peformance indicator follow-up. There is funding available for a period of five years, at U.S.$225 million.

**Framework and Capacity Building**

MECESUP is also working to enhance the legal and regulatory framework for the higher education subsector, through the definition of the appropriate roles of the universities, professional institutes, and technical training centers involved; the establishment of mechanisms to facilitate transfers of students and graduates among such educational institutions; and the preparation of draft laws, regulations, or amendments to existing laws. Also, the program is assisting in the implementation of policy and in institutional capacity building at higher education institutions and at the Division of Higher Education, in the Ministry of Education. Finally, it has started to establish a coherent policy for public funding and the development of a funding methodology for higher education activities, including student aid.

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**Globalization and Its Discontents:**

**Dilemmas Facing Tertiary Education in Australia**

**William G. Tierney and Craig McInnis**

William G. Tierney is the Wilbur-Kieffer Professor of Higher Education and director of the Center for Higher Education Policy Analysis, University of Southern California. Address: Center for Higher Education Policy Analysis, WPH 701, University of Southern California, Los Angeles, CA 90026, USA. E-mail: <wgtiern@usc.edu>. Craig McInnis is professor and director of the Center for the Study of Higher Education, University of Melbourne. Address: University of Melbourne, Victoria 3010, Melbourne, Australia.

Australia provides a good example of the problems facing public universities in an era of globalization. Unlike some countries that are still developing a system of tertiary education—or the United States, where private institutions are partially buffered from governmental regulation—Australia has had a fully developed public postsecondary system for over a century. In the recent past, the country has committed universities to serve the general citizenry rather than the elite for whom the system originally was designed. However, in the last ten years, after a period of expansion in which the system moved toward mass participation, public funding has declined significantly for Australia’s 38 universities. A decade ago most institutions received over 90 percent of their funding from the federal government; today no university receives more than 50 percent from the federal government.

Such a drastic reduction in government funding has necessitated calls for dramatic changes in Australian tertiary education. There has been a concomitant scramble to recover funds, primarily by capturing full-fee tuition from Asian students. However, in surveys and interviews of academic staff over the last year we have found great concern about the future. Faculty have experienced an almost psychic exhaustion with the increase in workloads while they try to serve new revenue-generating populations, improve the quality of the institution, and maintain a viable research capacity.

In spite of the severe fiscal constraints that each university faces, we have found little evidence that any government of the future will reinvest in tertiary education in a manner akin to a decade ago. We are also concerned over the near obsession that individuals have about the necessity of generating revenues, to the point of neglecting core business. In an era of dramatic reduction of funding, institutions need to be primed for organizational change or they will not survive. An institution’s participants are unable to create the conditions for change unless they first understand the barriers to change. Accordingly, our purpose here is to examine what we believe are key roadblocks to change that retard organizational reform.
Burdened by excessive government policy directives and regulation, a system is at risk of becoming a political football in a process that obscures the strategic choices of the institution. Yet lack of coordination from the center presents problems as well. How many universities in each region or capital city ought to offer degrees in education? How many universities ought to have an engineering faculty? An entirely unregulated system in which institutions may offer whatever they wish does not increase system effectiveness or efficiency, in a system as small as Australia’s. Here the states have the potential to play a role, but for some time now their position has been somewhat ambiguous, and their financial contributions minimal. Universities need to have finite and unique visions, rather than expansive ones geared toward simply adapting to the marketplace.

Australian universities appear to be attempting to undertake similar activities and to fulfill similar missions. True, the University of Melbourne has created a private university and other institutions are building campuses in different countries in Asia, but the similarities are still generally greater than the differences. Furthermore, despite the preference of government for modified state intervention, it remains to be seen if universities can be dissuaded from pursuing the goal of comprehensiveness in their profiles and imitating market leaders.

Institutional differentiation does not get defined by the nature of its funding; funding gets defined by organizational mission. A clearly defined mission revolves around two key issues: (1) what are the institution’s curricular offerings and style of teaching and learning; and (2) how does one define a productive member of the academic staff? In a system that has clearly differentiated missions one would not see the proliferation of the same kind of degree offerings or the same pedagogical format. When institutions have differentiated missions, the explicit expectations of academic staff will be clearer and vary by institution. A clear mission statement would enable an institution to marshal its activities in a particular direction. At best, currently, differentiation occurs only in the sense that some universities, for example, may have their staff teach more and others may hope to expand their operations in Asia in a particular manner. But the choices are less strategic and more driven by a concern for generating capital than by a philosophical consensus about the nature of the university.

High-performance systems encourage experimentation and innovation. (See the 1999 book by William G. Tierney, Building the Responsive Campus: Creating High-Performance College and Universities). Such organizations differ from others that are structured around a repetitive series of activities that, in a stable environment, enable the system to function effectively. Australian universities need to become more innovative because their environment is no longer stable.

A system that encourages creative activity is not one that rewards all institutions similarly and sets mandates and targets with regard to enrollments, tuition funding, and productive activities. Rather than pursuing a “one size fits all” approach, government needs to loosen its hold on monitoring and evaluation. Institutions should increase their concern for improvement based on beliefs about institutional purpose. In a high-performance system a governing body focuses less on preventing bad things from happening and more on making good things happen. Rather than a punitive model, one develops an incentive-based model. Currently, Australian tertiary education is in danger of being mired in a system of checks and balances that depresses the entrepreneurial spirit. This rigidity is a problem for Australia in the global economy as higher education has become a major export and is crucial to the national economy.

We are currently in a period of greater pedagogical ferment than at any other time in a generation. The Internet and web-based learning have facilitated changes in teaching. Much research has been generated on how to evaluate good teaching; breakthroughs are happening with regard to the measurement of learning. There is increased evidence on how much a student learns, not only in class, but also out of class, so that the entire university environment might be thought of as a learning community.

Unfortunately, while pedagogical conversations about teaching and learning are common in Australia, little or no serious debate about the nature of the undergraduate curriculum is taking place on a sustained or systematic basis. Indeed, considerable confusion exists about the purposes and structure of the master’s degree. The reason why curriculum is not being discussed is that most of the energy has been focused on either meeting new governmental requirements or creating new markets to generate capital. Fiscal needs have been placed ahead of those that are more central to the life and maintenance of the university. To offer a sequence of courses in Pakistan or to try to get students from Sri Lanka to study in Australia, for no other reason than because a market exists that will generate income, is to reduce academic life to a business; in the long term such a strategy will call into question the raison d’etre of the university.
students are simply consumers and the curriculum is just another product, then one might well ask whether a business might offer such services and products more efficiently.

The problems we have outlined here, while significant, are solvable. If Australia is to continue to offer an effective system of tertiary education in a global environment, the problems demand clever solutions. The onus is on the universities to come up with the solutions.

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**Australia: Higher Education’s Place on the Political Agenda**

**Simon Marginson**

Simon Marginson is professor and director of the Monash Centre for International Education, Monash University, Australia, and coauthor with Mark Considine of The Enterprise University (Cambridge University Press, 2000). Address: PO Box 6, Monash University, Vic 3800, Australia. Email: <simon.marginson@education.monash.edu.au>.

The build-up to a federal election in Australia, expected in November, has seen renewed public attention to higher education. Polls rank education and health as the two most important issues to voters. Business organizations are talking up higher education and research. Polls also show that there is significantly more support for increases in education funding than for tax cuts, though none of the leading parties has departed from the small tax-spending politics which have dominated in Australia since the mid 1980s.

Education issues have sustained considerable media attention, particularly debates over the funding of private schools and about the state of the universities. Vice-chancellors are talking about a “crisis” in university resources, pointing to an increase in average student-staff ratios from 13 in 1990 to 18 in 1999. The federal government vigorously denies there is a problem. But whether there is a change of government or not, it is apparent that the education debate has reached a turning point, with a growing momentum for renewed public investment in education.

Both sides of politics are attempting to ride this shift in national mood. In February John Howard’s Liberal-National Party coalition, which has held power since 1996, gestured modestly in the direction of the knowledge economy with a USD $1.5 billion package of “innovation” measures, to be spent over five years. The innovation policy largely reflected a high-science conception of the knowledge economy, centered on selected industry development in computer technology and biotech. The main items in the package were a doubling of the budget for Australian Research Council project grants—again, to be phased in over five years. The main non-science item was subsidization of the market in fee-based postgraduate vocational courses, mostly in business. This benefits a relatively small cohort. The government’s package might be too little too late as it fails to restore the cuts to government outlays instigated in the second half of the 1990s. If Howard loses his majority, then it is likely that education will be seen as one of the decisive issues.

In July the opposition Labor Party issued An Agenda for the Knowledge Nation, a broad set of policies covering all forms of education and research, but lacking detail on spending programs or implementation machinery. This is a broader conception of the knowledge economy, talking in terms of a wholesale cultural transformation. Nevertheless, it remains largely rhetorical. Labor Party leader Kim Beazley has emphasized that the “knowledge nation” policies would be introduced over a decade or more and would be subject to the prevailing fiscal constraints. He states that education would take second place to Labor’s promise to “roll back” indirect taxes and maintain a budget surplus. Clearly the opposition hopes to mobilize dissatisfaction with the government’s record on education, while at the same time sustaining the confidence of national and international finance. It is a difficult juggling act, and there is a danger that neither trick will be pulled off. Electorally, Labor runs the risk that many voters will see no difference between it and the government.

Nevertheless, the Labor Party is also considering research findings indicating that investment in knowledge in Australia has declined significantly since the 1980s. These research findings are contained in Australia’s Comparative Performance as a Knowledge Nation by Mark Considine, Simon Marginson and Peter Sheehan, commissioned by the Chifley Research Centre. (These data can be accessed at www.education.monash.edu.au/cen-tres/mcrie.) The decline in investment in knowledge shows itself both in absolute terms (that is, in relation to past Australian efforts), and in relation to international comparators. These data help to explain the electoral volatility of the education issue, and suggest that it will be difficult for future Australian governments to sustain the highly restrictive fiscal regime that has dominated education policy for a decade and a half.

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The OECD index of investment in knowledge is composed of three quantities, expressed as percentages of GDP—public investment in education, private and public investment in R&D, and spending on software. Using this index, in 1985 Australia invested 6.47% of GDP in knowledge compared to 7.60% in the USA and 7.46% in the 11 leading OECD economies. By 1998, investment in knowledge in the USA had reached 8.73% and in the eleven OECD