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Global setting, national policy and higher education in 2007

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Introduction

In Australia there are two times when there is an intensified public debate and better than usual prospects of reshaping the policy agenda. The first is a time of national crisis. The second is the last six months before a federal election. Tonight we are in the second of those spaces. Tonight's discussion matters, more than usual.

And perhaps we are coming to a watershed time in the higher education sector, when the Australian system is transformed. The last such transformation, in the late 1980s, is almost a generation ago. Signs are beginning to accumulate that both sides of politics are interested in building something different. The Go8 statement on where the system should be going is the strongest, most coherent policy for a long time.

We have it within us to build an expanded and modernized national system of education, training and public sector research, on the basis of a creative national consensus about the Australian nation and globalization, and deploy such an expanded and modernized system to secure a great advance in national capacity, identity, prosperity, wellness and sustainability. A lofty goal. But it has been done before. From the late 1950s to the late 1970s public policy makers and educationists built in Australia a world class national higher education and research sector. Student

numbers grew by eight times, doctoral research was established in most fields of study, and a start was made on the modernization of training. The process was led by successive commissions, reports and programs, and was grounded in a national consensus on investment in knowledge, in which ideas of human capital was central.¹ Government had a grounded rationale for public investment, in which tertiary education was funded as a semi-autonomous part of the public service. The national consensus lasted just two decades, but the Australian economy is in the world's top 15 today in part because of that national consensus on investment in knowledge in the 1960s and 1970s.

This paper argues for the renewal of this national mentality, using somewhat different understandings and mechanisms, grounded in the age of the global knowledge economy on a broader, deeper and more permanent commitment to the policies that such a mentality requires. The paper begins with *five overarching challenges* for policy on tertiary education, training and research in Australia (from hereon the generic 'education' is used, unless otherwise specified you can take this to include training and university research). Then the paper summarises *eight specific policy problems*, and matches to possible *policy solutions*.

Policy challenges

We face five fundamental policy challenges: challenges for government, for tertiary institutions, for us here tonight. They are not easy challenges. But they are being successfully addressed in some other countries.

- The global standing of Australian education and research has become crucial
- Policy concepts of the knowledge economy are poorly developed
- There is poor policy coordination between macro economic policy (particularly fiscal policy), and policy on the knowledge economy
- The public policy culture in tertiary education has degenerated
- Federal/state relations in education need to be reconstructed

First, the global challenge: The task of the times is to fashion a proactive strategy in which the national policy agenda is aligned to the emerging global possibilities.² Some nations have already achieved a strategic fit between national agenda and global reality. For the United States, a nation of 300 million that contains 54 of the top 100 research universities, and is the global leader in information, communications and culture, the national knowledge economy agenda *is* the global strategy. For Singapore, a nation of 4.5 million for which cross-border work is the only way up, the global schoolhouse strategy is the national agenda. Australia sits somewhere between, globally engaged but still preoccupied by its domestic self and floundering for a global knowledge strategy. We have *one* of the world's top 100 super-computer sites, Japan has 16.³ We are a top five exporter of education but in global research, which in the long run has much broader and deeper strategic implications for us, we have two universities in the second half of the top 100.⁴ Between 1988 and 2001 the number of scientific publications produced in Korea multiplied by 14 times, in Singapore by six times, in China by four and a half times.⁵ China is now the world's second largest investor in R&D after the USA. It has almost one million researchers. Its investment in R&D as a proportion of GDP doubled in the last decade and is just below Australia's level though our GDP per head is four times as large.⁶ Meanwhile Australian institutions see China primarily as a place to sell teaching not a producer

of basic research; basic research in Australia is standing still; and Australian public policy is out to lunch.

Second, as this suggests **Australia lacks a policy concept of the knowledge economy**. Arguably, in the global era, there are three distinct economies: the production economy (the economy of national GDP), the financial economy (the economy of global capitalism), and the knowledge economy which has both a national and a world-wide component. All three economies play essential roles, and they intersect at many points. I won't further pursue the interesting implications of that notion here but will focus on the knowledge economy. The global knowledge economy consists of both national and institutional concentrations of capacity, mostly located in major cities, connected by global flows of people, ideas, research-based knowledge and financial capital. It is continually being extended and intensified by globalization, by the global convergence of research, communications, language and culture. Unlike the national knowledge economies of 1970s, largely government funded and run as semi-autonomous units of the public service, the knowledge economy of the global era rests on a combination of private and public goods. It is fostered by public investment in basic research and in subsidized general education and training. It also creates patents, commercial science, cultural commodities and university degrees with high income earning value. It is not just about particular outputs though. Above all a knowledge economy is about long term national *capacity*. A trained workforce and a national research infrastructure open up a broader set of options for the future. They have the potential to continually add value to everything else.

Now the current policies of investment in education and research in the EU, China and Singapore draw on theories of the global knowledge economy that have been installed in the central agencies of government. No such policy concepts are live in Australia in the Treasury and the Department of PM & C. I suspect that Cabinet sees the 'knowledge economy' as semi-sophisticated form of special pleading, a shallow, self-serving mantra pinned to the begging bowls of vice-chancellors. I suspect that many educationists who talk about the knowledge economy at bottom also see it as a marketing pitch; and in addition they are uneasy with it because it imagines education in economic terms (though it's hard to imagine any policy rationale for investment that would not have some material economic content). We are still stuck in the pre-knowledge economy era. If policy is out to lunch it is a long lunch.

As a result we face the third challenge: there is **a poor fit between macro economic policy** (especially fiscal policy) **and knowledge economy policy**. In the last two decades the funding and regulation of tertiary education have been driven by two macro economic goals. First, constrain fiscal costs to strengthen the budget bottom line. Second, build education exports to relieve the balance of trade. In both cases the policy mechanism of choice has been full fee international education. International student demand has been fostered by promoting Australian education in Asia and by student visa policy and the immigration points system. The supply of places has been pumped up by cutting the public funding of tertiary institutions on a continuous basis – that's the most fundamental reason why government grants are not fully indexed - while deregulating international fees. The result has been an extraordinarily rapid growth in international student numbers, from 10,000 to a quarter of a million in less than two decades. The export industry is now worth \$9.5 billion a year. Education is the fourth largest export industry in the nation after coal,

iron ore and tourism.⁷ Note the clever symbiosis between fiscal policy and export policy. Fiscal reductions drive the growth of international students. Revenues from international students replace public funding, legitimate fiscal policy and protect the budget bottom line. The policy goals reproduce each other.

So fiscal policy and export policy work in tandem. But in the process, something else has been left out. That is policy on the knowledge economy. And in the outcome Australian fiscal policy and export policy, operating in tandem, have undermined the Australian knowledge economy. The whole tertiary system is now dominated by the hunger for export revenue. It is not just Central Queensland University that puts mass international education ahead of other goals. Except for ANU, which has a different incentive structure because it has block funding for basic research, *all* institutions are focused, *primarily* focused, on building volume in the global student market. In higher education, international students, nearly all in first degrees and postgraduate coursework with few high quality research students, now constitute 25 per cent of all students and provide 15 per cent of all revenues.⁸ In some universities, international student fees provide more revenue than federal funding for domestic student places. The tail is wagging the dog. Meanwhile, other policy goals more integral to Australia's future as a global knowledge economy – higher domestic participation rates, better vocational training, building capacity in basic research, top-end global linkages with foreign personnel at the cutting edge of innovation not mass enrolments in medium quality business training – have been relegated to secondary policy goals, or non-existent goals, casualties of export-at-all-costs.

Government has achieved the goals of fiscal reductions and export growth at the price of Australia's larger capacity as a global knowledge economy. Other nations are not making this mistake. The USA, China, Singapore and much of Western Europe invest in national knowledge capacity to build a broad-based, independent global competence. We *disinvest* in national knowledge capacity so as to build a narrow global *dependence*. In the face of the long term downsides and despite the risk of over-exposure in the global market, policy's stance is 'who cares'. National policy is not just out to lunch. It has gone on extended vacation.

Why you might ask has such an outcome been possible without discussion and public debate. Here we come to the fourth challenge. **In tertiary education the public policy culture has degenerated.** In institutions, marketing culture is seen to subsume the public good. Whenever individual vice-chancellors speak out on a public policy issue, this is seen first of all as an expression of interest. Federal policy statements are often polemical and politically driven, which is the governmental equivalent of the marketing culture. The minister now exercises complete control over DEST and the cabinet treats the universities as a potentially hostile political constituency. DEST achieves a remarkable amount with a limited staff but its officers rarely build deep expertise in specific policy areas. They are moved between desks at frequent intervals. In this context the 'policy' objectives become to minimize responsibility (small target), to rinse out the complexity of issues and to cheapen the cost of control by using formulaic mechanisms rather than expert judgment, to consult widely at selected moments in the political cycle but evade open-ended policy discussion in depth, and to secure short-term political mileage whenever possible, primarily with photo opportunities. It is clever politics but it is not good government. What goes on extended vacation, if not permanent secondment to the far side of the

world, is dispassionate long term policy thinking about where higher education and VET in Australia are going.

Compare the shallow and polemical 2003 *Crossroads* discussion papers under Brendan Nelson with the Menzies policy documents that pioneered federal intervention in higher education almost half a century before, the Murray and Martin reports.⁹ It is an eye-opener. *Crossroads* generated almost as much paper but Murray and Martin were overwhelmingly more intelligent. Despite the advance in information technologies, present federal administration is clearly superior only in two areas: accountability mechanisms and statistical collection. And cast your mind back to the last time that the federal government made a major and enlightening policy statement on VET. Can you think of it? Compare the Australian policy culture in tertiary education with, say, Finland, where long term goals are seriously discussed, expertise is central to the process, and both vocational education and basic research are given front rank importance. Or more broadly in Europe, the quality of the discussion that permeates Bologna, and the recent OECD, UNESCO, German and Dutch conferences on university rankings.

This degeneration of the policy culture has fed a politicized **standoff between the Commonwealth and the states in education**. The major casualty is VET. Since the federal/state funding agreement and coordination by the Australian National Training Authority collapsed in the late 1990s, no serious effort has been made to revive either. This triggered a collapse in the resourcing of TAFE, the most under-funded public sector in education, except perhaps early learning. Now, the November 2006 High Court decision on Work Choices has confirmed the general application of the federal corporations power to all organizations engaged in trade, which includes tertiary institutions. It will be some time before the effects are fully manifest. But this is a major change. Work Choices has pulled the rug out from under the state Acts that regulate public and private training, and individual universities. It creates the potential for a comprehensive federal legal regime in all of these areas. Sooner or later one or the other side of politics will fill the vacuum. Federal/state relations in tertiary education will have to be revisited.¹⁰

Resulting Policy Problems

These five challenges can be addressed only over time and with the appropriate mix of funding, programs and coordinating arrangements. So let's make the discussion more concrete, by identifying particular *policy problems*, the symptoms of these challenges, and possible solutions.

1. Federal commitment to public investment has declined sharply
2. Long term capacity in basic research is being run down
3. Fees, loans and HECS arrangements are a complete shmozzle
4. Domestic participation is faltering, both in quantity and quality
5. Diversity in public higher education has not been achieved
6. The global engagement of tertiary institutions is too narrow
7. Problems of standards are recurring, especially in international education
8. The government-institution relationship is highly stressed

There are many other policy issues in tertiary education, such as social equity in access and success, the quality of teaching, the application of ICTs in learning and

assessment, general and vocational programs, mobility between tertiary sectors, institutions and work-based learning. Tonight I am focusing on the larger federal policy settings.

1. Declining commitment to public investment: Given the growing importance of private funding in education from a plurality of sources we would expect the public share of tertiary funding to fall over time. But something more has happened. Because the federal government no longer has a concept of the knowledge economy whereby targeted investment is used to secure particular objectives, the public share of funding has fallen sharply. Let's look at the dimensions of this.

Federal funding as a proportion of total higher education funding dropped from 57 per cent in 1996 to 41 per cent in 2005.¹¹ According to the OECD, between 1995 and 2003 public funding per tertiary student fell by 30 per cent per cent in real terms in Australia. Only Poland cut public funding per student by more, 37 per cent. Of the 23 OECD countries for which data are available, 15 increased public funding per student.¹² Most nations are increasing both private and public funding. Australia has increased international student fees and HECS payments, cut public funding and so partly shifted the pattern of tertiary spending out of learning and research and into marketing. What have been the consequences? Let's look at the trend line for domestic students in higher education in Australia. In constant 2005 dollars, federal funding per subsidized domestic student place dropped from \$11,128 in 1996 to \$7754 in 2003 before rising to \$8494 in 2005. Adding student HECS contributions, resources per domestic student dropped by over \$500, despite the doubling of HECS contributions, while price increases in tertiary education moved ahead of inflation.¹³ Academic salaries have remained competitive with the UK and Canada¹⁴ (though not the USA and Singapore), but student-staff ratios have blown out by 50 per cent.

In 1995 total federal grants for non-government schools were three quarters the level of federal grants for teaching in higher education. By the end of the decade spending was equal between the two sectors. From 2002 to 2005 the government did increase its direct funding for teaching in higher education from \$3.2 to \$3.5 billion, but its grants to non-government schools rose from \$3.7 billion to \$4.8 billion, 37 per cent higher than grants for teaching in universities.¹⁵ It seems Canberra has a selective knowledge economy policy rationale for funding private schools but not tertiary education. As the Americans say, 'go figure'.

2. Long term capacity in basic research: One consequence is that basic research capacity is being emptied out. I believe that this is the most pressing policy issue in higher education. The signs are not good. In global research competition English speaking nations are advantaged because English is the one global language of science. But though we have areas of strength, Australia's publication and citation quantity and quality lags well behind the UK and Canada.¹⁶ Essentially basic research capacity has been an inadvertent casualty of the shift from public to private funding. In the pre-1987 universities basic research was supported from publicly funded teaching/ research positions. Those positions have lost half of their value since the late 1980s. They can no longer support the whole of teaching costs let alone a 30 per cent allocation to research time. Even the most research intensive Go8 universities now depend on education exports on a massive scale to plug the funding gap. For example Melbourne had 10,500 international students last year, 26 per cent of enrolments. They provided \$192 million (16 per cent) in income.¹⁷ But

international student fees can make only a marginal contribution to basic research. They are mostly ploughed back into marketing, recruitment, teaching and facilities for international students; that is, into reproducing the revenue stream itself. On a good day international student income subsidizes some new facilities and teaching of domestic students but it cannot substitute for the public funding of basic research at scale.

The research policy waters have been muddled by hyper-emphasis on commercialization, and the Mode 1/ Mode 2 argument that the old distinction between basic and applied research has disappeared. Basic research is seen in some quarters as an obstacle to progress. But there remains a crucial difference between curiosity-driven researcher-led research located in longer term research programs, and client-driven research where the outcomes can be broadly anticipated in advance. The first is the primary source of intellectual innovation. In many countries there has been a swing in research policy to renewed emphasis on researcher-led research and research training goals. The sea-change has yet to happen in the Australian Treasury, but the Productivity Commission flagged it in March this year, in a 916 page report on public sector R&D in Australia. The Commission also made the argument that the public funding of university commercialization of R&D can lead to 'crowd out' of actual or potential R&D in industry.¹⁸ These are encouraging signs but if policy turns back to an emphasis on basic research will the universities have the necessary capacity?

3. Fees, loans and HECS arrangements: Since the mid 1980s the principal policy debate in higher education has been about tuition charges. Layer upon layer of 'reform' have become mixed together. We now have full fee international student places, full fee domestic student places with potentially different fees, HECS-based subsidized places and different charges for students with permanent residence all alongside each other. There are four levels of HECS charge and seven fixed rates of government subsidization of places varying by discipline but regardless of institutional missions and actual costs. And that is after funding was simplified in the budget! There are different income contingent repayment arrangements between HECS-HELP and FEE-HELP; and arrangements differ substantially between the public and private sectors. There is no clear in-principle basis in policy for the split between public and private costs; and for the many variations in that split on the basis of discipline, fee arrangement and sector. The system is confusing. Its costs, complexity and variety inhibit participation.

4. Domestic participation is faltering, both in quantity and quality: In the global knowledge economy any and every improvement in educational levels is desirable. As the proportion of the population holding tertiary qualifications grows, the gap between the qualified and unqualified, in earnings, rates of workforce participation and rates of employment, is maintained or increases. This does not mean that any and every investment in education is optimal; there are other possible uses for scarce resources; it means that in knowledge economies the problem of graduate unemployment is no longer an issue. Thus there is a global trend to expanding participation. But Australia stand outside the trend, at least in relation to domestic students. Between 1996 and 2005 the number of domestic students increased from 580,096 to 680,454 (about 100,000 or 17 per cent). The number of overseas students jumped from 53,188 to 239,495 (about 186,000 or 350 per cent).¹⁹ The proportion of the 1997 year 12 cohort that enrolled in higher education the following

year was 40 per cent. By 2004 this throughput straight from school had fallen to 32 per cent. The number going to VET did not increase much, from 37 to 38 per cent. Total tertiary participation of year 12 school leavers fell from 76.4 to 69.7 per cent.²⁰ On top of that policy is neglecting adult skill building as Terry Moran said two weeks ago.

Equally important, the quality of tertiary participation is under pressure. Between the 2000 and 2006 surveys the proportion of students with federal financial assistance fell from 42 to 35 per cent, more students incurred debts, average loans increased, and average student spending fell: belts are tightening. 71 per cent of full time undergraduates work full-time during semester, 40 per cent of full-time students working reported that work had an adverse effect on their studies and one in four regularly miss classes. The indicators were worse for indigenous students.²¹

5. Diversity in public higher education has not been achieved: There is much policy talk about mission diversity in higher education. Real diversity is largely confined to the private sector where it has been fostered by FEE-HELP loans for tuition. In the public sector, policy still applies to the institutions a uniform set of incentives and rules out negotiated missions and nuanced subsidies. All universities must be comprehensive as to role, must enroll mass international students and must pose as research intensive whether they are or not, and many are not. We still have a Dawkins-style uniform national system. The exception is Melbourne, where the government has supported the switch to a graduate model of professional education. But Melbourne's other objective of shrinking in size is incompatible with system settings in which all universities are volume dependent with no major source of additional resources other than student fees. When student numbers are reduced, staff and infrastructure do not fall in proportion. There is no revenue source with which to manage the diseconomies of scale.

6. The global engagement of Australian tertiary institutions is too narrow: The global higher education environment offers a broad range of strategic opportunities, as shown in different ways by Australian education exports, the Bologna process and the new science powers in Asia. Higher education institutions are forming cross-border consortia and partnerships across the full range of knowledge economy activity. Australian institutions are active in cross-border linkage but the great majority of institutions are focused entirely on one objective – revenue raising. The marketing of Australian higher education in terms of a generic 'brand Australia' helps the lesser status providers to maintain export revenues, and disadvantages the Go8 universities that would like to market themselves in terms of individual reputation. But the problem here is not so much one of winners and losers as the fact that every institution is subject to uniform incentives and mission. The same logic of one-size-fits-all traps both the domestic missions of institutions and their global missions. Victims of our own export success, perhaps. But our global positioning strategy has been shaped by policy.²²

7. Problems of standards keep recurring, especially in international education: Problems of standards are bound to accumulate in a system in which there is consistent downward pressure on resources for teaching, and quality assurance is run as a branch of marketing, which slows recognition of standards problems. These limits affect both domestic and international students; though resources and capacities vary and matters are worse in some locations than others. However there

are special problems in the commercial market in international education. The commercial aim is to minimize costs and maximize market share and surplus revenues. Australia has become very good at the standardized processing of high volumes of business and computing students. But standardized processing is in tension with the educational and cultural imperatives created by the nature of the clientele. Half our international students speak one or another Chinese language and have learned English as a foreign language, not a language of daily use. Language testing at the point of entry does not guarantee an adequate preparation in academic English or for learning in the students' chosen discipline. But institutions are loath to provide a higher level of academic preparation and support because of costs. Nor have they redesigned pedagogies account for the prior preparation of students in their home countries, the obvious educational strategy, and one that would enrich local programs. Some institutions are forced for economic reasons to take students marginal in educational and linguistic terms. There are many anecdotes of soft marking to sustain revenues. The Australian Universities Quality Agency (AUQA) has secured improvements. But the problem of standards is not easily dealt with. It cannot be eliminated by pathologizing extreme cases. It is endemic to the policy settings.

8. The government-institution relationship is highly stressed: The problem of government-institution relations is confined to higher education (the federal government does not have relations with TAFE institutions, which, given what is happening in higher education, has pros as well as cons). Until the late 1980s the statutory Tertiary Education Commission ran higher education policy at arms length from institutions, maintaining respect for academic freedom. But from the Dawkins reforms onwards, independence has been eroded. Though the proportion of funds provided by federal government has fallen, government has intensified micro-control. The means of control include reporting requirements; the shaping of institutional innovations via competitive bidding; and the performance management mechanisms for classifying, measuring, shaping, prioritising and second guessing research. The Research Quality Framework is the latest example. It is true that institutions have gained more scope to earn money and spend what they earn, which has been important. But if research universities, particularly, are to operate at the global cutting edge, creative independence is vital. Once a government shapes content, either directly or indirectly, it is a slippery slope. We went over the edge when Brendan Nelson intervened two years running in ARC project decisions based on academic merit.

Possible Policy Solutions

What are the possible solutions for the eight problems? In VET, the keys are a new federal commitment and state-federal agreement. In higher education the Go8's *Seizing the opportunities*²³ contains policy proposals covering most of the problems I have outlined here.

Federal investment: Before we can have national consensus on a different funding base we need a consensus on the policy principles and policy architecture. Nevertheless, while an adequate policy on the global knowledge economy is being developed, increased funding can be applied selectively to achieve particularly policy

purposes. Of all funding needs the most urgent priority is to start putting more into basic research. We have been disinvesting for a while and have a lot to catch up.

Basic research: Under the Go8 plan basic research would be underpinned by more NHMRC, ARC, additional infrastructure funding, and a new program of performance-based block grants. Block grants for basic research would continue the momentum towards separation of teaching and research support along UK lines. This is the inevitable outcome of on one hand the run down in the unit value of publicly funded places, on the other the worldwide trend to concentration of research effort, which has been accelerated by competitive research rankings. Block grants would allow more research intensive universities to follow the ANU and concentrate research resources on a globally competitive scale. Research universities would no longer have to pump up any and every fee charging place to secure differential resources. They could reduce their dependence on international students. They could nuance size and profile. They could compete more effectively in the international doctoral market. Block grants for research are the circuit breaker.

Of course this evokes further policy questions. If block grants are to fund a research mission genuinely competitive on the global scale – capable of lifting a university into the Jiao Tong top 50 research universities – it must be done at scale. So it can only be done in a small number of universities. Who is on the list? Are WA and Adelaide in? New South? Non Go8 universities? Under the Go8 plan all universities remain eligible for research project funding, and new generation universities would benefit from a hub and spokes research program and mission-based block funding for non research purposes (it would be essential to ensure the Go8 don't monopolize those funds). The more difficult questions are about the ATN and IRU institutions with strong research in selected areas but not as research intensive across the board as the Go8. This highlights the potential role of targeted research funds for centres of excellence consistent with the internal strategies of universities like QUT.

Fees, HECS and loans: The Go8 paper would rationalize tuition and repayment, and eliminate the present anomalies, via a national scholarship system underpinned by universal income-contingent loans. The value of scholarships in different fields would be fixed by the Productivity Commission. Institutions would be able to vary tuition upwards by up to 25 per cent above the standard. Scholarships are a flexible policy instrument. Their rate and allocation can be tweaked to stabilize lower demand institutions and subsidize participation of groups such as indigenous, lower SES and rural students. The Go8 proposal also provides a one off opportunity for policy to create a transparent and stable relationship between public and private costs

Participation: Higher rates of participation can be driven by scholarship-based subsidies, and by a renovated system of student financial support. If the latter takes the form of grants it is potentially very expensive. The better approach would be to add the bulk of student financial support to the schedule of income contingent loans, while allocating some grants on the basis of principles of equity and merit.

System organization: A key benefit of the Go8 plan is the scope for mission based differentiation and nuancing of funding. Among other missions, this allows the federal government to support cross-sectoral linkages between VET and higher education. Looking beyond the Go8 plan, it is time to reconsider the relation between TAFE and higher education. Vocational and preparatory course have an increasingly important

role in a global knowledge economy. Nations such as Finland and the Netherlands, confer more dignity on their second sector than we do in Australia. The status barrier has been jealously maintained by higher education institutions. But many TAFE institutions are competent to provide degree level teaching, and already do so auspiced by universities. TAFE and possibly further VET institutions should be able to offer degree programs in their own right, perhaps accredited by state authorities as for private providers. Further, if TAFE was declared formally as part of 'higher education' – just as two year community colleges in the USA are classified as 'higher education' – this would provide a better basis for long term cooperation.

Broadening global engagement: A principal benefit of funding differentiated missions is that it creates the potential for institutions to develop a broader range of global linkages. It would allow Australian institutions to reposition themselves and escape the trap created by the monochrome commercial mission. Research intensive universities could start to more fully leverage their domestic strength across borders, in the manner of the US doctoral sector, for example through research collaboration, and the doctoral training of foreign students. The Go8 plan suggests 500 new HDR scholarships earmarked to internationals. Modest, but a start. Some institutions could specialize in global student exchange with federal government support, as in Europe and Japan. More Australian students could be encouraged to go offshore – in this area there is a blockage in global strategy at present - by permitting them to use their entitlement to income contingent tuition loans for enrolment in foreign education programs outside Australia. In the longer run a more complex engagement in Asia depends on a growth in national capacity in Asian languages as both the ALP and the Go8 have proposed.²⁴

Standards in international education: The export industry will remain a major factor and it is essential to tackle the recurring problems of standards (which as noted are not confined to international education). The Go8 plan has nothing much to say about this but a range of measures can be applied. First, there is a need for a Standards Commission or Council as the 2006 Labor Party policy suggested.²⁵ A Standards Council would combine a program of regularly reviews with the power to intervene at need. It would have to be managed carefully to prevent it from bringing non-academic criteria to bear on academic affairs. Second, it is in the national interest, in both commercial and educational terms, to subsidize the English language preparation of international students, for example foundation semesters, perhaps on a matching funds or mixed public/private basis. Another initiative would be to fund programs designed to secure closer cooperation between Australian educators, and the institutions of secondary and tertiary education that provide international students for Australia.²⁶

Government-institution relations: Finally, government-institutions relations. The Go8 proposal is for an Australian Tertiary Education Commission (ATEC) responsible for planning, resource allocation and regulation of tertiary education. ATEC would be accountable to federal government and to a combined state-federal ministerial council. It would consist of a board, councils for higher education and for VET, and a secretariat with functions in research and data collection, policy formulation and administration. It would manage the Australian Student Financing Service, integrating scholarships, loans and income support. A standards council could be added. ATEC would work within a funding envelope specified by government, while operating at medium distance from government and institutions. It would absorb part of DEST but

be grounded in a different culture. With the right appointments ATEC could restore balance and sanity to the politics of tertiary education.

ATEC would shift part of the focus of government from the current obsession with short-term indicators into long term planning. It would negotiate with the economic arms of government, on knowledge economy policy including the new rationales for targeted public investment. It would reconcile the global setting with national system and local institutions. It would negotiate the mission of each institution and target investment to support it. It would negotiate the compact between VET and higher education, and frame a new federal-state compact for a post-Work Choices legal regime. ATEC or something like it is *the* keystone of a renovated tertiary education system in Australia.

Notes

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- ⁴ Shanghai Jiao Tong University Institute of Higher Education, SJTUIHE (2007), *Academic Ranking of World Universities*. Accessed 15 March 2007 at: <http://ed.sjtu.edu.cn/ranking.htm>
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