education Services: Towards a Balance between Efficiency & Equity**

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## **Abstract**

This article outlines arguments on both sides of the current debate concerning marketisation and trade in higher education. International trade, educational, economic and governance perspectives are considered. The writer argues that while the marketisation of higher education does bring certain benefits there is a risk that efficiency, competition and performance will be over-emphasized at the expense of equity. The fact that societies succeed when a balance is struck between strong private and strong public sectors is stressed.

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## Introduction

A distinctive feature of higher education (HE) in recent years has been the trend towards its "marketisation" and cross-border trade<sup>1</sup> involving exporting or provider countries and importing or receiver countries.<sup>2</sup> Most exporting countries are relatively wealthy English-speaking nations - the UK, Australia, Canada, the US and New Zealand - that provide HE services to students in non-English speaking and/or emerging countries.<sup>3</sup> HE institutions have become increasingly like other businesses that draw on and adopt corporate techniques such as marketing and quality assurance. Exporting countries have discovered that both on-shore education markets (the education of foreign students within the exporting country) and off-shore education markets (the education of students conducted in the importing country) are lucrative and are determined to stay ahead of competitors by serving established markets and by developing new markets by overhauling course content and delivery modes. At the same time, the provision of HE needs to be guided not only by efficiency and market forces but also by pedagogical considerations such as student development, cultural exchange and social development and also by equitable principles such as equal opportunity and access to all.

A tension exists between market forces and pedagogical principles. Although this tension between "efficiency and equity" has always been present current trends towards the marketisation and trade in HE services is bringing this tension out into the open. This paper examines this issue recognizing its

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<sup>1</sup> International trade in higher education services has been liberalized over the last decade and has grown into a global market estimated at US \$30 billion. See OECD, *Education Policy Analysis*, Paris, 2002 especially Chapter 4 "The Growth of Cross-Border Education." Larsen, Kurt, & Vincent-Lancrin, Stephan, "The Learning Business: Can trade in international education work?" OECD Observer, online at <http://www.oecdobserver.org/news/fullstory.php/aid/872> (last accessed 17 September 2004). See also OECD, *The Growth of cross-border education* Education Policy Analysis, Paris, 2002.

<sup>2</sup> Economists refer to these countries in the literature as exporting/importing countries; educationalists prefer provider/receiver countries.

<sup>3</sup> There is also, however, movement of students between developed countries in Europe.

complex and multidisciplinary nature.<sup>4</sup> Part 1 illustrates the kinds of problems the marketisation of HE presents. Part 2 briefly outlines the major forces that are behind the current emphasis on marketisation in HE. Part 3 adopts an international trade perspective and examines the impact of the General Agreement on Trade in Services (GATS) on the provision of HE services. Part 4 looks at the pedagogical concerns raised by educationalists. Part 5 examines marketisation and education from economic and management perspectives. Part 6 looks at marketisation from a governance perspective. I conclude that while the tension between the commercial and educational/cultural objectives of HE is an ongoing and enduring one that the debate over HE and its marketisation ought always to assume that a balance between the commercial demands for efficiency and the educational/cultural demands for equity is indispensable. HE exporting and importing countries, and their institutions, must simultaneously consider both the demands of efficiency and equity and seek to balance their often-competing rationales.

## 1. The Problem Illustrated

The kinds of issues that arise from the marketisation<sup>5</sup> of HE are illustrated in the play *Life After George*.<sup>6</sup> An argument erupts in one scene of the play between Professor Peter George, a history professor, and his ex-wife Professor Lindsay Graham, over a funding crisis at their university. Graham has become dean of a faculty that has decided to replace French courses with more "vocational and income-generating" ones. She supports this change arguing that "students want jobs" and that as customers they should "get what they want". She argues that universities need to establish corporate links to generate income. George is upset and offers a completely different view of the situation. He argues that students are "citizens not customers"

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<sup>4</sup> Neave, G., "Preface" *Higher Education Policy*, Vol.10, No.3/4, 1997, p.161

<sup>5</sup> The term marketisation is used throughout this paper to describe policies promoting competition and deregulation of a sector or system. A number of alternatives including commercialization, commodification, massification, deregulation are also used in the literature.

<sup>6</sup> Rayson, H, *Life After George* a play based on experiences at the University of Melbourne.

and that the idea that students should "get what they want" is mistaken because "they do not know what they want until after they have heard what we tell them."<sup>7</sup> He goes on to argue that universities should be "producing educated citizens, not corporate fodder!"<sup>8</sup>

## 2. Factors behind Marketisation

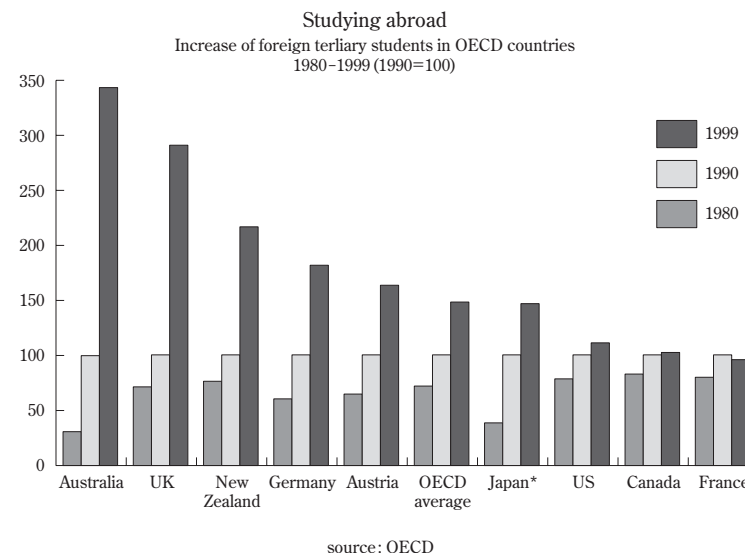
Marketisation of HE has resulted from a combination of technological and policy considerations. Technological change (information technology, traditional forms of communication, transportation) has been ongoing and pivotal. Information technology facilitates cross-border access to HE for populations not previously served by traditional education institutions. These factors are reflected in the increasing numbers of students who choose to study abroad. Other policy changes in areas such as governance (deregulation) as well as economic factors such as increased personal wealth and mobility<sup>9</sup>, growth in transnational financing and investment, and the increased demand for HE services (from developing countries and adult or continuing students) have combined to present HE providers with opportunities to expand into new markets.<sup>10</sup> This growth is reflected in the graph on the following page.

<sup>7</sup> See Scott, S., "The Academic as Service Provider: Is the Customer 'Always Right'?" *Journal of Higher Education Policy & Management*, Vol. 21, No. 2, 1999, p. 193 for a discussion of the so-called customer care revolution.

<sup>8</sup> For a fuller explanation see Sharrock, G., "Why Students are not (Just) Customers", *Journal of Higher Education Policy and Management*, Vol. 22, No. 2, 2000, p.149.

<sup>9</sup> International student mobility to OECD countries has doubled over the past 20 years. See OECD at <http://www.oecd.org> (last accessed 17 September 2004)

<sup>10</sup> Dill, D., "Allowing the Market to Rule: The Case of the United States", *Higher Education Quarterly*, Vol.57, No.2, April 2003, p.136. See also Coaldrake, P., "Reflections on the Repositioning of the Government's Approach to Higher Education, or I'm dreaming of a White Paper", *Journal of Higher Education Policy & Management*, Vol. 22, No1, 2000, p. 9.



We are witnessing a transformation in the role of governments and in approaches to management and governance.<sup>11</sup> Governments and their policy makers have reacted to and also used international market forces to help them overcome domestic resistance to their reform agendas.<sup>12</sup> HE reform is facilitated by claiming that reform is essential in the face of globalisation and global competition. While there has been less debate concerning reform in areas such as transport, finance and telecommunications, reform in other areas such as HE is widely debated.<sup>13</sup>

Closely related to the marketisation phenomenon is the massification of HE that has seen national education systems change from small, elite systems to massive "education for all" systems. The massification of HE has outstripped the ability of governments to provide finance and has led to a state fiscal

<sup>11</sup> The governance aspects of the debate are discussed in more detail below.

<sup>12</sup> Newman, F & Couturier, L., "Trading Public Good in the HE Market", *Observatory on Borderless Higher Education*, January 2002, p.1 at <http://www.obhe.ac.uk/products/reports/> (last accessed 21 September 2004)

<sup>13</sup> See, for example, Altbach, P., *Knowledge & Education as International Commodities: The Collapse of the Common Good*, Center for International Education, [http://www.bc.edu/bc\\_org/avp/soe/cihe/newsletter/News28/text001.htm](http://www.bc.edu/bc_org/avp/soe/cihe/newsletter/News28/text001.htm) (last accessed 21 September 2004)

crisis that threatens educational quality and the provision of other public services. OECD member countries, in particular, have experienced significant transformations in the structure, management and financing of HE. Although public funding remains the main source of support for HE in OECD countries, that funding is now used more creatively and is increasingly supplemented by private resources. Similar trends exist in many developing countries and in the former socialist countries of Eastern Europe.<sup>14</sup> Increased competition from private institutions is a powerful incentive, so the argument goes, for public HE institutions to innovate and modernise.<sup>15</sup>

### 3. GATS & International Trade

The massification and marketisation of HE in the knowledge economy has led to burgeoning demand for HE services and for the cross-border trade in those services. Such demand has created a need for supranational rules covering the trade in those services. The General Agreement on Trade in Services (GATS) is a response to this need. GATS, the first ever set of multilateral rules covering international trade in services, is the services counterpart of GATT that has regulated trade in goods since 1947.<sup>16</sup>

GATS has its political origins in the 1980's when the US saw its future lying in its knowledge-based industries and services.<sup>17</sup> The US motivated by the

<sup>14</sup> Steier, F., "The Changing Nexus: Tertiary Education Institutions, the Marketplace and the State", *Higher Education Quarterly*, Vol. 57, No. 2, April 2003, p. 158.

<sup>15</sup> Steier, F., *ibid* at p.162 describes action taken by Japan's then Ministry of Education as an illustration. Steier sees the MoE's granting of corporate status and legal personality to national universities as combating institutional rigidity. The aim was to give public universities more flexibility in managing resources provided through government grants without introducing market mechanisms immediately. See also Japan, Ministry of Education, Culture, Sports, Science & Technology links to *The Education Reform Plan for the 21st Century* at <http://www.mext.go.jp/english/koutou/index.htm> (last accessed 16 September 2004)

<sup>16</sup> This was always going to be challenging because the barriers to trade in services are different to the barriers to trade in goods. Barriers to services usually do not consist of border obstacles such as tariffs or import quotas and cannot be separated easily from the movement of capital and of natural persons.

<sup>17</sup> The US recognized during the 1980's the strength of the newly industrializing countries in labour-intensive industries and the strength of countries such as Germany

desire to benefit from its comparative advantage in the knowledge services industry played a central role in the promotion of an agreement to promote international trade in services.<sup>18</sup> Similar reasons also motivated other developed countries such as New Zealand and Australia to play a role.<sup>19</sup> The Uruguay Round of trade negotiations that established the WTO in 1994 also, therefore, featured a comprehensive agreement on international trade in services - GATS.

The scope of GATT related only to trade in goods. It did not contain rules aimed at the liberalisation of trade in services. Yet, services (telecommunications, the audio-visual sector, tourism, financial services, transport and construction) were of the increasing importance to the economy and export trade of many countries. In addition, the exports of developed countries consisted of a growing number of products or services covered by intellectual property rights, the number and the variety of which has grown over 30 years with the development of technology and the efforts undertaken by businesses to differentiate their products and services in the eyes of consumers.<sup>20</sup>

After GATS went into operation<sup>21</sup> it went largely unnoticed by the public until the highly publicised WTO protests in Seattle in 1999.<sup>22</sup> Since then concern about the likely impact of GATS on education and healthcare has become one of the most controversial aspects in the agreement.<sup>23</sup> While

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and Japan in the production of industrial products.

<sup>18</sup> Trade in education services is big business for the US and other traders such as Australia and New Zealand. Education is the US's fifth biggest service export earner accounting for 4% of total service revenues in 1999. This is largely derived from students studying in the US under mode 4 of GATS. The US's position as a leading education exporter declined during the 1990s due to visa restrictions, security issues, cost of living increases, Asian economic problems and reduced state funding.

<sup>19</sup> Robertson S. & Dale R., "This is what the fuss is about!" *Globalization & Europeanization Network* in Education at <http://www.genie-tn.net/papers001.htm> (last accessed 15 September 2004)

<sup>20</sup> Demaret, P. (1995), "The Metamorphoses of the GATT: from the Havana Charter to the World Trade Organization", *Columbia Journal of Transnational Law*, vol. 34, p. 3.

<sup>21</sup> GATS entered into force on 1 January 1995.

<sup>22</sup> See Grady, P., & Macmillan, K., *Seattle and Beyond: The WTO Millennium Round*, Global Economics Limited, Ottawa especially Chapter 4 "Second Crack at Services".

<sup>23</sup> McBurnie, G. & Ziguas, C., "Remaking the world in our own image: Australia's efforts to liberalize trade in education services", *Australian Journal of Education*, vol.

services like transportation and communication lend themselves to trade, social services or "public goods", such as education and health care, had been considered too "context-specific" to trade.<sup>24</sup>

GATS features three main parts: (i) a "general framework" that contains the general principles and rules that apply to all member countries, (ii) "national schedules" that list a country's specific commitments on access to their domestic market by foreign providers, and (iii) "annexes" which detail specific limitations for each sector that can be attached to the schedule of commitments. It covers 160 service activities across twelve classified sectors including telecommunications, financial services (such as banking), energy, business, education, environmental and distribution (transportation) services.

GATS defines four ways, or "modes of supply"<sup>25</sup>, in which services can be traded. The four major modes of supplying education services are cross-border supply (distance education), consumption abroad (students studying abroad), commercial presence (operating an overseas campus) and presence of natural persons (faculty teaching overseas).<sup>26</sup> The table on the following page summarizes these four modes of supply and describes how each operates.

47, No. 3, 2003, pp. 217-218.

<sup>24</sup> Cohen, M., "The General Agreement on Trade in Services: Implications for Public Postsecondary Education in Australia", *Australian Universities' Review*, vol. 2, 1999, p. 9.

<sup>25</sup> WTO, *The General Agreement on Trade in Services - objectives, coverage and disciplines*, WTO Secretariat at: [www.wto.org/english/tratop\\_e/serv\\_e/gatsqa\\_e.htm](http://www.wto.org/english/tratop_e/serv_e/gatsqa_e.htm) (last accessed 15 September 2004)

<sup>26</sup> Chanda, R. (2003), "Social Services and the GATS: Key Issues and Concerns", *World Development*, vol.31, no.12, p.1997 and Hibbert, E. (2003), "The New Framework for Global Trade in Services - all about GATS", *The Service Industries Journal*, vol.23, no.2, March, p.68.

GATS Supply Mode	Explanation	Examples	Market
1. Cross Border Supply	Trans-border provision not requiring physical movement of consumers	Distance education, e-learning, virtual universities	Relatively small but quickly developing market
2. Consumption Abroad	Consumers move to the country of the supplier	Students travel abroad to study	Currently the largest market for global education services
3. Commercial Presence	Service provider establishes presence off-shore to provide service	Satellite campuses, twinning partnerships, franchises with local institutions	Growing interest & strong growth potential, but controversial as may establish an international standard set of rules
4. Presence of Natural Persons	Persons traveling to another country temporarily to provide service	Professors, researchers working abroad	A potentially strong market given the emphasis on professional mobility

Source: adapted from Knight, J, *Trade in Higher Education Services: The Implications of GATS*

Five education sub-sectors or "categories" - primary, secondary, higher (including post-secondary technical and vocational education services), adult (education for adults outside the regular education system) and other (such as testing and certification) - are specified in GATS.<sup>27</sup> The four "modes of service" described above apply to each of these five categories. Governments may make, if they choose, commitments in any or all of these sectors.<sup>28</sup> The table below summarizes the various education sub-sectors or "categories" as

<sup>27</sup> WTO, *The Services Sectoral Classification List*, Document MTN.GNS/W/120 based on the United Nations Provisional Central Product Classification (CPC) at [www.wto.org/english/tratop\\_e/serv\\_e/sanly\\_e.htm](http://www.wto.org/english/tratop_e/serv_e/sanly_e.htm) (last accessed 22 September 2004)

<sup>28</sup> Australia and Japan have made commitments for adult education and other education and propose to include higher education. Both countries have decided not to make commitments in the areas of primary education and secondary education.

defined under GATS.

Category of education service	Education activities
Primary Education	Pre-school and primary education services
Secondary Education	General secondary, technical & vocational secondary education, technical & vocational services for the disabled
Higher Education	Post secondary technical and vocational education services and HE services leading to university degree or equivalent
Adult Education	Imprecise but covers education for adults outside the regular education system
Other Education (CPC 929)	Also imprecise covering other education services not elsewhere classified

Source: adapted from Knight, J, *Trade in HE Services: The Implications of GATS*

All GATS signatories agree to the so-called "unconditional" GATS obligations of "most favored nation treatment", "transparency", "adjudication of disputes", and "impartial enforcement" of measures affecting trade in services.<sup>29</sup> The "most favoured nation" principle provides equal opportunities to all other WTO members. If a country allows foreign competition in a sector then equal opportunities in that sector should be given to service providers from all WTO members. This also applies to mutual exclusion. If a foreign provider establishes a branch campus in a host country, for example, then that host country must permit all WTO members the same opportunity. Similarly, if a country chooses to exclude another country from providing a specific service then it must exclude all WTO members. The "national treatment" principle, unlike unconditional obligations, only applies once a country has made a specific commitment.

<sup>29</sup> For discussion of the key rules of GATS, see Knight, J., "Trade in Higher Education Services: The Implications of GATS", *The Observatory on borderless Higher Education*, March 2002 online at <http://www.obhe.ac.uk/products/reports/> (last accessed 18 September 2004)

Once a foreign supplier is permitted to supply a service in a country, there should be no discrimination in treatment between the foreign and domestic providers. Critics believe that this presents great challenges to countries wishing to formulate education policy and to the notion of HE as a "public good".

GATS is sometimes described as a "voluntary" agreement because countries can decide which sectors they will agree to commit to GATS rules.<sup>30</sup> This describes only part of the picture. There are "bottom up" aspects of GATS (where each country determines the type and extent of its commitments for each sector through the preparation of their national "schedules of commitments") which are voluntary. Other "top down" aspects of GATS, however, are not so voluntary in nature. GATS has a built in liberalization agenda which means that each round of negotiations will involve progressive liberalization of trade in services meaning that more sectors are covered and more trade limitations are removed. Article 19.1 commits member countries to successive rounds of service negotiations with the aim of achieving progressively higher levels of trade rule liberalization. Areas for which exclusions are sought may be excluded as trade restrictions are lifted. While it is true that trade agreements do not come much more flexible than the GATS<sup>31</sup> and that GATS does not mandate compulsory liberalisation but features rules that governments can selectively commit to, it is clear that GATS is not an ideologically neutral expression of objective reality. GATS, rather, expresses a particular kind of political project, namely, the liberalization and transformation of services, formally embedded in social relations and relationships, to commodities traded within an international market.<sup>32</sup>

<sup>30</sup> See Robertson, S., Bonal, X., & Dale, R., "GATS & the Education Service Industry: The Politics of Scale and Global Reterritorialization", *Comparative Education Review*, Vol. 46, No. 4, November 2002, p.472 at p.488.

<sup>31</sup> When GATS was being negotiated in the early 1990's concerns were expressed about the impact of free trade on services. A compromise was reached whereby GATS was drafted to include some requirements that would apply to all services and other requirements that would be voluntary meaning that members could commit to some sectors but not others. Each member country was called upon to submit a national schedule which lists each sub-sector and each mode of supply and sets out whether Market Access and National Treatment is offered in each case.

<sup>32</sup> Kelsey, J., *Legal Fetishism & the Contradictions of the GATS*, University of Auckland, New Zealand (2003)

One important, yet vague, article included in GATS is Article 1.3 (b) and (c).<sup>33</sup> According to Article 1.3 (b) GATS is deemed to apply to all measures affecting services except "those services supplied in the exercise of governmental authority". How are we to interpret and apply this article? No less than three interpretations of Article 1.3 are possible. A broad interpretation would mean that neither public nor private nonprofit HE providers are subject to GATS provisions.<sup>34</sup> This interpretation emphasizes that education is largely a government function and that GATS does not seek to displace the right of governments to regulate and meet domestic policy objectives. A second, narrower interpretation leads to the conclusion that public education providers are exempt from GATS regulation because public education is "supplied in the exercise of government authority". A third, still narrower interpretation of Article 1.3 leads to the conclusion that both public and private HE providers are subject to GATS. In order to be exempt from the provisions of GATS the education service in question, according to this interpretation, must neither be provided on a commercial basis nor be in competition with other non-government suppliers. Both public and private HE institutions are in competition with other non-governmental suppliers and therefore both are subject to the provisions of GATS. Some express concern that the whole field of public HE services is potentially at risk should this narrow interpretation of the phrase "supplied in the exercise of governmental authority" gain credence.<sup>35</sup>

This definitional question is at the heart of much of the debate over the likely impact of GATS on HE. This Article needs to be clearly defined to clarify whether public sector/government HE service providers are exempt from the

<sup>33</sup> WTO, *General Agreement on Trade in Services* text at [www.wto.org/english/tratop\\_e/serv\\_e/1-scdet\\_e.htm](http://www.wto.org/english/tratop_e/serv_e/1-scdet_e.htm) (last accessed 19 September 2004).

<sup>34</sup> Pierre Sauve argues that the common understanding at the inter-governmental level is that public education services and private education services supplied on a non-commercial basis are excluded from GATS. See Pierre Sauve, "Trade, Education and the GATS: What's In, What's Out, What's All the Fuss About?" Paper prepared for the OECD/US *Forum on Trade in Educational Services*, May 23-24, 2002, Washington, DC, p.3.

<sup>35</sup> This question is especially important in countries where there is a mixed public/private HE system or where a significant amount of funding for public institutions in fact comes from the private sector as in Australia and Japan.

provisions of GATS or not. Whilst a liberal interpretation of Article 1.3 (b) is possible rendering much of HE exempt from GATS it seems more likely that education systems that already feature a mix of private and public providers that can therefore be said to be "in competition" and charge fees would be unlikely to satisfy the Article 1.3 (b) exemption.<sup>36</sup> Ambiguity can work out badly for certain countries and certain sectors and lead to international disputes between GATS members. A major effort is needed to limit ambiguity in the wording of GATS.

#### 4. Pedagogy

The consequences, especially for national public systems of HE, of countries agreeing to abide or "commit" to GATS rules in a particular education sector are considerable.<sup>37</sup> Overseas HE providers receive, according to the rules at least, the right to access and operate in the committed country's HE market. This right includes the right to invest, confer degrees, apply for government grants<sup>38</sup> for their operations and their students, and to provide their own labour. This may put the viability of local HE institutions in doubt and radically change the nature, where it continues to exist, of public education. Committing to GATS may, in this way, create conditions that lead to the disembedding of education from its location as a regulated public good with positive societal and economic redistributive functions by forcing it into the private global marketplace.

Another major educational concern relates to the potential effect of

<sup>36</sup> Colas, B. & Gottlieb, R. *Legal Opinion: GATS impact on Education in Canada*, Gottlieb & Pearson, 2001. The extension of government funding to local private institutions raises questions about whether overseas providers may also apply for and receive such funds. See Ziguras, C., McBurnie, G., & Reinke, L., *Implications of the GATS: Are Foreign Universities Entitled to Australian Funding?* presentation to the 17th IDP Australian International Education Conference, 21-24 October 2003, Melbourne, Australia.

<sup>37</sup> Ziguras, C., McBurnie, G., & Reinke, L., *Implications of the GATS: Are Foreign Universities Entitled to Australian Funding?* presentation to the 17th IDP Australian International Education Conference, 21-24 October 2003, Melbourne, Australia.

<sup>38</sup> McBurnie G. & Ziguras, C., "Remaking the world in our own image: Australia's efforts to liberalise trade in education services", *Australian Journal of Education*, vol. 47, No. 3, 2003, p. 230.

marketisation and of GATS on education quality. Article 6.4 may partly allay this fear by providing that "measures relating to qualification requirements and procedures, technical standards and licensing requirements do not constitute unnecessary barriers to trade in services" so long as they are "objective and transparent" and "not more burdensome than necessary to ensure the quality of the service".<sup>39</sup> The opposition to GATS from teacher union groups in North America, Europe and Oceania is rooted in the fear of being unable to control the activities of commercially motivated foreign HE providers if they are bound by GATS rules.<sup>40</sup> The adoption of a market approach to HE and the adoption of more flexible degree programmes, greater student choice and continuous assessment practices may also undermine, it is feared, academic standards traditionally maintained through examinations and marking systems designed to assure consistency in assessment. The new approaches to teaching, learning and academic research that is accompanying the marketisation of HE in many countries are said to compromise the traditional norms and incentives that have helped assure academic standards and equivalence of education providers.

Notions of equity and social justice are also used in arguments against the marketisation and trade in HE. Systems of higher education have antecedents in the older traditions of the university developed in the 20th century as adjuncts of the state rather than of the market economy. Some insist that HE should continue to be regulated nationally and subject to national policy considerations prioritized over the logic of market competition. GATS imposes a commercial framework on the sector which has historically been shaped by public policy considerations. Marginson<sup>41</sup> makes this point directly:

Not only is the national interest completely subordinated to the traditional rights of cross-border corporations, democratic politics is completely subordinated to economics.

<sup>39</sup> McBurnie G & Ziguras, C., *ibid*, p. 217.

<sup>40</sup> Dill, D., "Allowing the Market to Rule: The Case of the United States", *Higher Education Quarterly*, Vol. 57, No. 2, April 2003, at p. 153.

<sup>41</sup> Marginson, Simon, "Living with the Other: Higher Education in the Global Era" *Australian Universities' Review*, Vol. 2, 1999, p. 6.

Service obviously means "to serve". Service, it follows, is innately social and cultural. This is one of the reasons why services - especially those related to individual well-being, employment, training, development and values - have traditionally been regulated by government. This distinction is not recognized in GATS which treats diverse areas such as finance, telecommunications, transport, healthcare and education the same.

If unbridled competition is allowed without adequate regulatory mechanisms, it is argued, the goal of increased choice for students becomes a sham having meaning only for those who can afford to pay tuition. While the provision of education to markets otherwise denied access may be a cause for celebration, the concern is that competition from education providers situated in developed countries will destroy homegrown HE institutions to the economic, cultural and social detriment of the host country. If offshore providers succeed in attracting well qualified and well off students, host country institutions will be deprived of revenue needed to support public education and local values. Marketisation and GATS, in other words, threaten the public good by undermining national HE systems essential to the fostering of national cultural values, democratic values, and educational opportunities for all citizens.

The manner in which marketisation is being implemented (rather than the social and market theory behind it) leads some to question the wisdom of the marketisation of HE. Teacher performance evaluation questionnaires (QST's) and teacher rating forms (TRF's) increasingly used in HE institutions - and indeed all performance indicators - may have motivational value but may at the same time nurture a uniform "play safe" attitude that runs counter to the espoused principle of encouraging greater diversity and choice. Education is a multifaceted undertaking. Education policy cannot be limited to considerations of free choice and price efficiency. Social cohesion, citizenship, and democratic values are just as important.



## 5. Economics & Management

In this part we examine the marketisation of HE from a broadly economic and managerial perspective and on two levels. One level concerns public finance and the broad budgetary and institutional policies of governments. The other level relates to organizational or institutional aspects especially those concerning the application of incentives in the work of academia.<sup>42</sup> The public finance level is concerned with incentives that result from privatization and with the increased competition between institutions for resources resulting from reduced government funding. The organizational level involves the allocation of university resources to create incentives and encourage competition within institutions.

### *Public Finance*

Discussions on the public finance level traditionally start with cost-benefit analyses concerning the private and social costs of public HE provision. The private and social rates of return on education are distinguished. The private rate of return takes into account the costs and benefits to the individual undertaking the education whereas the social rate of return takes into account the costs and benefits to society. The preponderance of studies makes it clear that real rates of investment by governments and individuals in three-year and four-year bachelor degrees lead to significant private and public benefits.<sup>43</sup> These benefits vary between academic discipline and level of course. Australian and OECD figures suggest that the private and social rates of return for three-year degrees stand at 15% and 16.5% respectively. Improvements in quality of life, social and cultural factors resulting from

<sup>42</sup> Stillwell, F., "Higher Education, Commercial Criteria and Economic Incentives", *The Journal of Higher Education Policy and Management*, Vol. 25, No. 1, May 2003, p. 54.

<sup>43</sup> Australian studies in the 1980's suggest that the private rate of return to a bachelor degree relative to completion of high school was between 10% and 15%. Other studies looking at both private and public rates of return find that the private rate is higher than the social rate of return by about 5%. See Miller, P., "The rate of return to education" *Australian Economic Review*, 3rd. quarter, 1982, p.23. More recent studies have produced similar outcomes. See Borland, J., Dawkins, P., Johnson, D. & Williams, R., "Rates of Return to investment in Higher Education" *Australian Social Monitor*, p.33.

skills gained through higher education are not readily measured in economic terms, but they accord additional private as well as public benefits.<sup>44</sup>

The investment made by individuals and by governments on behalf of the community, then, seems to be a sound one yielding a positive balance sheet and favourable public and private rates of return.<sup>45</sup> It is not surprising, therefore, that enrolment in HE has increased continuously since the 1970's. Such is the rate of return on HE investment that some writers argue that tuition fees could be increased with little effect on demand for HE enrolment.<sup>46</sup>

An investment in HE, it is clear, is a good investment. But that only answers the easy question. The real question is, however, which sector (public or private) is better (more efficient) in making that investment. Only additional benefits resulting from government investment (over and above private investment) can be included in a cost benefit analysis of the public-private alternatives. If government investment provides no benefit over and above private benefit then economies may gain from handing over a greater share (or all) of HE to the private sector. Society may gain from the external benefits that HE yields without incurring the cost. Increased international trade in HE that has occurred over the past 20 years may have raised awareness in this field:

[I]ncreasing international trade may also involve a shift in government and public thinking: while higher education remains a public good, both public and private providers can fulfill this public function.<sup>47</sup>

The privatization and marketisation of HE leads, it is argued, to increased competition between HE institutions for the most able students and this

<sup>44</sup> Larkins, F., "The Economic Benefits of Australian University Degrees: Bachelor and Research Higher Degrees", *The Australian Economic Review*, Vol.34, No.4, p.413.

<sup>45</sup> Larkins, F., *ibid* p. 403.

<sup>46</sup> One policy implication of this observation is that governments could consider reducing their subsidies to higher education institutions.

<sup>47</sup> Knight, J., "Trade in Higher Education: the Implications of GATS", *Report for the Observatory on Borderless Education*, 2002.

leads to the most efficient allocation of HE resources.<sup>48</sup> Most goods and services sold do not face regulation based on the need to remove barriers to access or the need to achieve greater equity so why regulate the market for HE services? Those who claim that government intervention is necessary in the HE market, according to this line of argument, bear the onus of proof that the prices charged in the HE market are so artificial or arbitrary that they constitute an unusual financial barrier justifying government intervention. Arguments based on equity alone do not discharge this onus. Furthermore, those opposed to government intervention can use an equity argument of their own. Individuals completing secondary education fall into one of three categories - wealthy and university capable, less financially able and university capable, and university incapable. Why, especially on grounds of equity, should governments assist the first two (fortunate) categories and not the third? And why should individuals at the bottom of the income scale find themselves subsidizing the education costs of others who then go on and achieve higher lifetime incomes?

Arguments that a private for-profit approach to HE is more likely to allow greater access for more students to quality HE at lower cost than state sponsored HE provision are gaining ground in public policy circles.<sup>49</sup> State supply-side public policy traditionally emphasized public welfare and state assistance. Demand-side factors are now emerging as HE providers confront market driven trade and diverse student demands. The traditional state supply-side model inspired a vision of universities and academics as altruistically inspired by social justice and equality of opportunity concerns. This HE model, however, has failed to improve the lives of those members of society judged to be in need. HE has been dysfunctional for the purposes of

<sup>48</sup> Hoxby, C. M., *The effects of geographic integration & increasing competition on the market for college education*, Harvard University, at [http://post.economics.harvard.edu/faculty/hoxby/papers/exp\\_tuit.pdf](http://post.economics.harvard.edu/faculty/hoxby/papers/exp_tuit.pdf) (last accessed 19 September 2004) Reductions in the academic teaching work force and increases in the sessional or adjunct workforce can improve efficiency, it is argued, with no necessary effect on quality but with considerable reductions in costs and tuition fees. Tenured teaching-only academic staff can teach at undergraduate level based on possession of a bachelor's degree only.

<sup>49</sup> Sinclair, M., "Three Futures for University Provision: the Social Justice Market, State Capitalism & Private for-profit Universities", *Journal of Higher Education Policy and Management*, Vol. 25, No. 2, November 2003, p. 161.

redressing social inequalities.<sup>50</sup> Furthermore, the supply-side approach simply generated an enormous social justice market with demands that have outstripped the financial capacity of governments. This overload has resulted in pressure to hand the responsibility for the provision of HE services over to the market.

A common assumption among opponents of marketisation is that markets are simply about making money and, therefore, ignore social issues. While the majority of market transactions are for profit, making money is not the defining feature of all transactions. The defining feature of many transactions is that it is an exchange agreed upon by the parties. It is possible that neither party is motivated by material gain - it all depends on what the parties want to get out of it. Some students, for example, will study for a degree because they want a well-paid job and other students may study for a degree because they are interested in learning, criticism and the exploration of ideas. A free market still allows this choice and may be the best way to balance traditional learning ideals with other vocational ones. Marketisation does not deny choice nor does it upset this balance; it may even promote it.<sup>51</sup>

The marketisation of education services may perform other positive public functions as well by raising consumer awareness of substantive issues of educational quality.<sup>52</sup> Economical rationalism (or neo-liberalism) holds that the market will deliver the best outcomes because consumers act rationally in making their choices and purchases.<sup>53</sup> Furthermore, consumer choice means that good quality is rewarded and poor quality punished. The most effective guarantee of quality is a population of informed consumers.

<sup>50</sup> Norton, A. in "The Market for Tradition", *Policy*, Autumn 2002, p.8, for example, argues that the ideal and the reality of the state sponsored HE institution are at odds.

<sup>51</sup> Norton, A., "The Market for Tradition" *Policy*, Autumn 2002, p.13. See also Norton, A., "Getting Past the Cost: Making University Education Accessible to All", *Policy*, Spring 2000, p.3 where the writer argues that "contrary to popular belief, deregulation of higher education would improve access to a university education for those from low-income backgrounds."

<sup>52</sup> Jongbloed, B., "Marketisation in Higher Education, Clarke's Triangle & the Essential Ingredients of Markets", *Higher Education Quarterly*, Vol.57, No.2, 2003, p.110.

<sup>53</sup> Consumers are said to know what is in their interests better than any governing body.

Consumer choice also boosts efficiency of production by stimulating competition among providers. Privatisation may also shake students up and move them away from the existing choice patterns based largely on received wisdom and on perceptions of institutional prestige.<sup>54</sup> The prestige-based choice system has become a closed circle. Prestige leads to better students and better students lead to prestige - there is little obvious reason for HE institutions to be concerned with quality. Marketisation may shift the understanding of quality away from prestige to reputation that involves a greater awareness in students of the personal and social good presented in finding a well - taught course attuned to their abilities, interests and goals.<sup>55</sup>

The opposing argument in favour of public support of HE rests mainly on arguments concerning market failure and externalities.<sup>56</sup> When an individual educates herself, she benefits not only herself but also others in society. Increased economic growth, a more informed public, greater political participation, improved research, and reductions in crime and other antisocial activities are often cited as examples of the externalities relating to HE.<sup>57</sup> Balance sheet approaches provide information only on the direct financial costs and benefits of HE. While this is important in budgetary terms, other considerations that are difficult to quantify arise from

<sup>54</sup> The word prestige in this context relates to image and looks. It is important to distinguish prestige from reputation where reputation relates to customer satisfaction and outcomes. See Dill, D., "Allowing the Market to Rule: The Case of the United States", *Higher Education Quarterly*, Volume 57, No. 2, April 2003, p. 147.

<sup>55</sup> It can be argued that the opposite is the case. Citing a Rand study that distinguishes between reputation and prestige Dill argues that privatization actually increases the tendency on the part of HE institutions to make prestige-seeking investments that tends to limit pedagogical improvements in the overall HE system. Dill, D., "Allowing the Market to Rule: The Case of the United States", *Higher Education Quarterly*, Volume 57, No. 2, April 2003, p. 149. This debate is an important one.

<sup>56</sup> Externalities exist when the self-interested action of one individual or group affects the utility of another person or group.

<sup>57</sup> One of the main difficulties with the argument concerning external benefits is the difficulty with empirical measurement. Another problem is that negative externalities such as increased costs involved with tax collection, the administration of a public education system and the so-called job-market signaling effect should also be included. This argument becomes stronger when the market changes that occur when government institutions crowd out private ones are included. HE can be socially wasteful because it merely acts as a job-screening device that does nothing except raise the wages of some and lower the wages of others. This simply leads to lower net national output to the extent that resources are diverted to these wasteful job-market signaling functions.

government investment in HE including the promotion of public policy and equity.<sup>58</sup>

Problems exist with the economic rationalist model when it is applied to HE.<sup>59</sup> First, the model encourages entrepreneurialism, competition, and risk-taking. The failure of some institutions is implied in this model leading to uncertainties and losses for students and communities as courses are discontinued or as institutions are closed. Differences in the resources available to HE providers will almost certainly give rise to quality and equity concerns cutting across government commitments to equity and opportunity for all. A further difficulty encountered with the economic rationalist model is that of student choice. The economic rationalist model assumes, as we have noted, rational choice.<sup>60</sup> However, consumer behaviour in many areas is often irrational and ill informed. Consumption may be a matter of impression and image with consumers often seeing image as an important component of quality. Additionally, if rational choice is problematic in the market for tangible goods then it presents an even greater problem in dealing with intangible services in complex areas such as higher education.

### *Institutional*

We now leave discussion of theories on the public finance level and turn to theories that relate to the organizational level. Arguments for marketisation not only claim that marketisation and competition lead to increased efficiency in the public finance realm but also claim that the profit motive and the provision of incentives to students and academic staff alike within organizations also justify the marketisation of HE. The provision of incentives, it is argued, can be effective in encouraging academics at the institutional level to accept change in areas ranging from research interests to class hours. The tenure system is criticized because it offers little variance

<sup>58</sup> Johnson, D. & Wilkins, R., "The net benefit to government of Higher Education: a 'balance sheet' approach", *Economic Papers*, Vol. 22, No 2, June 2003 p. 1.

<sup>59</sup> Baldwin, G. & James, R., "The Market in Australian Higher Education and the Concept of Student as Informed Consumer", *Journal of Higher Education Policy and Management*, Vol. 22, No. 2, 2000, p. 139.

<sup>60</sup> This is one of the most disputed assumptions in all of economics - a lot depends on how "rational" is defined.

in rewards to faculty members so that more efficient members find that resources are, in effect, redistributed to their less productive colleagues. Some argue that the problems confronting HE institutions today stem from years of oversupply of public funds and bequests and the lack of incentives to exertion. Adam Smith, for one, was critical of universities that receive income from endowments "regardless of effort". Smith<sup>61</sup> argued that:

In every profession, the exertion of ... those who exercise it is always in proportion to the necessity they are under of making that exertion. This necessity is greatest with those to whom the emoluments of their profession are the only source from which they expect their fortune, or even their ordinary revenue and subsistence. In order to acquire this fortune, or even to get this subsistence, they must, in the course of a year, execute a certain quantity of work of a known value; and, where the competition is free, the rivalry of competitors, who are all endeavoring to jostle one another out of employment, obliges every man to endeavor to execute his work with a certain degree of exactness.

The argument used on the public finance level (examined earlier in this part) that government intervention is justified by virtue of public external benefits is a normative assertion, it is argued, not based on objective evidence. The direct public funding of HE institutions is actually based, more on the interests of the institutions and the professions than on public external benefits. Subsidies tend to aggravate rather than promote reasonable notions of equity and are detrimental to efficiency especially when subsidies are paid to institutions directly rather than to students.

Those opposed to the marketisation of HE argue, however, that serious problems exist with establishing the appropriate structure based on incentive and competition in the education service sector at the institutional level. Negative productivity outcomes from financial rewards are possible depending on individual responses to those rewards with some individuals simply declining to become part of the system altogether. A major contradiction also emerges between the supposed libertarian principles of

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<sup>61</sup> Adam Smith, *The Wealth of Nations*, Book V.

the free market and its manipulative and authoritarian aspects relating to managerialism and incentives. Some regard the emphasis placed on performance as a fabrication and as a "blizzard of hype, (pseudo) information and the impression management contributes to opacity rather than transparency."<sup>62</sup> The skepticism from academics such as our fictional "Professor George" is not surprising.

Evidence is also emerging from the student learning side of the equation that incentives designed to increase competition do not necessarily lead to more efficient and effective learning.<sup>63</sup> Competition in HE has led to problems such as grade inflation which occurs where competition within and between HE institutions places pressure on faculty to pass students and leads to student expectations of pass or higher grades. Competition may also lead HE institutions to engage in "prestige seeking" expenditures<sup>64</sup> and activities that are a poor substitute for reputation based on more rigorous educational standards.<sup>65</sup> This behaviour may lessen the overall educational benefits of HE both for students and for society.

## 6. Governance

HE institutions are not insulated from the processes of globalisation, structural economic change and pressures of an increasingly competitive economic environment. Governments and institutions are now rethinking many concepts previously taken for granted in rigid and static notions of government and in formalist approaches to governance.<sup>66</sup> Civil, corporate and public spheres are now seen as integrated. The old concept of societies

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<sup>62</sup> Ball, S., "Performativities and fabrications in the education economy: towards the performative society?" *The Australian Education Researcher*, Vol. 27, 2000, p.10.

<sup>63</sup> Dill, D., "Allowing the Market to Rule: The Case of the United States", *Higher Education Quarterly*, Volume 57, No. 2, April 2003, p. 152.

<sup>64</sup> Prestige seeking expenditures include expenditures on the production of uninformative glossy brochures.

<sup>65</sup> Dill, D., "Allowing the Market to Rule: The Case of the United States", *Higher Education Quarterly*, Volume 57, No. 2, April 2003, p. 147.

<sup>66</sup> The marketisation of HE, aided by supranational legal instruments such as GATS, not only undermines the social functions of HE but also undermines the economic, strategic and social functions of government.

and economies organised around a central government is inadequate for understanding and dealing with new governance demands.<sup>67</sup>

The most popular explanation used to describe the overall transformation that is happening to governance relates to the process of globalisation that is leading to increased global interdependence in economic, military, environmental, social and cultural matters.<sup>68</sup> While most writers stress that the process of globalisation is not new and emphasize the continuities most agree that contemporary globalisation goes father, faster, cheaper and deeper. This thickening of globalisation<sup>69</sup> gives rise to increasing connectivity within networks, demand for greater networking, more cooperation, faster learning and increased trans-national participation. This puts new demands on government at a time when an uncoupling is occurring because culture, economy, environment and society no longer reside in the boundaries of any particular geographical area. Traditional definitions of governance that relate to the management of public resources or public administration or that relate to the exercise of authority are giving way to broader fuzzier notions of governance.<sup>70</sup> Governance is increasingly seen in less defined and less static terms; rather it is seen as a complex evolving system.<sup>71</sup>

The changed approach to public and private sector governance is illustrated by the so-called "Enterprise University"<sup>72</sup> that is identified with growth in fuzzy executive power and systems of line management that seek to promote flexibility and the entrepreneurial approach.<sup>73</sup> Fuzziness and flexibility may be reactions to the perception that there is no longer a single society to which

<sup>67</sup> OECD, *Governance in the 21st Century*, 2001, p. 177

<sup>68</sup> Giddens, A., *Runaway World: How Globalisation is Reshaping Our Lives*, Routledge, New York, 2000.

<sup>69</sup> Keohane, R. O., & Nye, J. S., "Power, Interdependence, and Globalism" in *Power & Interdependence*, Longman, New York, 2001.

<sup>70</sup> OECD *Governance in the 21st Century*, 2001, p.28.

<sup>71</sup> Dimitrov, V. & Kopra, K., "Fuzzy Logic & the Management of Complexity" in Reznik, L., Dimitrov, V. & Kopra, K., *Fuzzy Systems Design: Social & Engineering Applications*, Physica-Verlag, Heidelberg, Germany, 1998.

<sup>72</sup> This expression comes from Marginson, S. and Considine, M., *The Enterprise University: Power, Governance & Reinvention in Australia*, Cambridge University Press, 2000.

<sup>73</sup> Stillwell, F., "Higher Education, Commercial Criteria and Economic Incentives", *The Journal of Higher Education Policy and Management*, Vol. 25, No. 1, May 2003, p. 52.

universities can respond but only fragmented interests of international business, national governments, academics, students, labour, industries, professionals, and communities. All this contributes to a dislocation felt within educational institutions between management and academia.

What is in question is the capacity of the leading newly reformed systems to connect organically to the academic side, and to nurture a process of institutional development that is grounded ... and long-term in character.<sup>74</sup>

Governance and management has become less about control and more about the hands-off and indirect management of networks. We are dealing here with another fundamental shift in notions of governance recognized as being less about power and control and more about creating the structures and processes aimed at solving problems.<sup>75</sup> Many institutions perform mixed market-based and public functions. These mixed institutions have become more capable in providing the kind of co-operation, harmonization and policy-making functions formerly performed by governments. Old approaches in public and private governance based on territorial claims, fence-keeping, centralization and fixed distribution systems cannot address modern demands for coordination and rapid responses. The new ideal of governance focuses on efficiency and enhanced learning power while also stressing transparency, accountability and democratic principles.<sup>76</sup> This produces the kind of network paradigm of governance built along networks of consensus and inducements that we see increasingly used in educational institutions. HE institutions used to be, in many ways, above the interests of particular social sectors and relatively detached from the economy. This has changed. HE institutions have lately come to play their part in economic and social networks.<sup>77</sup> The public and private HE sectors are choosing to bring

<sup>74</sup> Marginson, S., and Considine, M., *The Enterprise University: Power, Governance & Reinvention in Australia*, Cambridge University Press, 2000, p. 234.

<sup>75</sup> Kooiman, J. "Social-Political Governance", *Public Management*, Vol. 1, No. 1, pp 67-92, 1999.

<sup>76</sup> OECD, *Governance in the 21st Century*, (4th Conference on People, Nature Technology: Sustainable Societies in the 21st Century, Hanover, 2000), 2001, p.192.

<sup>77</sup> Sharrock, G., "Why Students are not (Just) Customers", *Journal of Higher Education Policy and Management*, Vol. 22, No. 2, 2000.

about change by guiding institutions in ways that are more flexible by establishing a policy framework<sup>78</sup> and by offering appropriate financial incentives including incentives brought about by market forces. The market model may help in the democratization of knowledge and create opportunities for a new and more critical role for universities.

## Conclusion

Some, as we have seen, argue that the marketisation of HE in the context of GATS will result in increased competition, lower prices, innovation, technology and know-how transfer, greater transparency and beneficial implications for economic development.<sup>79</sup> Despite this assessment and the arguments that we have seen in favour of it, there are those who express persistent concerns about the impact of marketisation, privatisation and trade in HE on equity, costs, availability of services and the ability of governments to define and pursue social and national objectives.

Concerns relating to the fear that the marketisation of HE over-emphasizes efficiency, competition and performance demand that attention be given to at least five areas. First, simplistic notions of marketisation and competition need to be guarded against.<sup>80</sup> There are dangers in conceptualizing HE as a sector that lends itself to new governance and to market processes. While there may be some aspects of the market model that can be used to inform education policy and planning, a simple model of competition for the same students is not appropriate and is more likely to distort the goals of institutions and make the exercise of rational consumer choice more difficult

<sup>78</sup> See, for example, Commonwealth Department of Education, Science and Training, *Learning for the Knowledge Society: An Education and Training Action Plan for the Information Economy* at <http://www.dest.gov.au/schools/publications/2000/learning.htm> (last accessed 10 September 2004)

<sup>79</sup> This is the position adopted, with some qualifications, by Chanda, R., "Social Services and the GATS: Key Issues and Concerns", *World Development*, vol. 31, no. 12, (2003) p.1997.

<sup>80</sup> Baldwin, G. & James, R., "The Market in Australian Higher Education and the Concept of Student as Informed Consumer", *Journal of Higher Education Policy and Management*, Vol. 22, No. 2, 2000, pp. 147-148.

rather than easier. HE institutions should not go headlong into competition for competition's sake. Institutions need to conduct an honest analysis of their strengths and of the students they wish to serve and use this analysis to accurately and honestly define a genuine mission. The goal should be one of matching student and university rather than the shortsighted goal of competition and of climbing a ladder of prestige. Specific, accurate and accessible information should be made available to students so that they can make a choice based less on considerations of image and prestige<sup>81</sup> and more on rational choice after considering whether they are suited to a course and institution and whether the investment is justified in terms of outcome. The financial performance of institutions is important but it is a means and not an end. An over-emphasis on competition and performance can produce institutions that know the "price of everything and the value of nothing".

Secondly, the important question of balance should not be lost sight of. As the United Nations Economic and Social Council points out:

The liberalisation of trade in services presents both opportunities as well as challenges.... While liberalisation offers opportunities for increased economic growth and development, the liberalisation process, in particular where it leads to unregulated private sector activities, can threaten universal access for the poor to essential services. States hold responsibilities, both nationally and internationally, to guarantee universal service supply according to national capacities and should therefore not leave the concerns of human welfare solely to market forces.<sup>82</sup>

Thirdly, the ambiguities contained in GATS provisions, especially those in Article 1.3, need to be remedied. Fourthly, the marketisation of HE and the operation of GATS needs to be assessed in light of the broader workings of the WTO and of demands for equitable development. In particular, the pressure that developing countries face to trade openly in HE services while developed countries insist on keeping agriculture a highly protected area

<sup>81</sup> Image and prestige is here used as distinct from reputation.

<sup>82</sup> United Nations, Economic & Security Council Report, *Liberalization of Trade in Services and Human Rights*, E/CN.4/Sub.2/2002/p, p.29.

needs to be addressed.<sup>83</sup> Finally, to achieve a balance between efficiency and equity we need to be convinced of the importance of that balance. We need to avoid a basic error of logic that identifies the "failure of communism" and the success of the "free world" with the conclusion that the private sector works and the public sector does not.<sup>84</sup> What works for a large number of economies and for sectors within economies is not the private sector. What works is the balance between a strong private sector and a strong public sector. This balance is at risk when commercial, customer-oriented approaches are applied without discrimination to service and social fields such as education.

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<sup>83</sup> Steinberg, R. H., "In the Shadow of Law or Power? Consensus-Based Bargaining and Outcomes in the GATT/WTO" *International Organization*, Vol. 56, No.2, p. 339. The cost of this protection falls on the developing countries where agriculture typically accounts for a much higher share of economic output and exports than is the case in developed countries.

<sup>84</sup> Mintzberg, H., "Managing Government, Governing Managers", *Harvard Business Review*, May-June, 1996, p. 75.

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