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National and global competition in higher education: towards a synthesis (theoretical reflections)

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Introduction

During this year I have been working on a synthetic overview of national and global competition and markets in higher education. The full paper underlying the presentation is 29,000 words long: still a work in progress, but to be published in the next issue of the e-journal *Journal of Education Policy Futures*. A shorter version has been revised for *Higher Education*. I have a small number of CDs of the full paper. Today I want to share some of the theorisations and data, using PowerPoint.

A number of assumptions and limitations underlie the paper.

- My primary objective is to analyse competition in higher education as *social* competition between individuals and groups (and institutions, and sometimes also nations) in terms of *relations of power*.
- I focus on competition and markets, which turn on the private benefits or 'goods' produced in higher education such as the mobility advantage created by degrees, rather than on the non-competitive public benefits produced by higher education institutions. (I return briefly to global public goods later).
- Economic markets are only one possible form of social competition in higher education. Even in systems with free tuition, there is social competition.
- In the global higher education setting the dynamics are not simply 'global/local', but 'global/national/local' or 'glonacal'. For example, the position of the nation within the global setting affects the global capacity and potential of individual universities within the national system.
- The dynamics of national competition and markets, are partly different from global competition and markets. Increasingly, in nations outside the USA, the global dimension is impacting competition at the national level,.
- Global relationships in higher education (between nations and between individual institutions) are grossly unequal. The flows of people, capital, knowledge and influence in higher education are often asymmetrical.
- Because of the special role of American higher education in constituting globalization in our sector, while itself remaining largely immune from foreign influences, the global higher education environment is experienced in two highly contrasting ways: inside the USA, and outside the USA.

In the paper I first of all look at different forms of competition and markets in national higher education systems. I then present data on global flows of students, financial capital, and influence in higher education, isolating the character of global

competition, the growing commercialisation, the unevenness of flows, who benefits. This part of the paper argues that, while national systems remain the principal medium of competition, something like a single world market in elite university education and research has emerged, centred largely on the USA. This world market is explored with reference to the global distribution of research capacity. In the final sections of the paper I remark on the effects of globalisation and commercialisation on competition in higher education at the national level; contrast the perspective of American higher education with institutions outside the USA; note the other side of the coin, global public goods; and review the ideas presented in the paper.

National competition and markets

Higher education produces a complex mix of public and private goods. Public goods are those individual and collective goods not subject to rivalry (consumption by one person does not reduce potential consumption by another) and/or excludability (the benefits cannot be confined to individual users). The main private goods produced in higher education are student places that lead to degrees, that confer social and economic advantage on their holders, personal cultural capital, and access to privileged networks. As long as student places are scarce and subject to competition, such private goods are produced, even in systems governed by free tuition. However governments can modify social competition for these private goods by policies facilitating equality of opportunity, a public good, e.g. by diminishing the extent to which access is determined by prior economic position. When tuition is charged, and especially when full cost market prices are charged, this public good is diminished.

Higher education consists of different 'layers' of practices that coexist with each other, often in tension, meshing in complex and messy ways. The bedrock of all higher education is the day-to-day practices of teaching and learning, research and scholarship, administration and pastoral care, which are by no means necessarily driven by competition or market dynamics. At the same time, all higher education systems are subject to competition for social status, in two inter-dependent forms – social competition between individual students for elite institutions and places, and competition between universities for good students and social prestige, especially in research. In many systems there are also elements of economic markets – monetary exchange and prices, buyer-seller exchange, competition for public and/or private revenues. Rarely do we find a 'pure' market – in the US the price to cost ratio is less than 0.4. However in some higher education systems and institutions there is also a layer of commercial capitalist operations, for example the for-profit sector in the US, and foreign student programs in Australia, the UK and some American universities.

The different layers exhibit contrasting dynamics. For-profit programs are driven by revenues and mass expansion without limit. In contrast, in the non-profit sector the social competition for individual advantage and for university prestige turns on the absolute scarcity of opportunities. Elite institutions do not expand without limit to maximise revenues. This would debase the value of the private goods they allocate. Their ultimate goal is not revenues but status. The comprehensive research university rests on a combination of two heterogeneous elements – research performance and prestige, and capacity to attract students in good academic standing into degree programs. This institutional logic (which also underpins the norm of the teaching-research nexus) depends on an element of social closure. Note that teaching quality is not determining of competition – most students will opt for weak teaching in high status universities ahead of good teaching in low status universities.

Over time status competition tends to be circular in its operation and effects. The prestige of elite institutions sustains the volume of applications, and entry levels. The scarcity of places enhances their value and reproduces university prestige. Wealth follows prestige: wealthy families invest in high value positions in education to maintain their social leadership. At the same time the prestige of the university assists material survival, enhancing potential revenues from teaching, research and donations. Research performance is both a direct source of status, and feeds into revenues; and in turn feeds back into entry requirements and status. Revenues and status help sustain research performance; and so on. Once an institution has secured high status, providing that it continues to follow the logic of a status market, it becomes relatively easy to reproduce its position, while closing off access to others. In well-established systems membership of the elite remains stable over time; much more so than the hierarchy of producers in more commercial industries.

Charging tuition does not change behaviours typical of elite no-profit institutions. But it tends to narrow social access to the status goods they provide. It also tends to reinforce the position of these elite institutions, which have superior capacity to compete in economic markets, and use the enhanced revenues to monopolise high-ranking researcher-scholars and provide more spectacular facilities. 'Marketisation', the increase in the role of economic exchange in corporate-style institutions, also reduces the political potential for government intervention that would even up the status competition between institutions and prise open the elite sector to admit more students from disadvantaged backgrounds. Often it is also associated with an increase in business-like behaviours, especially in second level universities.

National higher education systems are typically differentiated between the segment of elite institutions, second level aspirant institutions with a similar but more impoverished funding structure and lesser research capacity, and weaker institutions (commercial or not) with little or no role in research and driven primarily to maximise volumes, or at least to fill their places. The emergence of a stronger for-profit model at the University of Phoenix cuts across traditional segmentation to an extent, but note that Phoenix, too, is a volume maximiser with no research role. In some Western European nations, the vertical differentiation of designated 'universities' is less than in the US or even the UK – all universities are significant research players – and teaching-specialist institutions can be found outside higher education altogether.

Global competition and markets

Higher education is largely produced and consumed on a local and national basis, rather than a global basis. However cross-border higher education is increasing, catalysed by globally mobile labour, especially in business, IT and scientific research; migration; and the global integration of universities into common knowledge networks. The number of foreign students in OECD nations will soon reach 2 million having increased by one third since the mid 1990s. Simplifying, the global map of student flows looks like this. Most of the movement is from emerging nations to developed nations, though there is also much cross-border traffic within Europe.

The main exporters are the English-speaking countries. The USA is by far the most popular destination, followed by the UK and Australia. France and Germany are other major exporters, including sub-degree vocational programs. However, the economic form taken by education exports varies greatly between exporting nations:

- In Germany many foreign students study free of tuition charges;

- In US research universities, exports are marginal to enrolments and revenues; are driven by policies on foreign aid, research and skilled migration, more than profit-taking; and are often subsidised. Some lesser status institutions facing revenue shortfalls, and the for-profit sector, exhibit a more capitalist approach.
- In the UK and Australia, and also New Zealand and parts of Canada, the great majority of foreign students pay full price tuition. Aside from universities that are located at the very top level of the global elite – and few British and no Australian institutions are in this category - universities can freely expand foreign student numbers without devaluing the private value of degrees. The industry is expansionary and profit-making, a classic capitalist business. In Australia foreign students provide more than one dollar in ten, and have become crucial to revenues even to leading research-intensive universities.

Around the world, commercialised foreign education is the fastest area of growth. Some Western European nations such as the Netherlands and Denmark are developing their own commercial programs at Masters level and in English-teaching, using English as the medium of instruction rather than the national language. Capitalism is much more important in global educational competition than in national competition. The majority of cross-border education is self-financed, even in nations such as the USA; and families in many Asian nations have a long tradition of private investment in education, favouring continuing expansion of the commercial market.

Although cross-border degrees and exchange, often on a non-fee basis, plays an important role in Europe, the largest volume importing nations are in Asia; especially China, and India, which now provides more students in the USA than China. The most important single component of global competition is nexus between demand among Asian families for English-language education and its supply in the USA. Notwithstanding visa restrictions demand will grow. Over half the global population is in Asia, also the region of strongest economic growth. China, Southeast Asia and South Asia will not undergo the same democratic decline as Western Europe and Japan. The Asian mega-cities constitute immense reservoirs of future demand for tertiary education. The unknown is the extent to which domestic systems in China, Indonesia and elsewhere will expand to meet this demand, but regardless, prestigious foreign education will continue to confer global and local advantages.

The flow of benefits between exporting and importing nations is asymmetrical. Foreign students contribute revenues and research to exporting nations, and often become highly skilled migrants and a 'brain drain' from the importing nation. For China and India it is not all one-way. Some graduates take their skills back home, and others return later, or channel back capital. In Taiwan and Korea the strong domestic economies now draw most graduates back. Global educational competition is largely 'win-win'. Not so for the weakest under-developed nations where the flows are one-way. For them it is a 'win-lose' market, and they are the losers.

As commercial revenues from foreign education have increased, the exporter nations have cut back foreign aid for higher education purposes. In terms of financial flows, the USA, UK and Australia, which take in many more students than they send out profit overall. Canada breaks even. Mexico and other net importers lose. In terms of student flows, the only unambiguous winner is the USA. A high proportion of PhD graduates from emerging nations, and many developed nations, stay in the USA.

Like the domestic markets, the global market is segmented. The top tier consists of the American research universities and a handful of British providers, and functions much like the elite segment of national systems. Below the top tier is a second group

of research universities which attract foreign students into coursework programs but are less globally competitive in doctoral education. In some export nations these institutions are quite commercial in global operations, though not in others such as Japan and Germany. The third tier is the 'bargain-basement' providers of degrees and English-language programs, operating commercially in both public and private sectors of export nations. The fourth tier, outside the USA much the largest tier, consists of institutions with a minor or non-existent capacity to draw foreign students. Note that within their national systems, some of these institutions are major players.

The leading institutions constitute a unified world market in elite university education and research, including doctoral training, offering valuable career benefits to foreign students. The world market in research and doctoral education looks something like this. The emergence of this world market is a key development of the global era. Instantaneous communications render these institutions highly visible, enhancing global reputations. They 'cream-skin' research students and scholars from all over the world, increasingly subsumes national systems of doctoral training. However, the world elite institutions do not expand freely to maximise foreign student numbers and revenues. They are not capitalist businesses. Despite the talk about universal 'virtual Harvards' sweeping domestic demand around the world, limitless growth would undermine both domestic and foreign prestige at Harvard and Stanford. Resources are essential tools, but as means to the ultimate end, which is prestige and power. In the leading institutions the traditional non-profit exclusivist form of elite education has proven highly resilient. So far it has withstood the pull towards the trade model. The 'solidity and inner articulation' of this elite form is protected by powerful social groups and professions, which are the beneficiaries of the social closure it creates.

Given that the status of leading universities rests ultimately on research performance, research outputs provide a good measure of global power. Research is concentrated in elite English-language institutions, and the education-strong nations of Western Europe and Japan. But all other nations are dwarfed by the US doctoral sector. The further we move up the scale of research performance, the more this shows. There is a diverse spread of nations in the top 500 universities. US universities are 34% of the top 500. But they are 45% of the top 200, 52% of the top 100, 70% of the top 50, 85% of the top 20. The Pacific is no longer an American lake, but higher education, like worldwide film and television, is certainly an American-dominated sector.

At the other end of the scale, only 29 (5.8%) of the top 500 universities are found in nations with a per capita GDP of less than \$15,000 per head. Only 3% are located in nations where per capita GDP is below the World Bank average of \$8200. A more positive longer term prospect is that China's decision to establish 100 world class universities may alter the global misdistribution of capacity in research and education.

National and global competition

Though global competition is segmented in similar manner to national competition, the two dimensions (national and global) do not form a single unified market. Because American higher education is globally dominant, in the USA the national hierarchy in large part also constitutes the global hierarchy. Outside the USA it is different. The global dimension intersects with national systems, but it does not contain them, and does not supersede them. Nevertheless, global competition washes back into national competition and its effects are often transformative. It extends and intensified competition between students, and between institutions.

First, global competition stretches the national hierarchy of universities upwards, by imposing the layer of global leading universities over the top of every national hierarchy. This tends to undermine longstanding leading national universities, especially public institutions dependent on government. They face increasing competition from foreign universities for elite national students, and the best national researchers. With research becoming more globalized, their secondary research performance at the global level, within the English-language knowledge systems, undermines their national standing. In some nations these national universities also face direct competition from foreign providers operating on national soil. Second, the commercial part of the global market establishes norms of practice that strengthen the domestic role of prices and market allocation in both importing and exporting nations. Third, the English-language institutions exercise a growing influence in policy and management in higher education; and fourth, the English language exercises a growing hegemony as language of instruction (especially at postgraduate stage) and in research. At the same time, the global environment provides new opportunities for local institutions in many nations that can leverage global activity to lift their status at home. One example is the specialized 'international universities' in many nations, but all institutions can build cross-border activity through mobility and partnerships.

Conclusions

As the foregoing suggests, the USA is uniquely placed within the global higher education environment. Its institutions have by far the best capacity to compete in an increasingly open global environment. The flows of capital and people are largely one-way, from the rest of the world to the USA. The flows of hegemonic knowledge, policy models and economic forms are one-way in the other direction, from the USA to the rest of the world. Globalisation in our sector hardly seems to touch most American institutions, where foreign students are marginal to normal business. But the rest of the world is profoundly reshaped. If the German research university once influenced American higher education, the US is now returning the favour, remaking the sector everywhere else. This influence is exercised more by undermining historical norms, and draining students and Faculty, than by building system capacity.

As I noted at the start, higher education produces non-competitive public goods as well as competitive private goods. This is not the paper to explore this, but we should remember that neither American hegemony in global higher education, nor the rapid commercialisation of foreign education in the UK and Australia are inevitable; and globalization can also enhance potential for global public goods in higher education.

These are the main points I have made. Economic markets are only one form of competition. Elite universities are status driven, and the status of their degrees is largely underpinned by research. Marketization tends to reinforce elite closure, not undermine it. The main global developments are the world market in elite education, and the second tier, commercial cross-border education. Globalization has very different implications inside and outside the USA. The present global competition is associated with American hegemony and English-language domination. It intensifies and extends competition in higher education, often undermines leading national universities, and fosters commercialisation. At the same time it provides new strategic opportunities for many institutions, though the ability to realize these opportunities depends on the capacity of both national systems and local universities. The distribution of research capacity (and hence global status and power) is grossly uneven. A better global balance would enable a more diverse mix of systems, languages and cultures to contribute to national growth and to global public goods.