National and Global Competition in Higher Education[1]

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Introduction

In the long building of the Australian public university system after World War Two, there were two aspects of the policies designed to provide equality of educational opportunity: the conditions governing student participation, and the conditions governing educational supply. The former received most of the direct attention, but the latter was equally important. The conditions governing participation included the cost of tuition, and scholarships and living allowances. Thus the Whitlam government of 1972–1975 expanded and equalised access by abolishing tertiary tuition fees and providing living allowance support to half of the student population. Even at the end of the Whitlam years in 1975, university education was still the activity of a relatively small minority, with only about 15 per cent of those who finished school going straight to university. In equality politics the emphasis was always on the quantitative expansion of places, the socioeconomic composition of participation, and measures to broaden the access provided to the most disadvantaged groups. Here the ultimate horizon of equality of opportunity policy, so difficult to achieve, was to eliminate all social bias in entry so that the social composition of the tertiary student population would mirror that of the general community.

The conditions governing education supply included the hierarchy of secondary and tertiary institutions. After Menzies introduced state aid in 1964 the successive Australian governments were as much concerned to strengthen independent private schooling as public high schools, which tended to work against equality of opportunity, but they took a more egalitarian approach to universities. Like the national higher education systems of much of Western Europe, though unlike the USA, the 19 Australian universities were seen as more or less equivalent and interchangeable. All were expected to be world-class institutions with a common mandate in research and doctoral training. There was an informal hierarchy within the university sector; with the long established 'Sandstones' on top by virtue of their accumulated research capacities and their inherited status as the first choice for school

leavers, and the newest universities at the bottom. However, while the universities competed with each other for academic prestige, as universities do, there was little economic competition as such. Universities were more than 90 per cent government funded, and the principal form of support for research activity was not project grants subject to competitive submissions, but the Commonwealth operating funding provided on the same basis to all institutions, which was relatively generous by later standards. This factor more than any other allowed the emerging universities to acquire world-class credentials quickly. By the late 1970s some postwar universities had accumulated strong reputations for innovative research and more student-focused teaching, and/or for organisational design, and threatened to challenge the status of the Sandstones. In the 1980s the best work in the field of education was often at new universities such as Deakin. In this respect the university hierarchy was contestable, not because it was subject to market competition – which would inevitably have favoured those universities that started the race in the strongest position – but because of the public funding regime and the deliberate policy of building capacity in the newer universities.

Marketisation policies

The principle of equality of opportunity continued to order educational programs into the 1980s. Nevertheless, even while educational theorists and policy makers were exploring the limits and contradictions of equality of opportunity programs, the operating conditions were being transformed by two different but overlapping sets of changes. The first set of changes was Commonwealth government marketisation; the second set was constituted by globalisation.

In 1984 and 1985 a new policy discussion began, inspired by the neo-liberal 'revolution' and policies of privatisation and deregulation set in train by the Thatcher government in the UK. In the coordinating departments of Treasury, Finance and Prime Minister and Cabinet a consensus emerged that Australia should expand tertiary participation but could no longer afford free tertiary education. It was believed that an increase in the element of market competition via tuition fees, industry funding, international marketing and private universities would produce a more efficient system. In this world view, the goal of equality of opportunity was less important; and policy interventions designed to achieve greater equality of condition were often seen as an unwarranted interference in a natural competitive market. In 1986 a Higher Education Administration Charge (HEAC) of $250 per full-time student was pressed on an unwilling Tertiary Education Commission, which knew this was the thin edge of the wedge; and in 1988 the Higher Education Contribution Scheme (HECS) was announced. The HECS was a uniform charge levied on all university students and paid to the government, not a market fee; and it was implemented by reforming Minister John Dawkins in order to finance the desired quantitative expansion in

access in a manner that would minimise the barriers to students from poor families. Nevertheless, the argument for implementing the HECS centred on assumptions about the individualised rather than the collective benefits of higher education; and by normalising user contributions, plural public/private funding and the consumption paradigm, the HECS opened the way to marketised higher education (Marginson 1997a, pp. 224–37, Marginson 1997b).

In the neo-liberal imagination society, culture and personality were mere outcomes of the economy; and global educational strategy was a trading game in which the world was nothing more than a map of opportunities for self-enrichment. If this vision of higher education seemed radically incomplete to most of those working in the system, it was sufficiently exciting to the economists who exercised control over government policies to power more than two decades of proposals for market reforms. The HEAC and the HECS were the first steps in a long series of policy changes that layered more and more aspects of market competition onto the public higher education institutions, without reducing Canberra's capacity to steer the system. The official creation of inter-university competition (1987–1988), successive steps in the deregulation of international and postgraduate fees (1985–1995); competitive bidding for innovation funds and staff development (1988); the centralisation of research support and its redistribution as project grants on a competitive basis, and the distribution of a proportion of operating funds on the basis of institutional research performance (from 1988); national quality assurance (1993–1995, and again from 1999); the Hoare inquiry on governance (1995); the Vanstone cuts to funding, HECS increases and the introduction of up-front undergraduate fees (1996); the West report (1997–1998); the leaked Kemp memo proposing a wholesale market deregulation and voucher funding (1999); the PELS loans to support the postgraduate market (2001); the Nelson inquiry (2002) and reform proposals (2003): almost *every* policy move from the mid 1980s, more so after the departure of Minister Dawkins in 1993, was powered by faith in markets and the business model of higher education. This was a faith that the three 'Cs' of competition, corporatism and consumerism would lift efficiency, performance and rates of innovation; strengthen accountability to government, students and business; and provide fiscal relief.[2]

To take the fiscal savings while compelling institutions into entrepreneurial activity, the per student value of Commonwealth operating funding was whittled away until by 2001 it had fallen to 40 per cent of the 1975 level in real terms (Marginson 2002, pp. 114–17). By 2001 Australia spent only 0.8 per cent of GDP on the public funding of higher education (OECD 2003), which was half the level of public investment in 1975, though the national rate of participation in higher education had doubled since that time. Where the previous generation of students had paid no tuition costs at all,

by the late 1990s students carried one of the highest public tuition charges in the OECD; and measures were under discussion to push tuition charges even higher.

In refashioning higher education as an economic market, neo-liberal policies affected both the conditions underlying student participation, and also the conditions underlying the supply of higher education. The first effect attracted the main political attention. It was widely expected that an increase in private costs would tend to stratify participation along socioeconomic lines, and the Commonwealth's research on the effects of the post-1996 increases in the levels of HECS found that these had the most affect on poorer students, who withdrew in disproportionate numbers from courses attracting the highest level of HECS charge (Aungles et al. 2002). However, arguably the more important regression from the prior conditions underlying equality of opportunity policies was the breakdown of the old semi-equality between universities, which had been dependent on public funding and its distribution on an egalitarian basis.

The global element

The traditional equality of opportunity project, like the Keynesian policies of national economic management that nurtured it, was premised on a sealed national economy and social polity. Just as national financial regulation were broken open by world financial flows in the 1980s, and techniques of business and government became increasingly shaped by cross-border imitations, national higher education systems became irreversibly affected by globalisation. Between 1990 and 2002 the number of international students enrolled in Australian universities increased from 24 998 to 185 058 (DEST 2003). Cross-border flows do not necessarily render the pursuit of equality of opportunity impossible, but the education of a growing number of international students not part of the egalitarian equation of national equality of opportunity policies tends to change the conditions under which these policies are pursued, as well as posing new problems of global inequality. Here international education was also coloured by the marketised form in which it was developed, which worked against the logic of the equality project.

In 1985 it was decided to offer international student places on a full-fee basis, additional to the domestic enrolment, at prices designed to ensure profitability. In 1988 it was decided to phase out the existing international education program premised on foreign aid objectives, with a limited number of subsidised places subject to quota, and confirm the full-fee market as the dominant framework for cross-border education. Universities were allowed to set the prices they chose and expand the number of students without limit. The growing scarcity of public funding for universities encouraged the rapid growth of international education. This subordinated egalitarian considerations within the international program and fed the

more general corporatisation and marketisation of the university sector (Marginson and Considine 2000). Australian universities are more entrepreneurially aggressive than American doctoral universities (Slaughter and Leslie 1997), and there is little subsidisation by either governments or universities. While the USA provides scholarships to a quarter of its international students (IIE 2003), in Australia in 2002 the ratio of full-fee-paying places to scholarship places was 61 to 1 (DEST 2003).

This paper

This paper explores economic competition in higher education in both the national and global dimensions, up to and including the likely effects of the Nelson reforms, reflecting on the implications for the equality of opportunity project. The paper does not focus on the implications of marketisation for the distribution of opportunities to access university between social groups – as noted, this element is widely understood (albeit inadequately monitored by governments) and there are no new data to report here – but explores the element less discussed elsewhere: the implications of national and global markets for the producer hierarchy of universities.

The national market in Australia

A market is an economic system of coordination on the basis of buyer–seller relations, as distinct from a system of bureaucratic planning and administration, or communities of scholars, or democratic communal forms of education (Marginson 1997b, pp. 27–50). Markets incorporate five distinctive features: a defined field of production/consumption; competition between producers; identifiable products ('commodities'); prices and monetary exchange between producers and consumers; and the human behaviours and values – entrepreneurship and cost minimisation in production, utility maximisation in consumption, contractual relations and so on – consistent with economic self-interest. Real life education systems normally incorporate some but not all of these features. Higher education systems typically consist of a set of producer institutions ('the market') together participating in several interlocking markets based on distinct products: undergraduate education, research degrees, research and consultancy and other services.

It is helpful to distinguish between *simple commodity production* in education – where the market is the means but not the end of production, and non-market objectives such as social access, or the formation of social leaders, or the reproduction of academic disciplines, may also come into play – and *fully capitalist production*, where the producer has no intrinsic interest in educational or social effects as such, only loyalty to the economic bottom line. The expansion of the production of individualised commodities and the accumulation of capital are ends in themselves.

Fully capitalist production is fundamentally subversive of the equality of opportunity project and other common goods. It fulfils non-capitalist objectives only by accident, not by design.

In 2002, the publicly funded national Australian system covered 896 621 students enrolled in 38 public universities, three private universities and three small private colleges, with 98.2 per cent of these students in public institutions (DEST 2003). A 1999 survey identified a further 31 212 students enrolled in 79 accredited private institutions outside the national system (Watson 1999). The principal economic competitions are first, for research funding, via competitive academic schemes based on merit, and targeted research projects in the government and corporate sectors; and second, for tuition revenues from international and postgraduate students. Institutions also sell services in short courses, continuing professional education and consultancy; and compete for philanthropic support. International education is provided on a full-fee basis and designed to raise revenues. On the other hand, in undergraduate education Australian universities have been less market-like than American higher universities (though the Nelson reforms will change this: see below). The USA provides student loans for tuition, enabling a high level of student mobility and creating a quasi-voucher national market. In Australia there is a choice-based competition between universities in each capital but little national mobility. In 2002, 97 per cent of domestic undergraduates paid HECS to the government[3] rather than being subject to buyer–seller relations with their university. The cost of HECS-based courses is shared by students and the government, and the number of HECS places is capped by the government. There are three standardised levels of HECS based on field of study, at AUD $3680–6136 per full-time student per annum in 2003. HECS is a substantial charge in world terms but modified by its income-contingent character. In 2003 repayments began at an annual income of $24 365 (Nelson 2003a). HECS debts are indexed to prices with no real interest rate. This contrasts with direct fees and commercial loans in the USA.

Positional goods and positional competition

Teaching services are standardised on the basis of credentials. All programs of study offered by accredited tertiary institutions are lodged in the Australian Qualifications Framework. Here the degrees offered in all institutions are formally equivalent. Nevertheless, in the real world – in the minds of students, their families and employers of graduates – the degrees offered by different institutions are ranked hierarchically on the basis of institution and field of study. Higher education is a 'positional good' (Hirsch 1976) in which some student places are seen to offer better social status and lifetime opportunities than other places. A 1999 study of factors influencing the choices of prospective undergraduates found that 'applicants focus on broadly conceived course and institutional reputations when making their selections'.

Further, 'course entry scores, and by implication university scores, serve as a proxy for quality in prospective students' eyes' (James et al. 1999, p. ix). Applicants had low detailed knowledge of the teaching quality and lifelong earnings potential of particular courses, suggesting that the student-centred piety of the quality assurance movement is largely misplaced: in a positional market choice making is focused primarily on the status of universities and degrees, not the quality of teaching.

Positional goods confer advantages on some by denying them to others. 'Positional competition … is a zero-sum game. What winners win, losers lose' (Hirsch 1976, p. 52). Within any one nation (though 'within any one nation' is a significant qualification, as discussed below) there is an absolute limit on the number of positional goods at a given level of value. The number of such goods cannot be expanded without reducing unit value. For example, when everyone can enrol in medicine and become a doctor, medicine ceases to be a high-income-earning, high-status profession. Given the absolute limitation on the number of high-value positional goods, there is also a limit on the number of high-value producer institutions, and on the size of individual elite institutions. Elite institutions cannot expand production to meet the full demand, like capitalist businesses – while they enjoy higher revenues, for these institutions the lodestone is not maximum market share or maximum revenue; it is consumer preferment and social status. Thus, in a positional market, there is both competition among producers and competition among consumers. Producer universities compete for the custom of the most preferred 'customers', while student customers compete for entry to the most preferred institutions. Prestige sustains high student entry scores, and this very scarcity reproduces the prestige of the elite universities. Wealth follows prestige: wealthy families invest in high-value positions in education to maintain social leadership. Positional markets in higher education are a matching game in which the hierarchy of students/families becomes synchronised with the hierarchy of universities. In a high scarcity regime, with only a small number of high-quality/high-value institutions, the stakes in educational competition are much increased; and the more powerful social groups always enjoy advantages in that competition. When the element of positional competition dominates university, social equality of opportunity becomes almost impossible to achieve. The steeper the hierarchy of producers, the more the educational market becomes segmented vertically, the smaller the number of world-class universities becomes, and further hopes of equality of opportunity must recede.

Vertical segmentation is, however, inevitable in positional competition. The production of positional goods *necessarily* combines competition with oligopoly and market closure. Whether high tuition is charged or not, the university market is never a freely competitive market. In elite institutions, the more intense consumer

competition for entry is, the *less* the elite institutions are required to court the consumer in the conventional manner, by dropping prices or providing more and better services, providing that they sustain their prestige (which again undermines the contemporary policy focus on improving teaching). Once a university obtains elite status, where it has a limited number of high value competitors, and its very status maintains student custom and research resources, to reproduce that status requires no more than ordinary prudence. At the top, the positional hierarchy in higher education tends to be very stable over time. In Australia the leading institutions are all 45 years old or more. At the bottom end of the market the positional competition operates differently. Institutions must compete hard to attract students to fill their places and secure revenues; and success is always provisional and contestable. But these institutions do not receive full recognition for the quality of good programs, because in a positional market their educational quality is over-determined by low social status. Intermediate institutions, combining some high-value scarce places with low-value access places, find it difficult to move up the ladder because of the limit to the number of high-prestige producers. They cluster as 'second choice' producers, or specialists. Positional markets segment into different groupings, with the segments aligned in a vertical hierarchy and firm barriers limiting upward movement between segments. There are four distinct segments in the Australian system. Geiger (2003, p. 6) cites seven in the United States.

Market segmentation in Australia

The market segmentation of the Australian system has been shaped by history and funding. The elite institutions, the 'Sandstones' or Group of 8 – Queensland, Sydney, NSW, Melbourne, Monash, Adelaide, WA and ANU – are the older foundations in the capital cities (excluding Hobart and Darwin).[4] They are defined primarily by the pattern of school leaver preferment as measured by entry scores, and research prestige and performance as measured by the quantity of research grants, publications and research students. The older universities, especially Sydney, Western Australia and Melbourne, also enjoy what are in Australian terms relatively high levels of income from donors and private investments, further insulating them from market forces.

Below the Sandstones (Table 1), the further segments of the Australian market are

- the 'Gumtrees', mostly the second or later universities established in each state, prior to the Dawkins reforms that began in 1987;
- the 'Unitechs', large universities of technology in each state capital, which had longstanding status as vocational institutions, and became universities after 1987;
- the 'New Universities', other institutions that also achieved university status after 1987. Some are specialist regional and/or distance education providers;[5]

- private universities. Bond has no HECS places and like Notre Dame is small and marginal to the national system (the Nelson reforms will change this: see below).

United States (leading 30 institutions only, in rank order)	**Australia ('Group of 8')**
Princeton	*Australian National*
Harvard, Yale	*Melbourne*
Caltech, Duke, Massachusetts IT, Stanford, Pennsylvania	*Sydney*
Dartmouth	*Queensland*
Columbia, Northwestern	*Western Australia*
Chicago, Washington (St. Louis)	*New South Wales*
Cornell	*Monash*
Johns Hopkins, Rice	*Adelaide*
Brown	
Emory, Notre Dame	
U California Berkeley	
Carnegie Mellon, Vanderbilt	
Virginia	
Georgetown	
U California Los Angeles, Michigan – Ann Arbor, Wake Forest	
Tufts, *North Carolina – Chapel Hill*	
William and Mary	

Italics indicates public university. Sources: US News and World Report (2003, pp. 82–3).

Table 1: Elite higher education in the USA and Australia

The national government's Institutional Grants Scheme (IGS), which is allocated competitively on the basis of research performance,[6] provides a useful indicator of segmentation (Nelson 2003a, pp. 103–4). In 2003 the Sandstones received between $24.8 million (Melbourne) and $15.3 million (Adelaide) in IGS grants: next were Flinders, Newcastle and Tasmania – Gumtrees with medical faculties – each with $7.0 million (see Table 2). The allocation of Australian Research Council Discovery grants follows a similar pattern. Research activity is open to merit-based contestation, but like school-leaver status it is also open to prestige-generates-prestige effects, and it is sensitive to the funding base. Before 1987 the Gumtrees were funded by government to conduct common good basic research in all disciplines. They now find it difficult to sustain this given that public funding is down, revenues are more dependent on competitive position, and the Sandstones are better placed to attract competitive research funding and student fees. Nevertheless, the Gumtrees mostly perform much better than the post-1987 universities in national competitive research grants per effective staff member. The Sandstones can internationalise while sustaining universal

Segments and universities[7]	Med	Total students 2002	Flexible delivery share 2002	Total income 2002	Intrnat'l fee share income 2002	Research students 2002 *number share*		New ARC Disc 2003	NCG per EFT staff 2001	IGS funds 2003
			%	$s mill	%		%		$s	$s m
SANDSTONES										
U Melbourne	Y	39 378	3.0	856.3	13.1	3908	9.9	104	29 788	29.8
U Queensland	Y	37 498	7.5	814.5	8.0	3669	9.8	81	21 452	28.3
U Sydney	Y	42 305	3.9	816.3	9.5	3473	8.2	98	22 943	27.1
U New South Wales	Y	42 333	10.1	701.5	16.5	2669	6.3	81	23 529	25.4
Monash U	Y	52 010	23.8	735.4	15.1	2935	5.6	56	15 786	19.3
Australian National U	Y	11 979	0	461.7	4.3	1491	12.5	137	—**	16.6
U Western Australia	Y	15 885	0	360.4	8.0	1830	11.5	46	31 157	16.1
U Adelaide	Y	16 188	7.5	334.2	8.3	1512	9.3	36	32 382	15.3
GUMTREES										
U Tasmania	Y	13 750	10.9	199.7	7.1	1030	7.5	22	20 499	7.0
U Wollongong	N	18 764	1.1	210.1	20.5	1024	5.5	14	14 931	7.0
La Trobe U	N	24 930	0.7	314.0	8.1	1359	5.5	24	10 332	6.3
Macquarie U	N	27 239	17.5	295.9	18.9	1031	3.8	23	12 409	6.2
Griffith U	Y	30 969	7.5	350.7	11.6	1283	4.1	22	7996	6.1
U Newcastle	Y	23 502	7.5	256.9	10.9	1236	5.3	22	13 835	5.4
James Cook U	Y	13 189	17.0	173.5	6.2	679	5.1	6	11 040	4.9
Flinders U	Y	13 644	10.9	177.2	7.8	905	6.6	10	18 192	4.5
Murdoch U	N	12 734	24.1	156.0	10.4	761	6.0	7	14 954	4.3
U New England	N	18 202	81.9	148.3	3.9	820	4.5	9	13 880	3.8
Deakin U	N	33 033	54.7	325.8	8.5	899	2.7	11	6624	2.9
UNITECHS										
Curtin U Technology	N	33 240	11.5	360.9	23.3	1592	4.8	11	6432	5.2
Queensland UT	N	39 192	15.1	365.2	15.6	1105	2.8	13	5121	4.9
U South Australia	N	30 627	22.0	286.1	15.8	1741	5.7	13	5297	4.5
Royal Melbourne IT	N	38 280	3.7	478.2	21.5	1831	4.8	15	3346	4.5
U Technology Sydney	N	29 290	0	287.7	17.1	918	3.1	13	6892	3.6

Segments and universities[7]	Med	Total students 2002	Flexible delivery share 2002	Total income 2002	Intrnat'l fee share income 2002	Research students 2002 *number share*		New ARC Disc 2003	NCG per EFT staff 2001	IGS funds 2003
			%	$s mill	%		%		$s	$s m
NEW UNIS										
U Western Sydney	N	35 361	4.5	296.7	12.9	942	2.7	4	5159	3.2
U Canberra	N	10 419	(0.04)	105.8	11.5	265	2.5	2	7332	1.7
Swinburne UT	N	14 404	(0.01)	233.2	14.6	537	3.7	10	6294	1.7
Victoria U Technology	N	19 475	1.9	277.8	10.5	654	3.4	1	4372	1.7
Edith Cowan U	N	23 829	24.4	202.9	12.1	824	3.5	3	3289	1.4
Northern Territory U	N	5612	26.3	91.6	2.8	213	3.8	2	7885	1.2
Southern Cross U	N	11 961	52.9	89.7	7.6	449	3.8	1	5920	1.2
Charles Sturt U	N	39 776	83.4	187.4	5.4	434	1.1	5	4132	1.2
Central Queensland	N	21 763	40.9	210.6	37.7	316	1.5	0	2995	1.0
Southern Queensland	N	24 271	81.0	118.6	13.3	326	1.3	3	3832	0.9
U Ballarat	N	6615	0	106.9	4.9	187	2.8	3	3754	0.5
U Sunshine Coast	N	3947	11.3	32.5	12.0	62	1.6	0	98	0.1
PRIVATE UNIS										
Aust Catholic U*	N	11 894	8.9	104.4	4.3	338	2.8	1	1496	0.5
U Notre Dame Aust	N	2832	1.7	20.2	17.7	27	1.0	0	0	0.1
Bond U	N	n.a.	n.a.	n.a.	n.a.	51	n.a.	0	n.a.	0.1
MINOR SITES										
(various)	—	6250	—	69.4	—	377	—	12	—	0.4
TOTAL	**—**	**896 621**	**19.2**	**11 614.1**	**12.5**	**45 703**	**5.1**	**921**	**15 165**	**277.6**

* Private university funded as public universities. Med = medicine faculty (Y=yes, N=no). Dollar amounts in current prices. Flexible delivery share = % of students external (distance) students and multi-modal students, distinct from internal (wholly campus-based). Research student share = number of research students as % of all students. IGS = Institutional Grants Scheme, awarded competitively on the basis of research performance (see note). NCR per EFT staff = national competitive research grants per effective full-time member of staff, teaching/research staff research only. ** Not all ANU staff eligible as funded separately for research. New ARC Discov = new Australian Research Council Discovery grants, awarded on academic merit across all fields except medical sciences. Sources: DEST (2003), Nelson (2003a), Australian Vice-Chancellors Committee, Australian Research Council.

Table 2: Segments of the positional market, Australian universities, 2001–2003 data

research intensity. In the other segments, when institutions concentrate on specialist areas such as fee-based international education and distance education, major ventures in either domain tend to cut into potential research capacity.

All else being equal, the steeper the hierarchy of institutions in terms of resources and status, the greater will be the vertical variation in the value of the positional goods produced in higher education, and the more positional competition will structure student and university behaviours. In Australia economic competition in higher education sustains Sandstone hegemony, to an increasing degree, at the expense of the resources and prestige of all other universities. 'True quality' is seen to be centred on fewer institutions than at any time since the formation of mass higher education. In a market where institutions draw on their competitive position to pay their own way, it is no longer possible for all universities to be world-class. There is '*comparison* in place of real commonality and generality' (Marx 1973, p. 161). The producer hierarchy has become steeper than before, and the dominance of the elite institutions more difficult to contest.

Implications of the Nelson reforms

The next round of marketisation, the Nelson reforms from 2005 (Nelson 2003b), will enhance these trends. In December 2003 the national parliament adopted a package of further market reforms in higher education as negotiated by the Minister for Education, Science and Training, Brendan Nelson. The new system begins in 2005. There are three main changes. First, though the HECS remains a payment from students to government, covering only a part of the cost of the student place with the balance paid by government, it will move closer to the forms of a market fee. The level of HECS will be varied freely by the universities, at up to 25 per cent above current levels, becoming $0–7670 per annum in 2005. All prestigious universities have opted for the maximum possible HECS. Second, public universities can charge direct tuition fees at whatever level they like for up to 35 per cent of the places in each course. Third, fee-paying students in both the public universities and accredited private institutions will be eligible for income-contingent loans under the government-backed FEE-HELP. Repayments under both HECS-HELP and FEE-HELP[8] will be income contingent, with no real interest rate, though students taking loans under FEE-HELP will be subject to an additional annual surcharge of $2000.

These new arrangements will create a differentiated price-based undergraduate market, based on a voucher-like system of subsidised loans. With the cost gap between full-fee places and HECS places reduced, many students will opt for fee-paying places in prestigious universities and courses rather than HECS places in less desired courses. The cost gap between HECS places in public universities and fee places in private institutions will also narrow, making a large-scale private sector

viable for the first time. For students overall, costs will rise sharply. There are two compensatory policies. First, scholarships of up to $24 000 per course will be offered to a small number of students from low socioeconomic status or isolated backgrounds. Second, and much more substantially, there will be a higher income threshold for repayments under HECS and FEE-HELP. This has been fixed at an indexed $35 000 per year (a higher repayment threshold also helps to make full-fee places economically viable). Later, the government can create a unified undergraduate market, with variable levels of public subsidy per place, by lifting the cap on maximum HECS, extending HECS to the private sector, and abolishing the surcharge on FEE-HELP places.

USA private universities (2002–03)	21% of students pay over $36 000, 68% pay over $22 500
USA public universities in-state (2002–03)	22% of students pay over $7500, 75% pay over $4500
Australian HECS (2003)	varies by course between $3680 and 6136
Australian HECS + 25% variation (2005)	varies by course between $4600 and 7670
Australian full-fees (2005)	(watch this space)

All data in Australian dollars with USD $1.00 = AUD $1.50; 2005 Australian charges expressed in 2003 prices. Source for American data: Geiger (2003, p. 14).

Table 3: Annual full-time undergraduate tuition costs in the USA and Australia

Post-Nelson the HECS will be redefined from a student contribution to the costs of a publicly funded place to a public subsidy ('scholarship') that covers part of the private cost of fees. The Nelson package abandons the purpose that guided the HECS, namely user charges without deterrent effects. Meanwhile the Nelson reforms bring Australian cost levels and structures closer to those of the United States. The cost gap between an Australian HECS place and an American in-state public university place is largely closed; and in the longer term, full-fee places supported by FEE-HELP will allow prestige Australian universities to charge fees approaching American private sector levels in sought after faculties such as law, medicine and dentistry. A University of Sydney or Melbourne law degree at $25 000 per year exceeds the production costs but students would pay the difference as it reflects the positional value of the degree, given that most law graduates from these universities enter high-income earning careers. Thus the Nelson package tends to join the markets in elite university places in the two nations; one effect of increasing the domestic price of prestige Australian degrees will be to encourage investment in American university degrees. If families have to pay $20 000–25 000 per annum for prestige positional goods in Australia then an American doctoral university looms as an increasingly attractive alternative.

After 2005, the number of fee-based places underpinned by FEE-HELP can be expected to increase rapidly (Chapman 2003). This will expand the public subsidisation of positional investments by individuals – mostly from socially advantaged groups – through unpaid loans and administrative costs,[9] and further reduce funding for the direct grants to institutions vital to the common research and teaching infrastructure. No doubt much of the additional fee revenue will be squandered on the costs of competition, such as marketing. At the same time, fees and variable HECS will widen the resource gap between the Sandstones and other universities, as the Sandstones are best placed to charge high prices. Drawing new private investments from families used to investing in secondary education, most of the Sandstones, at least, will strengthen their resource base. Part of this will be ploughed into research capacity, including remuneration for high performers, because research is the global source of prestige and competitiveness, again widening their advantage over other universities. At the lower levels of the hierarchy, there will be a 'race to the bottom' as institutions struggle to fill their places. Both of their strategic options – varying HECS charges downwards, and investing resources in marketing – will reduce the resources for teaching and learning, and thin out their research capacity.

The overall effect is to stretch the vertical hierarchy and widen the gaps between segments. Price variation enables a more differentiated set of economic choices, but matched by steep variations in educational quality. Because high-value course choices in the research-intensive universities command higher prices, and research-intensive provision itself – once government dependent, but now increasingly market dependant – is more firmly restricted, it becomes more difficult than before to access world-class education. Thus the protection and extension of market relations in education helps those with prior economic, social and cultural advantages to consolidate their position. The driving force of the Nelson reforms is the economisation of social privilege in education. Elite university education becomes continuous with independent private schooling at secondary level. First the Sandstones are restructured as a high-cost segment dependant on private investment. Second, the price mechanism is installed to mediate access and redifferentiate both consumption and production. The social pyramid becomes more closely aligned to the educational pyramid. The outcome is a neater, tighter (and fiscally cheaper) positional market: one more closed, with less competition for the Sandstones from below. The Sandstones will not need to become great innovators to maintain their domestic edge: the extent to which they are under pressure to innovate will depend on their openness to global competition. Closer market relations with leading Anglo-Australian families, and less reliance on international fee revenues, might encourage greater insularity. But unlike the USA Australia is not an imperial power; and in the longer term its university quality will be globally referenced. At the bottom of the

market costs will be low, as well as quality. Total participation may not fall. The more important effect is the stratification of participation. The rising cost of HECS, fees and income-contingent loans will stream low-income families away from the high-cost, high-value places. In terms of equality of opportunity, the crucial questions become not so much whether or not there is access to higher education, but 'access to *what*?', and '*who* obtains it'? (Bastedo and Gumport 2003).

OECD exporter nations	International students		Nations importing from OECD	International students	
	number	proportion of all students		number	proportion of all students
USA	475 169	3.5	China	124 000	n.a.
UK	225 722	10.9	Korea	70 523	2.3
Germany	199 132	9.6	India	61 179	n.a.
France	147 402	7.3	Greece	55 074	11.4
Australia	110 789	13.9	Japan	55 041	1.4
Japan	63 637	1.6	Germany	54 489	2.6
Canada	40 667	4.6	France	47 587	2.0
Spain	39 944	2.2	Turkey	44 204	2.6
Belgium	38 150	10.6	Morocco	43 063	n.a.
Austria	31 682	12.0	Italy	41 485	2.3

Source: OECD (2003).

Table 4: Principal exporters and importers of tertiary education, 2001

Global markets in higher education

There are two forms of global market in higher education. First, there is the market that has developed out of student movement across national borders, such as full-fee undergraduate and Masters coursework programs provided to international students in Australia. With one significant exception – international education in the leading American research universities and a handful of British institutions – this kind of global market does not replace the national markets in higher education. There is not one single unified world market with all students choosing freely between different nations. For the most part students continue to be educated within national systems, with a small but growing minority moving between national systems. The size of that minority varies by nation. In 2001, 2 per cent of students from OECD nations accessed foreign education, and foreign students constituted just over 5 per cent of students in the OECD nations. However in Malaysia in 2001 6 per cent of tertiary students moved offshore (OECD 2003); and in Australia in 2003 international students, of whom three quarters were located within Australia, constituted 22.6 per cent of all higher

education students (DEST 2004).

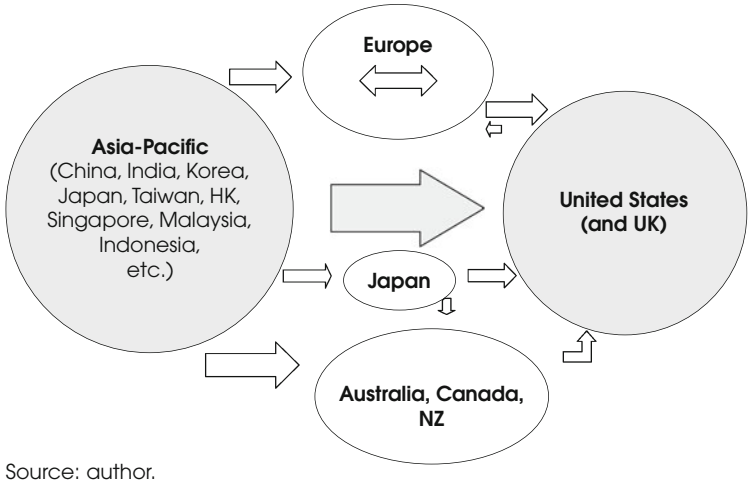
The economic character of international education also varies. It is fully commercial in the UK, Australia and New Zealand, heavily subsidised in Japan and the USA, and free of tuition charges in parts of Germany. Nevertheless, it is meaningful to refer to a global market. There is a defined field of production (higher education) with identifiable products (degrees and diplomas) that increasingly conform to a Bachelor/Masters/Doctoral structure along American lines. Most international students pay fees. Nations and institutions compete for the status and/or revenues they bring, with some competing more vigorously than others. Students make choices between competing offerings, in which they seek to maximise individual outcomes. Essentially, what export nations provide are the positional advantages gained from global mobility, in three spheres, albeit varying by field of study. First, back in the home nation a foreign education provides skills and prestige. Second, there may be prospects of working in and migrating to the nation where the foreign education is acquired. American immigration policies encourage high-skilled graduates to stay, for example in ICTs and research. Third, there are a growing number of globally mobile jobs in fields such as business, ICTs, engineering and technologies and scientific research (OECD 2002). The language of international business and global academic life is English, so all English-speaking education systems are targeted and there is particularly strong demand for American education (Mazzarol et al. 2001). The global market is especially important in nations where opportunities for upward mobility are constrained, but even where the number of tertiary places of good quality is adequate to meet demand, as in Korea and Japan, there is strong positional demand for an English-language foreign education.[10]

Within the national dimension, as noted, the number of high-value positional goods is subject to absolute limitations. This constrains the potential for high-fee, high-value places, sets limits on the number of elite producers, and rules out the potential for expansionary commercial production that at the same time enjoys high status. In the global dimension no such limits apply. As long as educational border crossing creates positional goods – as long as a foreign education leverages upward social mobility within and between nations – there is no foreseeable limit to the growth of the global positional market. The export market can expand freely without devaluing the unit value of global positional goods within producer nations such as Australia and the UK. Thus the market in international education can operate on a fully capitalist basis without immediately changing the character of the higher education of domestic students. International education has become Australia's third largest services export, and provides significant fiscal relief. In 2002, universities earned $1.45 billion in student fees, 13 per cent of revenues (DEST 2003); and Australia earned about $5 billion in total from international student spending on fees, food, transport,

accommodation, living costs and entertainment, on and offshore (Nelson 2003a, p. 35).

International education in the American research universities and a handful of British institutions plays a special role within the market in cross-border education. In the global era, in which all research universities are networked and visible, and the leading institutions have a powerful presence throughout the world as both ideal-exemplars and practical leaders of the sector, these universities have come to constitute a worldwide market of elite institutions, attracting bright students and high achieving academic staff from every nation. The Ivy League universities value their hegemonic role, though it is largely subordinate to their national role in leadership selection and training, especially in the United States. Thus while only a small number of foreign students actually access Harvard, Stanford and Oxford each year, these universities exercise great symbolic power as producers of the highest value positional goods on offer. Increasingly, their global status overshadows the leading universities within national systems outside the USA/UK. This worldwide market does not replace the national markets, but it does subordinate them.

The second global market is constituted by doctoral training. Here there are signs that a single world market is emerging, not only subordinating the status of national systems of doctoral training but also substituting for them to an increasing extent. High achieving research students, not only from developing nations but in nations such as Australia with a viable national system of research training, are increasingly drawn to the 'world graduate school' based on the American universities, Oxford and Cambridge. 'Doctoral education, particularly in the sciences, is perhaps the most perfectly competitive market in higher education' (Geiger 2003, pp. 3–4). It is a classic positional competition. Departments compete for the highest scoring students and students seek places in the preferred departments. Student places are scarce and are subsidised by scholarship funding, rather than subject to the expansionary capitalist dynamic of the market in vocational Masters degrees. American universities compete for the best students from everywhere: more than half their doctoral graduates in engineering are foreign, and over 30 per cent in the natural sciences. A study by the OECD notes that, of the doctoral students in American institutions, 60 per cent or more from each of India, China, the UK, Peru, Iran, Greece, Argentina and Germany had 'firm plans' to stay in the US after finishing their studies (Tremblay 2002, p. 44).



Source: author.

Figure 1: Student flows in the worldwide environment of higher education

Student flows in the global markets

The global markets are structured by student flows that are uneven and asymmetrical between nations. Some nations are primarily exporters, others are primarily importers; while a third group, including Japan and parts of Europe, exhibit a pattern of more balanced two-way exchange. The diagram simplifies the picture by leaving out Latin America, Africa and central Asia, concentrating on the dynamic parts of the global market. It illustrates:

- the magnetic attraction of American higher education, which is associated with globally superior positional opportunities;
- the UK, Australia, Canada and New Zealand sitting in the American slipstream, operating on a more entrepreneurial basis than American institutions. They gain a referred power as lesser English-language educational providers and sites for migration, sometimes as a transitional stage in passage to the USA;
- the massive demand for foreign education in the Asia-Pacific. Despite the frequent movement between contiguous European countries, four of the five largest importing nations are in the Asia-Pacific – China, Korea, India and Japan – and Malaysia, Indonesia, Hong Kong and Singapore are also in the top 20 importing nations. In 2001 the English-speaking countries enrolled 71.6 per cent of international students from Asia (OECD 2003);
- the extensive student flows within Europe, largely of a non-commercial nature. European universities also educate many students from the developing world.

USA 2002–2003		Australia 2002	
India	74 603	Singapore	29 956
China	64 757	Hong Kong China	26 956
Korea	51 519	Malaysia	23 725
Japan	45 960	China mainland	19 596
Taiwan	28 107	Indonesia	11 981
Canada	26 513	India	8390
Mexico	12 801	USA	8325
Turkey	11 601	UK	5752
Indonesia	10 432	Thailand	5202
Thailand	9982	Taiwan	3977

Sources: IIE (2003), DEST (2003).

Table 5: Principal sources of international students, USA and Australia (2002)

In the Asia-Pacific region there is immense potential for the further growth of demand for education as a global positional good. The Asia-Pacific nations constitute well over half of the world's population, including three of the four largest nations: China, India and Indonesia. Ten of the world's sixteen cities with over ten million people are in the Asia-Pacific, representing immense concentrations of present and future demand for education. In China there have been two decades of high economic growth and the nation could produce one fifth of world GDP by 2050. Expenditure on tertiary education is relatively low, and in 2000 only 8 per cent of the school leaver age group entered degree-level courses in China, a third of the level in Australia. Unmet demand in China will increase steeply because, though China will expand and upgrade domestic provision, the growth of middle-class demand for tertiary education will outstrip the roll-out of new institutions and places. Thailand and Indonesia are other countries where unmet demand can be expected to be high even without the extra incentive constituted by the positional value of foreign education. In much of the Asia-Pacific the habit of private investment is entrenched. In Korea 70 per cent of domestic expenditure on tertiary institutions is private spending, in Japan 56 per cent, in Indonesia 56 per cent, in China 43 per cent (OECD 2003).

Implications for national markets

The growth of global markets has a number of implications for national markets and the national hierarchy of universities. First, in more entrepreneurial export nations such as Australia it has encouraged the installation of business cultures within universities, with potential to transform local as well as foreign operations. In some universities, especially the more recently established ones, corporatisation is associated with the weakening of academic cultures, with negative long-term

implications for research capacity (Marginson and Considine 2000). Second, the emergence of a large-scale market sector serving international students, alongside domestic students, introduces a fatal ambiguity into the old national project of equalising educational opportunities between social groups. Monitoring the social patterns of access on a national scale becomes less meaningful, especially given the increasing leakages from the national pool. The social elite has the superior option of investment in American education, and exercises it to a growing degree; the large number of international students muddies the waters of local merit-based competition for places; and entrepreneurial global markets popularise the notion that opportunities can be bought, encouraging the installation of local fee systems on supposed 'equity' grounds. Notwithstanding the provision of loans and scholarships, systems in which there is direct charging for tuition always favours those families with a superior capacity to pay.

Third, and on the other hand, global markets offer all institutions, elite or not, a wider set of strategic options, identities and development paths. They can specialise in international partnerships, ICT-based linkages, international marketing or a more cosmopolitan curriculum. Suddenly institutions find themselves operating in more than one sphere at the same time, using the outcomes of strategies in one sphere (resources, networks, reputation) as inputs in the other. They also face new tensions between domestic investment and global investment options. Nevertheless, and while elite status is an advantage in the global as well as national markets, universities locked out of the elite segment of their national systems can position themselves as providers of high-value positional goods for students from elsewhere. At the same time, there are limits to this. Most revenues continue to be sourced not globally, but nationally and locally, from government grants for research and teaching, and from student fees. Even in export-oriented Australia, only 13 per cent of revenues derived from international students in 2003; and institutions spend more on globally linked research activity than they generate in international research funding. Universities that have placed especially high emphasis on the global dimension, such as RMIT and Central Queensland in Australia, risk over-exposure and resource instability.

Fourth, the global market also has another and profound implication for universities in all nations other than the USA. By bringing a new and superior layer of high-value positional opportunities within view (if not necessarily within reach) of middle-class families everywhere, it relativises the local Ivy League, disturbing the traditional conservatism of national positional markets. Suddenly, venerable and unchallengeable universities become less attractive and more vulnerable; undermined by the gravitational pull of the global markets; the global character of research and judgments about the value of knowledge; and the in-your-face visibility of American institutions in a networked era. This affects both leading universities in nations such

as Australia – which at least can become global players in their own right – and in developing countries, where institutions lack the capacity in research and communications technologies and the national geo-strategic power to make a ready transition into the global era, facing fewer options and more constraints (Marginson and Sawir, forthcoming). Nevertheless, some local/national university traditions are more robust than others, some nations and institutions are more open to global influences than others, and the capacity to pursue a proactive global strategy is unevenly distributed throughout the world. Certain national governments underpin the forward strategies of their institutions in the global higher education environment (much the wisest policy), some offer their universities domestic protection from those same global market forces, and others leave it to the market to sort their universities out. Australian policies largely fall between categories two and three.

Thus, in relation to equality of opportunity, global markets have mixed effects. On the one hand, they offer the potential to free up the national hierarchy of universities, to at least some extent, while providing new positional options for middle-class families in developing nations. On the other hand, global markets undermine the old project of equalising social opportunities within national borders, and reproduce new patterns of global hierarchy and inequality in universities. Within developing nations, like global business activity, global higher education also fosters globally connected local elites, creating inequalities of opportunity between haves and have nots.

Global university hierarchy

The global markets are subject to global segmentation, in which the world market is constituted by a small number of major players, and all developed nations subordinate all developing nations: 93.5 per cent of international students are enrolled in the OECD nations. English-language nations enjoy a post-imperial advantage, and American universities are unchallengeable – at least until there are global shifts in economic and cultural power, for example through the growth of East and Southeast Asian nations, especially China. American universities dominate institution-to-institution networking. Universities in the different global regions tend to have partial linkages with other regions but are always linked to universities in the United States, which is the global communications and business hub (Castells 2001). Recently the Shanghai Jiao Tong University Institute of Higher Education (2003) compiled a ranking of world universities based on research and academic performance.[11] The Shanghai Jiao Tong University Institute rankings found that:

- of the top 20 universities, 15 were from the USA and four from the UK. There was only one other nation in the top 20, Japan via the University of Tokyo;

	Institution	Nation
1	Harvard	USA
2	Stanford	USA
3	California IT	USA
4	California – Berkeley	USA
5	Cambridge	UK
6	Massachusetts IT	USA
7	Princeton	USA
8	Yale	USA
9	Oxford	UK
10	Columbia	USA
11	Chicago	USA
12	Cornell	USA
13	California – San Francisco	USA
14	California – San Diego	USA
15	California – Los Angeles	USA
16	Washington, Seattle	USA
17	Imperial College	UK
18	Pennsylvania	USA
19	Tokyo	Japan
20	University College London	UK
21	Michigan – Ann Arbor	USA
22	Washington, St. Louis	USA
23	Toronto	Canada
24	Johns Hopkins	USA
25	Swiss Fed IT Zurich	Switzerland
26	California – Santa Barbara	USA
27	Wisconsin Madison	USA
28	Rockefeller	USA
29	Northwestern	USA
30	Kyoto	Japan
31	Colorado – Boulder	USA
32	Vanderbilt	USA
32	Duke	USA
34	Texas – SW Med Centre	USA
35	British Columbia	Canada
36	California – Davis	USA
37	Minnesota – Twin Cities	USA
38	Rutgers – New Brunswick	USA
39	Karolinska I – Stockholm	Sweden
40	Pennsylvania S – U Park	USA
40	Utrecht	Netherlands
40	Southern California	USA
43	Edinburgh	UK
44	California – Irvine	USA
45	Illinois – Urbana Champ.	USA
45	Zurich	Switzerland
47	Texas – Austin	USA
48	Munich	Germany
49	Brown	USA
49	Australian National	Australia
51	Case Western Reserve	USA
52	North Carolina – Chapel Hill	USA
53	Osaka	Japan
53	Pittsburgh	USA
55	Arizona	USA
55	Bristol	UK
55	New York	USA
58	Heidelberg	Germany
59	Uppsala	Sweden
60	Technical U Munich	Germany
61	Rice	USA
61	Carnegie Mellon	USA
63	Oslo	Norway
64	Tohoku	Japan
65	Paris 06	France
65	Copenhagen	Denmark
67	Virginia	USA
68	Nagoya	Japan
68	Sheffield	UK
70	Roma – La Sapienza	Italy
70	Texas A & M U College Station	USA
72	Rochester	USA
72	Paris 11	France
74	Helsinki	Finland
75	Maryland – College Park	USA
75	Florida	USA
75	King's College London	UK
78	Leiden	Netherlands
79	McGill	Canada
80	Purdue – West Lafayette	USA
81	Ohio State – Columbia	USA
81	Utah	USA
83	Tufts	USA
84	Vienna	Austria
84	Groningen	Netherlands
86	McMaster	Canada
87	Michigan State	USA
88	California – Riverside	USA
89	Manchester	UK
90	Iowa	USA
91	Gottingen	Germany
92	Melbourne	Australia
93	Lund	Sweden
94	Hebrew U Jerusalem	Israel
95	Free U Berlin	Germany
96	Basel	Switzerland
96	Illinois – Chicago	USA
98	Boston	USA
99	North Carolina State – Raleigh	USA
100	Ghent	Belgium
101	Emory	USA

Source: SJTUIHE (2003).

Table 6: World's top 101 universities ranked on research and publications, according to the Shanghai Jiao Tong University Institute of Higher Education, 2003

- of the top 50 universities, 35 – *more than two thirds* – were from the USA;
- of the top 101 universities, almost three quarters were from the English-speaking nations: 58 from the USA, nine from the UK, four from Canada and two from Australia: the Australian National University and the University of Melbourne.[12] There were also five universities from Japan, and 23 from Western European and Israel including five from Germany, and three each from Switzerland, Sweden and the Netherlands (see Table 6).

Given the market power of the American universities it is ironic that Americans mostly see international education as a form of foreign aid and cultural exchange, rather than as a source of revenue. There is an intense domestic competition between the American universities for top students, leading academic staff and research reputations; but American universities do not approach global competition with the same vigour. American global hegemony is exercised without entrepreneurial marketing. It is sustained by American economic, technological, cultural and military power; by the extraordinary resources US universities command, and by their academic prestige. These universities do not have to adjust their programs or cultural ambiance to attract international support. American universities do not sell an internationalised curriculum; they freely offer themselves as the global standard. Foreign students flock to them, like the crowds of tourists streaming into Disneyland. Globalisation – in education as in other sectors – is what America does to the world, not what the world does to America.

In sum, global education is produced and consumed in terms of a worldwide university hierarchy in which not only is global equality of opportunity absent, *global educational inequality is necessary to* the commercial market in international education (though not to non-commercial educational exchange, as the heavy traffic of students in Western Europe demonstrates). Global hierarchy creates global positional goods, making it worthwhile to invest in border crossing and worthwhile for Australian universities to grow their international education enrolments. It is global socioeconomic inequality not educational quality that drives the market:

> Capital invested in foreign trade can yield a higher rate of profit … because it competes with commodities produced by other countries with less well developed production facilities, so that the more advanced country sells its goods above their value. (Marx 1981, pp. 344–5).

Correspondingly the global educational market tends to reproduce these global inequalities of power. It maintains the unequal value of education in the developing world compared to the developed world, and sustains asymmetries in student flows,

capital flows, cultural engagement and cultural respect. Students from developed nations rarely enrol in developing countries. Economic revenues flow from the developing countries to the export nations, and aid dollars rarely compensate. By spreading English language and Americanised practises, global education markets colonise non-English cultures and identities. The half a million Asian students who enter the English-speaking education systems each year come from very diverse linguistic backgrounds. Apart from English, in the Asia-Pacific there are 14 languages that are each spoken by 65 million people or more, including Putonghua (Mandarin) by 1000 million, Hindi and Urdu by 900 million, Bengali by 250 million and Indonesian/Malay by 160 million (Linguasphere Observatory 2003). All of these languages could become alternative global mediums, but the global university markets relentlessly reproduce the hegemony and homogeneity of English. The bedrock assumption of English-language universities is that native English speakers have little to learn in other languages. Along with global hegemony comes global insularity, a blindness to other languages and the cultures embedded in them, regardless of the immense richness these entail.

Yet some global educational flows are two-way; and, as emerging nations strengthen, more of their international graduates return or invest in the country of origin and feed their knowledge and skills into the national university system. In the longer term nations must develop their own national capacity in higher education to modify Americanisation and maximise their strategic options within the worldwide university network. As Singapore and Taiwan have shown, robust emerging nations can reverse the brain drain and transform their educational position. The clear losers in the global education market are those developing nations that are too weak to sustain their own national and university identities or provide sufficient opportunities to draw back their foreign-educated graduates.

For the lesser English-language providers such as Australia, the Americanised market presents more subtle difficulties for national identity and strategy. Australia has positioned itself as a high growth provider by good marketing and management, inventive off-shore engagement, a specialisation in high-volume standard-cost training in business and IT, improving non-academic services, proximity to Southeast Asia, a friendly climate and a peaceful social atmosphere, and a price advantage over the USA and UK deriving from a weak Australian dollar. IDP (2001) estimates that the average total cost of fees and living expenses in the American public universities was $19 427. It was $19 159 in the UK, where living costs are relatively high. In Australia it was $12 482, and in New Zealand $11 712. Australia's costs were therefore less than two thirds of those in the UK and the American public universities. It is not surprising that Australian international education is price dependent rather than quality dependent given that average student–staff ratios have risen from 12 to 21

since the mid 1980s (DEST 2004). But such a price advantage is not secure in the long term. In addition, the discipline base and countries of origin are narrowly targeted; there is no product differentiation – Australian education in business and IT is much the same as American or British education – and, because there are few educational aid dollars to finance international research degrees, the research student strand is weak. Most bright international students prefer to study in the USA and the UK. The danger for Australia is that by selling itself as 'America on the cheap' it has boxed itself into a market niche, that of the global polytechnic.

For Asia-Pacific countries, Australian international education is associated with a downgrading of global equity and other global public goods. The dichotomy of 'trade versus aid', and the policy decision to opt for the former at the expense of the latter – rather than pursue both in balanced fashion – guaranteed that. The production of global common goods in education is more effectively addressed by forms of internationalisation other than market exchange, such as scholarship programs, non-commercial student exchange, and cooperative research projects.

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Notes

[1] This is a revised version of the Radford Lecture delivered to the NZARE/AARE Joint Conference, Auckland, New Zealand, 29 November to 3 December 2003.

[2] The only break in the pattern was the doubling of Commonwealth Australian Research Council (ARC) and National Health and Medical Research Council (NHMRC) grants in the national innovation statement of 2001; but even there market principles were applied, in that the intense competition for research funding was expected to protect the public interest.

[3] Institutions are reimbursed for an amount equivalent to the HECS obligations of their students, as part of government funding.

[4] The Sandstone group here includes the Australian National University, Monash University and the University of New South Wales, although these are more recent post-Second World War foundations for which (following the architectural metaphor) the title 'Redbrick' might seem more appropriate. Redbricks is the term used in Marginson and Considine (2000). However, in popular usage the term 'Sandstones' has come to include these three, sharing as they do the prestige of the older foundations, and common membership of the elite segment in the 'Group of 8'.

[5] For detailed discussion of the segments in the Australian system see Marginson and Considine (2000, pp. 175–232).

[6] The IGS formula is income from research grants (60 per cent of the IGS), the number of higher degree research students (30 per cent) and publications over the previous two years (10 per cent): see Nelson (2003b, pp. 103–4).

[7] For definition and discussion of segments see Marginson (1999), Marginson and Considine (2000, pp. 175–232).

[8] The new fees/loans system from 2005 absorbs the PELS system of loans for fee-charging postgraduate courses introduced in 2002.

[9] In the first full year of operation of the Commonwealth government's Postgraduate Education Loan Scheme (PELS) in 2002, 11 387 students, constituting 33 per cent of all fee-paying domestic postgraduates, took out a PELS loan at an average liability per full-time equivalent student of $10 076 for one year (Nelson 2003b, p. 68).

[10] Like participation in higher education itself, once the acquisition of foreign education becomes a normal practice of middle-class families, it becomes not so much a method of gaining a special advantage, as a 'defensive necessity' (Hirsch 1976) for maintaining social position and retaining the effectiveness of the family business.

[11] The criteria were the number of Nobel laureates associated with the university, the number of highly cited researchers (1981–1999), articles in *Nature* and *Science* (2000–2002), articles cited in the science index and the social science index, and academic performance per academic staff member using the above indicators.

[12] The Shanghai Jiao Tong University Institute did not give precise rankings after 101, but bracketed the universities in groups of 50. It included a total of 12 Australian universities in the top 500, including Sydney and Queensland (between 102 and 151), Monash, NSW and Western Australia (152–200), Adelaide (201–250), Macquarie (301–350), Newcastle and Tasmania (351–400) and La Trobe (401–450). There were 160 American doctoral universities in the top 500.