The Privatisation/Commercialisation of Higher Education

by

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Abstract

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The Privatisation/Commercialisation of Higher Education

The objective of the research was to determine if privatisation/commercialisation of higher education was occurring, and if so to what extent, in Canada, New Zealand, the United States and Sweden. The overall hypothesis was that higher education is becoming more privatised/commercialised in Canada as well as internationally. The analysis was conducted by examining a series of sub-hypotheses: (1) Public spending on education differs by welfare state type; (2) Public spending on education is being reduced and this is part of an international trend; (3) Higher education systems are becoming more reliant on non-governmental sources (i.e. students and corporations) for revenues; (4) The political orientation of government to higher education is changing toward commercialisation on national and international levels.

Each of the sub-hypotheses was analysed by considering various indicators such as state expenditure on education, tuition fees, sources of higher educational revenue and political economic trends for each country. The indicators and trends were discussed in terms of teaching, research and access. There was limited evidence to support the hypothesis that higher education spending depends upon welfare state type. The hypothesis that there have been spending reductions and this is part of an international trend was not supported. What was found was that the character or nature of state spending has changed with expenditure increases, reductions or reallocation on some indicators following no consistent international trend. The hypothesis that higher education systems are becoming more reliant upon non-governmental sources (i.e.

students, corporations and private gifts) was supported by the data for New Zealand, Canada and the United States. There was evidence to support the hypothesis that in Canada, New Zealand and United States the political orientation of higher education is emphasising commercialisation and privatisation. This takes the form of an economic utilitarian view of higher education that focuses on practicality, relevance and output.

The overall hypothesis that higher education is being commercialised and privatised in Canada as well as internationally is conditionally supported. The complexity of privatisation and commercialisation is such that these processes are occurring while state spending is increasing, decreasing or being reallocated. The privatisation and commercialisation of higher education is multifaceted in that it involves corporate partnerships, increased tuition costs, reduced or reallocated state expenditure and regulatory mechanisms that impose business principles or output measures upon higher education institutions.

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James Beaton

The Privatisation/Commercialisation of Higher Education

Chapter 1: Introduction and Theory

> "I believe that our economic future depends on our ability to create, use and manage knowledge as effectively -- more effectively -- than the rest of the world . . . To do this, we need to unbundle our funding and allow universities to compete for research grants; we need to allow variation in tuition fees to promote institutional excellence; and we need to permit private institutions to play a role our university system. Let the market, not the government, determine which universities succeed and where our centres of excellence are."
>
> - Peter Godsoe, Chancellor of the University of Western Ontario and Chair and Chief Executive Officer, Scotiabank, Speech presented to The Canadian Club of Toronto, March 4, 1996.
>
> "Can the principle of selection, which we have seen is so potent in the hands of man, apply under nature? I think we shall see that it can act most efficiently . . . This preservation of favourable individual differences and variations, and the destruction of those which are injurious, I have called Natural Selection, or Survival of the Fittest."
>
> - Charles Darwin (1859: 97-98).

Peter Godsoe, a vocal spokesperson for Canadian corporate capital and Chancellor of the University of Western Ontario, argues that the competitive marketplace is the best mechanism for organising and managing universities. In this environment, universities compete, and through a "natural selection" process, some develop favourable characteristics and survive, while others with "injurious" characteristics are eliminated. This is defined by Godsoe, and the business community at large, as progress because there is economic freedom both to succeed and fail. This thinking characterises the current political and economic environment influencing universities in particular and higher education more generally.

Education is situated within recent trends of capitalist development that include the globalisation of economies, an emphasis on the private sector over the public sector,

and a rethinking of citizenship and the welfare state. Many public institutions are having business or "market" models of management imposed upon their operations (Gill 1995: 82-83). The devolution of the state's responsibility for many social objectives and programs such as income security, education and health care is being advocated by "New Right" academics and political and corporate elites as the only viable alternative to the Keynesian welfare state principles that guided the forty year period following the Great Depression. This shift away from public and state sector involvement increasingly forces people and institutions to compete against each other for financial resources within an increasingly international economy characterised by capital mobility.

Higher education, which is fully integrated into the recent trends in late capitalist society, is currently undergoing transformations in both its functions and its structural relationship to the state and capital. As is happening with many public institutions, universities are viewed more and more as commercial centres or businesses that must themselves operate on the profit principle or facilitate profits for external corporate enterprises. For instance, Cutright and Griffith (1997) and Bernatson (1997) state that conservative and neo-liberal governments are aiming to decrease the financial role of government in higher education while increasing its regulatory role through accountability measures. Cutright and Griffith (1997) argue that "increased accountability" actually means a narrowing of the goals and role of higher education to meet narrow economic objectives. This suggests there may be a movement by the state to privatise education and impose an economic-utilitarian guided management style through regulation.

The purpose of this research is to consider the changing relationship between higher education and the state. As recent evidence suggests that a societal wide transformation of higher education is occurring in Canada, it is of sociological interest to understand what is underlying the changes and to what extent Canada is a unique or similar case within the international context. This research examines Canadian higher education transformation from an international-historical comparative perspective. The time period extends from the 1960s, when the state's role in education was expanding, to the present, and the comparison involves primarily the United States, Sweden and New Zealand. Within this framework a number of emerging trends are considered including the possible privatisation and commercialisation of universities. This analysis will provide insight into whether changes in Canada exemplify international trends or are unique to a particular spatio-temporal location.

Various explanations for the observed changes or continuities will be considered. Green and Hayward (1997: 7-17) suggest that the main forces of higher education change include: (1) demands for increased access to higher education from historically disadvantaged groups, parents and students, and the resulting increase in participation; (2) an unwillingness or incapacity of the state to fund higher education institutions; (3) pressures for higher education to meet particular social and economic objectives; (4) state demands for increased accountability achieved through indicators or assessments; (5) institutional demands for autonomy; (6) the introduction of technology as a potentially "cost effective" and "high quality" means to expand higher education; (7) the internationalization of knowledge.

In addition to these explanatory factors that relate specifically to education, Gill (1994) suggests that the industrialized world, including Canada, has experienced a fundamental political-economic restructuring toward neo-liberalism driven by a combination of the globalization of production and finance and the apparent fiscal crisis of the state (Gill 1994: 80). The neo-liberalism of the 1980s and 1990s subordinates accountability of government, and presumably public institutions such as universities, to the power of market forces and mobile capital. The results of neo-liberal policies have been plunging output, liquidation of physical capital, collapsing structures, and the pauperisation of large sections of the population (Gill 1994: 84). The influence of neo-liberal ideology on higher education is examined as a possible explanatory alternative.

In this thesis, Chapter 2 provides a detailed discussion of Esping-Andersen's welfare state typification and its utility to this research, the overall research hypothesis and related sub-hypotheses, and a description of the privatisation indicators for higher education. Chapters 3-6 show the higher education trends within each country. Chapter 7 compares the four countries, and Chapter 8 provides concluding observations along with various possible explanations for the observed changes.

The remainder of this chapter provides a theoretical and contextual basis for the research. Ideological concepts are explained, as many of these terms are utilised throughout the thesis. The role of education in society as described by various social and political theorists is then discussed. Following this, the changing power dynamics shaping education and the changing nature of citizenship are considered. In the final section, the

notion of the "post-Fordist" university contextualises higher education within a larger political-economic context which allows for a number of research questions to be posed.

Political Ideologies and Education

After examining the role of the state in higher education, each country will be placed on a public-private continuum based on Esping-Andersen's (1990) welfare state typology of social democratic and liberal welfare states (to be discussed in greater detail in Chapter 2). The Esping-Andersen classification of welfare states as social-democratic, liberal or conservative is based upon traditional political ideologies. Thus, it is important to clarify the usage of the ideological terminology, specifically the usage of liberal, conservative and social democratic ideologies. Anthony Giddens (1994) surveys the theorists and principles underlying traditional political ideologies. They are presented briefly here.

Conservatism is based upon the maintenance of hierarchy, aristocracy, and tradition. For conservatives, there is no contract between citizens and the state; the contract is between citizens and traditions of the past (Giddens 1994: 25). Conservatism depends upon three central concepts: authority, allegiance and tradition. Authority is placed in established institutions that are tried and known, and is opposed to all arrangements based on conscious choice separated from history. Allegiance is what citizens owe the collectivity - either family, state, or other corporate body. Allegiance arises from and gives expression to the socially and morally transcendent, which is also at

the core of tradition. Tradition refers to customs and ceremonies linking the past to the present (Giddens 1994: 28).

A variant of conservatism, neo-conservatism, accepts the pervasive influence that capitalism and liberal democracy have over society, but sees the bourgeois order as destroying the traditional symbols and practices on which a meaningful social existence depends (Giddens 1994: 30). Neo-conservatives do not believe that the demoralizing aspects of capitalist society can be overcome through the state or large-scale collective action. The task of neo-conservatism is to preserve civil institutions (family, church, charity) outside the spheres of politics and the economy. Giddens suggests that neo-conservatives, such as Irving Kristol, have a modest enthusiasm for liberal democratic capitalism and believe the market economy is a necessary institution but is not a replacement for the family, the church and charity. While in favour of modest government intervention in the economy, neo-conservatives are opposed to moral and cultural liberalism and believe that the maintenance of the family and tradition is best conducted through the market (Giddens 1994: 33).

Classical liberalism argues for freedom from coercion of all forms. State activity is considered coercion and therefore its power is limited. According to John Stuart Mill's definition of liberalism, individuals are free to do as they choose insofar as it does not impact negatively upon the freedoms of others (Green 1987). The spontaneous order that emerges from individuals pursuing their goals freely is the best method of pursuing the common good. The basis of classical liberalism in the political and economic sense is that human nature is based on self-interest, and life is a competitive struggle of individual

wills in a battle for survival. Two fundamental doctrines of liberalism are that political power should be minimised as it restricts individual freedom, and society is best organised through the harmony that results from individuals pursuing their self interest (Green 1987: 29). The political influence of Hobbes' and Locke's possessive individualism and Adam Smith's free enterprise competition among self interested individuals has grown in influence with the rise of industrial capitalism (Green 1987; Gill 1994; Lauder 1990). Reform or modern liberalism advocates positive freedom in that it advocates that individuals should have freedom to pursue their own interests rather than freedom being the absence of coercion (Minogue 1968).

A modern variant of classical liberalism is neo-liberalism, which is characterised by the emphasis on markets. For neo-liberals, capitalist society maximises economic efficiency and is the main guarantor of individual freedom and social solidarity. The neo-liberals admire economic individualism. Individualism is the key to the success of democracy within the context of a minimal state. Society has an organic quality; however, this trait arises from the spontaneous and unintended co-ordination of many individuals acting upon their own motives. Human society is best ordered through individuals operating on self-interest (Giddens 1994: 34). The state should oversee the mechanisms that regulate the production of goods and services to ensure they are kept in working order (Giddens 1994: 35). Government intervention will always create tyranny or bureaucratic inefficiency (Giddens 1994: 35). The welfare state creates state overload resulting in fiscal crises without the disciplining mechanisms that markets provide to eliminate the less efficient (Giddens 1994: 35). Markets create the best conditions of

freedom and are more important to democracy than the constitution of the state itself. Capitalism is more democratic in that it takes no account of people's social origins, ethnicity or gender. The pursuit of profit is a source of moral strength because it excludes political partiality and social prejudice. However, the minimal state must be sufficiently strong in order to enforce the laws on which competition depends, protect against external enemies, and foster integrating sentiments of nationalism. Widespread property ownership enhances personal and adventurous spirit, and critical components of the vigorous virtues (Giddens 1994: 38). Two influential neo-liberal thinkers who are cited throughout the thesis are Frederik Von Hayek (1960) and Milton Friedman (1962).

Socialism sets itself against tradition. The task of a socialist society is to take hold of its own social development and direct it in a conscious way. Socialism has as a major strand, the theme of equality. Socialism stresses the community over the individual and draws on communism. Egalitarianism is seen as a source of moral control. Industrial activity and production of goods and society must be coordinated through planning. The economy and state become merged so that "politics" disappears (Giddens 1994: 56). Marx believed that the elimination of classes and private property would diminish inequality.

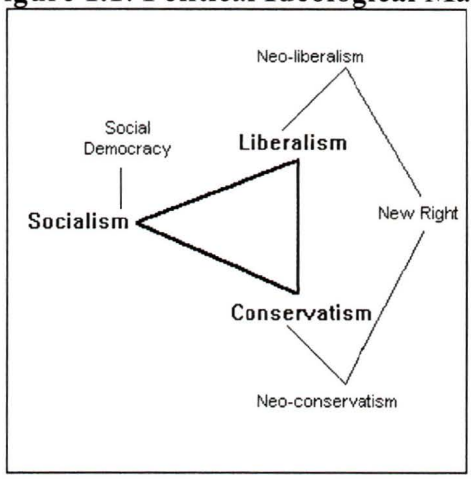
A variant of socialism, social democracy, is based on the principles of collective solutions to social problems, full employment, a generous welfare state, and regulating the capitalist market. Under this doctrine, there is a general acceptance of capitalist society and a belief that redistribution of wealth and pluralist democratic structures can

minimise inequality. However, the fundamental acceptance of ownership of private property separates this ideology from socialism.

These ideologies characterise much of the dominant political thought of this century. As these ideologies are described in their pure form, they should be considered ideal types rather than accurate descriptions of political parties that may label themselves with one of the ideologies. In much of the literature that describes current trends in welfare state policies, the terms "neo-conservative" and "neo-liberal" have been used interchangeably to describe current trends. In this research, the term "New Right" will be used as an umbrella term for both neo-conservatism and neo-liberalism.

Figure 1.1 illustrates a possible mapping of ideologies in relation to each other. Rather than a one-plane continuum on a "left-right" axis with socialism on the far left, liberalism in the centre, and conservatism on the far right, this suggests a more complex interaction among political ideologies. Essentially there are three potential ideological planes. There are the traditional ideologies of socialism, conservatism and liberalism, and the continuum exists as a triad between each of these planes. Esping-Andersen's welfare state typification is based on political ideologies and can be depicted in a similar manner. His model is described in greater detail in Chapter 2.

Figure 1.1: Political Ideological Map



Many authors, including Gill (1994) and Green (1987), suggest that neo-liberalism or "New Right" thinking has emerged in much of current political thinking nationally and globally as a "counter revolution" to Keynesianism. As suggested previously, many governments and movements guided by new right ideology may be transforming public bodies, including higher education institutions. The redefinition of higher education depends largely upon the role of education in society, and who is in a position of power to influence the role.

The Role of Education and Universities

The complexity of trying to compare higher education in four different countries with varying welfare state regimes demands some preliminary discussion of the *general roles and nature* of higher education's place within society. Much of the literature in political and sociological thought seems to exemplify current debates in the ideology of higher education. The roles and functions of higher education (or education in general) as

described in the writings of Talcott Parsons (1973), Jurgen Habermas (1970), Antonio Gramsci (1971), Karl Marx (1848, 1887, 1887), Pierre Bourdieu (1990) and Adam Smith (1776)[1] are discussed here. It is significant to note that the goals and nature of higher education are complex and sometimes contradictory.

In writing about American universities, Parsons and Platt (1973) identify a number of functions of universities that are applicable to all Western industrialised countries. They suggest there was an "educational revolution", of which universities were a central part, that has reduced ignorance and provided the capacity within individuals to utilize knowledge rationally in the interest of human goals and value-implementation (Parsons and Platt 1973: 5). Parsons and Platt (1973: 5-6) draw an analogy between the industrial revolution and the educational revolution in stating that the distinct functions that developed within the higher education system are comparable to distinct industries. The industries or functions of higher education include the general education function which forms the basis from which other functions have differentiated, the research industry which builds the cultural base through enhancing the cognitive capacity of society, the reproduction of the academic profession through graduate training, and training in the specialised professions through the teaching of applied knowledge for "practical" problems.

Habermas (1970: 2) argues that universities produce and transmit knowledge that can be utilized by industry, social welfare organizations, the military, and the state. Through teaching and research the university is immediately connected to the economic

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[1] As cited in Reisman (1976).

process in which it is located. Ultimately, the university should provide students with professional skills, transmit, interpret and develop the cultural tradition of the society, and develop a political consciousness among students (Habermas 1970: 2-3). Further to this, Habermas views the three assigned roles as the only roles any university can conduct, whether the university is adapted to the needs of society in general or those of industry (Habermas 1970: 4).

Gramsci (1971) argues that education should develop in everyone the manual and intellectual aspects that provide both practical skills and intellectual capacity. Gramsci notes that there was class differentiation between "vocational" and "disinterested" education. He suggests that the trend was that the "instrumental classes" would participate in vocational school, while the elite (who had significant means such that they did not concern themselves with employment) could engage in humanistic and "disinterested" education (1971: 26-27). Further, Gramsci (1971: 33) states that the autonomy and creativity of universities should be established within the last stages of common school. In stating this, Gramsci argues that universities and late common schools should not just be places of "invention and discovery," but instead should be places of "research and knowledge" with no "predetermined programme" fostering spontaneous and autonomous effort of the pupils guided by friendly teachers.

Educational institutions are also a locale for "organic" and "traditional" intellectuals. "Organic" intellectuals essentially operate in a mediating or organising capacity providing understanding on the political, social and economic place of the group. As Gramsci writes, " the capitalist entrepreneur creates beside himself the industrial

technician, the specialist in political economy, the organisers of a new culture, of a new system, etc." (1971: 5). The "specialists" create opportunities for expansion and development of that particular social group or class. "Traditional" intellectuals are a group of people who have emerged from a previous social, cultural or economic epoch, thus providing historical continuity within society (Gramsci 1971: 7).

Gramsci, suggests that education is the instrument which reflects society's complexity:

> "school is the instrument through which intellectuals of various levels are elaborated. The complexity of the intellectual function in different states can be measured objectively by the number and gradation of specialised schools: the more extensive the 'area' covered by education and the more numerous the 'vertical' 'levels' of schooling, the more complex is the cultural world, the civilisation, of a particular state" (Gramsci 1971: 11).

"Organic" and "traditional" intellectuals provide insight into and advance the cause of particular social, economic or political interests while establishing a sense of historical continuity. Industrialized society requires specialists who have broad intellectual capacity as well as vocational skills. Education fulfils this role.

Bourdieu and Passeron (1990) view education as a social "reproduction" and "differentiating" instrument. People from different social backgrounds differ in their "cultural capital" which ultimately determines their participation in higher education. The educational system acts to conceal its social function of legitimating class differences behind the technical function of producing qualifications (Bourdieu and Passeron 1990: 164). Ultimately, the privileged classes appear to be objectively transmitting power from one generation to the next, though never eliminating their technical interests, except when

such elimination benefits the dominant class. Thus, the education system is better able than ever to reproduce the existing order (Bourdieu and Passeron 1990: 167). The maintenance of education ideology as a means of maintaining bourgeois domination is reflected in the following passage:

> "The mobility of individuals, far from being incompatible with reproduction of the structure of class relations, can help to conserve that structure, by guaranteeing social stability through the controlled selection of a number of individuals and so giving the credibility to the ideology of social mobility whose most accomplished expression is the school ideology of the school as a liberating force" (Bourdieu and Passeron 1990: 167).

According to Bourdieu and Passeron, education in its present form is an instrument to provide the appearance of social leveling and mobility, while perpetuating hierarchical structures that are controlled by the privileged classes. The credential or qualification or lack thereof provides legitimacy and justification for class inequality.

Bourdieu's theory derives from Marx who suggests that in capitalist society the education system serves to maintain class inequality. Marx (1875: 525), in critiquing the German Social Democratic Party programme relating to free and universal educational instruction to all classes, states "if in some states of the latter country [United States] higher educational institutions are also 'free' that only means in fact defraying the cost of the education of the upper classes from the general tax receipts." Further, Marx (1887: 340) suggests that specialised education within capitalist society serves to modify the human organism "so that it may acquire a skill and hardiness" for a particular branch of industry. Thus, education is the instrument through which people are subjugated to class domination. During Marx's time, higher education was the privilege of the wealthy and

financing higher education through taxation within the existing capitalist structures perpetuated class privilege. Education alone within a class based society would not eliminate inequality.

Marx also argues that since the "ideas of the ruling class are in every epoch the ruling ideas," then education, controlled by the bourgeoisie to reproduce labour power, is the dissemination of ruling ideas (Marx cited in Findlay 1997: 684)). Further to this, he suggests that "the ruling ideas are nothing more than the ideal expression of dominant material conditions, the dominant material relations grasped as ideas" (Marx cited in Findlay 1997: 684). Education is provided to the proletariat by the bourgeoisie as a means of maintaining exploitative social relations.

However, Marx assigns a revolutionary role to education in stating that the bourgeoisie provides through its own educational system the "weapons" with which the proletariat can resist capitalism (Marx 1848: 248). Further, he states that the Communist movement can liberate education from the dictates of the ruling classes (Marx 1848: 255). Education could then be used by the proletariat as a mechanism to resist capitalism and move toward emancipation. Interestingly, Marx suggests that education should be free to access, but tied to industry (Marx 1848: 258). This implies that education would be a central component of a larger socialist industrial strategy.

Opposing the potentially revolutionary role of education, Adam Smith conceptualises education as a conservative and practical affair (Reisman 1976: 157). Smith's view of education is that different types of education are offered based on class and gender. The lower classes and women have basic and practical education, not for

social mobility, but to provide a normative education that ensures they carry out their assigned functions within the division of labour in the best possible way. This investment in "human capital" raises the workers' productivity and ensures economic growth. Likewise, the fortunate classes are offered education (different from that offered to the masses) for specialised professions in which they become involved (Reisman 1976: 156-158). Education also has a civil component that teaches people the benefits they derive from the existing social structure and allows them to "recognize the shallowness of factions and revolutionaries" (Reisman 1976: 158). Smith's role for education is to perpetuate the division of labour and maintain existing social structures along with social staticity, while encouraging competitiveness and economic growth by investing in "human capital".

Parsons, Habermas, Gramsci, Bourdieu, Marx and Smith exemplify the current debates around the role of universities and more generally education in society. Each author's argument is a combination of observation and philosophy of the current role of education and a discussion of what the future role of education ought to be. In summary, the diverse and sometimes contradictory roles and nature of higher education established by the theorists are as follows: (1) development and transmission of scientific, applied and humanistic knowledge; (2) normative, economic, political, cultural development; (3) a niche for organic and traditional intellectuals to assist in the organisation of society and the mediation between historical periods; (4) preparation for labour and employment; (5) the perpetuation of inequality and stability; (6) the means for social levelling and mobility; and (7) an instrument for emancipation and revolution toward an alternative

society. The realisation of the roles of education depends upon power in society and who has the ability to shape education institutions and policy.

In the context of the various roles, it is important to outline the "ideal" university. The ideal university is one that focuses on teaching and research. There is equal emphasis on pure and applied aspects of humanist, social, cultural, scientific and economic disciplines. The university and its community are free from material or political considerations in their pursuit of knowledge development and teaching. No external group has privileged access to or influence over the ideas, processes and organisation of the university. While politically and economically autonomous, the ideal university is integrated socially and culturally into the larger community providing a repository of knowledge and expertise the public can freely access. The political and economic autonomy does not prevent the ideal university from critically engaging and analysing the political and economic conditions of the larger society. The ideal university is differentiated from the private organisation by its strong commitment to the public good rather than the private interest. Of course in contemporary society, the ideal university does not exist. As will be discussed throughout the thesis, the actually existing university is quite different from the ideal portrayed here.

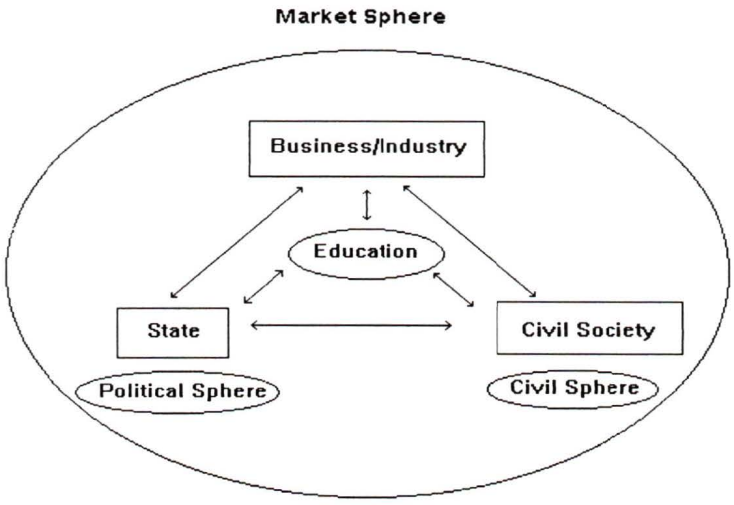
Power and the Role of Education

The place and role of education in society is part of a dynamic process that can be understood as a balance of the class and sectoral conflicts and struggles between the state and civil society, business and the state, and the state and business. As Figure 1.2 illustrates, education operates within the market economy, and is influenced by civil

society, business and the state, but at the same time is relatively autonomous from each of these spheres. The predominance of one sphere and the ability of that sphere to organise and govern the others can ultimately shape the larger functions of education and the relationship of education to the other spheres. The impact of the laws of the market can be buffered or maintained through political intervention.

Hence, the state plays an important role in determining the degree to which the market influences the other spheres. The laws and maintenance of so called free markets are upheld and endorsed by the state. Karl Polanyi (1944: 139) argues that there is nothing natural about laissez-faire markets; free markets depend upon state planning. A free market, rather than the unregulated exchange of money and commodities among individuals, depends upon a strong state to ensure that its conditions are upheld (Polanyi 1944: 141). Similarly, the state can regulate and buffer the influence of the free market. The maintenance of free markets or intervention into the economy to mitigate its effects can impact the relationship among education, business, the state and civil society.

Figure 1.2: Power, Education and Society in Capitalist Economies



Depending upon which sphere gains ascendancy, different principles may emerge in educational policy. Gamble (1988: 134) suggests that Thatcher's neo-liberal government in the United Kingdom, under which business and free market principles predominated through the political sphere, involved education budget reductions, the ending of academic tenure, and the establishment of new funding bodies that ensured universities met national needs defined by government. The government argued that an anti-enterprise and permissive culture had been fostered by social democratic institutions and had become one of the chief obstacles to reversing the decline. The economic and moral regeneration of Britain required putting pressure on every institution to make it supportive of enterprise and capitalism (Gamble 1988: 137).

The emergence of market ideology in neo-liberal thinking has arisen from the business sphere and penetrated both civil society and the state. It is possible that as this

sphere dominates, education is increasingly being legitimated through its utility to serve the needs of some immediate requirements of the economy or the community. Market-based legimitation of education does not support researchers to develop knowledge for its own sake or programs to exist merely for the purposes of enlightenment. Evidence of this economic utilitarianism is apparent. Indeed, prominent educators of the liberal arts are rethinking their programs in response to industry and business. Michael Useem (1995: 18) suggests that liberal education in combination with technical and applied skills "can provide a high octane platform, especially for those entering business firms that are internationalising and restructuring." This utilitarian view of education in the service of the economy has the potential to subordinate academic programs and disciplines (particularly those that are critical of current economic, social, and political practices) to market measures, and to define access to education as a personal responsibility of the individual rather than as a social right protected by citizenship. It is therefore useful to see if these trends are occurring in Canada and the other selected countries, and if so to what extent.

Education, Citizenship and the Welfare State

Over the past century, with the development of social rights, access to education in general and higher education in particular has become accepted as a social right of citizenship. As well, the knowledge that has originated from research and development in universities, to a certain extent, has been considered a public good. However, globalisation and the ascendancy of neo-liberal ideology is changing the nature of citizenship and its associated rights. Esping-Andersen (1996) argues that the 18th century

witnessed the establishment of legal and civil rights, the 19th century witnessed the establishment of political rights, and the 20th century witnessed the expansion of social rights. However, at the end of the 20th century we are observing the erosion of social rights rather than the resolution of existing social program inadequacies and inequalities. The concept of "citizenship" is changing as the state attempts concurrently to integrate the nation into the liberal global economy while reverting to a more legally authoritative and socially minimal role. This state transformation is stripping away notions of social justice, promoting excessive individualism, opening the economy to international competition, and focusing on taxes, the debt and deficit as justifications for abandoning collective programs (Jenson 1997: 642). The neo-liberal citizenship regime is largely one that promotes individual self-reliance and giving through charities, churches and the family.

In the era of globalisation, neo-liberal forces are redefining the concept of citizenship, as the balance of responsibility among states, markets and communities is reconfigured and traditional political boundaries and sovereignty are challenged (Jenson 1997). Democracy and the possibility of citizens to direct governments are becoming increasingly limited as capital becomes more mobile and can dis-invest if it defines a certain locale as being "uncompetitive". Thus, governments are more limited in the social and political rights they offer citizens, and citizens are more limited in where they can place their legitimacy. It is therefore important to explore whether the changing nature of citizenship is having an impact on higher education and its relationship to citizens.

Post-Fordism, the State and Higher Education

Many authors, including Ferge (1997), Harvey (1990), Jessop (1993), Lash and Urry (1992) and Drache (1997) suggest that there has been an international movement from Fordism (welfare statism) to post-Fordism (late capitalism, flexible accumulation). Ferge (1997) notes some central principles of the Fordist welfare system: the state, civil society and the market as dominant institutions; maintenance of relative autonomy of the economic, political, social and cultural sub-systems; the maintenance of principles of social justice and control of social inequality through state policy; endorsement of collective responsibility for social reproduction; and an active attempt to maintain economic equilibrium through state planning. Central characteristics of the post-Fordist welfare state include: markets, quasi-markets, international corporations and supra-national institutions as the dominant institutions; domination of economic principles over political, social and cultural principles; promotion of individual freedom and competition; a focus on individual responsibility for social reproduction; the allowance of increased inequality; and a focus on economic growth and productivity (Ferge 1997).

Similarly, Harvey (1990) analyses the shift from the Fordist era to flexible accumulation, tracing both the political-economic changes and continuities that are inherent in capitalism. Harvey characterises Fordism as a stable regime with power resting among labour, government and business. As capitalism's inherent overaccumulation tendencies appeared, however, there were pressures to resolve the crisis to preserve growth. This resulted in the transition toward a spatially expanded, temporally displaced, less regulated regime driven largely by financial capitalism (Harvey 1990).

Under the post-Fordist regime of flexible accumulation, financial markets and investors discipline both nation states and workers. As states become more entrepreneurial and concerned to maintain a favourable business climate, the power of labour and other social movements are curbed (Harvey 1990: 168). The rising number of unemployed, the retrenchment of the welfare state and the increasing inequality between rich and poor nations are all factors which may possibly threaten the capitalist system itself if social control mechanisms are ineffective. Entrepreneurship characterises activities beyond business such as urban governance, the growth of informal sector production, labour market organisation, research and development, and academic, literary and artistic life (Harvey 1990: 171). Harvey argues that globalisation and flexible accumulation have resulted in increased competition among individuals, cities, and nation states to ensure their locale provides a favourable climate for investment. This competition means that there is little incentive to strive for equality and collective responses to common problems. Competition also exacerbates the fiscal crisis of the state as it attempts to find the balance between creating a favourable investment climate and legitimating its existence to its citizens through regulation and services.

Jessop (1993) argues that the power of the state is being "hollowed out" such that the nation state is facing greater challenges in exerting sovereignty. The nation state is decentralising much of its services and power to both supranational agencies and local/provincial governments. The state retains a "headquarter" function with the articulation of national sovereignty, while facing challenges in translating authority into effective control (Jessop 1993: 22). The nation state has changed its function from

stimulating demand and maintaining stability to enhancing structural competitiveness in the international economy. The Keynesian welfare state has been transformed into a Schumpeterian workfare state that is characterised by the promotion of product, process, organizational and market innovation, the enhancement of structural competitiveness of open economies, and the subordination of social policy to the demands of labour market flexibility and structural competitiveness (Jessop 1993: 9). Jessop argues that innovative-driven structural competitiveness is becoming central to the successful performance of the economic functions of the contemporary capitalist state. The distinctive features of the Schumpetarian workfare state are a concern to promote innovation and structural competitiveness in the field of economic policy and promote flexibility and competitiveness in the field of social policy (Jessop 1993: 17-18).

A key feature of structural competitiveness is the production of knowledge and products through research and development. Lash and Urry (1994), Drache (1997), and Jessop (1993) argue that a characteristic of post-Fordist economies is a strategic investment or focus on research and development and education and training. Lash and Urry (1994) contend that the globalisation is characterised by information and communication structures that permit greater reflexivity in a de-centred hierarchical employment structure. The information and communication flows allow for increased reflexivity among subjects who employ information to make decisions relating to production and consumption. As well, research and development are considered to be of critical economic importance, especially in applied science fields of high technology and biotechnology. The role of research institutes and universities in research and

development is growing in significance. Lash and Urry (1994: 97) observe that a large number of semiconductor electronic firms, industrial parks, and military research have been initiated or are tightly integrated into universities.

Jessop (1993) argues that supranational state systems such as the European Community are expanding and attempting to develop high value-added growth sectors (e.g. information technology, manufacturing technology, telecommunications, biotechnology, new materials, and marine science and technology) through investment in research and development. The supranational state is attempting to stimulate co-operation among firms, laboratories, and universities to develop technologies which will meet current or potential market needs (Jessop 1993: 23). Similarly, Drache has suggested that one of the policy areas for the capitalist state to operate is in research and development and training. Drache suggests that even within a period of intense globalisation, governments have significant social capital and public finance as leverage to counter the volatility of global markets (Drache 1997: 4). In particular, some policy co-ordination, particularly relevant to this research includes a focused financial commitment to job creation and skill training by public and private authorities, targeted support for locally sourced research and development, and private-sector partnerships where appropriate (Drache 1997: 6).

Research and development, and education and training are considered social investments that provide capital with new access to scientific and technological R & D services and a well-educated scientific, technical and administrative labour body. Training workforces or engaging in R & D is too risky and costly for any one corporation.

Therefore, the state is required to co-ordinate R & D because of the costs and uncertainty of the results of research and teaching (O'Connor 1973: 112). Changing economic circumstances, such as the rise of high technology industries, mean an increased emphasis on education and R & D spending. Increasingly, the state's role is to target R & D expenditure for projects with practical ends (O'Connor 1973: 115).

Post-Fordist decentralised and flexible employment regimes involve research and development which produce new technologies and information, and highly trained professionals who are capable of maintaining and reproducing capitalist production. The importance placed by business and government on research and development, and education and training signifies an increased emphasis on universities as centres for profit and production. The state remains a major provider of funding and maintains the regulations that govern universities. One purpose of this research is to examine the relationship of the state to higher education in the context of the changes discussed here and consider the role of the "post-Fordist" university.

Higher Education Change in the Post-Fordist Era

Within the global and political shifts, there are the potential forces of higher education transformation which include demands for increased access and the resulting increase in participation, an incapacity or unwillingness of the state to fund higher education at adequate levels, pressures for higher education to meet particular social and economic objectives, state demands for increased accountability, institutional demands for autonomy, the introduction of technology, and the internationalization of knowledge (Green and Hayward 1997: 7-17). Each of these possible transforming forces may be

interrelated suggesting that no clear boundaries can be drawn between variables. For instance, a state attempting to enhance structural competitiveness through higher education may promote accountability by imposing a business model of management. The accountability measure may involve rewarding both the introduction of labour-saving technology to reduce costs, and increasing enrolments coupled with funding reductions to increase "efficiency" while promoting "accessibility". Thus, the notions of accessibility, accountability, technology, state funding and globalisation may assist in explaining higher education change. However, accountability may ultimately be driving accessibility, the introduction of technology, and changes in funding. In seeking to explain higher education transformation, it is useful to explore the relationships among the explanatory variables as well as their individual impact on education change.

This research explores higher education change in terms of the context discussed here, and examines the potential explanatory value of some of the possible forces of change. From this discussion a number of research statements and questions can be advanced. For example, there appears to be a move toward privatisation and commercialisation of higher education in Canada. If this is the case, what form has privatisation and commercialisation taken? What is the current role of the state in higher education? How is this a continuation or break from the past? Is the role of the state in higher education changing? Is the Canadian case idiosyncratic? Is privatisation/commercialisation occurring in other countries? It is these questions that this research addresses.

Chapter 2: Concepts and Methods

Research Problem

The complexity of this research topic demands a multifaceted approach to examining the restructuring of Canadian higher education. Research of this nature must come to terms with locating the impetus of social change and uncovering any possible social relationships that facilitate such change. This research assumes that there are a variety of interrelated factors that influence and facilitate higher education transformation. Among the possible influences mentioned in the literature, the most prominent are demands for access, funding arrangements and levels, economic and social objectives, demands for accountability, institutional demands for autonomy and academic freedom, the growth of technology, and internationalisation of education and economies (Green and Hayward 1997). Government, the public, students, faculty members, governing boards, and industry all place significant pressure on higher education systems to change in particular ways within the context of the influential factors. Higher education transformation is multidimensional and inextricably related to political, economic and cultural dynamics. The challenge of this research is to develop a research methodology and collect data that will assist in understanding education transformation as a social phenomenon that results from a combination of both agency and structure.

The overall macro-hypothesis for this research is that higher education is becoming more privatised/commercialised in Canada as well as internationally. It is further hypothesised that the level of privatisation differs on the basis of welfare state type, and that the forms of privatisation and commercialisation are multifaceted.

This research is comparative-historical in that it compares Canada to three other countries with differing welfare states and higher education policies over time. The level of analysis is at the national level. The focus is on both the material and political developments that have recently shaped higher education. The focus is very much on the role of the state in higher education. From these data it becomes possible to examine reforms in higher education in Canada and in other countries and to observe changes and/or continuities over time.

The data are then interpreted in the context of the possible influences discussed earlier in this chapter and in Chapter 1. The analysis considers several possible explanations for higher educational change and then discusses what are considered to be the strongest explanations. The higher education system and the state are considered as being fully intertwined in a larger set of social relations that are developing at both local and global levels.

The data collected at the international, national, provincial and institutional level provide an understanding of the many factors and agents underlying social change. Throughout the research, discussion focuses on teaching, research and access to higher education. This underscores the larger issues of the processes underlying the construction of knowledge through research, the dissemination and facilitation of knowledge through publishing and teaching, and student access to the institution and its resources.

This chapter describes in detail the methods utilised to examine the questions and issues raised above. Each section provides a discussion of the methods and data that are used in each chapter. First, there is a description of the welfare state typification and the

countries selected for international comparison. Second, there is a description of the institutional aspects of the commercialisation/privatisation of Canadian universities. Third, there is a description of the methods utilised to collect information on the state's role in higher education, and specifically for Canada, the emerging relations between the private-sector and universities.

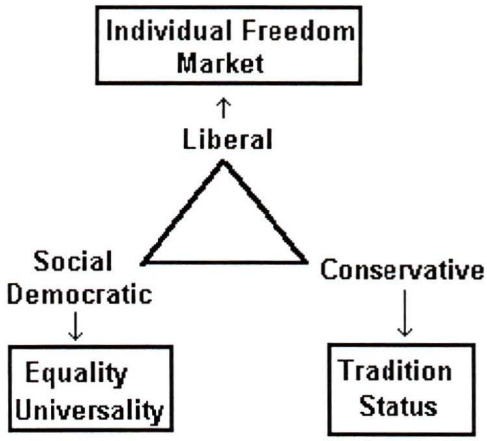
Welfare States and Higher Education

Esping-Andersen (1990: 27) typifies welfare state regimes as liberal, conservative or social democratic. Figure 2.1 illustrates Esping-Andersen's typification schematically. Essentially there are three possible planes on which a country can fall: Liberal-Conservative, Social Democratic-Liberal, and Social Democratic-Conservative. This research examines the Social Democratic - Liberal plane and will place each country along this plane.

Liberal welfare state regimes, such as Canada, New Zealand and the United States, are minimal in their benefits and encourage the market where possible. They do not provide disincentives to work and are usually means tested. The state encourages the market either passively by guaranteeing only a minimum of social rights or actively by subsidising private welfare schemes. Social democratic regimes, such as Sweden, seek to de-commodify entitlements and provide benefits on universalistic principles. The social democratic ideal focuses more upon creating capacities for individual independence than on maximising dependence on the market or the family. It is committed to a generous social service not only to meet family needs but also to allow women to choose paid employment rather than the household. The significant costs of maintaining a

universalistic welfare system mean that the state must minimise social problems (e.g., unemployment) and maximise revenue income (1990: 28).

Figure 2.1: Schematic of Esping-Andersen's Classification



Esping-Andersen's typology consists of ideal typical models that are measurement tools against which a country's welfare state regime can be assessed. In typifying the regimes, Esping-Andersen measures the de-commodification of the labour market by examining pension structures, unemployment benefits, paid leave (sickness) benefits, and employment in the social service sector. A country is said to have a high level of de-commodification if there is a viable alternative to dependence upon the labour market. Esping-Andersen scores de-commodification for pensions and unemployment benefits in terms of minimum benefit and wage replacement rates, standard benefit rates, contribution periods, waiting periods for payment, and the number of weeks benefits can be maintained (1990: 54). Using various scoring and clustering techniques, Esping-Andersen typifies each country. As he cautions, however, there is no single pure case, and

a country typified as one regime may not be free from elements of other regimes (1990: 28).

In measuring welfare state regimes, Esping-Andersen suggests that limited validity can be attached to aggregate-expenditure data and that measuring "welfare statism" by percentage of social security percentage as a percentage of GDP is a crude way of determining the social wage. On another methodological note, he cautions against cross-sectional comparisons alone without taking into consideration different time periods. Cross-sectional studies alone tend to be ahistorical and do not explain the influence of an independent variable on the dependent variable over time (Esping-Andersen 1990: 114)

Using Esping-Andersen's model, the countries chosen for study include both social democratic and liberal types. Sweden was selected because it is social democratic, it has historically offered a generous social wage, and its higher education system is well developed, and on the surface, appears accessible. New Zealand was selected for several reasons. It is characterised by Esping-Andersen as liberal in some ways and social democratic in others. Because it has a long history of social welfare, is well known as a welfare state pioneer, and for many years following the Depression was governed by social democratic governments (Davidson 1989: 1), it has social democratic characteristics. However, during the last fifteen years New Zealand has become transformed from a social laboratory to an economic laboratory for neo-liberalism (Kelsey 1995). Thus, New Zealand is a country in transition. The United States was selected because it is an almost ideal-typical liberal regime. Its welfare state is

commodified and it has both a private and public system of higher education. Canada is a mixed case in that Esping -Andersen typifies it as liberal, but it also has social democratic characteristics in its programs (e.g., health care) that are guaranteed by citizenship. Higher education falls under provincial jurisdiction which makes typification challenging, since there is a possibility of wide variation in policies. Nevertheless, Canada has undergone many changes during the past decade that makes it a worthwhile case to examine in greater detail.

A country's placement along the de-commodification scale may change depending upon the social policy being considered. This is to be expected, as Esping-Andersen has noted, since no program or service is pure and some programs may be liberal and targeted, while others may be universal and social democratic. Thus, depending upon the social policy being analysed, it might be possible to have differing welfare state typifications.

The application of the liberal and social democratic regime types and the underlying political ideologies allow for a conceptualisation of varying welfare states and different types of higher education policies. On the one hand, under a liberal regime, it can be hypothesised that the private market drives higher education. Its functions and access to it are based upon a market orientation. Liberal higher education is commodified in that it is not separated from the market. On the other hand, social democratic higher education seeks to equalise opportunity as well as become a significant employer in its own right. Education falls within the service sector and expanded education means increased employment opportunities in teaching and research. As well, state-sponsored

access to higher education means increased employment opportunities for all classes regardless of ability to pay or family status. Interestingly, however, it may be expected that social democratic regimes, with their emphasis on full employment, will integrate higher education within the labour market.

It is important that privatisation and commercialisation be understood conceptually and operationally such that it is possible to determine if these trends are occurring and if so to what extent. Colin Samson (1994: 80-81) defines privatisation as including the transfer of services from the public sector to the private sector, a reduction in public sector services or subsidies for public institutions, and the building and maintenance of ideological support for the first two initiatives. With respect to social services in general, privatisation results in an increase in control over services by the private sector, or a reduction in state-operated services to beneficiaries - usually the poor, unemployed and the aged. Coupled with a decrease in state subsidies to both public institutions and people, privatisation also involves increased costs for services by those who utilize them.

Commercialisation refers to the transformation of institutions such that they operate more on the principles of the private sector. An element of commercialisation includes the commodification of the functions and activities of the service. Specifically, commodification means the alignment of the service or activity with the capitalist market. The capitalist market is the set of relations that allows for exchange and operates on the principles of private property, supply and demand, free enterprise, and profit. For instance, the functions and activities of an educational institution operate more according

to the philosophy of business. Hence, the state or entity operating social services defines the beneficiaries or users of the services as "clients." Services are framed as commodities often within the parameters of "choice" for the consumer.

With respect to higher education specifically, privatisation takes the form of reduced state subsidies to universities and colleges, increased costs to students, and an increase in governance by the private sector or the acceptance of private sector principles as guiding principles for higher education institutions. Hence, privatisation of higher education affects the education system, education institutions, faculty and students. Commercialisation of higher education takes the form of universities entering into partnerships with corporations or business and the imposition of business principles upon the managerial/administrative operations of higher educational institutions.

It is useful to develop a conceptualisation of various public-private arrangements that assist in defining and analysing higher education systems. The following table and descriptions illustrate some of the various possibilities that arise in higher educational systems.

Table 2.1: Conceptualisation of Higher Education Systems: Commodification and Non-Commodification

Activities/Function	Type of Control and Finance	
	Public	**Private**
Commodified	1. Quasi-market competition, monopoly, institution oriented, user fees, private good	3. Market-driven, user fees, competitive, institution oriented, private good
Non-commodified	2. Non-competitive, system oriented, no fees, public/private good, entitlement	4. Non-competitive, non-profit, institution oriented, minimal fees, private/public good

(1) Higher education that is both publicly controlled and financed and commodified is institutionally oriented, has user fees, quasi-market competition, and is largely defined as

a private good. The state introduces quasi-markets in that it allocates funding on the basis of certain performance indicators and various institutions must compete for state funding. Thus, competition is introduced as a principle for funding, but the system is funded and controlled by the state. The focus is institutional since each higher education institution competes with other higher education institutions for funding. Higher education is defined as a commodity that benefits the individual and for this reason user fees are introduced.

(2) Higher education that is both publicly controlled and financed and non-commodified is system oriented, non-competitive, defined as a public/private good, has no fees, and is defined as an entitlement. Access to education under this system is considered a right of citizenship. The functions and activities are not driven by market conditions. The focus is system oriented and there is very little competition. Institutions work co-operatively and funding is provided on the basis of publicly defined goals for the education system. Higher education is considered to be both a private and a public good.

(3) Higher education that is both privately controlled and funded and commodified is characterised by competition, user fees, an orientation toward the institution, and is defined as a private good. There is little or no state support and the institutions depend mostly upon individuals, foundations, organisations and corporations for funding. The institutions compete among each other for private financial support. A significant portion of institutional revenues is derived from student fees. Educational service is highly commodified in that institutions base their programs and research on the demand of both students and the larger community. Therefore, there is a market orientation to the

programs and activities. Institutions operate on a for-profit basis.

(4) Higher education that is privately controlled and funded and non-commodified operates in a non-competitive environment, is not driven by the demands of the free market, is institution oriented and is defined as both a private and a public good. There is little or no state support and the institutions depend mostly upon individuals, foundations, organisations, and corporations for funding. The institutions may or may not co-operate, but there is no overarching body to encourage them to act together as a system. The institutions operate on a non-profit basis. Fees may be charged, but they are to cover operating costs rather than to make profits.

This research examines the degree to which higher education in Canada, Sweden, New Zealand and the United States falls within these categories. In essence, the research considers the public-private mix in higher education and the level of commodification. This is also done in an international context to analyse the degree to which differing countries representing different welfare states types are experiencing changes in their higher education systems. In particular, there are a number of sub-hypothesis listed in Table 2.2 that assist in researching the macro-hypothesis that higher education is becoming more privatised/commercialised in Canada as well as internationally.

Table 2.2: Hypothesis and sub-hypotheses

Hypothesis Higher education is becoming more privatised/commercialised in Canada as well as internationally. The forms of privatisation and commercialisation are multifaceted. **Sub-hypotheses:** (1) Public spending on education differs by welfare state type. (2) Public spending on education is being reduced. (2.a) Changes in public spending are part of an international trend. (3) Higher education systems are becoming more reliant upon non-governmental sources for revenues. (3.a) These non-governmental sources include students and corporations. (4) The political orientation of government to higher education is changing toward commercialisation on national and international levels.	
Indicators for comparison from national data sources: **Supporting data for sub-hypothesis 1-3**	**Sources:**
Expenditure by functional classification Expenditure in relation to Gross Domestic Product. Expenditure on education and higher education Supporting data as available for each country	Government publications, National statistical organisations, Institutions National budgets, government departments
Sources of revenue for universities/university colleges on a national, regional and institutional level.	Statistics Canada, United States Digest of Education Statistics, New Zealand Education Institutions
Costs of education (tuition) Supplementary data: Participation by socio-economic status	Statistical agencies
Canada specific data (sub-hypothesis 3) Data indicating sources of sponsored research in Canada. Data indicating the sources of funding for research and development in Canada. SSHRC, NSERC funding Canadian Foundation for Innovation: A Case Study of Private Sector Led Research Initiated by the Federal Government. Examples of corporate-university partnerships	 Statistics Canada Government statistics CFI website, Financial Post's Directory of Directors University sources, media
OECD Education spending per capita. OECD Education expenditure as a percent of GDP OECD Expenditure in relation to enrolment Government spending in the economy	OECD Education Reports IMF Statistical Yearbook
Supporting information for sub-hypothesis (4)	
Literature indicating political/ideological shifts that redefine higher education	Academic journals and literature, government reports

Each of these hypotheses is analysed over time to allow the benefit of cross-temporal as well has cross-national comparison.

Data and Methods

The empirical indicators for each sub-hypothesis will now be discussed. As mentioned, each of the welfare states in this study is typified as social democratic and/or liberal. A rank order table of social policy de-commodification by Esping Andersen (1990: 52) places Sweden as the most de-commodified, and then Canada, followed by New Zealand and the United States. Further, on the basis of several indicators such as expenditure per student, education expenditure as a percentage of GDP, expenditure on education as a percent of all expenditure, and the sources of revenues for higher education institutions, countries can be placed on a public-private continuum where state spending indicates a more public situation.

It should be noted that Esping-Andersen's decommodification index classification is not solely a public-private continuum as there are additional factors beyond state expenditure considered in his scoring. Hence, Esping-Andersen's decommodification index serves as a template against which Canada, Sweden, New Zealand and the United States can be placed on a public-private index. This ranking of the countries based on public higher education expenditure is not meant to be a *direct* test of Esping-Andersen's previous research.

Where possible the countries are compared using similar indicators. However, the same level of data was not available in all cases for each country. Therefore, the same comparisons could not be made for every country. In particular, the same level of data was not available for Sweden as it was for the other countries. However, there are quite detailed data for the United States and Canada largely due to proximity and the large

number of statistical agencies collecting such information.

For the national discussions, the data sources include reports from national statistical agencies, government reports, personal communications, and institutional information. The national data sources included Statistics Canada in Canada, the National Center for Education Statistics in the United States, the National Agency for Higher Education in Sweden, and the *New Zealand Official Yearbook* as well as government and institutional reports in New Zealand. For the international comparisons, the data come mostly from the Organization for Economic Cooperation and Development (OECD). There are advantages and disadvantages to using different data sources. The national data sources ensure a relative level of consistency within a country over time. However, it is recognised that data reporting techniques can vary over time making variations more a result of methodology than any real change. For this reason, where comparisons are made over a long period of time, there are indications where the data were collected from different sources.

The international comparisons allow a relative level of consistency across nations. The OECD data, although for the most part agreeing with the national data, do vary somewhat on some indicators. Where OECD data were available for each of the countries on an indicator, these data were used for international comparisons. In some cases where the OECD data did not provide a full picture of trends, national data were used for international comparisons.

Some historical comparisons involved making adjustments to the financial statistics to ensure comparability. The International Monetary Fund Yearbook was used

as a resource to ascertain the Canadian Price Index that was subsequently used in the calculation to standardise the dollar figures in constant dollars. To convert 1997 dollars, the Consumer Price Index (CPI) was determined by taking the average of the monthly CPI between January and July 1997. Much of the data have been recalculated from the original source to show trends over time or cross-nationally. For example, data recorded in current dollars were recalculated to 1990 dollars in some cases to permit comparison over time. National expenditures are always reported in the currency of the country being considered, unless otherwise specified.

For the OECD (1996) data collection, various countries include a variety of activities in their "tertiary education expenditure" which affects comparability. Sweden includes the funding of all research activities in tertiary institutions, regardless of the source within this category. New Zealand has administrative and operating expenditures that are not allocated by educational level. However, in New Zealand, expenditure from private sources is not included. In the United States, all research expenditure is included, except funds for major federal R & D centres administered by universities. The reporting period for educational expenditure also varies by country, although OECD adjust the data to accord with the calendar year.

Many of the tables in this thesis include data on social welfare, health, transfers to government and interest on the debt in order to contextualise education within a larger expenditure framework. In Canada, the "social welfare" category is comprised of social security, family allowances, labour force programmes, veterans benefits, social welfare, tax credits and rebates, and other social services. Mostly, this category includes transfers

to persons. In the United States, social welfare is comprised of income security programs such as housing allowances, pension benefits, food and nutrition assistance, social security benefits, and veterans benefits. In New Zealand, social welfare is comprised of income transfer programs. There was no comparable data available for overall social expenditure (disaggregated into health, income transfers and education) in Sweden.

"Health" means the total expenditure that is spent on health services, institutions, and preventative health activities. The total of all budget items that relate to the provision of health services, the maintenance of institutions, wages and salaries and health-related activities is recorded in this category. For each country, education, health and public/social welfare are added to comprise the "social spending" subtotal.

Statistics on interest on the national debt were collected as this has been identified by all governments and many academics as comprising a significant portion of the budget and is argued to be compromising the ability of governments to finance social programs. These data were recorded for New Zealand, Canada and the United States. Similar data were unavailable for Sweden.

Transfers to government are recorded for Canada. These are comprised of the block or conditional funding transfers from federal to provincial governments. In Canada, there have been a number of federal-provincial transfers, including the Federal-Provincial Fiscal Arrangements (a 50-50 shared cost agreement in 1967), the Established Programs Financing Act (EPF, enacted to replace the Federal-Provincial Relations Act in 1977), and the Canada Health and Social Transfer (CHST [replaced EPF in 1996] reduces the federal cash portion of financing for social programs and increases the tax point transfer

portion. Tax points are taxation revenues collected by the federal government for the provinces and then returned to the provinces in the form of transfer payments) (Canadian Federation of Students 1997). Transfers also include equalization payments to provinces.

With regard to Gross Domestic Product, for national data sources, the GDP figure that was provided by the statistical agency showing educational expenses was utilised. Where no GDP figure was available in the national publication or source, the GDP figure listed in the International Monetary Fund Statistical Yearbook was used. To ensure reliability between sources, available GDP figures in each source were examined for variation. Generally, no significant variation between sources was found. For instance, Canadian GDP recorded in the IMF yearbook and Statistics Canada for various years is as follows:

Year	**IMF**	**Statistics Canada**
		Billions $
1960	39.0	39.4
1970	89.1	89.1
1980	309.9	309.9
1990	669.5	671.0

For the OECD international comparisons, GDP consumer price deflators are used to adjust the data on expenditure where the national financial year does not coincide with the calendar year. (For a detailed discussion on this adjustment, please see *OECD Education at a Glance 1996*: Annex 3, Page 349). However, the OECD notes that for education expenditure per student comparisons may be misleading. As mentioned, Sweden includes research expenditures into its general tertiary education expenditures while other countries do not. As research spending constitutes a significant portion of total expenditure on tertiary education, the variations in spending per tertiary student and

in spending on tertiary education as a percent of GDP partly reflects differences among countries in the research roles of higher education institutions (OECD 1996: 353).

Education expenditure as a percent of all public expenditure and education expenditure as a percent of GDP indicate the overall spending effort of a country on education. The higher each of these expenditure measurements, the more public a country's higher education system can be labeled.

The sources of revenue for Canada, New Zealand and the United States allow for a comparison of the reliance of higher education systems on government and private sources. The data for Canada were compiled in a yearly publication, *Financial Statistics of Universities and Colleges*, from Statistics Canada and the Canadian Association of University Business Officers. The original source of these data is the institutions themselves that prepare accounting reports in a standardized manner. However, a caveat is stated in each report indicating that there are differences among institutions in size, academic programmes, organization, physical environment, management philosophy, and budgetary and accounting procedures, and different reporting procedures requested by provincial authorities. It is also noted that changes in reporting guidelines in past years may affect the ability to make historical comparisons. The government and student sources of revenue are clearly specified, but non-governmental grants by private donators (corporations, individuals, foundations, religious organisations) are aggregated. Thus, it is not possible to determine from these data the amount of revenue from corporations or individuals. However, the fundraising campaign data published by the Conference Board

of Canada specifies the actual amount that is expected to be or has been received from corporations, individuals and government.

A special emphasis is placed on Canada and the degree to which corporations are increasingly funding university research/activities over time. Analysis of this issue involves consideration of statistical data that show the sources of universities' fundraising efforts and revenue for sponsored research in Canada. Other data show recent funding changes in the Medical Research Council of Canada, the Social Sciences and Humanities Research Council, and the Natural Sciences and Engineering Research Council. These data are collected from Statistics Canada, the Association for Universities and Colleges of Canada, and government budget documents.

Data for the sources of universities' fundraising efforts for 1996 were calculated in percentage terms for this research. The source of these data is the Conference Board of Canada that lists campaigns of various organizations. Statistics Canada publishes the statistics showing sources of funding for research. Data indicate the participation in government and business in financing research. A case study of the composition and mandate of the state-developed and private-sector Canadian Foundation for Innovation (CFI) provides an example of the latest trend in research policy. The goals and purposes of the CFI are discussed and recent speeches by the CFI President are considered. The corporate and organisational affiliations of the CFI's directors and members was located in the *Financial Post's Directory of Directors 1998*, and *Who's Who in Canada 1997* and the *Canadian Who's Who 1997*. The CFI initiative is still too recent to determine any trends in the actual type of research that it is funding.

Some empirical cases of corporate-university partnerships, mostly at the University of Toronto, are also discussed, specifically the cases of the Nortel Master's of Telecommunication and the Rotman School of Management. The sources of information for these case studies include the Board of Governors meeting minutes, media reports, press releases, and information from the university. These cases along with other examples are used to illustrate some of the practical results of corporate-university partnerships. Finally, some recent changes in the state and university-corporate relations are presented to contextualise historically the recent corporate-university partnerships.

The sources of revenue for United States higher education institutions shows the amount derived from government, students and non-governmental donations. Fortunately, the data are specific to both public and private higher education systems. Unlike Canada and New Zealand, there are data that disaggregate voluntary contributions to higher education institutions into foundations, individuals, corporations and alumni. The sources for these data are the *Digest of Education Statistics* and the *Condition of Education* published by the National Center for Education Statistics. The same cautionary note as in the Canadian statistics should be made regarding the limitations of comparing across institutions over time. As well, the revenue category for the United States is "current fund revenue" while the category is defined as "operational revenue" for Canada and New Zealand. When these data are compared with the public system data of Canada and New Zealand, it is the public system data set of the United States that is used, as this is determined to be the most comparable to the other countries.

There is no formal data set that lists the sources of revenue for New Zealand

higher education institutions. Consequently, I wrote to each institution to ask for the amount of revenue derived from government grants, student fees, and corporate and individual gifts. There are seven universities, five colleges of education, 25 polytechnics (technical colleges), and two Wananga in New Zealand. All of the universities, and most of the polytechnics and colleges of education were contacted with the exception of a few polytechnics that did not have an up to date Internet site. Many of the institutions had general e-mail addresses and it is likely that my message did not get forwarded to the appropriate person. However, I did receive responses from five universities, two colleges of education, and two polytechnics. These data provide an illustration, especially for the university sector, of the different funding sources for higher education. Since no statistical agency, government agency or other organisation aggregates and reports these data, my sample will have to suffice as a basis for understanding the social organisation of higher education funding in New Zealand.

In the absence of available Swedish data, I also wrote to various education agencies and some institutions in Sweden both electronically and through regular post. Unfortunately, I received no responses to any of my requests, which means that an extremely interesting comparison is absent.

Each of the countries is compared for continuity or change in the trends relating to university funding, and consequently each country can be placed along the public-private continuum for each year. If the system is more public, the country is placed toward the public end of the continuum.

Another component of privatisation is the costs that are incurred by students. My

research examines Canadian tuition statistics between 1970 and 1996. The source for the 1970, 1980, and 1990 data is Statistics Canada (Dominion Bureau of Statistics in 1970), and for the 1997 data, the recent issue of Maclean's University Rankings 1997 that lists universities and their tuition costs. Tuition is measured by the annual fees of an Arts and Science undergraduate. Where there was a different tuition rate for Arts and Science, the average between the two was taken. For Canada, the provincial averages are the average tuition of all universities within the province for a given year. Tuition rates were converted to 1995 constant dollars. The United States data, from the National Center for Education Statistics, compare the average undergraduate university tuition (broken down into private and public) between 1960 and 1996. New Zealand tuition statistics were unavailable in any aggregated format, but there are references in the literature about the changing costs of tuition. These data illustrate the degree to which the costs of education have risen or fallen over time.

In addition to the tuition data, there are also data that relate to enrolment in university by socio-economic status. There are arguments that government subsidies to higher education only subsidise the higher income groups who are argued to benefit most from higher incomes after graduation. This claim is discussed mostly in regard to Canada in Chapter 3.

Regarding my empirical test of sub-hypothesis 4 (that the political orientation of government to higher education is changing toward commercialisation on national and international levels), academic literature and government and media reports are surveyed to reveal some of the political and economic changes in each country that may be

influencing higher education reform. However, the amount of discussion that can be offered in this research is limited due to time and space constraints. Due to such constraints, it is therefore impossible to describe in great detail each of the changes within each country. However, representative literature (both government and academic) that contextualises many of the higher education and political-economic reforms is analysed.

There were some questions that guided the discussion for this sub-hypothesis. What is the structure of higher education in the country? What has been the justification for recent reforms of higher education in the country? Have there been any major political shifts or economic problems in the country during the period of study?

In essence, this part of the thesis involves a discussion of the changes or continuities in the ideology of higher education in each country. It is noteworthy that typifying or examining a country with an education system as complex as the United States cannot move beyond the general level. To embark upon such a comprehensive analysis of the United States higher education system would be a research project in itself, if not a lifetime work. However, there are major political developments in the United States that can be described. For the smaller countries, it is easier to typify political economic changes. However, Canada is complex in that its divided jurisdiction over education requires analysis at both the federal and provincial levels. As well, changing political developments in Canada also relate to the sub-hypothesis discussed later in this chapter on the Canadian higher education. Major federal initiatives and some illustrative provincial initiatives are also discussed.

Conclusion and Examination of Possible Explanations for Changes

After I present and discuss the data in Chapters 3 to 7, it is possible in Chapter 8 to draw conclusions specific to each country, discuss general trends in Canada, and relate changes in Canadian higher education to overall changes in the welfare state. The privatisation index discussed above in this chapter allows for an analysis of Canada's placement in the context of other data presented in Chapters 3 to 7. It allows an examination of welfare state type and the role of the state in higher education policy.

Each sub-hypothesis is discussed in relation to the overall hypothesis. Data that assist in explaining changes are referred to here. For instance, some possible explanatory factors previously mentioned include demands for access, funding arrangements and levels, economic and social objectives, demands for accountability, institutional demands for autonomy and academic freedom, the growth of technology, and internationalisation of education and economies. Each of these possible explanations is discussed in terms of the data and issues presented in the earlier chapters. Finally, the sub-hypotheses are aggregated to discuss the macro-hypothesis that higher education is becoming more privatised/commercialised in Canada as well as internationally.

Chapter 3: Canadian Higher Education

A History of Canadian Higher Education

Recent developments at both the federal and provincial levels of Canadian government suggest that the state's role in higher education policy is being reconsidered. As the tables and discussion below suggest, the federal and many provincial governments are decreasing and reallocating their higher education spending priorities, as well as privatising access. This is occurring in conjunction with the state demanding increased accountability for the teaching and research functions of universities. This chapter examines the changing role of the state in higher education and the role of private sources of funding.

Although Canadian higher education is currently being restructured and the role of the state is changing, there has not been a time in Canadian history that the role of the state in education has not been changing. Gregor (1996) and Cameron (1991), among other authors, discuss the challenges and history of Canadian higher education. Gregor (1996: 116) suggests that Canadian universities, much like the U.S. universities, originated out of denominational roots with the establishment of Séminaire de Quebec (Laval University), the University of Toronto, Dalhousie University, McGill University, the University of New Brunswick and Queen's University at Kingston. At the time of the establishment of Dalhousie University, Lord Dalhousie sought to imitate the University of Edinburgh that had an open admissions policy, public lectures, and a broad and practical curriculum (Cameron 1991: 8). By the time of Confederation, Dalhousie, Toronto and

McGill had separated from denominational control and had become secularized.[1] The early universities were financed through private means rather than through the state. After the development of the early universities in the east, many of the western provinces established universities (University of Manitoba, University of Saskatchewan, University of Alberta, and University of British Columbia) with an active policy to have at least one higher education institution within each provincial border (Gregor 1996).

Many affiliated colleges with connections to the established universities became incorporated due to increased enrolments and the need for higher education expansion (Gregor 1996: 316). Gregor (1996) suggests that the expansion of higher education can be attributed to several factors including the link between education and economic growth, an increased valuing of advanced education among Canadians, the quest for a national cultural identity, and the growing multiculturalism and assertion of aboriginal people's rights.

Cameron illustrates the state-university relationship in historical context and emphasises that during some periods in Canada's development governments reduced their expenditure dramatically while attempting to increase regulatory control. However, during the First World War and the 1920s, governments became heavily involved in financing and regulating higher education. After WWI, Canadian universities experienced significant expansion and prosperity (Cameron 1991: 33), but the depression years of the

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[1] Stamp (1970) suggests that the secularization of universities was facilitated by the rise of the scientific method and rationality over religion and spirituality. Classical subjects which had dealt with human investigation in a pseudo-scientific manner such as "Natural History" were replaced with laboratory work and the pursuit and development of knowledge in disciplines such as botany, and zoology (Stamp 1970: 329). The scientific method also affected the humanistic disciplines which evolved into political science, sociology, history, economics, etc. The churches eventually could not afford the increasing costs of

1930s witnessed massive government retrenchment with some quite radical proposals. Cameron (1991: 39) writes that the Minister of Education of British Columbia attended UBC board meetings and actively criticised its research focus. In addition, a group of business leaders in B.C. recommended in a government-sponsored study that government grants to UBC be eliminated. The end result was that the Minister reduced the UBC grant by half. On a broader level, the depression witnessed faculty wage reductions, staff reductions, and unpaid leaves of absences for some tenured faculty[2] (Cameron 1991: 39).

After the depression and World War II, the demand for education increased significantly and enrolments increased beyond the capacity of the institutions to accommodate them. Several new institutions were developed either by state initiation, business or community action, or college institutions seeking university status (Cameron 1991). Universities that formed during this expansionary period included Carleton, York, Simon Fraser and the University of Victoria.

Cameron (1991: 61) illustrates that between 1921 and 1954 the federal government emerged as a significant force in financing the operations of universities. Historically, student fees and the provincial governments were the main sources of revenues between 1921 and 1941. In the 1940s, the federal government began seriously financing the operations of universities.

At present, the role of the state in higher education is being reconsidered in terms

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instruction and research in the sciences which eventually meant that the state began to finance the institutions until most Canadian universities were public or semi-public by WWI (Stamp 1970: 329-330).

[2] There was also a tension between economic retrenchment and academic freedom. This was illustrated by the call from the University of Toronto Board of Governors and the Ontario legislature to have the historian and founder of the left-wing League for Social Reconstruction, Frank Underhill, fired for protesting the repression of Communist demonstrations. The fact that he was permitted to stay in the end was the result of

of what programs the state will unconditionally fund or increase funding to, the balance between private and public funding, and the role of industry in higher education.

State Expenditure and Higher Education

Table 3.1 indicates federal and provincial expenditure on education as a percentage of all expenditure. At the federal level, education expenditure increased as a percent of the total expenditure between 1959-60 and 1969-70 and then decreased between 1969-70 and 1995-96. Federal transfers to the provinces, which support post-secondary education, have decreased consistently since 1969-70, after a decrease and subsequent increase between 1959-60 and 1969-70. Federal expenditure to research institutions increased between 1965-66 and 1969-70 and have since decreased until 1995-96. Overall, social expenditure increased substantially between 1959-60 and 1969-70 and then remained relatively stable until 1995-96.

Still examining Table 3.1, the provincial government's expenditure on education as a percent of total expenditure increased (although not consistently) between 1959-60 and 1969-70 and then consistently decreased between 1969-70 and 1994-95. Expenditure to research institutions was not a category between 1959-60 and 1969-70 and since 1969-70 has increased but never risen above 0.8%. Overall provincial social expenditure increased between 1959-60 and 1979-80 but then decreased slightly between 1979-80 and 1989-90 and then increased slightly. Provincial social expenditure as a percent of total

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widespread political resistance to Underhill's dismissal by faculty (Cameron 1991: 41-42).

expenditure was higher in 1994-95 than in 1959-60.

Table 3.2 shows the federal and provincial expenditure on education as a percent of GDP. At the federal level, education expenditure increased as a percent of GDP between 1959-60 and 1979-80 and then decreased and stabilised. Federal transfers to government increased between 1965-66 and 1979-80 and then decreased in 1995-96. Provincial expenditure on education increased between 1959-60 and 1969-70 and then decreased slightly. For both the federal and provincial levels of government, education as a percent of GDP in 1995-95 (1994-95 for the provinces) is higher than in 1959-60 but lower than 1979-80. At both levels, social spending increased as a percent of GDP between 1959-60 and 1995-96 (1994-95 for provincial level).

Tables 3.3, and 3.4 indicate that the replacement of Established Programs Financing (EPF) with the Canada Health and Social Transfer (CHST) is being conducted within a framework of significant reductions to the provinces for financing health care, social services, and education. As Table 3.4 shows, there have been overall federal spending decreases to transfer and equalization payments between 1996-97 and 1998-99. The cash portion of the transfer payments is being reduced in every case while the tax point transfer is increasing.[3] This means that the federal spending power is decreasing, as the only federal transfer that is increasing is money to which the provinces are already entitled. The spending decreases on a per population basis are affecting the have-not provinces[4] (NS, NB, PEI, NFLD, Quebec, Manitoba, Saskatchewan) the most. On a per

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[3] The federal government collects taxes on behalf of the provinces which it then returns to the provinces in the form of tax.

[4] The classification of "have" and "have-not" provinces is determined by a federal funding formula. Under this formula the have not provinces (NS, NB, PEI, NFLD, Quebec, Manitoba, Saskatchewan) receive

population basis, Alberta decreased $11.24/person and Ontario decreased $19.29/person. British Columbia increased by $1.53/person due to an increase in tax points. The have-not provinces decreased between $36.44/person in PEI and $218.24/person in Newfoundland. The Northwest Territories decreased by $251.85/person and the Yukon increased by $474.68/person.

The impact of several years of federal reductions on the provincial funding of post-secondary education is shown in Table 3.5. Table 3.5 shows provincial support for post secondary education in constant dollars and on a population basis in constant dollars. In constant dollars, spending reductions have occurred in all provinces with the exception of British Columbia which experienced a reduction followed by expenditure increases which in 1995-96 brought spending back to the all time high 1980 level. However, in B.C. per capita spending remains much lower in 1995-96 than in 1980-81. Between 1994-95 and 1995-96 the only provinces that did not reduce spending were B.C., Manitoba, Yukon, and NWT [5]. Between 1960-61 and 1980-81 Nova Scotia, Ontario and Alberta increased and then decreased expenditure/ population. During that same time period, every other province increased expenditure/population. Between 1980-81 and 1990-91 several provinces (NS, NB, Ontario, Alberta) decreased their expenditure/population while the other provinces (NFLD, PEI, Quebec, Manitoba, Saskatchewan) decreased and then increased their expenditure/population.

Between 1990-91 and 1995-96, B.C. was the only province that consistently

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equalization payments to ensure that government services and program delivery are comparable to the "have" provinces.

[5] The Northwest Territories and Yukon do not have any universities. The expenditure represents funding allocated to community colleges or support for students to study in the provincial institutions.

increased its expenditure/population while a majority of the provinces (NFLD, PEI, NS, Ontario, Saskatchewan, Alberta) decreased their expenditure/population. Manitoba increased and then decreased expenditure while New Brunswick and Quebec increased and then decreased expenditure. For 1995-96, every province is well below the 1980-81 expenditure/population levels. The province that has maintained the highest levels of expenditure per capita is Quebec.

Graphs 3.1-3.9 and Table 3.6 show operational revenues of Canadian universities and colleges by source. Overall, in constant dollars, since 1991 government funding has decreased and student fees have increased as a source of operating revenue. From an institutional perspective, the federal government does not constitute a significant portion of operating revenues in comparison to other sources. The federal government provides transfer payments to the provinces for health care, education, and social services, but this is recorded by the institutions as provincial funding. The main sources of revenue are the provincial governments and student fees. Graph 3.2 shows that the provincial government increased dramatically as a source of revenue until 1991 and then gradually decreased. In constant dollars, student fees increased as a source of revenue until 1972-73 when they began to decrease until 1980-81, after which they increased until 1995-96. Donations and gifts are relatively insignificant as a source of operating revenue. In constant dollars, the provincial government has decreased and student fees have increased as sources of operating revenues. Graphs 3.5 to 3.8 show that this is true in each region of the country.

Table 3.6 indicates that student fees decreased as a percentage of all revenues from a high of 31% in 1963-64 to 13.2% in 1980-81 but then increased to 26% in 1996.

The federal government decreased from 14% to 0.1% between 1963-64 and 1980-81 but then increased to 0.2% in 1995-96. In parallel, the provincial government has decreased as a percentage of all revenues from 84% in 1981 to 70% in 1996. Non-government donations decreased from 4% in 1963-64 to 0.5% in 1980-81 but then increased to 0.7% in 1995-96.

Table 3.7 shows average tuition costs in each province between 1970 and 1997 in 1995 dollars. Between 1970 and 1980 tuition fees decreased in every province, but after 1980 they began to increase. During this time period the highest tuition costs have always been located in the economically depressed regions (the Maritimes) with the exception of Newfoundland, while the lowest tuition fees have been located in Quebec and the Western regions. The variation between the provincial fees has been continuously increasing; and in 1997 the range was almost $2100.

In summary, government spending increased between the early 1960s and 1980. These tables and graphs indicate that since 1980-81 there has been both federal and provincial spending reductions to higher education and an increase in the tuition costs of university. Of importance, government played more of a role and students less of a role in financing higher education in 1995-96 than in the early 1960s.

Table 3.1: Federal and Provincial Expenditure By Functional Classification 1960-96 (millions; after elimination of intergovernmental transfers)

Federal Government	Health	Social Welfare	Education	Social Subtotal	Interest on Debt	Research Institutions	Transfers to govt	Other	Total Public Expenditure (Current millions)
	%	%	%	%	%	%	%	%	$
1959-60	4.2	20.6	1.0	25.8	10.2	N/A	8.8	55.2	6435.4
1965-66	5.4	28.0	3.4	38.2	12.5	0.8	4.9	43.6	8832.0
1969-70	7.5	28.3	4.5	40.3	12.5	0.6	7.7	61.1	14248.0
1979-80	7.1	28.4	4.0	39.5	14.5	1.5	6.9	62.4	58863.0
1989-90	5.2	29.0	3.0	37.2	26.1	0.9	6.7	29.1	148748.0
1995-96	4.7	32.0	2.9	39.6	27.0	0.8	6.0	26.6	177703.0

Provincial & Territorial Governments

	Health	Social Welfare	Education	Social Subtotal	Interest on Debt	Research Institutions	Transfers to govt	Other	Total Public Expenditure (Current millions)
	%	%	%	%	%	%	%	%	$
1959-60	18.2	9.2	25.0	52.4	2.3	N/A	2.3	43.0	2799.6
1965-66	22.8	12.8	24.4	60.0	4.5	N/A	3.0	32.5	6668.7
1969-70	25.6	12.3	28.4	66.3	5.4	N/A	2.6	25.7	12562.0
1979-80	23.5	13.5	21.7	66.5	7.8	0.1	4.6	21.0	54940.1
1989-90	27.4	15.5	19.2	62.1	12.4	0.2	1.2	24.1	135643.2
1994-95	25.8	19.7	18.2	63.7	14.9	0.7	0.02	20.7	175434.5

*In 1959-1960 municipal governments constituted over half of the spending on education. The total amount spent by municipal governments on education was 815,525,000 (51.6%) out of the total educational expenditure of 1,580,128,000.

** 1959-1960 data is net general expenditure.

Dotted line indicates where data were collected from different sources which may affect comparability over time.

Sources: Statistics Canada, Historical Review Financial Statistics of Governments of Canada 1952-1962 (Cat 68-503), Statistics Canada, Public Finance Historical Data 1965/66 - 1991/92 (Cat 68-512), Statistics Canada, Public Sector Finances 1995-1996 (Cat 68-212).

Table 3.2: Government Expenditure as a Percent of GDP

Federal	GDP* (millions)	Health	Social Welfare	Education	Social Spending Subtotal	Interest on Debt	Research Institutions	Transfers to govt	Total Public Expenditure
1959-60	37877	0.7	3.5	0.2	4.4	1.7	N/A	1.5	17.0
1965-66	57523	0.8	4.3	0.5	5.8	1.9	0.1	0.8	15.4
1969-70	83026	1.3	4.9	0.8	6.9	2.1	0.1	1.3	17.2
1979-80	276096	1.5	6.1	0.9	8.4	3.1	0.3	1.5	21.3
1989-90	650748	1.2	6.6	0.7	8.5	6.0	0.2	1.5	22.8
1995-96	776299	1.1	7.4	0.7	9.1	6.2	0.2	1.4	22.9
Provincial/Territorial									
1959-60	37877	1.3	0.7	1.8	3.9	0.2	N/A	0.2	7.4
1965-66	57523	2.6	1.5	2.8	7.0	0.5	N/A	0.3	11.6
1969-70	83026	3.9	1.9	4.3	10.0	0.8	N/A	0.4	15.1
1979-80	276096	4.7	2.7	4.3	11.7	1.5	0.02	0.9	19.9
1989-90	650748	5.7	3.2	4.0	12.9	2.6	0.04	0.2	20.8
1994-95	776299	5.8	4.4	4.1	14.3	3.4	0.06	0.0	22.6

Dotted line indicates where data were collected from different sources which may affect comparability over time.

*GDP figures from Government of Canada, Economic and Fiscal Reference Tables 1993, 1996. The GDP figures listed are for the year beginning. The GDP listed for 1959-60 in the table is listed in the Economic and Fiscal Reference Tables as being for the year 1959.

Table 3.3: Federal Government Budget 1995: Major Entitlements to Provinces

(Millions)	1993-94	1994-95	1995-96	1996-97	1997-98
Current Arrangements					
CAP*	7719	7952	7952		
EPF-PSE*	6108	6177	6251		
EPF-Health*	15128	15229	15483		
Total	28955	29428	29686		
Canada Social Transfer				26900	25100
Equalization	8034	8332	8870	9270	9618
Total Major transfer entitlements of which:[1]	36212	36974	37745	35351	33889
Tax point transfers[1]	11290	11729	12572	13248	13968
Cash transfers	24922	25245	25173	22103	19921
Change in Entitlements from 1994-95 levels				-1623	-3085

* Canada Assistance Plan (CAP), Established Programs Financing (EPF), PSE (Post-Secondary Education)

1 Equalization associated with EPF/CST tax points appears in both Equalization and EPF/CST entitlements. It has been subtracted from "Total Major Transfer Entitlements" and "Tax point transfers" to avoid double counting.

Source: Department of Finance, *Federal Budget 1995,* Government of Canada.

Table 3.4: Major Federal Transfers to Provinces and Territories 1996-99

(Millions)	1996-97	1997-98	1998-99	Change 1996-99	Change/Capita (Prov Pop)
Newfoundland					
Canada Health & Social Transfer					
Cash	347	281	274	-73	-129.52
Tax	216	225	232	16	28.39
Total	562	506	505	-57	-101.14
Equalization	1007	966	942	-65	-115.33
Total	1480	1381	1357	-123	-218.24
Prince Edward Island					
Canada Health & Social Transfer					
Cash	72	60	60	-12	-87.46
Tax	52	55	57	5	36.44
Total	123	115	118	-5	-36.44
Equalization	197	199	199	2	14.58
Total	302	295	297	-5	-36.44
Nova Scotia					
Canada Health & Social Transfer					
Cash	511	428	426	-85	-89.67
Tax	356	378	395	39	41.14
Total	867	807	821	-46	-48.53
Equalization	1200	1201	1178	-22	-23.21
Total	1967	1902	1891	-76	-80.18
New Brunswick					
Canada Health & Social Transfer					
Cash	403	334	332	-71	-93.18
Tax	288	304	317	29	38.06
Total	691	639	650	-41	-53.81
Equalization	984	996	982	-2	-2.62
Total	1584	1542	1537	-47	-61.68
Quebec					
Canada Health & Social Transfer					
Cash	4541	3866	3808	-733	-98.79
Tax	2799	2969	3105	306	41.24
Total	7339	6835	6914	-425	-57.28
Equalization	4129	4059	3952	-177	-23.85
Total	11068	10480	10449	-619	-83.42
Ontario					
Canada Health & Social Transfer					
Cash	4886	4030	4069	-817	-71.62
Tax	4803	5132	5400	597	52.33
Total	9689	9161	9469	-220	-19.29
Manitoba					
Canada Health & Social Transfer					
Cash	599	500	498	-101	-88.19
Tax	430	456	477	47	41.04
Total	1029	956	975	-54	-47.15
Equalization	1092	1098	1071	-21	-18.34
Total	2025	1954	1944	-81	-70.73

Table 3.4: Major Federal Transfers to Provinces and Territories 1996-99 (continued)

(Millions)	1996-97	1997-98	1998-99	Change 1996-99	Change/Capita (Prov Pop)
Saskatchewan					
Canada Health & Social Transfer					
Cash	495	446	423	-72	-70.35
Tax	400	385	426	26	25.40
Total	895	831	849	-46	-44.94
Equalization	225	82	160	-65	-63.51
Total	1004	831	901	-103	-100.64
Alberta					
Canada Health & Social Transfer					
Cash	1123	934	945	-178	-62.52
Tax	1178	1258	1323	145	50.93
Total	2301	2191	2269	-32	-11.24
British Columbia					
Canada Health & Social Transfer					
Cash	1794	1566	1610	-184	-46.78
Tax	1507	1612	1697	190	48.31
Total	3301	3178	3307	6	1.53
Northwest Territories					
Canada Health & Social Transfer					
Cash	45	39	38	-7	-103.70
Tax	27	29	30	3	44.44
Total	72	68	69	-3	-44.44
Formula Financing	861	855	847	-14	-207.41
Total	933	923	916	-17	-251.85
Yukon					
Canada Health & Social Transfer					
Cash	18	16	16	-2	-63.29
Tax	12	13	14	2	63.29
Total	30	29	30	0	0.00
Formula Financing	274	283	290	16	506.33
Total	305	312	320	15	474.68
Canada Total					
Canada Health & Social Transfer					
Cash	14834	12500	12499	-2335	-77.10
Tax	12068	12816	13473	1405	46.39
Total	26902	25316	25972	-930	-30.71
Equalization	9969	9739	9621	-348	-11.49
Total	35959	34150	34657	-1302	-42.99

Source: Ministry of Finance website, http://www.fin.gc.ca, Government of Canada, January 1998.

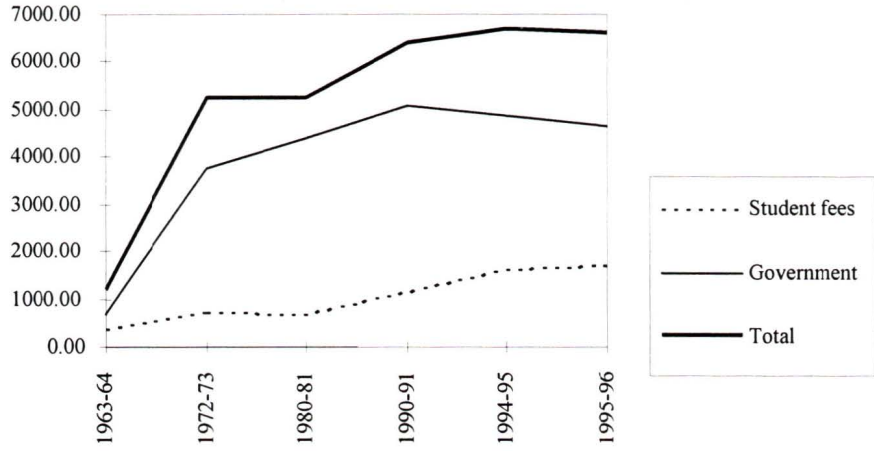
Table 3.5: Provincial Support for Post-Secondary Education 1960-1995 (Millions of 1990 dollars) and Expenditure/provincial population in 1990 dollars

	NFLD	PEI	NS	NB	PQ	ONT	MAN	SASK	ALB	BC	Yukon	NWT	CAN
Expenditure in millions of 1990 dollars													
1960-61	13.1	6.6	60.1	39.9	503.5	594.9	76.8	63.6	151.0	141.9	n/a	n/a	1669.0
1970-71	100.0	23.2	370.9	176.0	1807.3	3583.6	328.1	277.1	791.7	671.3	n/a	n/a	8263.5
1980-81	193.1	34.2	371.4	235.8	3578.3	3735.6	346.4	390.2	1050.9	1106.9	n/a	n/a	11140.7
1988-89	179.9	35.3	264.0	205.9	3160.4	3048.6	295.5	290.2	1032.6	762.2	6.2	28.5	9309.6
1990-91	186.5	37.8	272.5	200.4	3316.8	2986.1	305.7	347.8	935.3	846.1	4.4	31.2	9470.7
1994-95	152.5	34.6	250.9	214.7	3479.3	2712.1	271.0	255.9	724.8	1051.6	5.5	31.2	9183.9
1995-96	147.0	32.7	214.0	201.1	3332.3	2648.8	286.8	252.2	690.3	1106.7	5.7	41.2	9109.3
Expenditure per provincial population in constant 1990 dollars													
1960-61	29.3	63.7	82.7	67.7	97.9	97.3	84.7	69.5	117.0	88.6	n/a	n/a	93.4
1970-71	193.4	210.5	474.4	280.7	300.6	474.6	333.8	294.5	496.4	315.4	n/a	n/a	388.0
1980-81	336.3	275.5	434.3	333.0	548.1	426.0	334.1	402.3	477.5	401.8	n/a	n/a	453.0
1988-89	312.3	271.6	293.4	281.0	460.7	308.4	267.4	281.2	419.2	243.7	228.2	508.8	346.1
1990-91	322.1	288.5	298.5	269.7	472.4	288.7	275.9	344.0	365.9	256.4	157.1	528.8	340.8
1994-95	262.4	255.9	268.6	283.3	477.5	248.0	239.8	252.9	267.0	286.6	182.8	479.5	314.0
1995-96	255.6	240.7	228.2	264.6	454.4	238.6	252.0	248.2	251.3	293.9	188.9	624.6	307.7

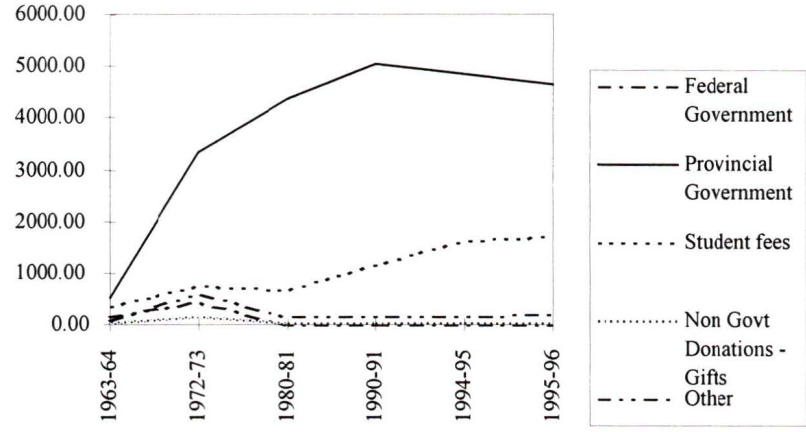
Vertical dotted line indicates where data were collected from a different statistical source. This may affect comparability over time.

Source: Statistics Canada for population statistics; Statistics Canada, Education in Canada: A Statistical Review for the Period 1960-61 to 1970-71; Education in Canada 1982; Department of the Secretary of State of Canada, Federal and Provincial Support to Post-Secondary Education in Canada: A Report to Parliament 1990-91; Human Resources Development Canada, Federal and Provincial Support to Post-Secondary Education in Canada: A Report to Parliament 1994-95, 1995-96.

Graph 3.1: Canada Funding Sources for Colleges (Millions of 1990 $Dollars)

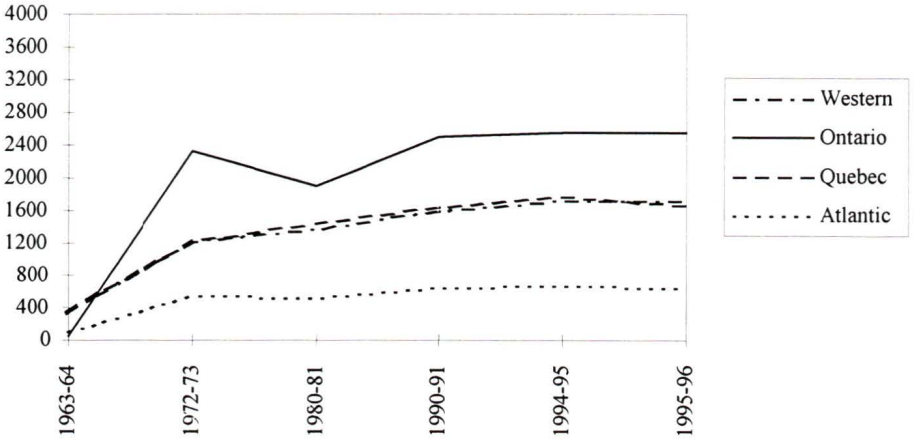


Graph 3.2: Canada Funding Sources for Colleges (Millions of 1990 dollars)

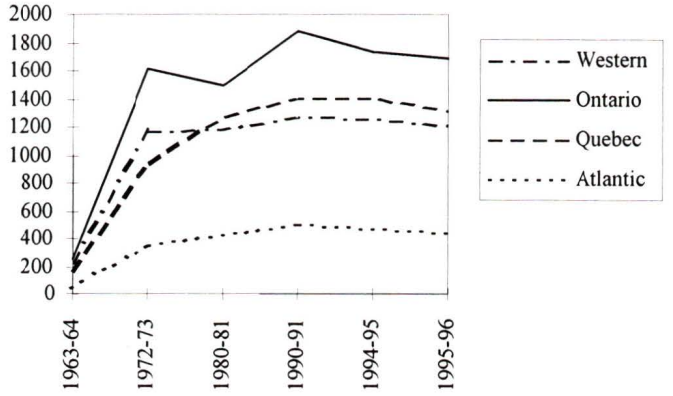


Source for graphs : See Table 3.6

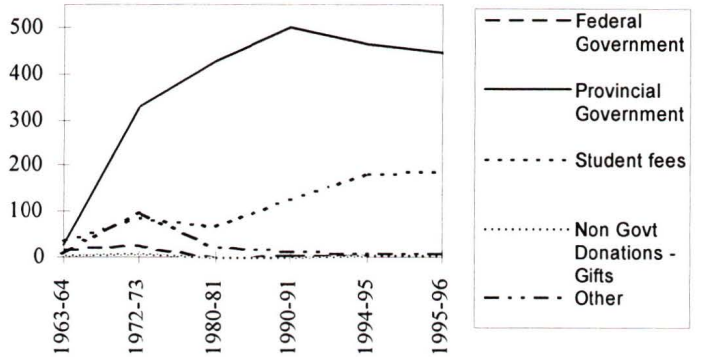
Graph 3.3: Total Funding of Universities and Colleges by Region (Millions of 1990 dollars)



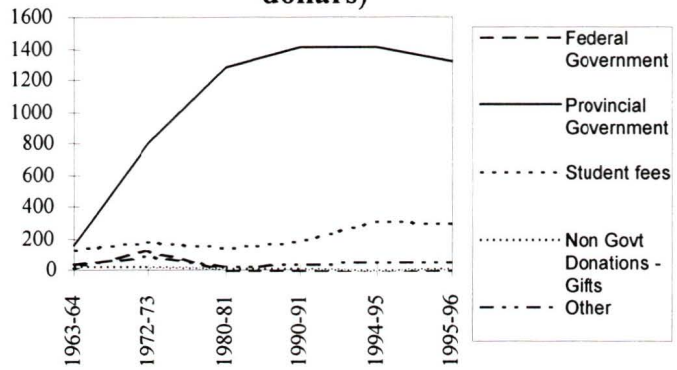
Graph 3.4: Government Funding of Universities and Colleges by Region (Millions of 1990 dollars)



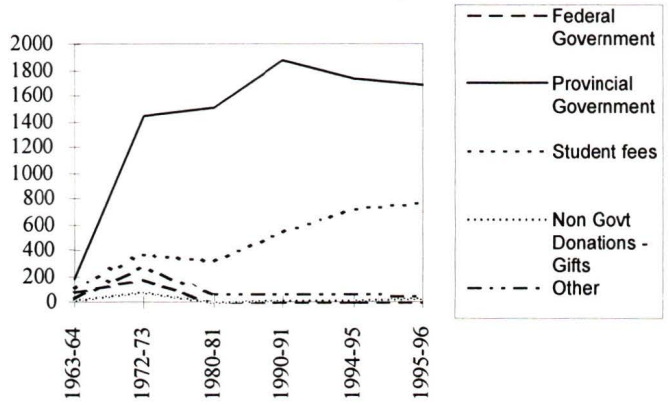
Graph 3.5: Atlantic Canada Funding Universities and Colleges (Millions of 1990 dollars)



Graph 3.6: Quebec Funding Universities and Colleges (Millions of 1990 dollars)



Graph 3.7: Ontario Funding Universities and Colleges (Millions of 1990 dollars)



Graph 3.8: Western Canada Funding Universities and Colleges (Millions of 1990 dollars)

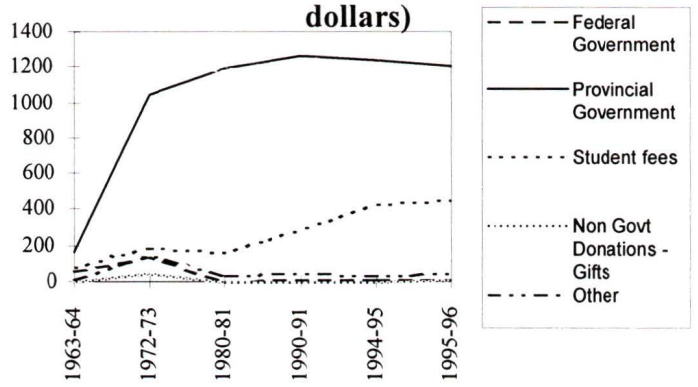


Table 3:6: Operating Revenues for Universities and Colleges in Canada: 1963-1995

Thousands of dollars Source of funds	1963-64* %	1972-73 %	1980-81 %	1990-91 %	1994-95 %	1995-96 %
Current operating income Excludes capital						
Federal Government	14.0	8.1	0.1	0.3	0.3	0.2
Provincial Government	44.2	63.6	83.5	78.6	72.1	70.2
Municipal Government	0.3	0.0	0.0	0.0	0.0	0.0
Foreign Governments	n/a	n/a	0.0	1.0	0.1	0.1
Government Subtotal	**58.5**	**71.7**	**83.6**	**79.9**	**72.5**	**70.5**
Student fees	30.7	14.2	13.2	18.0	24.2	25.8
Non Govt Donations -Gifts	3.7	2.8	0.5	0.4	0.5	0.7
External Private Sources subtotal	**34.4**	**17.0**	**15.7**	**18.4**	**24.7**	**26.5**
Endowment/ Investment	4.0	1.9	1.7	1.7	1.4	1.6
Sales of Services	n/a	6.9	0.0	0.0	0.0	0.0
Borrowing	n/a	0.0	0.0	n/a	n/a	n/a
Other income (miscellaneous)	3.1	1.8	0.5	0.9	1.2	1.3
Interfund Transfers	n/a	0.6	0.5	n/a	n/a	n/a
Total	100.0	100.0	100.0	100.0	100.0	100.0

Sources: 1963-64 data, Dominion Bureau of Statistics, *Canadian Universities, Income and Expenditure 1963-64* (Cat No 81-212), page 28-29.
Statistics Canada, Canadian Association of University Business Officers; *Financial Statistics of University and Colleges* 1974, 1982, 1992, 1997.

Table 3.7: Mean University Tuition by Region and Year and Difference (D) between Provincial Mean and Canada Mean 1970-1997 in 1995 dollars

	1970		1980		1990		1997	
Province	Mean Tuition (X)	Difference (D) ProvX-CanX	Mean Tuition	D	Mean Tuition	D	Mean Tuition	D
NFLD	2374	221	1253	-210	1503	-260	1528	-1228
NS	2419	266	1752	289	2160	397	3613	857
NB	2423	270	1651	188	2153	390	2959	203
PEI	2374	221	1721	258	2057	294	3057	301
Quebec	2174	21	1012	-451	1018	-745	1647	-1109
Ontario	2195	42	1615	152	1853	90	3014	258
Man	1835	-318	1261	-202	1621	-142	2656	-100
Sask	1804	-349	1410	-53	1734	-29	2803	47
Alb	1727	-426	1204	-259	1346	-417	2994	238
BC	1848	-305	1167	-296	1907	144	2223	-533
Canada (X)Total	2153	0	1463	0	1763	0	2756	0
Variation between high and low mean tuition	696		740		1142		2085	

Notes: These tuition rates are for undergraduate Arts and Sciences. Where Arts and Sciences had differing costs the average was recorded for each institution.Calculations by author. 1995 conversions based on Canadian Price Index as listed in International Monetary Fund, International Financial Statistics Yearbook and International Financial Statistics October 1997. The 1997 calculation was based on the CPI average between January and July.
Sources : Dominion Bureau of Statistics (1970), *Tuition and Living Accommodation Costs at Canadian Universities* 1970-71.
Statistics Canada (1981) *Tuition and Living Accommodation Costs at Canadian Universities 1980-81 and 1981-82.*
Statistics Canada (1990) *Tuition and Living Accommodation Costs at Canadian Universities 1989-90 and 1990-91.*
1997 tuition rates, MacLean's (1997) The Seventh Annual Ranking: Universities 1997.

Current Trends in State Higher Education Policy

The divided jurisdiction between the federal government and the provincial governments requires analysis on each level. The federal government finances research, and provides transfers to the provinces for the financing of health care, social welfare and post-secondary education. The provinces have jurisdiction and provide funding for the operations of the higher education institutions. Each level provides funding for student financial assistance. The provinces regulate higher education, are responsible for the creation, elimination and licensing of institutions, and have traditionally maintained policies on tuition costs of higher education to students. The possibility of analysing each province's policy and regulation of higher education in great detail is beyond the scope of this research; only illustrative cases of particular provincial initiatives will be discussed.

First, it is important to examine recent trends in the federal government with respect to higher education. As the data indicate, the federal government has recently reduced social spending and transfers to provinces. This has impacted spending at both the federal and provincial levels as well as equality across the regions.

Historically, this reduction can in part be traced back to the 1980s when the federally mandated Royal Commission on Economic Union and Development Prospects for Canada (the MacDonald Commission) was created to report on the economic prospects and challenges for Canada. This report argued for increasing free trade, making structural changes to industrial policy to decrease government intervention in supporting industry, creating a more stable fiscal climate through tax increases and expenditure reductions, decreasing the natural resource labour market reliance, and reducing

unemployment insurance benefits with the introduction of tougher eligibility rules (Husband 1987: 47-41). With specific reference to post-secondary education, the Commission recommended replacing federal EPF/PSE transfer payments with direct support for students in the form of vouchers (Husband 1987: 43-44).

It was argued that vouchers would make institutions compete for students and be more responsive to their demands - a form of consumer power (Sale 1992: 28). Since 1990, the federal government has essentially been enacting these policy reforms by decreasing transfer payments to the provinces and increasing loans and scholarships to students (Sale 1992). Sale, of the Economic Council of Canada, pointed out in 1992 that such an initiative would do nothing to ensure national standards or a federal voice in such standards. This point appears valid, especially when considering the increased variation in tuition costs across the country and the reduced political role of the federal government in ensuring equality across the provinces.

Neo-liberal theorist and economist, Milton Friedman (1962), suggests that the returns to educational investment are mostly private, through increased income to the individual, and subsidies distort the market value of the cost of the program and provide unfair competition to private providers. According to Friedman (1962: 99), any subsidy to higher education should be granted to individuals in the form of loans to be repaid on the basis of income. Friedman takes a human capital theory approach with a neo-liberal perspective. He suggests that investment in an individual's vocational and professional schooling is analogous to investment in machinery, buildings, or other forms of non-human capital in that this type of training serves only to increase the economic

productivity of the human being. Consequently, it is the individual who should bear the costs and not the government, for it is the individual who benefits most (Friedman 1962: 101). With respect to professional schooling, Friedman argues that ideally an investor could buy a "share" in an individual's earning prospects, advance him (sic) the funds needed to finance his training on the condition that he agree to pay the lender a specified fraction of his future earnings. The lender could extract from the individual more than the initial investment to recoup costs from any unsuccessful "investments" (Friedman 1962: 103).

To some degree, many of Friedman's recommendations appear to have influenced federal government policy. In a social policy reform discussion paper, *Agenda: Jobs and Growth* (Human Resources Development Canada 1994), the federal government proposed a major restructuring of social program financing and function. Much of this paper was devoted to the financing of post-secondary education. The tone of the document is set in the first sentence of the section on education: "Canada's historically strong commitment to education and learning has been a vital source of our economic success" (HRDC 1994: 58). It further states that "...our past commitment to education cannot guarantee our nation's continued economic success...Around the globe, in Asia and Latin America, newly industrialising nations are charging forward, capitalising on the technologies of tomorrow with workforces that are increasingly well educated, capable and sophisticated" (HRDC 1994: 58). This discourse provides a very narrow context for defining higher education. First, it implies that education serves no greater need beyond economic imperatives. Second, it suggests education is essential in an increasingly

competitive and global marketplace. There is no mention of culture, citizenship or knowledge development in the discussion of education.

The document also states that the cost of education for students is increasing and that "there is no reason to suppose that these trends [rising tuition] have run their course. It is essential to ensure that Canadian students continue to have access to the resources required to pay their rising share of post-secondary education cost" (Human Resources Development Canada 1994: 60). The report states " . . . it is true that replacing federal cash transfers would put upward pressure on tuition fees. This may be a necessary price to pay for ensuring accessibility to post-secondary education" (Human Resources Development Canada 1994: 63-63). This is important because it suggests a political removal of the federal government as an equalising force in the country.

Although the federal report was never "officially" accepted, many of its ideas have been influential in federal and provincial policy initiatives. In the 1997 federal budget, Paul Martin stated that the government is interested in pursuing an income contingent loan repayment scheme[6] (although in practice this has not moved beyond the discussion level). Many of the financing reforms resemble, although in a more moderate form, the "voucher system" advocated by Milton Friedman in the United States and the MacDonald Commission in Canada. As can be seen in the above tables, the federal cuts to social programs have had an effect on the equalisation of accessibility to higher

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[6] The Income Contingent Loan repayment has appeared to surface in political discourse on a fairly regular basis. The idea was advocated by Milton Friedman, and in Canada by the Reform Party of Canada and several provinces. Research by several groups including the Canadian Federation of Students (1992, 1997) and Susan St. John (cited in Kelsey 1995: 224) suggests that the loan scheme has a regressive nature. In Australia the loan scheme was driven by market conditions and had onerous repayment conditions. The poor and women pay longer and more than higher income people and men. The plan also places an upward

education among the provinces. It is worthwhile to observe that during 1980-81 when government funding of post-secondary education reached an all time high, tuition was the lowest. The decreases in government support at each level for higher education have increased the variation in costs between the provinces.

The federal government is also facilitating the *tax expenditure welfare state* by providing matching grants up to $400 per year per child to parents who save for their children's education through Registered Education Savings Plans (RESP). The RESP market is expected to increase substantially in value due to the federal initiative. Already the mutual fund markets[7] are exploiting increasing tuition and RESPs by suggesting that if parents do not invest, their children may not be able to go to university. Neo-liberal theorist, Frederik Von Hayek argues that creating the economic conditions for parents to accumulate wealth and save through material sacrifice for their children's education is the best way of providing access (Von Hayek 1960: 382). Basically, the tax expenditure welfare state ensures that children must depend upon the economic status of their parents for social mobility.

Many economists argue that high tuition is justified on the basis of equity and efficiency since the individual benefits most through higher income and since the majority of students in university are from higher income families (Leslie and Slaughter 1997; Stager 1996; Meng and Sentance 1982). A further expansion and justification of the argument for higher tuition fees is that heavily financing higher education results in

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pressure on tuition fees. It is also unclear as to the true costs of administering the loan system through the tax system rather than maintaining low tuition policy

[7] For example, Trimark Investment Management Inc. advertised in the Globe and Mail. March 23, 1998: " IN THE YEAR 2015, THEY SAY THAT IT WILL COST OVER $67,000 FOR AN UNDERGRADUATE DEGREE. IF

the poor subsidising the wealthy since the lower income groups do not attend higher education institutions at as high a rate.

This argument is problematic on several counts. First is the assumption that the individual benefits most. The assumptions employed to generate this argument are usually quite subjective. Quantifying social and individual benefit on the basis of cost-benefit analysis is to say the least difficult. The second is the assumption that low-income groups do not participate in university education. Many students attending universities (22% from families earning under $30,000 and 23% from families between $30,000 and $50,000) are not from "wealthy" families (O'Heron 1997). As well, it is difficult to determine whether low-income groups subsidise higher income groups' education since taxation is aggregated into general revenues. Each group, and especially the lower income group, receives government services such as income transfers, health care, policing, and education.

There is significant evidence that high fees do impact a student's decision to attend university. Throughout the 1970s, several seminal studies examined access to education based on class. Pike (1970: 64) argues that the lower classes are not well represented in universities and that Canada is still far removed from an idealistic and probably unobtainable state of "perfect educational mobility" in which individuals are not influenced by their social background. In a survey in the Maritimes (Nova Scotia has the highest tuition in Canada), 40% of the high school students surveyed reported they would not be continuing their education because they did not have enough money. Also 31%

YOU HAVE CHILDREN, YOU NEED TO KNOW THIS. NOW. NOT 18 YEARS FROM NOW. . ."

indicated they would be attending college instead of university because college is closer to home and because university is beyond their financial capacity (Maritime Provinces Higher Education Commission 1997). Diane Looker (1997), on the basis of longitudinal research of high school graduates, argues that positive factors that impact a student's educational attainment include high school marks, parents' and friends' expectations, attitude toward school and knowledge of post-secondary education programs. Among the negative factors, cost of tuition is the most significant.

Tuition cost is one of many influential factors that students consider when deciding to attend university. Social background and attitudes toward education are also important factors that may be related to social class. For instance, research indicates that illiteracy rates are highest among the lowest classes. This fact alone excludes them from post-secondary education. In all of the 19 OECD countries, a disproportionate number of students who failed at school came from economically disadvantaged families (Dwyer September 27, 1997). These findings must also be interpreted in the context of the most recent income statistics data from the 1996 census that shows that average "real" income is decreasing and the number of families living in poverty is increasing. The average total income in 1995 was almost identical to that in 1985, and slightly below the 1980 level. The general decline in incomes between 1990 and 1995 resulted in an increase in the incidence of low income. In 1995, 16% of economic families were below Statistics Canada's low-income cut-offs, up from 13% in 1990. While the number of all families increased 6% during this period, the number of low-income families increased 32%. All types of families recorded increases in the incidence of low income between 1990 and

1995 (Statistics Canada, May 12, 1998). The rising poverty can be explained partly as a result of government policies that are reducing income transfers to the unemployed. Access to education must be understood in the context of rising inequality overall.

The 1995 federal budget replaced Established Program Financing and the Canada Assistance Plan, which provided separate and conditional funding for health care, post-secondary education and social assistance, with the Canada Health and Social Transfer financing agreement. The justification for the replacement was that "provinces will be able to design more innovative social programs - programs that respond to the needs of people today rather than inflexible rules"[8] (Martin, Budget 1995). The introduction of the CHST has basically meant that the federal government has reduced its role in social policy, while allowing the provinces to redesign their social policy in the absence of strong national standards. The tables above illustrate the changes in federal spending between 1960 and 1997. Tables 3.7 to 3.9 indicate that each of the provinces is having its federal transfer reduced by several million dollars. Between 1996 and 1999, it is expected that Newfoundland will have the greatest per capita reduction of $218 per person. The federal government is also reducing its budget allocation to education, research institutions and transfers to government. Overall, the federal government has both decentralised and reduced the funding for education and social programs to the provinces

[8] McBride and Shields (1993: 90-91) argue that in Canada, neo-conservatives (the new right) favour whatever constitutional arrangements protect the primacy of the market. In arguing for particular constitutional changes, capitalist interests can entrench neo-liberalism as law. They identify three neo-conservative themes with respect to constitutional change: (1) Through constitutional arrangements the state's role can be prohibited in certain areas and therefore beyond the realm of democratic pressure. (2) The strong state can be strengthened to uphold and protect the market order while defeating "interest groups" that attempt to defend the welfare state. (3) Decentralization of federal powers will mean less government in general and less redistributive activity in particular. A federal government that confines itself to macroeconomic management, upholding law and order, and maintaining a stable environment for

which have in turn generally reduced their own financing of higher education.

A qualitative survey of provincial Minister's and Deputy Minister's views on universities in 1991 provides an informative illustration of political attitudes toward higher education (Public Affairs Management Inc. June 1991)[9]. "A number of respondents" felt that universities were not disproportionately underfunded relative to other areas of government spending and that there was "no sense of urgency or priority accorded university funding" by the officials interviewed. One official suggested that there was appropriate funding, while another thought that universities should rationalise internally to find funding. On the question of why universities do not receive a greater share of public funding, "several" officials stated that other demands on government are too great, the university has not tapped private funding sources such as alumni and industry enough, there is a belief and dislike of any spending increases being allocated to tenured professors, and a reluctance to spend money without a level of quality assurance from the universities. In the officials' view there was a direct and necessary linkage between the quality of education and the ability of graduates to become employed and contribute to the economy. Education was defined in terms of the economy. With regard to tuition fees, the view was unanimous among all of the officials that fees had to increase as they felt that tuition was kept artificially low for political reasons[10]. One official

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investment and trade is favourable to neo-conservative interests.

[9] Public Affairs Management Inc. wrote in its report that "there was a fair degree of consensus among respondents across the country in their approach to these questions and in the broad thrust of their replies." Although no current ministers or officials from Quebec would agree to participate, the surveyers did interview a former minister who was involved in university affairs. As well, the report stated that one province (unidentified) was more supportive of universities than the other provinces.

[10] The view that tuition should increase was unanimous except for one minister who believed undergraduate education should be considered basic education with no costs and post-graduate fees should increase significantly.

suggested "that a fee increase will force universities to show students that it is not a free ride" while another stated that "any [government] funding increases would be accompanied by tuition fee increases" (many officials suggested that tuition should constitute about 25% of operating costs).

This survey is significant, especially retrospectively, since many of the attitudes appear to have been influential in shaping higher education. In conjunction with spending decreases and tuition increases, there has been a move among provincial governments to introduce key performance indicators, to direct funding toward high-tech or applied science fields of study, and to facilitate partnerships between universities and industry. This suggests regulatory control within a climate of fiscal retrenchment and privatisation.

Examples of asserted government control under the rubric of accountability and relevance include the development of new applied universities with corporate-like structures, key performance indicators that are outcome-based, the active denigration of programs which are not linked to the labour market, and the integration of higher education into international markets. In Alberta, for instance, a report by the provincial government suggests that funding allocations universities should be based on assessments of input, output and accountability (Government of Alberta 1995). In the 1997 Alberta budget, the provincial government stated: "Education in the form of knowledge and expertise is becoming an exportable commodity" (Day 1997). Mike Harris, the Premier of Ontario, in a speech delivered to a conference hosted by ScotiaBank and the Council of Ontario Universities, asked who is responsible for reducing enrolments in or eliminating programs when there are few jobs available in the related profession, as well as creating

new programs more relevant to the labour market (Harris, 1997).

The Government of Ontario has recently announced in a budget update that it is willing to allow university tuition fees to increase. It is permitting deregulation of graduate tuition on the assumption that job opportunities for graduates are virtually guaranteed and income after graduation is substantial. This indicates that the government is largely defining graduate education as a private benefit measured through income. The government also states that it is committed to income contingent loan repayment (Eves 1997). In its last budget the Government of Ontario also declared that it will provide significant funding for any university that increases its spaces in high-tech programs (The Globe and Mail, June 7 1998).

In British Columbia, government policy is mixed. The government is maintaining stable and relatively low tuition levels, but is also investing heavily in universities that are geared specifically to the marketplace. The President of the newly developed Royal Roads University stated that the mission of the university is to meet the needs of the marketplace while becoming self-financing and incorporating the expertise of industry, the public sector and institutional partners to program delivery (Kelly, no date, Royal Roads University: President's Message). Similarly, the government has created a new university designed to conduct teaching and research relevant to industry while overcoming the "institutional rigidities" of traditional universities. The $2.8 million TechBC, created under the *Technical University of British Columbia Act 1997* for the purposes of providing applied market-driven research and teaching, has generated considerable controversy over its governance structure. The absence of an academic

senate and university governance being directed by a Board of Governors consisting of university officials, industry leaders, students and community representatives has resulted in condemnation from the Confederation of University Faculty Associations of B.C. and the Canadian Association of University Teachers (CUFA B.C Update, 1997; TechBC website). The faculty associations argue that the absence of an academic senate threatens academic freedom and institutional autonomy. However, the business community and TechBC are quite favourable to the new governance structure arguing that the governing and administrative processes are flexible in order to respond to the requirements of the labour market (Banks 1997; TechBC website).

Provincial governments have not been uniform in their higher education policy and have differentiated themselves on such issues as institutional autonomy and costs. However, overall provincial government funding as a source of operating revenues has decreased significantly since 1980. Generally, the federal and provincial governments have both reduced their spending and increased the costs of education to students. There is also a strong focus, as there was in the past, on human capital theory that defines educational investment solely in terms of the economy. It can be argued quite strongly that universities are being privatised with respect to cost. There are increased student, industry and government demands for employment "relevance".

The Commercialisation of Universities in Canada: Corporate-University Relations

> " . . . [we] need Canadian Science and technology to keep us at the forefront of the knowledge-based industries where we continue to demonstrate the power of Canadian ingenuity - environmental technology, telecommunications, biotechnology, software development and pharmaceuticals to name a few . . . In the case of the researcher, it's a stimulating environment that's enriched with an array of tools and resources that allows the researcher to extend his or her imagination. Did Da Vinci or Newton or Einstein need such tools to express their creative genius? Obviously not. They lived in another time. But it would be interesting to speculate what more they might have achieved had they had at their disposal the research tools we use today."
>
> - excerpt from a speech by J. Keith Brimacombe, President and CEO of the Canadian Foundation for Innovation (a research granting body composed of the private sector and academics), October 24, 1997.

> "Overemphasis on the competitive system and premature specialization on the ground of immediate usefulnesss kill the spirit on which all cultural life depends, specialized knowledge included."
>
> - excerpt from "Education for Independent Thought" by Albert Einstein, 1952

That Keith Brimacombe suggests Einstein might have achieved more had a research organisation such as the Canadian Foundation for Innovation been providing state and private sector funding to support his endeavours is ill conceived. Brimacombe is charged with overseeing a corporate-sector agency mandated to increase economic competitiveness through research innovation. As much as Einstein might have had access to useful research instruments, he might also have been intellectually constrained by the various agreements between his research institution and the sponsoring private sector organisation. Einstein (1949) also strongly opposed capitalism, the drive for profit, and unlimited competition, which suggests it would have been anathema for him to work in partnership with the private sector. And if Einstein did enter into agreements with the

private sector many of his research findings would likely now be patented and owned by both the research institution and the sponsoring corporation rather than society at large.

It is quite common to hear from the media and academic circles about relationships between universities and corporations. A recent issue in the Report on Business Magazine discusses the University of Toronto's developing partnerships with corporate sponsors (Cole 1998: 35). Another example in the MacLean's 1997 university rankings is an article, "Academia Inc.", relating to the growing trend for universities to transform themselves into "profit centres" while developing partnerships with corporations (Dwyer, November 24, 1997).

Axelrod (1982, 1986) argues that universities and business have a longstanding historical relationship. York University, for instance, was conceptualised and developed by the active participation of business leaders (Axelrod 1982). The 1950s and 1960s were marked by higher education expansion with a broad consensus among the public, government and business that it was in the national economic and democratic interest for government to finance higher education (Axelrod 1986: 50). The recession of the 1970s and 1980s led to a retrenchment of government funding to universities leading to closures, underfunding, reduction in tenured positions, all while enrolment increased. Growing public suspicion of the economic value of universities exacerbated problems. In the view of business, higher education had become a major part of the economic problem, as it was characterised by business leaders as inefficient and irrelevant (Axelrod 1986: 54-56).

Throughout the 1980s, various corporate leaders (Stocker 1981, Cochrane 1986)

publicly articulated the "need" for universities to redefine themselves to become more "relevant" to the business community. William Cochrane, President and CEO of Connaught Laboratories Limited, critiqued universities on behalf of "business", stating that universities were too insular and not interested in the needs of business, not administered in a financially efficient and businesslike manner, created a bias against business, taught irrelevant programs, and conducted costly research that was impractical, lacked a specific time frame and was not subject to adequate evaluation (Cochrane 1986: 34). Cochrane suggested that universities and industry must collaborate more, and he specified the necessary requirements require: an overall change in attitude such that each sector is willing to work with the other; improved information for industry on the research of academic scientists; increased communication on issues of mutual concern; and a sharing of resources (i.e. skilled personnel) (Cochrane 1986: 38-40). Jill Stocker of the Canadian Life and Health Insurance Association also criticised universities for their "irrelevance" to business and their complacency in marketing themselves to business. Stocker argued that business in general opposes government intervention and for that reason does not support increased state support for higher education (1981: 123). Stocker stated that the alternative arrangement is for universities and business to communicate in third party networks (e.g., the Business Council on National Issues), for universities to become more involved in training business managers, and for business to become more involved in training future workers. Stocker also argued that universities must become more aggressive and specific in their fundraising campaigns. As one last example, Donald Chisholm, Chair of Bell Northern Research Ltd., was recorded as stating, "I find about 85

percent of university research isn't worth reading. . . Most university work is curiosity-oriented and unfortunately pure and not particularly relevant" (cited in Axelrod 1986: 57).

The campaign during the 1980s by corporate leaders for universities to become more relevant to business occurred within a climate of decreasing government support. The public debates relating to the *possibility* of corporate-university partnerships during the 1980s have changed into a debate on the effects and influence of corporate-university partnerships *in practice* during the 1990s. The data in Table 3.6 indicate two important trends. First, funding for general operations from non-governmental donations is minimal. Rarely, in national terms during the past thirty years, have donations risen above 5% as a source of operating revenue. Second, since 1980 provincial governments are in a state of retrenchment in financing universities. The state has decreased its university expenditure in constant dollars as a source of operating revenues and as a percentage source of revenue. However, as will be seen below, in the context of these state reductions, private funding is influencing the activities of the university.

Corporate Sponsorship and University Activities

This section examines quite broadly, corporate funding of universities, state research policy and collaboration between universities and industry, and some empirical examples of university-corporate partnerships. Each of these aspects of corporate-university relations could be a research thesis in itself. As time and space do not lend themselves to an in-depth discussion of each of these relations, the goal of this section is

to provide a general overview of the complexity and multi-dimensional nature of corporate-university relations. In particular, the question of corporate sponsorship of university activities and research and corporate university sponsorships is explored.

The changing nature of the state and its relationship to universities is impacting the financial relationships between corporations and universities. Universities are seeking to augment decreases in government funding by increasing student fees and launching campaigns to raise funds from private sources. Table 3.8 indicates that universities are receiving a higher proportion of their total revenues in both percentage and absolute terms from students. This can be explained partly by increased enrolments but also by increased fees. Universities are also engaging in extensive fund-raising campaigns and forming relationships with potential donors. Table 3.8 shows government, students and donations as percentage sources of total revenues for Canada and selected institutions involved in major campaign initiatives described in Table 3.10[11]. York University and the University of Toronto are conducting ambitious campaigns to offset the decrease in government grants. As Table 3.8 illustrates, York has experienced a significant decrease in government funding as a source of revenue. If York achieves its campaign goal listed in Table 3.9, donations from individuals, corporations and foundations would comprise approximately 20% of total 1995 revenues for the university. The University of Toronto is experiencing a decrease in government funding as a source of revenue and has recently launched a $400 million fundraising campaign. The 1997 financial report for the University of Toronto indicates that 42% of its $79 million in donations have come from

[11] Table 3.9 does not include University of Toronto because their campaign was not listed with the Conference Board of Canada.

corporations and foundations, an increase from the 18% of donations from the same sources the previous year (University of Toronto, Financial Report 1997). Table 3.9 suggests an upward trend in donations as a percentage of total revenue for all universities and colleges. Government funding for the University of Alberta increased in current dollars but decreased as a percentage source of revenue. However, as Table 3.9 indicates, the University of Alberta is hoping for $145 million in donations with approximately 80% of the campaign objectives being comprised of corporations, individuals and foundations. The national statistics in Table 3.8 indicate that donations constitute about 8% of total revenues for all universities in Canada. There is a slight decrease in donations as a source of revenue although the data for York, Toronto and Alberta reveal that this trend does not hold for all institutions. This may suggest that private donors are reducing their giving overall (although giving is much higher than during the 1980s) and targeting their donations to particular institutions.

Corporations have whole bureaucracies, administrative practices and foundations relating to corporate philanthropy. Most major Canadian companies and foreign companies require that prospective beneficiaries apply for a donation. This is illustrated in the Directory of Corporate Giving in Canada, a report that aggregates information on corporate practices for donations, guidelines for applying, and past donations. Some illustrative examples indicate that funding is usually tied to some benefit to the company. Weyerhauser Corporation, of the forestry sector, funds research in higher education relating to forestry practices, manufacturing, free trade, and recycling. When Petro-Canada, a recently privatised Crown corporation, donates to higher education, it supports

programs that encourage and promote the interest of Canadian students in technical and business fields, and business and education partnerships in curriculum and research programs. The Imperial Oil Foundation invites Canadian academics to submit research proposals for funding up to $10,000 to its University Research Grants Program to conduct research pertinent to Imperial's business. The Royal Bank of Canada considers the relevance of projects to its business and strategic interests (Directory of Corporate Giving 1995).

Corporate philanthropy to education is justified by industry as an investment that is required to maintain "global competitiveness". This is illustrated by Matthew Barrett, Chair and CEO of the Bank of Montreal, who rationalises corporate philanthropy as being good business practice. Barrett (1996) cites surveys that indicate that the public favours companies that support worthwhile causes. As well, he indicates that supporting education is vital because schools and universities are the "chief suppliers" of business and the "quality" of the supply is essential to Canada's economic well-being. Barrett states that corporations have assumed the obligation to serve the interests of the community, customers and employees because it is in the long-term interest of the shareholder (Barrett 1996: 6).

Corporations view donations as "investments" that are strategic in that they provide competitive advantage within the free market. Philanthropy and charity are important as principles of neo-liberalism because they underscore the notion that individuals and corporations should be free to choose, uncoerced, where they place their investment. Voluntarism of this kind essentially undermines the state as a redistributive

force, especially since many charitable donations are tax deductible. Also important, is the fact that corporate donations have the potential to solidify their place within a university while the state increasingly withdraws from its financial role. The idea that the private sector is to play a role in financing programs or research becomes more and more unquestioned and considered an inevitable reality by administrators, politicians, students, faculty and the public.

Table 3.8: Government, Student Fees and Donations as Sources of Total Revenues for Canada and Selected Universities* (including Operating, Capital, Sponsored Research, Ancillary Enterprises, etc . .)

	1980-81	1994-95	1995-96	Change in 1994/95 - 1995/1996
Canada (national)	%	%	%	(current $, million)
Government	72.4	63.0	61.3	-140.6
Student Fees	9.3	16.0	16.8	+112.8
Donations	4.5	7.9	7.8	-6.0
Total Funds (Current $million)	2951.2	11254.8	11371.7	+116.9
York University				
Government	67.3	58.5	55.5	-3.9
Student fees	17.4	26.2	27.8	+9.4
Donations	1.9	2.4	2.7	+1.5
Total Funds (Current $million)	103.5	357.1	369.9	+12.8
Full-time enrolment		27253	27369	
University of Toronto				
Government	70.6	59.8	56.4	-28.9
Student Fees	11.9	15.2	16.5	+14.7
Donations	7.4	13.2	15.1	+20.8
Total Funds (Current $million)	330.1	983.3	993.4	+10.1
Full-time enrolment		36501	36953	
University of Alberta				
Government	78.0	64.4	63.9	+11.1
Student Fees	6.7	14.9	15.3	+5.1
Donations	3.9	6.9	7.2	+2.9
Total Funds (Current $million)	250.4	501.1	521.7	+20.6
Full-time enrolment		25362	25502	

* Universities selected on the basis of major campaigns and research indicating their corporate linkages (Carroll and Beaton 1998).
Source: Statistics Canada, Financial Statistics of Universities and Colleges 1980-81, 1994-95, 1995-96.

Table 3.9: Campaigns Registered with Conference Board of Canada (in percent except Total which is in millions of dollars)

Institution	Source of Funds (Campaign Goals)							Funds Raised (Funds collected as of 1996)						
University *	Government	Corporate	Foundation	Individual	*Other	Total	Total (millions)	Government	Corporate	Foundation	Individual	*Other	Total	Total (million)
Acadia	15.6	46.5	7.7	31.2	0.0	100.0	26.0	39.3	34.5	3.6	22.5	0.0	100.0	26.0
Alberta	0.0	30.0	10.0	40.0	20.0	100.0	144.6	0.0	25.0	12.9	32.1	30.0	100.0	28.0
Brandon	0.0	33.3	13.3	53.3	0.0	100.0	1.5	0.0	4.0	16.0	80.0	0.0	100.0	0.5
Brock	50.0	37.5	0.0	12.5	0.0	100.0	4.0	50.0	16.9	0.0	33.1	0.0	100.0	.86
Carleton	30.0	30.0	0.0	40.0	0.0	100.0	50.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lethbridge	66.0	18.3	3.6	11.6	0.0	100.0	30.1	18.3	48.8	3.6	30.5	0.0	100.0	8.2
Memorial	50.0	30.0	2.0	18.0	0.0	100.0	50.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Moncton	0.0	61.2	13.6	13.6	11.6	100.0	14.7	0.0	52.8	15.1	25.7	6.4	100.0	17.9
Regina	0.0	**76.2		23.8	0.0	100.0	21.0	0.0	**53.7		46.3	0.0	100.0	13.4
St Paul	0.0	54.2	0.0	45.7	0.0	100.0	.175	N/A	N/A	N/A	N/A	N/A	N/A	N/A
St. Mary's	50.0	N/A	12.5	19.8	17.7	100.0	24.0	41.6	N/A	13.0	27.1	18.2	100.0	19.2
Trent	0.0	50.0	0.0	45.0	5.0	100.0	1.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Waterloo	24.7	43.8	5.6	25.8	0.0	100.0	89.0	35.3	29.6	5.6	32.5	0.0	100.0	94.5
Windsor	27.0	73.0	0.0	0.0	0.0	100.0	37.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Winnipeg	0.0	59.0	1.0	40.0	0.0	100.0	1.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
York	15.0	22.0	11.0	35.0	17.0	100.0	100.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* Other is not broken into specific components.

** For university of Regina, corporate and foundation funds are combined.

Although University of Toronto has embarked upon a major fundraising campaign, at the time it was not listed with the Conference Board of Canada.

Calculations by this author:

Source: Conference Board of Canada (1996), *Campaigns In Canada.* www.conferenceboard.ca

Table 3.10: Corporate, Foundation and Individual Campaign Goals as a Percent of Total Funds (1995)

University	Total Budget (millions)	Corporate Campaign Goals as % of Total Funds	Foundation and Individual Campaign Goals as % of Total Funds
Acadia	51.142	23.6	19.7
Alberta	501.071	8.7	14.4
Brandon	33.349	1.5	3.0
Brock	80.718	1.9	**0.6
Carleton	204.263	7.3	**9.8
Lethbridge	57.416	9.6	8.0
Memorial	229.133	6.5	2.6
Moncton	84.341	10.8	4.7
Regina	89.944		*19.4
St Paul	11.785	0.8	**0.7
St. Mary's	51.824		***23.1
Trent	55.37	0.9	0.8
Waterloo	282.664	13.8	10.0
Windsor	148.127		***18.2
Winnipeg	44.204	2.0	1.4
York	357.056	6.2	12.9

Bordered data is for both categories.
Although University of Toronto has embarked upon a major fundraising campaign, at the time it was not listed with the Conference Board of Canada.
* Categorized by university as corporations and foundations, alumni and friends.
** Individuals only
*** Classified as Private Sector (assumed to include corporations, foundations and individuals).
Sources: Conference Board of Canada, Campaigns in Canada; Statistics Canada, *Financial Statistics of Universities and Colleges 1994-95.*

Federal Research Policy and Corporate-University Partnerships

In the post-War period, the federal government has been an active supporter of university research through various granting agencies. The Natural Sciences and Engineering Research Council (NSERC), the Social Sciences and Humanities Research Council (SSHRC) and the Medical Research Council (MRC) all provide funding for both pure and applied research in Canada. The most recent federal initiative is the Canadian Foundation for Innovation (CFI) that provides federal funding, in partnership with the private sector, to develop research infrastructure. Federal research policy is important in that the federal government is a major source of revenue for university research.

Polster (1994) and Gualtieri (1994) discuss changing federal research policy and

the social organization of academic research. Gualtieri (1994), focusing mostly on science and technology policy, argues that although the federal government is strategically facilitating commercially viable, pre-competitive, or industry-oriented research, it also remains committed to maintaining a strong and viable basic research component. Further, he suggests that applied and industry driven research does have a basic or pure research component to it. He states that much of the change in federal policy arises from increased demand for quantifiable deliverable output measures that provide information on the returns to investment[12]. He concludes by stating that the orientation toward basic research may vary by discipline, and that defenders of pure research had better remain vigilant and guard against an excessive preoccupation with short-term commercialisable research (Gualtieri 1994).

Polster (1994) goes into greater depth analysing the social relations of academic research and concludes that there has been a definite policy shift by the federal government to integrate research more closely into economic development and industrial policy. Since the late 1970s many federal policy initiatives, government departments, and research granting councils[13] have focused on making universities and university research more entrepreneurial and increasing university research collaboration with industry (Polster 1994). During the late 1970s the federal Science Council of Canada was very vocal about the requirement for greater university-industry research collaboration. In

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[12] The imposition of indicators that measure research output in relation to investment may favour the disciplines and research that are applied and potentially commercial.

[13] Polster (1994) provides a discussion on NSERC and SSHRC and their focus on entrepreneurial research. A good example of this trend is an advertisement by NSERC in the Report on Business Magazine (April 1998: 118). The advertisement describes the "practical" implications of research it funded that improves cellular phones use.

1976 and 1977, the Science Council in two annual statements by its Chair, Josef Kates, promoted a form of economic nationalism that employs an analysis of Canada's industrial policy and structure guided largely by dependency theory. The Council suggested that Canada's economic performance is largely contingent upon its ability to develop science and technology through research and development. The Council's critique of current science and technology research and development is based upon the alleged dependence of Canada on the technologies of other countries. Countries such as the Soviet Union and the United States were presented as successes that have developed broad-based strategies of technological development. The Council recommended the promotion of Canadian-owned and controlled industries that can develop science and technology (Science Council of Canada 1976; 1977).

The Science Council argued that Canada has a poor climate for business with too much control and regulation on the private sector and escalating demands by Canadian labour[14]. However, the Council did advocate an active role for the state when it recommended that the federal and provincial governments use legislative, fiscal and purchasing power tools to facilitate private sector industrial development of science and technology through partnerships between government, universities and business. Ultimately, the Council situated Canada as being underdeveloped and dependent, and viewed science and technology research and development in key industrial sectors promoted by the federal government as a requirement for economic modernisation.

As of 1997, economic globalisation has intensified and neo-liberalism has gained

[14] This is similar to the arguments advanced today by various neo-liberal agencies such as the Business Council on National Issues and the Fraser Institute.

ascendancy as a hegemonic discourse and guiding ideology for political practice. The federal government's recent research initiative, the Canadian Foundation for Innovation (CFI), provides an excellent example of how the government has shifted in orientation. The CFI is an industry-university led research funding agency that specifies that universities must form partnerships with the private sector if they are to receive any government funding. The CFI's composition (See Appendix 1) and goals are corporate-oriented and very similar to third party organisations such as the Corporate Higher Education Forum[15]. The objectives of the CFI include supporting economic growth and job creation leading to improvements in health, the environment and quality of life, building capacity for innovation, strengthening training for research careers for young Canadians, attracting and retaining capable researchers in Canada, promoting networks and collaboration among researchers, and ensuring the optimal use of Canadian research by promoting sharing within and among institutions. It is noteworthy that the CFI's objectives state that increased quality of life and improved health and environmental conditions are contingent upon economic growth. However, the type of economic growth being pursued is eroding the welfare state and increasingly releasing capital from social and environmental responsibility.

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[15] The Corporate Higher Education Forum was established in 1983 to bring together business and university leaders to: promote mutual understanding through the exchange of ideas and points of view; to develop policy statements of mutual interest and concern; to provide a vehicle for corporate and university leadership to reflect upon questions of national significance; and to support programs consistent with the philosophy of the organization (CHEF 1983). The general membership in 1996 constituted university presidents, industry elites, and the presidents of neo-liberal organizations such as the Conference Board of Canada and The Canadian Chamber of Commerce. Judith Maxwell, who was involved with the Corporate Higher Education Forum in its developmental stages and wrote the report Partnership for Growth, is currently a member of the Canadian Foundation for Innovation. Maxwell is also a director of the Bank of Canada and the Mutual Life Assurance Co. of Canada. Also noteworthy is that Maxwell was listed in the 1970s as a Director of Policy with the C.D. Howe Institute.

Research and development are considered by both the federal government and the CFI as being integral to economic modernisation and competitiveness. The development of knowledge is equated to wealth and economic growth. Research is considered a means to develop and create products and services. For instance, Paul Martin in establishing the $800 million CFI stated, "that it is only through knowledge, information and ideas that new products and new services will be created" (Martin 1997). In the same speech, Martin suggested that the current infrastructure for research and development is inadequate for competitiveness within the "new economy" (Martin 1997). Research here is defined in terms of an economic discourse that contextualizes it as an instrument for the realisation of increased profits and capital accumulation, and that from this economic growth and other benefits will follow.

Provincial governments are also encouraging the development of commodified knowledge that is produced in partnership with the private sector. For example, in 1997, the Ontario government announced an initiative similar to the CFI with the establishment of the Research and Development Challenge Fund. The provincial government will provide $500 million toward research in 17 universities over the next 10 years in the areas of natural sciences, engineering, math, and health sciences and environmental sciences. The funds are to be 50 percent cost shared with the private sector (Dwyer 1997: 70).

In comparison to the applied and private sector driven research bodies, Table 3.11 shows that the SSHRC, NSERC and the Medical Research Council (MRC), which support pure and applied research, had their budgets reduced by approximately 10% between 1994-95 and 1997-98 (Department of Finance 1998). Although figures show

that the 1998 budget the budgets of the each of the research granting councils increased to 1994 levels, the new resources are earmarked for graduate training, and enhanced partnerships with industry to ensure a smooth transition from the academic world to industry (Department of Finance 1998). This targeting, in addition to the CFI, strongly suggests that the state is re-evaluating its research efforts in financing basic research and moving toward funding commercially viable research.

Also of significance is that the role of the business sector in financing research is increasing and is being directed toward intellectual activity in technology and science. Tables 3.12, 3.13 and 3.14 partly illustrate the funding structure of research in Canada. Table 3.14 shows Statistics Canada estimates for the sources of funding for research activities in the higher education sector.

Table 3.12 shows that non-government donations as a percentage source of revenue for sponsored research were relatively high in the early 1960s, decreased until 1972-73 and then began to increase to an all time high in 1995-96. The federal government has decreased as a percentage source since the early 1970s. Table 3.13 shows sources of funding for sponsored research in constant dollars. Private donations have increased substantially since 1963-64 with a slight decrease between 1994-95 and 1995-96. The federal government increased as a source between 1963-64 and 1990-91 and then decreased. Overall, from these tables the federal government expanded and then retrenched while non-government sources appear to have increased during the time period.

Table 3.14 shows Statistics Canada estimated research and development

expenditures in the higher education sector between 1971-72 and 1991-92. The federal government and higher education (see Table 3.14 for explanation of this category) consistently were the largest supporters of research in the higher education sector. During the time period, provincial governments emerged as a significant source of research funding increasing from 6.9% in 1971-72 to 11.9% in 1991-92. As well, business increased from 2.9% in 1971-72 to 7.5% in 1991-92 with much of the research being done in the Natural and Health sciences. The non-profit private sector basically funds between 5-8% of research generally in the Natural and Health Sciences. Higher education is the greatest source of funding for the Social Sciences.

Table 3.11: Federal Government Estimated Expenditure for NSERC, SSHRC, and MRC 1996-2000 (millions)

Year	NSERC	SSHRC	MRC	Total	CFI
1994-95	493	101	265	859	$800 million at
1997-98	434	94	238	766	$180/year
1998-99	494	101	267	873	for five years
1999-00	495	101	270	887	beginning
2000-01	501	103	276	903	1998

Source: Department of Finance (1998) Federal Budget, Government of Canada.

Table 3.12: Sponsored Research: Sources of Funding (%) 1964-1996

Year	Federal Government	Provincial Government	Total Public	Non-Government Donations*	**Total non-government	Total
1963-64	61.7	4.6	**66.3**	**20.5**	33.7	100
1972-73	68.5	10.9	**79.4**	**15.0**	20.6	100
1980-81	58.6	17.8	**78.2**	**18.2**	21.8	100
1990-91	54.7	19.2	**67.6**	**22.4**	32.4	100
1995-96	47.7	17.4	**67.1**	**29.6**	32.9	100

*Non -governmental donations includes corporations, foundations, religious organisations, alumni, and other gifts.
** Total non-government includes non-government donations, sales of services, investment income and miscellaneous income.
Source: 1963-64 data, Dominion bureau of Statistics, Canadian Universities, Income and Expenditure 1963-64 (Cat No 81-212), page 28-29.; Statistics Canada, Canadian Association of University Business Officers; *Financial Statistics of University and Colleges 1974, 1982, 1992, 1997.*

Table 3.13: Sponsored Research: Sources of Funding in Millions of 1990 dollars

Sponsored Research	1963-64*	1972-73	1980-81	1990-91	1994-95	1995-96
Federal Government	110.48	418.81	509.78	819.83	809.84	764.91
Provincial Government	8.21	66.55	154.82	287.05	283.98	279.27
Government Subtotal	118.78	486.07	679.83	1130.61	1121.81	1075.67
Non Govt Donations - Gifts	36.63	91.60	158.56	336.23	495.18	474.34
Endowment/Investment	2.41	7.96	8.94	15.67	20.78	23.42
Other	21.15	26.91	21.95	16.21	21.71	28.88
Total	178.97	612.53	869.28	1498.72	1659.47	1602.31

Source: 1963-64 data, Dominion Bureau of Statistics, Canadian Universities, Income and Expenditure 1963-64 (Cat No 81-212), page 28-29.
Statistics Canada, Canadian Association of University Business Officers; *Financial Statistics of University and Colleges 1974, 1982, 1992, 1997.*

Table 3.14: Estimated Research and Development Expenditures in the Higher Education Sector by Source of Funds in Percent (1972-1992)

Year	Federal Government	Provincial Government	Business Sector	*Higher Education	Private Non-Profit	Foreign	Total
Total Research							
1971-72	30.7	6.9	2.5	51.8	7.8	0.2	100.0
1980-81	29.7	9.9	5.8	48.8	5.1	0.8	100.0
1990-91	33.2	12.6	6.3	39.3	8.0	0.5	100.0
1991-92	31.5	11.9	7.5	41.0	7.7	0.4	100.0
Social Sciences							
1983-84	13.0	11.8	1.6	72.0	1.6	0.0	100.0
1991-92	14.1	8.3	1.1	70.9	5.5	0.0	100.0
Natural Sciences (1)							
1983-84	51.1	13.7	3.6	25.3	3.0	1.1	100.0
1991-92	38.2	13.3	9.9	29.4	8.5	0.6	100.0
Health Sciences							
1983-84	31.6	5.7	1.4	36.8	23.3	1.2	100.0
1991-92	28.8	10.6	8.9	36.7	14.2	0.8	100.0

* Funds classified as "Higher Education" are not defined by Statistics Canada. It is assumed that this is expenditure by higher education institutions including payments from research granting councils to universities.
(1) Natural Sciences include Engineering, Health and "Other Natural Sciences and Engineering"
Source: AUCC (1990) *Trends: The Canadian University in Profile, 1990 Edition.* Canada.; Statistics Canada (1993) Services, Science and Technology Division, Research and Development Expenditures in the Higher Education Sector 1991-92. (ISBN ST-93-03). Statistics Canada (1985) *Estimation of Research and Development Expenditures in the Higher Education Sectors, 1983-84.* Science and Technology and Capital Stock Division.

In sum, these data indicate that university research is increasingly being funded by the non-government and business sector. However, such a claim has to made against the cautionary backdrop that in some capacity business has always been involved in financing universities, and government has always tried to facilitate this arrangement. Nevertheless, the current period of government fiscal retrenchment provides a unique environment in which universities and corporations are interrelating.

Some examples of Corporate-University Partnerships

As has been illustrated, corporations have been historically tied to universities through financial support and partnerships. In examining the research data, it must be noted that universities since at least the late 1960s have housed many industry-oriented and applied research centres/ institutes. Various universities have institutes that relate to management advice, industrial research, advanced technology, micro-electronics, and industrial innovation (Maxwell and Currie 1984). Many of the centres and institutes established during the 1970s and early 1980s have objectives which include stimulating and facilitating the use of the technical expertise and laboratory facilities of the universities by industry, operating research and development facilities in specific technologies of importance to Canada's industrial expansion, and helping industry in the application of microelectronics to production processes and products (Maxwell and Currie 1984).

Most recently corporate-university partnerships have facilitated the development of industy/corporate sponsored centres. Some of the recent initiatives at the University of Toronto include a $9.2 million donation by Northern Telecom for the Nortel Institute for Telecommunication, a $6.4 million donation by Peter Munk for the Munk Centre for International Studies, an $18 million donation by Joseph Rotman for the Rotman School of Management Studies, a $2.75 million donation by the Toronto Stock Exchange for the Capital Markets Institute, and a $2.35 million donation by Astra Pharmacy for the Centre for Drug Discovery and Biotechnology Research. Many of the corporate sponsorships involve providing funding to attract students and faculty, as well as to conduct research.

Currently, the Faculty of Applied Science is seeking 30 endowed chairs in the current fundraising campaign. Already it has established the Nortel Chair in Emerging Technology, the Nortel Chair in Network Architecture and Services, and the Energenius Chair in Advanced Nanotechnology (University of Toronto, Partnership Focus 1998).

The agreements signed between the University of Toronto and Nortel, Joseph L. Rotman and Peter Munk impose various legal obligations on the university (Cole 1998). Nortel finances a laboratory in the Department of Electrical and Computer Engineering and a Nortel employee has moved on campus to manage the Nortel Institute (U of T, Partnership Focus 1998). Stanley Meek of Energenius recently endowed a chair and provides extra financial support so that the professor is relieved from teaching duty (Cole 1998). Interestingly, after Coles' article, which focused on the tensions between the University of Toronto corporate donations and academic freedom, was published in the Report on Business (June 1997), the University of Toronto's Public Affairs office released a statement indicating the University's commitment to academic freedom as a basic value of the institution (U of T Public Affairs, June 9, 1998).

Other corporate partnerships at the University of Toronto involve industry sponsored or industry relevant graduate student theses (Cole 1998). This is an issue at the governance level that is evident from statements made on September 10, 1997 by the University of Toronto Committee on Academic Policy and Programs. The committee addressed the issue of industry sponsored programs in relation to the Nortel Master's of Engineering in Telecommunication. A member of the committee stated that intellectual property agreements were being developed and that students would be informed at the

beginning of their program of the arrangements. The member noted that current practices in the School of Graduate Studies sometimes involved keeping theses confidential for two years, with the thesis defence and academic papers being bound by similar restrictions (U of T Report #63 of the Committee on Academic Policy and Programs, September 10, 1997). Thus, corporations appear to be privately sponsoring students and research within public institutions, and deriving a level of ownership over the results. Importantly, the university administration does sanction the practice of protecting the secrecy of results and maintaining "ownership" of the knowledge for the sponsor.

The University of Toronto is not the only institution to engage in corporate partnerships. For example, the University of Waterloo and Ericsson's have established the Centre for Wireless Communications. Other major partnerships/donations include, Seymour Schulich, Chair of Franco-Nevada Mining, who donated $15 million to York University School of Business, now called the Schulich School of Business. In the University of British Columbia Walter C. Koerner Library, there is the Placer Dome Canada Floor, the Imperial Oil Charitable Foundation Floor, the Bank of Nova Scotia Wing, and the B.C. Hydro Student Computer Lab (Macleans, University Rankings 1997). Queen's University and the provincial government are developing an Automotive Research Centre in partnership with Alcan International Limited which has donated $13.5 million toward it. At its Kingston facility, Alcan will provide research space, access to supercomputer facilities, and equipment for testing materials and new manufacturing methods (Queens University Press Release, June 29, 1998). At York University, the Board of Governors facilitated the development of the International Space University to

the benefit of the aerospace industry. At the time, the Chair of the Board at York, William Dimma, was the CEO of Fleet Aerospace, while other Board members consisted of the founder of Star Aerospace and director of Spar (Noble 1993). At Simon Fraser University, Scotiabank assisted in developing the Scotiabank Resource Centre for Women Entrepreneurs that offers a peer mentoring program, networking opportunities, information and referral services, and workshops for professional and personal development. The examples of corporate sponsored centres and programs are numerous and increasing at a significant rate. It is becoming more and more difficult to determine the private-public divide in university activities.

Interestingly, an Angus Reid Survey (1997) conducted at the University of British Columbia found that a significant 71% of the UBC community (students, faculty, staff, and alumni) support corporate donations. As well, 55% of faculty (of this 84% - Commerce, 67% - Arts , 69% - Science) and 75% of students support negotiating business partnerships to raise revenues. [16] Of significance in this survey, is that a majority of the respondents indicated that there should be guidelines to limit business involvement in research and teaching (78%), and that the university should tell the campus community what it intends to do with the money (84%). The survey noted that commoditisation of the campus appears to be a concern among many of the respondents. However, Atkinson-Grosjean (1998) concludes from qualitative surveys conducted with university administrators at a western Canadian university that "commoditisation" of university

[16] The choices for this question were "Seeking Corporate Donations"," Seeking to Negotiate Partnerships with Business"," Charging higher user fees for UBC faculties"," Borrowing funds"," Raising tuition", "Cutting back on services UBC provides to faculty, students and staff". Other revenue generating activities (such as increased government funding) were not even among the choices suggesting to the respondents that

knowledge is *not* reflected upon as an issue within the university administration and administrators tend to accept that corporate partnerships/donations are likely to favour commercialisable fields rather than the artistic, cultural and social disciplines.

Canadian Corporate-University Partnerships in Context

Since university-corporate partnerships have existed historically and corporate leaders have been involved in university governance, there are two questions that should be considered. How are the current partnerships different from the past, and why would business leaders argue that universities are irrelevant and disconnected from the needs of business if industry oriented partnerships exist and corporate leaders participate in university governance? [17]

Various authors (Newson 1994; Polster 1993, 1994) suggest that a number of legislative changes in federal policy have redefined intellectual property rights, patent protection and donations to facilitate corporate-university partnerships. A good example of such legislative change was the amendment to the federal *Patent Act* in the late 1980s and early 1990s to encourage the growth of R&D spending by foreign-controlled pharmaceutical companies operating in Canada. This change was intended to bring Canadian patent law into line with the international regulatory system (Gualtieri 1994: 313). Such changes and intellectual property agreements (e.g. the secrecy of certain sponsored students' theses) serve to entrench within public institutions private property rights that mostly benefit the parties in the agreement rather than the public at large. Other

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government spending reductions or freezes remain inevitable.

[17] Research by Porter (1965), Clement (1975), Ornstein (1988) and Carroll and Beaton (1998) reveal

state instruments encouraging university-corporate partnerships are matching grant programs such as the Canadian Foundation for Innovation and the Ontario Challenge Fund Program.

Another change that has occurred is a more aggressive defining of higher education in utilitarian terms coupled with a move toward outcome rather than process. Rather than a break from history, this trend is an intensification of a public rationale for state involvement in higher education that focuses on the practical and applied aspects of education and the economic benefit to society from public investment. Even the liberal arts and humanities have been justified on the basis of their potential benefit to the economy. The expansion of both the arts and humanities during the 1950s, 1960s and early 1970s was rationalised by politicians and corporate leaders as a pragmatic decision that benefited the economy (Axelrod 1982: 105-106). The economic recession and deficits during the 1980s left universities in a state of retrenchment while enrolments continued to increase. In turn, this resulted in an intensification of the utilitarian view of education. Many students responded to the perceived irrelevance of universities by enrolling in applied disciplines (Axelrod 1986: 56). By defining education in purely economic utilitarian terms, the disciplines that lent themselves most to social criticism and culture (the least commercial disciplines) were susceptible to funding reductions.

The state has also intensified its regulation of universities by imposing key performance indicators borrowed directly from business. These indicators measure the "products" (graduates and research output) and determine if the consumer (both the

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corporate participation in university governance.

student and the public) is getting "value for money". Quantitative values are assigned to various indicators such as the degree to which students are employed in their field, research productivity (e.g. number of citations) and employer satisfaction with graduates.

Performance indicators by nature focus on the outcome rather than the process of education and tend to reward the disciplines that are tied to particular occupational sectors rather than providing general skills. The move toward "quality management" is a development that the Corporate-Higher Education Forum and various business leaders argued for during the 1980s.[18] The indicators provide a mechanism for enhanced state regulation of knowledge production and dissemination.

Many of the changes introduced during the 1980s provide increased tax incentives, patent protection and intellectual property rights that encourage businesses to enter into partnerships and profit from doing so. As well, the defining of universities in utilitarian terms and the provision of mechanisms for regulation are also important developments. This leads to the question of why business leaders would argue that universities are irrelevant and disconnected from the needs of business if industry oriented partnerships exist and corporate leaders participate in university governance.

The criticisms regarding universities from business during the 1980s may have resulted from the notion that universities did not operate like businesses and much of the knowledge that was produced was not "private" property for a particular corporation's or individual's benefit. Indeed, Stocker (1981: 119-120) attempted to illustrate the similarities and challenges shared by corporations and universities by suggesting that each

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[18] This is illustrated by reports from the CHEF including To Be Our Best: Learning for the Future by James Downey (1990). In addition, the statements by various corporate leaders discussed here indicate a desire for

are bound by government regulations, inflation, the increasing cost of labour, spiralling cost of plant production, the costs of compliance with regulation, issues of an ageing population and the impact of technological shifts. Business leaders saw universities as inefficient, unproductive and not defined by clear objectives and output. Their criticism and desire for increased participation in program development and teaching was driven by the objective of reshaping the management practices of universities, and producing knowledge and graduates from which they could directly profit.

A major recent transformation of universities is the identification of the campus as a site of capital accumulation - a change that has converted intellectual activity into intellectual property (Noble 1997). This transformation includes two phases. First, the commoditisation of the research function of universities has turned research into profitable and commercially viable activity, often through hi-tech partnerships. The second phase involves the commoditisation of the educational function, which is transforming the activity of instruction into a "product" to be owned by the university administration, and bought by students within a market-oriented environment (Noble 1997). As a result of these two phases, there is a growing perception of the university as a profit making centre rather than simply as assisting the profit making of corporate clients. (Newson and Buchbinder 1990: 367). Noble (1997) states that with the commoditisation of instruction, academic labour is being restructured in a similar manner as production workers. The activity of faculty is being restructured to reduce their autonomy, independence and control over their work. Faculty, who resist these efforts are being

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quality management.

portrayed as obstructionists standing in the way of progress and forestalling the hi-tech education allegedly demanded by students and the public (Noble 1997).

The larger significance of university-corporate partnerships is that they provide a site wherein capitalist relations can integrate into knowledge production and dissemination. Hence, the university becomes more tightly knit within the site of capitalist production while the corporation becomes more tightly knit within the production and dissemination of knowledge. This is particularly problematic when considering, as Newson (1994) observes, that knowledge as a social resource cannot be distinguished from the institutional arrangements through which it is produced and through which it is disseminated. The market transformation has the potential for narrowing the knowledge base and limiting the range of choices that will be available for deciding on political, economic and social alternatives.

Chapter 4: United States Higher Education

History of United States Higher Education

The United States higher education system is characterised by its unique history and diversity. This chapter could not possibly capture all of the intricacies, similarities and differences of the role of the state in higher education in the United States. However, it does provide an overall picture of some of the historical and current trends in the relationship between the state and the higher education system.

Higher education in the United States began with no state involvement and a private tradition based on elite institutions in Britain and Germany. Fincher (1993) and Brick (1971: 36) suggest that American universities, especially early universities such as Yale and Harvard, were influenced by the residential undergraduate colleges of Oxford and Cambridge in England, with graduate education and research being influenced by German higher education institutions. American land grant colleges made a significant impact in resolving practical and local problems while the universities focused on the liberal arts, science and technology, and the professions of law, medicine and theology (Fincher 1993). Many of the early colleges and universities were denominational and had close ties to various religious organisations.

Public involvement in education began in colonial times, but flourished following the Civil War. State legislation such as the Morrill Act in 1862 (the Land-Grant College Bill) provided that each state could sell public land and elect and endow at least one

institution that taught agriculture and mechanical arts, as well as scientific and classical studies to promote the liberal and practical education of the industrial classes. The Wisconsin Idea sought to define universities as centres of social democracy and public service that pursued political, democratic and social ideals (Brick 1971: 53). The federal and state governments increasingly became involved in higher education, and following World War II, universities became entwined into the military-government-industrial complex.

The focus on practicality and relevance has created a tension in the university as it has established itself both as an institution in pursuit of truth and as an institution meeting particular social, political and economic objectives. This is indicative of a more general pressure between various public interests that make demands on the university and some academics that conduct disinterested research that transcends immediate political, economic or social usefulness. Universities in attempting to be both socially and economically practical while maintaining a level of independence in research and teaching have generated criticism from both sides of the debate over the role and function of the university. Some suggest that the focus on practicality has detracted from the more critical functions of universities.

Brick, writing in the early 1970s, indicates that universities, rather than acting as a critical agent or social conscience of society with the purpose of directing or redirecting government policy, have been themselves influenced by various social agencies. Brick cites Chomsky who suggests that scholars have not developed critical capacities because they get involved in government or corporate research that accepts the status quo of

American society (1971: 58-59). Universities and the academics within them are not autonomous from historical-material and political developments, and depend upon resources from individuals, the state and private organisations for their existence. This leaves universities in the position of being shaped by the external relations upon which the institution depends.

As mentioned, American higher education is characterised by the entrenchment of a private and public system. However, the public-private distinction blurs somewhat when sources of the revenue are considered. As will be seen below, the state finances both private and public institutions, and the public system is increasingly depending on private sources for its funding. In recent times, there has been considerable discussion of the appropriate role of the state in higher education.

State Expenditure on Higher Education

As shown in Table 4.1, federal government spending on education as a percent of total spending increased between 1959-60 and 1979-80 when it reached an all-time high. Since 1979-80 federal expenditure on education decreased and then increased slightly. At the state/local government level, education expenditure increased as a percent of total expenditure from 1959-60 to a high in 1979-80 followed by continuous decreases. Federal education expenditure was higher in 1993-94 than in 1959-60 while at the state/local level education expenditure was lower in 1992-93 than in 1959-60. Of importance, 1979-80 appears to be a turning point in government education expenditure

as a percent of total expenditure. At all levels of government, social expenditure increased between 1959-60 and 1969-70 and then generally stabilised as a percent of total expenditure.

Table 4.2 shows the percent of GDP devoted to various components of public expenditure. Federal expenditure on education as a percent of GDP increased between 1960 and 1980 and then decreased in the 1990s to less than one percent. State and local government expenditure increased between 1960 and 1970 and then remained fairly stable with the percentage of GDP ranging between 5.3% and 5.7% between 1980 and 1993. At each level of government, the percent of GDP spent on education was higher in 1993 than in 1960. In 1993, the percent education expenditure per GDP was higher in 1993 than in 1980 at the state/local level and lower in 1993 than in 1980 at the federal level. At every level of government (total government), social expenditure has continuously increased between 1960 and 1993.

Table 4.3 shows federal government support for post-secondary education in constant dollars. At no time after the initial decrease since 1975 has spending been so high. The 1996 levels are about $7 million less than 1975. Federal support for research has increased continuously between 1965 and 1995, but shows a slight decrease in 1996. Federal support for student loans and grants has increased between 1965 and 1996. Federal support for student loans has increased significantly between 1965 and 1996 with a dramatic increase between 1990 and 1995. Federal support for grants has increased and decreased several times between 1965 and 1996. The last column in Table 4.3 shows grants as a percent of overall student aid. Grants decreased dramatically between 1965

and 1970, then increased in 1975 and have since decreased. This suggests a movement toward loan rather than grant based assistance.

Table 4.3 suggests that since 1975 the federal government has reduced its role in higher education, as any expenditure increases have never brought support above the 1975 level. As well, in percentage terms the federal government is reducing the grant portion of student assistance and increasing the loan portion suggesting a general move toward individual responsibility for access to education.

Tables 4.4 and 4.5 and Graphs 4.1 to 4.3 show that there are changes in the way institutions have been funded over the past thirty years. Table 4.4 shows the sources of funding for private, public and all higher education institutions.

Table 4.4 reveal that for the public higher education system, the state level of government was the greatest percentage source of funding. State governments increased their proportional financing between 1961-62 and 1980-81 and then decreased until 1993-94. State governments as a percentage source of revenue in 1993-94 were almost equivalent to the levels in 1961-62. The federal government decreased as a percentage source of revenue between 1961-62 and 1970-71 and then generally stabilised between 12% and 15% between 1970-71 and 1993-94. Student fees as a percentage source of revenue remained relatively stable between 1960 and 1980 (10% to 13%) and then began to increase after 1980-81 to about 18% in 1993-94. Non-government gifts were not a major source of revenue, although between 1980-81 and 1993-94 they began to increase. Sales of services play a significant role as a source of revenue for the public system and have generally increased since 1961-62.

In the private higher educational system student fees, the federal government, and sales of services are the largest percentage sources of revenue. Student fees have continuously increased between 1961-62 when they constituted about 32% of revenues, and 1993-94 when they constituted about 42% of revenues. The federal government as a source of revenue was lower in 1993-94 than at its high point of 23.2% in 1961-62. Sales of services increased between 1961-62 and 1970-71 and has since remained relatively stable.

Graphs 4.1 to 4.3 show the sources of revenue in constant dollars for public, private and all higher education institutions. The left axis provides a scale for the various funding sources and the right axis is the scale for the total revenue. Graph 4.2 shows that total revenue increased between 1961-62 and 1993-94. In the public institutions, state governments increased until 1990-91 at which time they decreased. Student fees began to increase at a significant rate after 1980-81. Non-government gifts, although not constituting a significant amount of revenues, increased between 1980-81 and 1990-91 after which time they stabilised.

Chart 4.3 shows the sources of revenue for private institutions in constant dollars. The federal government remained stable between 1961-62 and 1970-71, and increased between 1970-71 and 1993-94. State governments are not a significant source of revenue for private institutions during the time period. Student fees, the major source of revenue, increased continuously between 1961-62 and 1993-94. Non-government gifts increased slightly between 1970-71 and 1993-94.

Public institutions depend much more on state governments than do private

institutions. However, the private-public distinction blurs when it is considered that private institutions derive a considerable portion of their revenues from the federal government. Both private and public institutions are now more dependent on student fees and this has had an upward pressure on the tuition fee costs in each of these spheres. The private sphere depends much more heavily upon student fees, non-government donations, and endowments than the public sphere.

Table 4.5 indicates that in constant dollars, voluntary contributions to institutions have been increasing with corporations constituting a significant proportion of the donations (20% of total voluntary support in 1994-95). However, the single largest category for donations is individuals (alumni and non-alumni).

Table 4.6 shows that tuition costs for the public and private spheres have more than doubled in the past 30 years, but there are large differences between each sphere. Currently, private institutions charge approximately 5 times more than public institutions. Table 4.7 shows that in the early part of the century the private sphere had more students than the public sphere but government intervention, particularly following W.W.II, has expanded the public sphere significantly.

Tables 4.8 and 4.9 provide insight into access to higher education based on socio-economic status. The data suggest that of all the income groups, the people who are most qualified for admission are from middle and higher income backgrounds. It should be noted that the follow-up survey of 1980 graduates reveals that almost 50% of the students within the low-income group were participating in higher education (see Table 4.8). Of note in Table 4.8 is the fact that participation among all the socio-economic groups has

increased substantially when high school graduates from 1972 and 1980 are compared.

Table 4.1: Government Expenditure by Functional Classification 1960-1993 (Percent except Total)

Federal Expenditure	Medicare/ Health	Public Welfare	Education	Social Subtotal	Interest on Debt	Other	Total (current billions)
1959-60	0.9	26.5	1.0	28.4	9.9	61.7	92.2
1969-70	11.2	27.9	4.4	38.5	9.9	51.6	195.6
1979-80	9.4	38.3	5.4	53.0	12.6	34.4	590.9
1989-90	12.4	33.9	3.1	49.4	14.7	35.9	1,252.5
1992-93	16.3	38.8	3.6	58.7	20.8	20.5	1,408.7

State/local governments	Health and hospitals	Public Welfare	Education	Social Subtotal	Interest on Debt	Other	Total (current billions)
1959-60	6.2	7.2	30.6	44.1	2.8	53.1	61.0
1969-70	6.6	9.9	35.6	52.1	3.0	44.9	148.0
1979-80	8.7	12.9	36.1	57.7	4.0	38.3	369.1
1989-90	7.7	11.4	29.6	48.6	5.1	46.3	972.7
1992-93	6.6	11.7	24.0	37.9	4.5	57.6	1428.6
Total Government Expenditure	**Health and hospitals**	**Public Welfare**	**Education**	**Social Subtotal**	**Interest on Debt**	**Other**	**Total (billions)**
1959-60	3.4	3.0	12.8	19.2	6.4	74.4	151.3
1969-70	4.1	5.2	13.8	26.1	5.8	68.1	333.0
1979-80	4.5	6.8	15.0	26.3	8.2	65.5	958.7
1989-90	4.2	6.3	13.8	24.3	10.7	65.0	2218.8
1992-93	4.6	8.5	14.3	27.4	9.9	62.7	2571.9

*Public Welfare for the federal government includes Social Security, Income Security, and Veterans Benefits.

** These data are derived from different tables.

Federal expenditures *Statistical Abstracts of the United States 1997*, Federal Budget Outlays 1940-1996, page 332.

State and local data from tables indicating "State and Local Governments Summary of Finances" . *Statistical Abstracts of the United States* various years..

Total Government from the table "All Governments--Revenue and Expenditure by Level of Government" *Statistical Abstracts of the United States*, various years, page 280.

Table 4.2: Public Expenditure as a Percent of GDP

Year ending	GDP (billion)	GDP (1990$)	Medicare Health	Public Welfare	Education	Social Spending	Interest on Debt	Total
Federal			%	%	%	%	%	%
1960	494.2	2265.0	0.2	4.9	0.2	5.3	1.9	18.6
1970	959.5	3357.0	2.3	5.7	0.9	7.8	2.0	20.4
1980	2488.6	4275.6	2.2	9.1	1.3	12.6	3.0	23.7
1990	5144.0	5522.2	3.0	8.3	0.7	12.0	3.6	24.3
1993	5950.7	5813.2	3.9	9.2	0.8	13.9	4.9	23.7

	GDP (billion)	GDP (1990$)	Health Hospital	Public Welfare	Education	Social Spending	Interest on Debt	Total
State/ Local			%	%	%	%	%	%
1960	494.2	2265.0	0.8	0.9	3.7	5.4	0.3	12.3
1970	959.5	3357.0	1.0	1.5	5.5	8.0	0.4	15.4
1980	2488.6	4275.6	1.3	1.9	5.3	8.6	0.6	14.8
1990	5144.0	5522.2	1.4	2.1	5.6	9.2	1.0	18.9
1993	5950.7	5813.2	1.6	2.8	5.7	9.1	1.1	24.0
Total Government								
1960	494.2	2265.0	1.0	0.9	3.9	5.9	2.0	30.6
1970	959.5	3357.0	1.4	1.8	5.8	9.1	2.0	34.7
1980	2488.6	4275.6	1.7	2.6	5.8	10.1	3.2	38.5
1990	5144.0	5522.2	1.8	2.7	5.9	10.5	4.6	43.1
1993	5950.7	5813.2	2.0	3.7	6.2	11.9	4.3	43.2

Source: 1969 GDP: *International Financial Statistics Yearbook*, 1996., Other data from *Statistical Abstracts of the United States.*

Table 4.3: Federal Government Support for Education 1965-1996 (millions of 1996 U.S Constant dollars)

	Total Education	Post-Secondary Education	Research	Total Student Loans/Grants	Loans	Grant s/Aid	Grant as a % of student aid
1965	27145.4	6070.7	9207.5	120.2	81.7	38.5	31.6
1970	54681.8	14112.2	9347.5	3407.9	3227.7	170.3	5.0
1975	69715.3	21582.6	9651.7	3962.3	3582.0	380.4	9.6
1980	74432.1	21026.6	10973.4	9184.9	8757.6	427.3	4.6
1985	67871.2	15882.0	12570.7	12401.4	12064.4	337.0	2.7
1990	74792.6	16254.8	15010.6	13321.1	12909.5	411.6	3.1
1995	98304.8	18067.8	16146.0	24779.6	24330.0	449.6	1.8
1996	96445.6	14802.3	15910.6	25588.6	25182.1	406.5	1.6

Source: Digest of Education Statistics, 1996, Table 354: Federal education support and estimated federal tax expenditures for education, by category: Fiscal years 1965-1996

Table 4.4: Higher Education Financing: Sources of Revenue for Institutions

National	1961-62	1970-71	1980-81	1990-91	1993-94
Source of funds	**%**	**%**	**%**	**%**	**%**
Total Public and Private Current operating income					
Federal government	20.7	11.8	14.9	12.2	12.3
State government	22.6	27.2	30.7	26.4	23.4
Local government	2.6	3.8	2.7	2.6	2.8
Government Subtotal	**45.9**	**42.8**	**48.3**	**41.2**	**38.5**
Student fees	20.2	21.0	21.0	25.0	27.1
Non Govt Donations -Gifts	6.0	4.6	4.8	5.6	5.7
External Private Sources subtotal	**26.2**	**25.6**	**25.8**	**30.6**	**32.8**
Endowment/ Investment	n/a	2.0	2.1	2.2	2.0
Sales of Services/Auxiliary Enterprise	17.1	20.0	20.9	22.8	23.3
Other	10.9	*9.6	3.0	3.3	3.3
Total	100.0	100.0	100.0	100.0	100.0
Total Public					
Federal government	18.6	11.7	12.8	10.3	11.0
State government	39.6	41.1	45.6	40.3	35.9
Local government	4.4	5.4	3.8	3.7	4.0
Government Subtotal	**62.6**	**58.2**	**62.2**	**54.3**	**50.9**
Student fees	10.4	13.1	12.9	16.1	18.4
Non Govt Donations -Gifts	2.4	1.9	2.5	3.8	4.0
External Private Sources subtotal	**12.4**	**15.0**	**15.4**	**19.9**	**22.4**
Endowment/ Investment	n/a	0.4	0.5	0.5	0.6
Sales of Services/Auxiliary Enterprise	16.8	18.0	19.6	22.7	23.4
Other income (miscellaneous)	7.9	8.4	2.4	2.6	2.7
Total	100.0	100.0	100	100	100.0
Total Private					
Federal government	23.2	12.1	18.8	15.9	14.5
State government	1.3	1.4	1.9	2.3	2.1
Local government	1.5	0.8	0.7	0.7	0.7
Government Subtotal	**26.0**	**14.3**	**21.4**	**18.9**	**17.3**
Student fees	32.0	35.8	36.6	40.4	42.0
Non Govt Donations -Gifts	10.6	9.5	9.3	8.6	8.6
External Private Sources subtotal	**42.6**	**45.3**	**45.9**	**49.0**	**50.6**
Endowment/ Investment	n/a	5.0	5.1	5.2	4.6
Sales of Services	17.4	23.8	23.3	22.9	23.2
Other income (miscellaneous)	14.7	11.7	4.2	4.5	4.3
Total	100.0	100.0	100	100	100.0

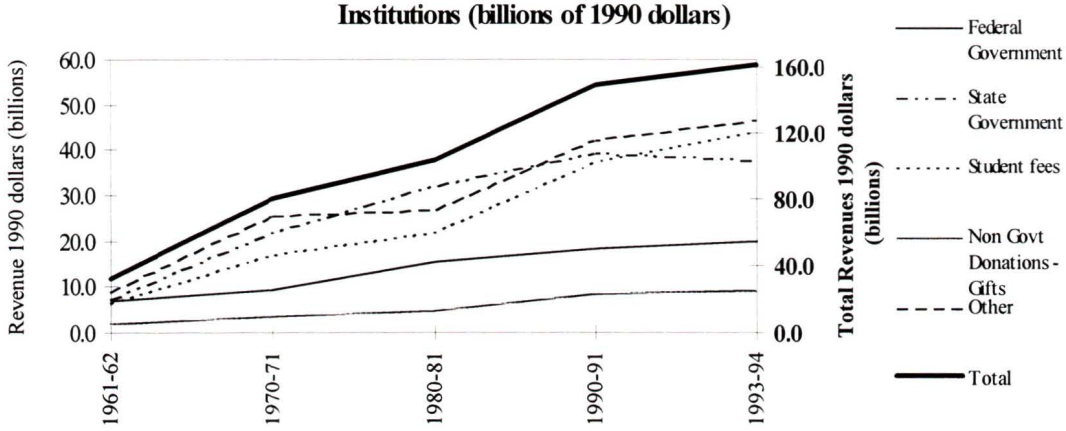
* This category for 1961-62 and 1969-70 consists of student aid grants, recovery of indirect costs, income from student aid and other unknown revenue sources.

** This figure is listed as auxiliary enterprise income only for 1961-62. For every year after sales of service is included.

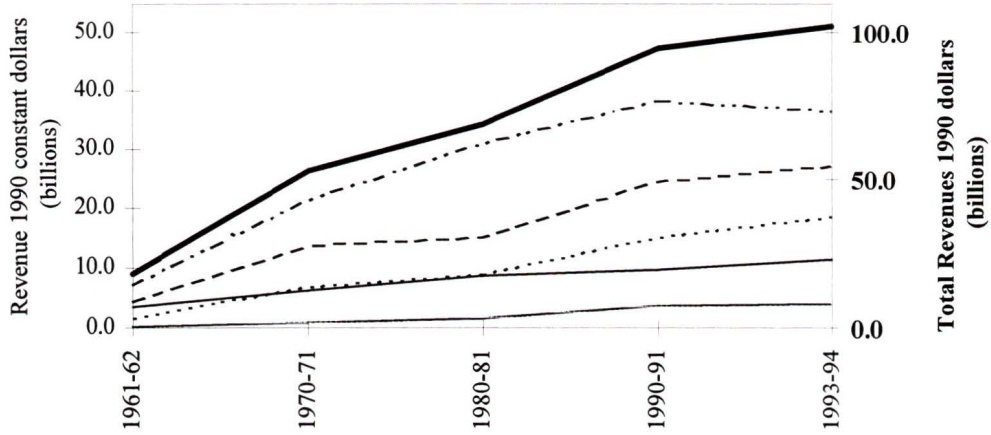
Beginning in 1960-1970, the private grants represent non-governmental revenue for sponsored research, student aid, and other sponsored programs.

Source: National Center for Education Statistics, *Digest of Education Statistics* 1964, 1973, 1982. 1996

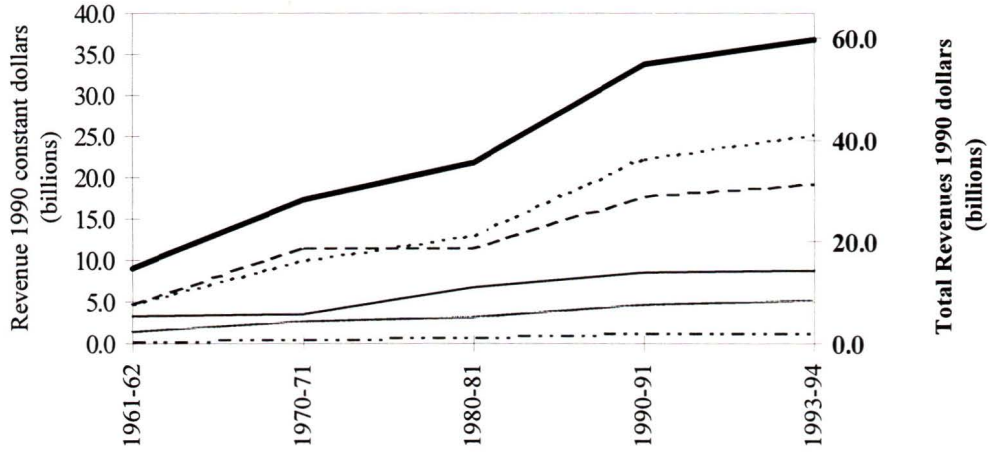
Graph 4.1: United States Higher Education Sources of Revenue: All Institutions (billions of 1990 dollars)



Graph 4.2: Sources of Revenues: Public Institutions (billions of 1990 dollars)



Graph 4.3: Sources of Revenue: Private Institutions (billions of 1990 dollars)



Source: See Table 4.4

Table 4.5: Voluntary Support for Higher Education 1960-95 in Millions of 1990 dollars

Sources	1959-60	1970-71	1980-81	1990-91	1994-95
Alumni	855	1542	1049	2680	3175
Nonalumni individuals	868	1667	1007	2310	2593
Corporations	582	872	778	2230	2257
Foundations	730	1407	922	2030	2169
Religious Organizations	358	350	140	240	220
Other	255	424	334	710	829
Total	3649	6263	4230	10200	11243
Purpose	**%**	**%**	**%**	**%**	**%**
Current operations	47	56	61	57	57
Capital purposes	53	44	39	43	43

Source: National Center for Education Statistics, The Digest of Education Statistics 1996.

Table 4.6: Average Undergraduate Tuition for United States Universities (1995 dollars)

	1964-65	1970-71	1980-81	1990-91	1995-96
Public	1466	1877	1691	2517	3151
Private	6381	7773	7900	13268	15581

Source: National Center for Education Statistics, *Digest of Education Statistics 1996*

Table 4.7: Enrolments in United States Institutions of Higher Education (000)

	1899	1961	1970	1980	1990	1993
Private	147	1513	2153	2639	2974	3116
Public	90	2212	6428	9457	10844	11189
Total	238	3726	8581	12096	13819	14305
% Public	38%	59%	75%	78%	78%	78%

Source: National Center for Education Statistics, *Digest of Education Statistics,* various years

Table 4.8: Participation in Post-Secondary Education on the Basis of Socio-Economic Status (% participation within defined groups)

Socio-economic Status (1)	1972(3)	1975	1982(4)
High quartile	79.6	63.3	88.3
Middle two quartiles (2)	51.3	32.0	69.0
Low quartile	34.6	19.8	48.0

(1) Socio-economic status was derived from father's education, mother's education, parents' income, father's occupation and household items.
(2) For 1975 this category is listed as "middle".
(3) Percentage of 1972 high school graduates participating in post-secondary education.
(4) Percentage of 1980 graduates participating in post-secondary education in 1982.
Source: The National Centre for Education Statistics, *The Condition of Education*

Table 4.9: Percentage Distribution of 1992 high school graduates participating in higher education according to family income and parent's highest level of education and the Percent Qualified for Admission by Socio-economic Status

	Parent's Highest Education level		
Family Income	**High school or less**	**Some college**	**College graduate**
High >$75,000	5.3	16.3	78.3
Middle $25,000-$74,999	20.7	46.7	32.6
Low<$25,000	47.4	43.0	9.7
	College Qualified(1)		
Family Income	**Marginally or Unqualified**	**Minimally**	**Qualified**
High >$75,000	14.1	11.5	74.4
Middle $25,000-$74,999	32.4	16.1	51.5
Low<$25,000	47.5	18.7	33.8

(1) Qualification index based on high school GPA, senior class rank, NELS aptitude test, SAT and ACT scores, and curricular rigor.
Source: National Center for Education Statistics, National Education Longitudinal Study 1988-94.

Higher Education Structure and Policy

Various authors have discussed the general characteristics of the American higher education system. It is generally agreed in the literature that the distinguishing features of American higher education include its scale and scope, competition between diverse institutions, institutional autonomy with few regulations in the education "market", the dependence on philanthropy with the provision of services to potential benefactors in the private and public sector, and its openness to students (Johnstone 1996: 138-139; Trow 1996: 29).

Johnstone (1996) suggests that the two main factors driving change in the American higher education system include the *traditional reform agenda* and the *austerity agenda*. The reform agenda has been around since the end of the last century. It is related to tensions that exist relating to perceived irrelevance in the curriculum, labour contracts (e.g. tenure), the relative weight placed on research and teaching, and the recognition of non-traditional forms of learning. The austerity agenda is the result of

decreasing resources in both the private and public higher education systems. The private sector is constrained for resources in that tuition fees are its main source of revenue and fee increases have outpaced the ability of many families to pay. As well, the anti-government and pro-tax cut sentiments manifested by a significant proportion of the population who think government is too large and inefficient ultimately impacts upon universities as governments stabilise or reduce public spending (Johnstone 1996: 142-143). Each of these agendas cannot be separated from the political and economic climate which operates to demand accountability from higher education within a climate of fiscal retrenchment.

A common structural characteristic inherent in the U.S. system is that of competition among institutions within and between each system. This has largely been the result of government policies that structure the rules in such a way as to allow for market competition. Dill (1997a) argues competition is increasing in the higher education system in that governments are implementing policies to encourage private higher education in once state-controlled systems, and introducing market mechanisms in the allocation of research grants and student places. Dill (1997a) suggests that these mechanisms are motivated by world trade, changing demographics which are putting upward pressure on social expenditure, and expanding social demands for access to higher education. Further Dill (1997b) suggests that governments are attempting to restructure higher education through taxes, subsidies, and the facilitation and freeing of market mechanisms. In addition, governments are trying to influence the conduct of participants in the market through direct and indirect regulation (Dill 1997b).

Public institutions have been more sheltered from market forces than private universities, as tuition fees remain relatively low in the public sector compared to the private sector. As well, governments have been slow to discipline institutions that have experienced enrolment decline. Nevertheless, the structure of financing post-secondary education in the United States has changed and a major consequence has been a greater reliance of public institutions on tuition fees, private gifts, and sale of services (Leslie and Slaughter 1997). The greater reliance on services, gifts and fees yields greater influence to the private providers. Leslie and Slaughter (1997) cite Pfeffer and Salancik's 10% rule which holds that less than 10% of organisational revenues can affect the nature of an organisation and the work performed within. Many of the consequences of the recent post-secondary education policies have yet to take effect, but they have the potential to alienate the middle class and also define post-secondary education as an income transfer program. Leslie and Slaughter (1997) suggest that the increased power of the market has largely been facilitated by political moves toward deregulation, privatisation and commercialisation during the Reagan era.

The emergence of "Reaganomics" in the United States was a counter-revolution to the previous policies that favoured government intervention in the economy and investment in the welfare state. Reaganomics was the political manifestation of a "New Right" movement to reduce public expenditure and support for social programs, while promoting individual choice and responsibility. Shapiro (1989: 139) argues that the Reagan administration launched a significant political assault on the welfare state in the United States, which ultimately impacted education policy and financing. The design of

education policies during the 1980s illustrates the new right influence. Such policies included the dismantling of the federal Department of Education, the introduction of block grants, the curtailment of government intervention in response to the educational demands of groups or individuals, and the facilitation of private education alternatives (Shapiro 1989: 115). Importantly, Shapiro notes that while there have been no reductions in state expenditure overall, there have also been no efforts to maintain budget integrity through taxation of the wealthy which has ultimately led to higher deficits and greater pressure to reduce social expenditure (Shapiro 1989: 116). The new right policies have influenced public attitudes regarding the welfare state and garnered public support for state reductions to higher education expenditure and social spending in general.

Recent trends suggest that higher education spending is not being increased substantially and in some cases is being reduced. For instance, federal government expenditure on higher education in 1996 was reduced from the previous year. As well, the government is shifting the responsibility of the costs of education through loans rather than grants, which also suffered cuts in 1996. As in Canada, the federal government is promoting the tax expenditure welfare state through an expansion of tax credits and deductions for education. Bill Clinton in his 1997 State of the Union Address proposed a series of tax credits and deductions that would essentially benefit people who are employed and who can save for education. Clinton stated that his education reforms should be passed by Congress to "give every American who works hard the chance to go to college." This affirms the responsibility of the parents and access to education through work. This fits within a climate of individualism and competition, since there is the

implicit message that children must depend on their parents' economic status to attend college.

Chapter 5: New Zealand Higher Education

Higher Education in New Zealand

Historically, New Zealand tertiary institutions developed within the context of a desire for New Zealand to be equal or surpass the wealth of more economically prosperous countries. Universities were viewed as a factor in this development (Tarling 1996: 1067). During the late 1800s many universities and higher education institutions opened, several affiliated with the co-ordinating and examining body of the University of New Zealand. The first university, the University of Otago, was established by Scottish settlers who wished to establish the best of Scottish traditions. In the following decades, many universities and university colleges were established in the four main geographic regions across New Zealand (Tarling 1996: 1067).

During the early 1900s, the early universities were underfunded and had difficulty conducting research. However, the institutions were characterised by their open entry, although the underdevelopment of secondary education depressed enrolment at the tertiary level (Tarling 1996: 1067). The principle of open access was something that politicians refused to compromise.

The state became increasingly involved in supporting universities and establishing mechanisms such as the University Grants Commission (borrowed from the British University Grants Commissions) for regulating them. The establishment of the University Grants Commission (UGC) was defined by advocates as a good buffer between

universities and bureaucrats and politicians and dissenters who thought it was from a different tradition where academics had to defend the institutions from the mass of people (Tarling 1996: 1067).

By the 1960s the government was generally satisfied with its relationship with universities, and the universities grew in size and quality. However, during the 1970s the economy entered a crisis and this transformed government thinking more toward neo-liberal reform of both the economy and education (Tarling 1996: 1068). Tarling (1996) suggests that the neo-liberal educational reforms involved increased student fees and reductions in student loan allowances, decentralisation accompanied by increased accountability through regulation, and policies which expanded the "market-share" of non-university institutions.

Currently, the New Zealand higher education system is mostly publicly funded and consists of colleges of education, universities, wananga (higher education for Maori peoples with a focus on Maori language and culture), and polytechnics. Like other countries, there are some private training establishments that offer certificates and degrees. As suggested by Tarling, higher education in New Zealand has undergone restructuring in the context of neo-liberal political reforms that will be discussed later in this section.

State Expenditure on Higher Education

Table 5.1 shows New Zealand net public expenditures by function as a percent of

total expenditure. Education expenditure has increased as a percent of total expenditure between 1959-60 and 1993-94. The largest increase was between 1959-60 and 1979-80. Overall social spending increased between 1959-60 and 1989-90 then decreased slightly between 1989-90 and 1993-94.

Table 5.2 shows New Zealand expenditure as a percent of GDP. Education expenditure as a percent of GDP increased between 1959-60 and 1993-94. The largest increase occurred between 1959-60 and 1969-70. Similar to the data in Table 5.1, overall social spending increased between 1959-60 and 1989-90 and decreased slightly (by 0.4%) in 1993-94.

Table 5.3 shows New Zealand public spending on tertiary education as a percent of GDP and a percent of the education budget. As a percent of the education budget, tertiary education increased between 1959-60 and 1979-80 before stabilising in 1989-90 and 1993-94. As a percent of GDP, tertiary education expenditure increased between 1959-60 and 1989-90, and decreased between 1989-90 and 1993-94.

Table 5.4 and Graph 5.1 show the sources of revenue for tertiary education institutions. Table 5.4 shows the sources of revenue for various institutions (mostly universities) in percent. Government increased as a percentage source of revenue between 1970 and 1980 and then decreased between 1980 and 1996. Student fees decreased between 1970 and 1980 and then increased significantly between 1980 and 1996. Investment increased between 1970 and 1990 and then decreased in 1996. Between 1990 and 1996, polytechnics and education colleges appeared to relying less on government

and more on student fees and the "other" category[1].

Graph 5.1 illustrates the sources of revenue for universities in constant dollars. Government funding increased between 1970 and 1996. Student fees decreased between 1970 and 1980 and then increased between 1980 and 1996. Investments have not constituted a significant amount of the revenues.

Overall, these data do not indicate an overall reduction in government financing, although there appears to be an active policy to increase private sources of revenues, especially student fees (see Table 5.4). It is interesting to note that, as was observed in Canada and the United States, 1980 is the year after which student fees began to constitute a greater proportion of tertiary education revenues.

It is useful to note the percentage participation by socio-economic status for two major universities in New Zealand (see Table 5.5). The majority of participation occurs among students from white-collar occupational backgrounds. As in the other countries, there appears to be less participation among the lower socio-economic group, although the available data are quite limited for comparative purposes.

Table 5.1: Public Expenditure by Function as a Percent of Total Spending 1960-1994

	Health	Social Welfare	Education	Social Subtotal	Interest on Debt	Other	Total
Year	**%**	**%**	**%**	**%**	**%**	**%**	**(millions)**
1959-60	10.7	26.0	9.3	46.0	6.9	47.1	416.9
1969-70	13.3	21.3	13.7	48.3	8.8	42.9	1516.0
1979-80	15.0	28.6	13.3	56.9	10.0	33.1	7586.7
1989-90	14.0	36.0	15.7	65.7	18.5	15.8	25686.2
1993-94	14.0	34.0	15.8	63.8	10.7	25.5	29371.0

Sources:
New Zealand Official Yearbook, Annual publication
Ministry of Education, *Government Expenditure on Education: 1994*

[1] Donations among other sources fall under this category. However, this "other" is the category term used in reporting so no conclusions about donations can be reached.

Table 5.2: Public Spending as a Percent of GDP 1960-1994

Year	GDP (million)	Health	Social Welfare	Education	Total Social	Interest on Debt	Total Public Spending
1959-60	2659	1.7	3.8	1.5	**7.2**	1.1	15.8
1969-70	5133	3.9	6.3	4.0	**14.3**	2.6	29.5
1979-80	19795	5.7	11.0	5.1	**21.8**	3.9	38.3
1989-90	71406	5.1	13.1	5.7	**23.9**	6.6	36.0
1993-94	79999	5.1	12.5	5.8	**23.5**	3.9	36.7

Source: New Zealand Official Yearbook

Table 5.3: Public Spending on Tertiary Education 1960-1994

Year	Spending (million)	1990 dollars (millions)	% of GDP	% of education budget
1959-60	4.37	57.03	0.2	15.0
1969-70	57.00	542.86	1.1	27.5
1979-80	313.00	1009.68	1.6	31.0
1989-90	1240.00	1240.00	1.7	30.7
1993-94	1423.00	1355.24	1.1	30.6

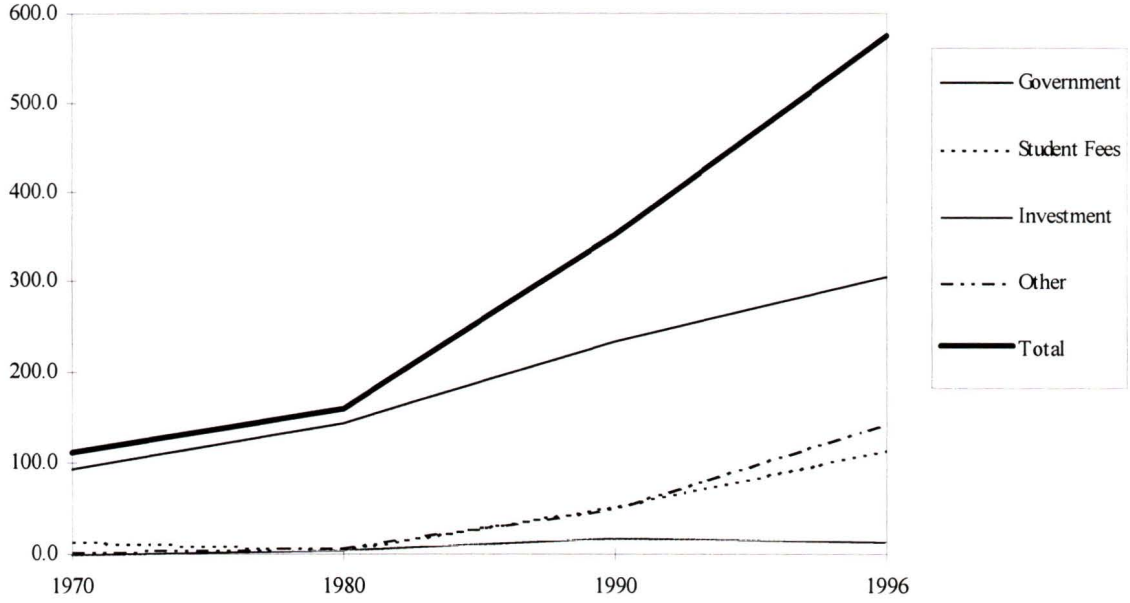
Horizontal lines indicate time periods where comparability may be affected.
Source:
Letter from Ministry of Education indicating Tertiary Education Expenditure 1970-94; New Zealand Official Yearbook, Annual publication

Table 5.4: Tertiary Education: Sources of Revenue

Sources of Revenues	**1970**	**1980**	**1990**	**1996**
University (n=5)	**%**	**%**	**%**	**%**
Government	84.3	89.7	66.5	53.2
Student Fees	12.3	3.5	14.6	19.8
Investment	1.0	3.1	4.9	2.3
Other	2.5	3.7	14.0	24.7
Total	100.0	100.0	100.0	100.0
Total dollars	12313029	57258870	352126611	65183300
Polytechnics (n=2) /Colleges of Education (n=2)				
Government	N/A	N/A	82.3	60.1
Student Fees	N/A	N/A	10.2	19.9
Investment	N/A	N/A	2.7	2.5
Other	N/A	N/A	4.8	17.5
Total	N/A	N/A	100	100.0
Total dollars	N/A	N/A	75556167	137889190

Source: Individual responses from tertiary institutions.

Graph 5.1: New Zealand Universities Funding Sources (Millions of 1990 dollars)



Source: Government of New Zealand, Individual responses from Universities

Table 5.5: Percent Participation in University by Occupational Status 1955-1982

University of:	Auckland			Canterbury		
	1955	1982	1984	1955	1978	1982
Professional	25	29	24	30	36	26
Managerial, business	21	26	22	21.5	25	28
Office, sales, technical, farmer	32	23	26	30.5	17	21
Skilled, trades	12	12	16	14	16	17
Semi-skilled	7	4	5	3	2	4
Unskilled	2	5	6	1	4	4

The occupational status for University of Canterbury is Father's occupation.
For the University of Auckland, it is not specified whether occupational status is for father's background or for both parents.
Source: Lauder (1990)

Higher Education Changes in New Zealand

Many authors (including Kelsey 1993, 1995; Codd 1990) have written extensively about the neo-liberal reforms implemented in New Zealand since the mid-1980s by Labour and Conservative governments. These reforms have drastically altered the role of government and its relationship to society. If these reforms did not severely impact the

state's expenditure of education, they did influence the regulation and policies relating to higher education. This section surveys some of the thinking around the neo-liberal reforms and practices as they relate to education.

Peters, Marshall and Parr (1993) contextualise the neo-liberal changes in tertiary education as part of a larger public sector restructuring that seeks to have government agencies operate on business principles. In this arrangement, the Minister of Education is defined as the "shareholder" and "chief executive officer" who operates the department as if it were a "business." The Minister is accountable not through political intervention, but through reports such as the "statement of corporate intent" (Peters et al. 1993: 35). Many of the educational structural changes involve the development of independent education review agencies, decentralisation of administration for some schools and greater centralised control for universities, and the replacement of academic professionalism with the canons of business management (Peters et al 1993: 36). There is also a move to facilitate increased competition by promoting private tertiary institutions, eliminating the distinction between education and training, and reducing research to "problem solving" which can be done by anyone in any environment - not just a university (Peters et al. 1993).

Boston (1990) outlines recent thinking of the New Zealand government on the funding of tertiary education. He suggests that many of the welfare and educational reforms are initiatives of the Treasury Department that has largely taken a welfare economics approach to educational reform. The assumptions involved in this approach are as follows: tertiary education is not a merit good or positive right; tertiary education

yields consumption and investment benefits to the consumer; human capital and physical capital are of equal status for policy purposes, and therefore, public policy should be neutral when choosing between different types of investment; individuals are the best judges of their own interests or welfare even if subject to bounded rationality; individuals' external preferences (their social goals) are irrelevant for policy purposes; the goal of equality of opportunity is irrelevant for policy purposes; relative prices in the economy within the economy are correct; and average course costs in the tertiary sector are less than or equal to the marginal costs (Boston 1990: 165). Many of these assumptions underlie Friedman's theories (mentioned briefly in the Canada section) which can be seen especially in the statement that investment in humans is no different than investment in machinery.

The Treasury Department did not act on these assumptions on a wholesale basis. It rejected the notions that human and physical capital are of equal status and that the goal of equality of opportunity is irrelevant for policy purposes (Boston 1990:167). However, Treasury did believe that tertiary education spending was too high and poorly targeted. Boston's observations can be confirmed by Marais, a Treasury official, who suggests that the "optimal costs" of tertiary education investment are difficult to determine, but that the higher the level of education, the lower the returns to the public (Marais 1991: 18). Marias suggests that individuals should respond to labour market fluctuations and this should be reflected in their study decisions. The thinking is that under an efficient funding system, money will follow the student (much like a voucher), institutions will compete for students and funding, and fees will more closely reflect the conditions of supply and

demand, with an adequate student financial assistance scheme in place (an income contingent loan repayment scheme) (Marais 1991: 19). Essentially, this represents the introduction of market mechanisms into the education system.

Boston (1990: 168-169) suggests that Treasury's policy goals are contradictory in that they recognise that there should be equality of opportunity to education, but they do not consider tertiary education to be a positive right. As well, the explicit Treasury goal of increasing tuition fees while also increasing equality of opportunity is contradictory in that it will likely hinder access to already underrepresented groups. Further, Kelsey indicates that many of the changes in tertiary education include forcing institutions to become more commercial and competitive, significantly reducing expenditure per student (this is discussed more fully in Chapter 7), admitting unfunded students with the shortfall being met by student fees, reducing tuition subsidies of students, and increasing targeting for financial assistance (Kelsey 1995: 223-225).

The reforms define education as a commodity to be bought and sold by consumers through the marketplace. Such policies of higher education serve to structure the discourse of education as a product which consumers purchase to improve their economic value. For instance, Berg and Roche (1997) argue that in New Zealand a neo-liberal rhetoric has reconstructed the academic landscape such that competition metaphors depict universities as "knowledge businesses" and students as "consumers" rather than institutions based upon critical learning and collegiality. The emphasis on university qualifications as consumer commodities serves to reinforce the hegemony of utilitarianism. Programmes that provide sustained criticism of capitalism, racism, and

sexism in contemporary society find little "market" support, although enrolments are high (Berg and Roche 1997).

The Green Paper on Tertiary Education Reform (1997) is the latest government initiative in public policy discussion of education. The Green Paper basically proposes a radical overhaul of the education system:

(a) A move toward increased enrolments and reduced funding per student;

(b) A voucher system of the type proposed by Milton Friedman;

(c) An external review agency consisting of industry, government, and educational professionals to ensure "total quality management" - a measure used by business to ensure quality output;

(d) A levelling of the advantages of the public system to allow competition with the private system;

(e) The replacement of elected academic governing bodies with government appointees;

(f) Research funded on the basis of immediate utility to society;

(g) The elimination of the research function from undergraduate institutions (to provide an incentive for private providers to engage in undergraduate education without having to conduct research); and

(h) A rethinking of the protected terms "university", "polytechnic", "college of education" along with other institutional references. (This would encourage private providers to establish "universities" as long as they meet specified conditions. In particular, restriction of the term 'university' is now preventing non-university degree providers from expanding

their market share[2].)

The Green Paper is radical in that it asserts that tertiary education providers offer "brands" of different products. For example, it states:

> "In general, people are prepared to pay for a good product where they are sure of its value to them as consumers. Often, suppliers provide this assurance by certifying the quality of their products and by building a good reputation. Where suppliers offer a range of products of different qualities, consumers often rely on the supplier's reputation so as to avoid evaluating products individually" (Ministry of Education 1997, http://www.minedu.govt.nz/data/tertiary/review97)

As the Green Paper was just released during the past year, it is difficult to determine what proposals will actually become policy. However, in the context of the other reforms, and considering the general disposition of the government, it is likely that at least some of these reforms will be enacted.

Many authors, including Kelsey (1995) and Sharp (1994), discuss the economic programme that has guided policy in New Zealand in the past decade. The general consensus in the literature is that the economic and social policy reforms can be considered neo-liberal and geared toward enhancing individual choice through the marketplace. The economic program generally originated from economic theories developed in the United States (Kelsey 1995: 18) informed by Frederik Von Hayek and Milton Friedman. Monetarism and supply-side economics were offered as the only alternatives to the Keynesianism of previous decades.

The timing of the economic adjustment originated from the world economic crisis

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[2] The United States allows any provider to use the term "university" resulting in such cases as Burger King University which trains Burger King managers and franchise operators (Densford 1996). Other examples of corporate universities include The National Technology University, Sprint University of Excellence, and McDonalds Hamburger University. Many of the courses at corporate universities are transferable as credits toward university degrees in state recognized institutions (The Economist, October 28, 1995).

of the 1970s and the resulting debts that accrued. The fundamental reforms involved redefining the state as an overseer of markets, promoting individual choice through market competition, and redefining the welfare state to promote individual responsibility. Ultimately, the economic program was termed Rogernomics (a play on "Reaganomics" in the United States) which was named after the Labour Finance Minister Sir Roger Douglas, who provided the impetus for the market-led programme (Kelsey 1993).

These reforms were largely initiated and implemented by the Labour Party, an historic supporter of the welfare state and government intervention. However, the National Party, a conservative coalition that later came into office, continued many of the economic and social policies initiated by Labour. The fiscal austerity programme of the 1980s involved reductions in social expenditures, trade liberalisation, and privatisation of state-owned enterprises. Many of the reductions in social expenditure affected those most in need through the reduction of welfare benefits and other programs based on need (Kelsey 1995).

The New Zealand government is transforming its education policy, its welfare state, and its relationship to citizens. Since the 1980s, New Zealand has continued its role as "social laboratory," but through a radical neo-liberal program untried in its intensity in any other country. In education, there is a direct move to promote individual choice through the marketplace and encourage market discipline on governments, educational institutions and individuals.

Chapter 6: Swedish Higher Education

State Expenditure on Higher Education

The higher education sector in Sweden consists of public universities and research institutes (10), private sector universities (3), public university colleges (23), private university colleges (9), regional university colleges (27) and one state College of Higher Education (National Agency for Higher Education 1997). A major difference between Sweden and the other countries examined here is that Sweden charges no tuition fees for access to its education system. However, the higher education system in Sweden has experienced a number of changes during the time period of this study.

The data indicate that Sweden has not undergone any major reorganisation of its funding of higher education. The expenditure on tertiary education as a percentage of GDP (Table 6.1) increased between 1960 and 1970, decreased between 1970 and 1980 and has since increased. A similar trend appears for tertiary education spending as a percentage of the education budget and recent state expenditures on higher education as Table 6.2 reveals increases in expenditure on higher education and state universities. However, trends in state spending are difficult to discern from Table 6.2 since it is just a one year period. The revenues for research and graduate training as indicated in Table 6.3 indicate that most of the funding comes from public agencies of some type. From these limited data, there are no reductions in higher education, and in fact, there have been increases.

Table 3.4 provides some information on participation in tertiary education by

occupational background. The significance of this table will be discussed later in this chapter, but it does indicate that the majority of the students come from white-collar backgrounds.

Overall, Sweden's system is unique in that no tuition fees are charged. Higher education spending is increasing and most of the research and graduate training is publicly funded.

Table 6.1: Educational Expenditure 1960-1992

Year	Total Expenditure on Education (000 Kronor)	Total Expenditure on Education (000 Kronor) 1990=100	Expenditure on Education as a % of Total Budget	Expenditure on Tertiary Education as a % of Education Budget	Expenditure on Tertiary Education as a % of GDP (1)
1960	2623.6	19591	29.0*	8.0	0.42
1965	5240.0	32750	21.1	9.2	n/a
1969	10160.0	53474	28.0	14.3	**1.13
1980	40885.7	85178	14.1	9.3	0.84
1990	90083.0	90083	14.0	13.2	1.10
1992	105803.0	94466	12.6	15.8	1.33

*Expenditure on education as a percentage of total budget for 1960 taken from a different source, *Social Expenditure 1960-1990, Problems of Growth and Control*. OECD. This may affect comparability.
** 1970 data
Sources: *Unesco Statistical Yearbook* 1971, 1972, 1982, 1996.; (1) Jean Claude Eicher (1996); OECD, *OECD Education at a Glance 1996*

Table 6.2: State Financing of Higher Education 1994-95 and 1995-96

Costs Million SEK	1994/95	1995/96
Total Higher Education Cost of which	31500	34700
State universities and university colleges	22900	25600
University colleges of health sciences	1200	1000
Private universities and university colleges	1900	2200
Student financial support	5400	5700
Other	100	200

Source: National Agency for Higher Education 1994/95 & 1995/96

Table 6.3: Revenue for Research and Postgraduate education for all Higher Education Institutions 1994-95

Source	%
Faculty allocation	43.5
Other R&D allocations	11.6
Government authorities	14.1
Research Councils	12.1
Non-Profit organisations	5.7
Swedish Companies	4.3
Foreign Companies	0.9
Other	7.8

Source: National Agency for Higher Education 1994/95

Table 6.4: Proportion of New Students in Higher Education aged 21 or Younger in the Academic Years 1987/88 and 1994/95 broken down by social background

	Senior Level white collar	Intermediate level white collar	Junior level white collar	Skilled Workers	Non-Skilled Workers	Self-employed farmers
1987/88	32	27	11	10	9	11
1994/95	29	30	11	12	9	9

Original source: Statistics Sweden cited in National Agency for Higher Education Statistics (1998) , *Costs of Study, Student Income and Study Behaviour in Sweden*

Higher Education Changes in Sweden

Rubenson (1994) outlines the recent periods of reform in Swedish higher education policy. The first period represents a mixture of human capital thinking of the 1960s combined with the radicalisation of the labour movement and the Social Democratic government that focused on equality and redistribution in the 1970s. In the 1980s, the second period began with the onset of the fiscal crisis and a focus on the economy. Finally, a shift in policy announced by the government in 1992 away from recurrent[3] education policy is noticeable (Rubenson 1994: 246). In sum, these reforms led initially toward centralisation of educational control in 1977, and then decentralisation from the state to institutions in 1993.

[3] Recurrent education refers to education on an ongoing basis where there is a smooth transition between employment, education and re-education.

Many of the changes in higher education focus around student access to education. In 1973, the Swedish Educational Commission produced a report containing several recommendations for reforming higher education. The Commission was initially established because higher education was considered outdated and beyond capacity, especially since secondary education had become compulsory, thus increasing the number of people qualified for higher education. The areas of focus for reform included student access, the relationship of education to the labour market, and the organisation of higher education (Bergandal 1974: 355). The recommendations of the report were accepted and implemented in 1977. It should be noted that the report's recommendations in 1973 resulted in widespread resistance among academic and left-leaning groups (Skoldberg 1991: 553).[4]

One of the recommendations included a broadening of the term "higher education" to include any post-compulsory education for adults (Bergandal 1974). This had the effect of expanding the jurisdiction of higher education. The term "högskola" which originally meant a non-university institution of higher education was imposed on the entire structure This upgraded non-academic schools but tended to downgrade universities (Sköldberg 1991: 559). The Commission recommended that education should be thought of as a whole with the objective of meeting the needs of every citizen, especially those in need of recurrent or repeat education (Bergandal 1974).

With respect to the organisation of higher education, the Commission proposed

[4] Although it would be informative to provide more detail on this resistance movement, the possibility for this is limited due to a lack of information and the "outsider's perspective."

that education programmes[5] be both general (established by the state) and local (established by the local higher education authorities). The state controlled and planned certain educational fields by breaking down the disciplines (e.g., Social Science, Physics and Chemistry, etc) into occupational training sectors (i.e. Technology, Administration and Economics, Medicine and Social Work, Teaching, Cultural Work and Information) to balance the internal needs of knowledge with the more practical external elements (Bergandal 1974: 357).

The reforms in 1993 which included decentralisation, privatisation, and performance-based funding were both radical and extensive for Sweden. These reforms were designed to make the system more demand driven (Niklasson 1996: 275). The 1993 reforms initiated a quasi-market funding system such that higher education institutions must meet multi-year objectives measured by performance indicators for their funding. Universities and university-colleges, both public and private, are given undergraduate "educational assignments" which specify the objectives and frameworks for activities within a three-year period. The allocation of resources is contingent upon the results in the form of increased student access and academic success of the students. Additional funding can be allocated through specific contracts (National Agency for Higher Education, 1996). The Conservative government elected in 1991 began the reforms with parliamentary consensus, although the Social Democrats elected in 1994 have increasingly rejected the privatisation component (Niklasson 1996: 275).

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[5] Interestingly in 1965 the government commissioned the University Chancellor's Agency (UKÄ) to investigate the possibility of developing a fixed curriculum for the philosophic faculties. In 1967 when UKÄ delivered its report, there was such radical protest from students and faculty that the government, fearing unrest ,delayed the implementation of the reform for a year (Sköldberg 1991: 556).

Although decentralisation and privatisation were part of the higher education political program of the Conservative government, the Social Democrats who won the next election were reluctant to facilitate the growth of private universities. For instance, as part of state policy the privatised Chalmers Institute of Technology is not permitted to purchase state owned buildings (Niklasson 1996). Another private "university" that is not listed with the National Agency for Higher Education is City University. City University was formed in 1988 to offer a private alternative to the Swedish state universities. It indicates that it is independent of the state, political parties and special interest groups (City University 1997). City University is financed through grants from private enterprises, foundations and other voluntary contributors[6]. It does not receive any public subsidies and academic courses are financed by student fees (City University 1997). A survey of the research programme at City University suggests that it blends public policy advocacy with research. For instance, one major research project co-ordinated at the university was funded by The Swedish Free Enterprise Foundation. Although the research report states that it fundamentally rejects neo-liberalism as an overarching ideology for welfare reform (City University: 1997), it does seek a greater role for markets and greater "choice" for the citizen through privatisation - central principles of neo-liberalism. Ultimately, City University appears as a public policy think-tank that offers courses.

Since at least the 1970s, higher education policy in Sweden has been shaped by concerns over egalitarianism. During the early 1970s, a former Minister of Education, Ingvar Carlsson of the Social Democrats, pursued an egalitarian education policy that

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[6] The equivalent of what City University might be in Canada is if the C.D. Howe Institute or the Fraser Institute offered courses and degrees.

sought to broaden access to higher education by introducing formal recognition of previous employment in the state defined admission policy (Sköldberg 1991: 554). However, many of the effects of these earlier policies can be seen in the late 1980s and 1990s. Table 3.4 indicates that a large number of the people who are attending higher education institutions are from white collar occupational positions which suggests that education remains a relatively middle class social service. While in the North American context this could be interpreted as the maintenance of an elite structure that "excludes" lower class workers, it must be remembered that Sweden absorbs a large number of people into public sector employment positions. In 1996, for instance, public sector employees constituted 32% of all employment (Åsbrink 1998). In contrast, in the same year in Canada, those employed in the public service, education sector and health services comprised only 23%[7] (Statistics Canada 1998a).

The Swedish government also differentiates itself by the fact that it explicitly states in its employment strategy that its public sector is not too large (Åsbrink 1998). The Swedish budget measures predict an expansion of 37,000 public sector positions between 1997 and 2001. This is in contrast to the 1995 Canadian budget that states "we are bringing government's size into line with what we can afford" (Martin 1995). The 1995 Canadian budget resulted in a *decrease* of 45,000 positions (Martin 1995). This is significant since first, it suggests a difference in philosophy of the role of the public sector, and second, the expansion of the public sector absorbs graduates from higher education thus increasing the size of the middle class and reducing inequities.

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[7] This is likely a liberal estimate as not everyone who is employed in the educational sector and health

Currently, there is active government support for higher education and the public service. In the 1998 Swedish budget, the finance minister, Erik Åsbrink, indicated a commitment to the public service and education. As in other countries, the Swedish government is attempting to educate people rather than provide income transfers through social assistance. The budget states that "education, development, and competence are to characterise the whole of Sweden" and that "activities should be given priority over transfers" (Åsbrink 1998: 14). Further, the Swedish government is creating an additional 60,000 higher education spaces and 140,000 places in adult and vocational training. Other initiatives stated in the budget that relate to education and the economy are a reorientation of training and education toward science, engineering, vocational skills, and information technology (in co-operation with the Federation of Swedish Industries), and increased flexibility in the labour market (Åsbrink 1998: 14). The orientation toward applied knowledge is a trend occurring in the other countries examined as well.

Åsbrink states that the main reasons for giving priority to education include economic growth which results from a highly educated workforce and increased employment growth, the distributive aspect that provides equal opportunity, and the reinforcement of democracy which benefits the entire population (Åsbrink 1998: 14). As well, in higher education the government states that it hopes to invest in the research capacities of small and medium size institutions as a means of regional development (Åsbrink 1998: 14).

Neo-liberalism of the North American variety which involves reductions in the

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services are public employees.

size of the public sector, downward wage pressures, sustained high unemployment and a privatisation of social services (Drache 1996) has not penetrated Sweden to the extent that it has in other industrialised countries such as Canada, New Zealand and the United States. The brief interludes when the Conservatives were in power were marked largely by a continuation of the Social Democrats' initiatives or a limited capacity to restructure radically the welfare state due to external and institutional constraints. Meidner (1993) suggests that in the 1970s when the "non-socialists" came to power, labour organisations retained significant voice in policy such that the government was unable to alter significantly the social democratic welfare state. Similarly in the 1990s when the Conservatives gained power over the previously ruling Social Democrats, many of the changes to the welfare state that were implemented by the Conservatives were the result of a process already underway (Meidner 1993).

Davidson (1989) argues that there were neo-liberal "stirrings" in the Social Democratic Party during the late 1980s when the Finance Minister suggested tax reforms that would drastically alter the system in favour of high income earners. This proposal was quite different from the neo-liberalism of other countries in that the Social Democrats were not advocating drastic reductions of social expenditure. However, the political institutions provided enough checks and balances that the neo-liberal "stirrings" were modified significantly before implementation (Davidson 1989: 328).

Recent economic trends in Sweden show that it has been having considerable difficulty in balancing the often competing demands of full employment, low inflation, low interest rates, and wage and price stability (Ryner 1994; Meidner 1993; Stephens

1996). The world-wide economic crisis of the 1970s threatened the viability of the welfare state and led the Swedish government to implement economic policy of the "Third Way" which was posed as an alternative to the neo-liberalism of Reagan and Thatcher and traditional Keynesian policies (Ryner 1993). Third Way policies sought to develop the economy through export-led growth and increased profits and implementation of a restrictive fiscal and monetary policy (increased interest rates, increased savings and discouraged consumption) (Ryner 1994: 251). In managing the economy, the commitment to full-employment and low inflation were contradictory policy initiatives, especially given that there were considerable difficulties in maintaining restrictive wage increases (Meidner 1993; Ryner 1994). Consequently, the economy entered into a destabilised period, profits skyrocketed, inflation rose, and unemployment increased. This was coupled with an increasingly internationalised economy where capital expanded into foreign markets and the currency destabilised, became devalued and drove up interest rates in attempts to defend the currency. The rise in interest rates resulted in unprecedented unemployment (Meidner 1993) which ultimately placed a strain on the ability of the government to finance its welfare state.

It is noteworthy that Sweden finances its welfare state through individual taxation rather than corporate taxation (which is among the lowest in the industrialised world) (OECD 1996a). This has the potential for economic disturbance when more individuals are receiving welfare state benefits than the working population can support through taxation (Stephens 1996). Sweden's success as a welfare state "model" depends heavily upon people being employed and paying taxes rather than drawing benefits. Sweden can

be differentiated from New Zealand, Canada, and the United States in that it has a generous welfare state and is committed to full-employment (Esping -Andersen 1990: 167).

Stephens (1996) suggests that there is a moderating tendency on Swedish politics which has moved the Conservative party and the Social Democrats more to the centre of the ideological spectrum. There has been a transformation of the Social Democratic party in Sweden to accept the notion of private property and profits, as well as state-financed private competition with public services. Thus, the Social Democrats have come to believe that market mechanisms can bring about efficiency, but are not willing to accept the sharp inequalities that can exist under unregulated and truly private markets. It is significant that just as the Conservatives have moderated their ideological stand for privatisation and competition (Stephens 1996), the Social Democrats have moderated their ideological stance to accept market mechanisms, internationalisation of capital, and moderate changes in entitlements of the welfare state. As previously mentioned, recent reforms of higher education in 1994 decentralised control of programs and access to the institutions. The reforms have also resulted in a form of competition among the higher education institutions (Niklasson 1996).

To summarise, in Sweden there has been a move toward decentralisation after a period of centralised state control, largely under the rubric of increased control for students and providers. This also has the effect of increasing institutional autonomy. There is some privatised higher education, although this is not prevalent. There is also an explicit focus on education rather than transfers, as well as the maintenance of a large

public service that absorbs higher education graduates. Education is viewed as essential for economic growth, distribution, democracy, and regional development. As in the other countries, there is an expansion and reorientation of education toward science, engineering, and technology. Overall, there has been no overt neo-liberal political-ideological shift; however this could change as the Swedish economy faces the external constraints of the European Union.

Chapter 7: Higher Education in an International Perspective

"*Higher education shall be made equally accessible to all on the basis of capacity, by every appropriate means, and in particular by the progressive introduction of free education*"
Article 13.2 (c) of the United Nations Covenant on Economic, Social and Cultural Rights quoted in Boston (1990).

International Comparisons

Each of the countries selected for analysis has been described in a "stand-alone" fashion to this point. This chapter examines each country in relation to itself historically and in relation to the other selected countries. The first part of this chapter examines various international data that measure education and economic trends. The second part of this chapter draws upon the international data and the national data presented previously to examine the research sub-hypotheses.

OECD International Comparisons

This section utilises additional data from the Organization for Economic Co-operation and Development to allow for comparison on various indicators. These data have the benefit of being adjusted for comparison purposes. As mentioned in the methods chapter, the same level of data was not available for each country so a comparison of every indicator for each country is not possible.

Table 7.1 provides a comparative analysis of education overall and tertiary education expenditure as a percentage of GDP. Specifically, since 1970 in Canada the percentage of GDP devoted to Tertiary education has decreased, although in the latter period between 1985 and 1993 the percent increased slightly. The United States has remained relatively stable increasing and decreasing over the time period and its

percentage spending in 1990 was equivalent to the percentage spending in 1970, although in 1993 it also decreased slightly. Sweden moderately increased its spending on tertiary education as a percent of GDP between 1970 and 1993. New Zealand remained relatively stable between 1970 and 1985, and then experienced an increase[8] in 1990 followed by a decrease in 1993.

Table 7.2 provides information on higher education expenditure per student in constant national monetary units. Canada spent the most on public expenditure per student, although spending decreased significantly between 1970 and 1985. Both New Zealand and the United States also decreased their expenditure per student during this time period (although United States increased its expenditure per student between 1980 and 1985 from $6188 to $6490). Real public expenditure as a percentage of GDP per capita measures the public expenditure per student in relation to the GDP if it were evenly distributed among the population.[9] Applying this measure of expenditure, there were decreases in all countries between 1970 and 1985 followed by subsequent increases in 1994 in New Zealand and the United States.

Tables 7.3 and 7.4 focus on the structure of financing tertiary education. Table 7.4 indicates, as was shown in the national tables, that Canada and the United States have decentralised state funding structures while New Zealand and Sweden basically have centralised financing structures. Table 7.3 shows the expenditure on public and private tertiary education in relation to GDP for 1994. Canada and Sweden have the highest

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[8] This increase could be methodological, since as mentioned in Chapter 2, in 1990 the accounting period for government expenditure changed from March 31 to June 30 while the GDP series continued on a March year basis.

[9] Although this measure is in percentage terms, a case over 100 suggests that the public expenditure per

direct public expenditure on educational institutions. The data also indicate that the United States is the only country that provides public funding to private institutions.

Tables 7.5 and 7.6 show the overall level of government expenditure (all public spending) in the economy. Table 7.5 shows that between 1960 and 1995 central government spending as a percentage of GDP increased significantly in Sweden, and increased in New Zealand and the U.S. between 1960 and 1990 with subsequent decreases in 1995. Canada increased central government spending with no decreases between 1960 and 1995. Comparatively, Canada is equivalent to the United States in its spending while New Zealand and Sweden are also roughly comparable.

Table 7.6 shows total government spending in relation to GDP between 1960 and 1996. The data show an increase in spending in New Zealand and Sweden, a recent decrease in spending in Canada, and relative stability in spending in the United States.

Table 7.1: OECD International Education Public Expenditure* as a Percent of GDP 1970-1993

	1970		1975		1980		1985		1990		1993	
	Education (E)	**Tertiary Education (TE)**	**E**	**TE**	**E**	**TE**	**E**	**TE**	**E**	**TE**	**E**	**TE**
Canada	10.2	3.0	8.5	2.5	7.7	2.1	6.9	2.1	6.2	N/A	6.7	2.3
U.S.	6.0	1.5	5.7	1.4	4.9	1.2	4.6	1.3	5.2	1.5	4.9	1.1
New Zealand	5.7	1.4	6.5	1.3	6.7	1.3	5.1	1.5	N/A	2.0	6.4	1.4
Sweden	7.9	***1.1	7.1	N/A	8.5	***0.8	7.0	1.0	5.6	1.1	7.7	1.5

Notes:
* It is important to note that these data were collected over time which may affect comparability. Therefore the data should only serve as estimates of trends in public expenditure on education and tertiary education. Dotted horizontal line indicates data differences in data or sources that may affect comparability over time.
** 1985 Tertiary Education statistics for Sweden and New Zealand are for the year 1987. 1990 New Zealand Tertiary Education Statistics is for 1991.
*** From Table 6.1.
1993 Tertiary Education Statistics are the direct public expenditures on educational institutions.
Source
OECD Education at a Glance (1996)
OECD Public Educational Expenditure, Costs and Financing. 1970-1988
OECD data presented in the Digest of Education Statistics 1996, National Center for Education Statistics, Table 407: Public Expenditure as a percentage of gross domestic product: Selected countries, 1985-1992.

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student exceeds the GDP per population.

Table 7.2: Higher Education Expenditure per Student

		Sweden	Canada	NZ	US
Real Public Expenditure per Student (Constant monetary units in national currency)					
	1970	n/a	16371	*7729	7009
	1975	n/a	14189	7497	6478
	1980	n/a	13713	6680	6188
	1985	n/a	12392	3770	6490
Real Public Expenditure per Student as a % of GDP/capita					
	1970	n/a	133	*63	55
	1975	n/a	95	57	48
	1980	n/a	80	54	41
	1985	n/a	66	28	39
	**1994	73	56	50	61
Average annual public subsidies to households for education by subsidy category (per student : U.S. dollars converted using PPPs)					
Scholarships/grants and loan-related subsidies					
as % GDP	**1994**	0.64	0.38	0.65	0.04
per student	**1994**	4995	1693	3019	238
Loan-related subsidies (%)	**1994**	66.7	3.1	61.1	n/a
as % GDP	**1994**	0.21	0.36	0.25	0.04
per student	**1994**	1663	1641	1175	238
Specific subsidies					
as % GDP	**1994**	0.17	n/a	n/a	n/a
per student	**1994**	1322	n/a	n/a	n/a

* 1972 data

** 1994 data from a different OECD source in this data series

Source: OECD Education at a Glance 1996 & 1997; OECD Public Educational Expenditure, Costs and Financing 1970-1988

Table 7.3: Expenditure on Private and Public Tertiary Education 1994

	Sweden	Canada	NZ	US
Tertiary educational expenditure as a percentage of GDP by source of funds (1994)				
Direct public expenditure on educational institutions	1.5	1.6	1.1	1.1
Total public subsidies to households and other private entities excluding public subsidies for student living costs	n/a	0.7	0.3	0.0
Private payments to educational institutions excluding public subsidies to households and other private entities	0.1	0.2	n/a	1.2
Total expenditure from both public and private sources on educational institutions	1.6	2.5	n/a	2.4
Total expenditure from public, private and international sources on educational institutions plus public subsidies to households	2.2	2.6	n/a	2.4
Private payments other than to educational institutions	0.7	0.4	n/a	0.1
Financial aid to students not attributable to household payments to educational institutions for educational services	0.5	0.0	0.3	0.0
Proportion of public expenditure on public and private educational institutions (1994)				
Public institutions	100	100	100	83
Independent private institutions	0	0	0	17

Source: OECD Education at a Glance 1997

Table 7.4: Distribution of initial sources of public educational funds and final purchasers of educational resources by level of government for tertiary education (1994)

	Initial funds (before transfers between levels of government)				Final funds (after transfers between levels of government)			
	Central	Regional	Local	Total	Central	Regional	Local	Total
Canada	47	53	n/a	100	33	67	n/a	100
United States	34	66	n/a	100	25	75	n/a	100
New Zealand	100	n/a	n/a	100	100	n/a	n/a	100
Sweden	97	3	n/a	100	97	3	n/a	100

Source: OECD Education at a Glance 1997.

Table 7.5: International Monetary Fund: Central Government Spending as a Percent of GDP

Year	Sweden	New Zealand	Canada	United States
	%	%	%	%
1960	19.7	29.1	15.3	17.6
1970	25.5	30.6	18.4	19.9
1980	39.8	38.1	22.0	22.0
1990	40.8	43.5	23.8	23.6
1995	44.6	34.2	24.3	21.9

* 1995 Canada data is for the year 1994.
Source: International Monetary Fund, International Financial Statistics Yearbook.

Table 7.6: Total Government Spending as % of GDP

Year	Sweden	New Zealand	Canada	U.S.
	%	%	%	%
1960	31.0	26.9	28.6	27.0
1970	n/a	n/a	*33.5	*30.0
1980	60.1	38.1	38.8	31.8
1990	59.1	41.3	46.0	33.3
1996	64.7	47.1	44.7	33.3

Source: The IMF cited in The Economist, September 20-27, 1997; 1970 data for Canada and the U.S from Government of Canada, Fiscal Reference Tables, 1997, Table 47: G-7 total government outlays

Examination of Research Hypotheses

This section considers both the international and national data to examine each sub-hypothesis. Tables 7.7 and 7.8 summarise many of the changes and will be referred to as the hypotheses are discussed. The macro-hypothesis initially posed stated that higher education is becoming more privatised/commercialised in Canada as well as internationally. The forms of privatisation and commercialisation are multifaceted. The five related research sub-hypotheses examined in this chapter are:

(1) Public spending on education differs by welfare state type.

(2) Public spending on education is being reduced.

(2.a) Changes in public spending are part of an international trend.

(3) Higher education systems are becoming more reliant upon non-governmental sources for operating purposes.

(3.a) These non-governmental sources include students and corporations.

(4) The political orientation of government toward the goals and nature of higher education is changing toward commercialisation on an international level.

Table 7.7: Summary of Public-Private Comparisons

Sweden = S ¦ Canada = C ¦ U.S. = U ¦ N Zealand = N					
		Public			Private
Esping-Andersen classification		**S**	**C**	**N**	**U**
Public Institutional Revenue					
Government as % of institutional revenues	1960	U	C	-	-
	1970	N	C	U	-
	1980	N	C	U	-
	1990	C	N	U	-
	1995	C	N	U	-
*** Student Fees % operating**	1960	S	U	C	-
Lower % places this closer to public	1970	S	N	U	C
	1980	S	N	U	C
	1990	S	N	U	C
	1995	S	U	N	C
State expenditure					
% of central (federal) expenditure on education	1960	S	N	C	U
	1970	S	N	C	U
	1980	S	N	U	C
	1990	N	S	U	C
	1994	N	S	U	C
% of state/provincial expenditure on education	1960	U	C	-	-
	1970	U	C	-	-
	1980	U	C	-	-
	1990	U	C	-	-
	1994	U	C	-	-
% of central (federal) expenditure on social spending	1960	N	U	C	-
	1970	N	C	U	-
	1980	N	U	C	-
	1990	N	U	C	-
	1994	N	U	C	-
% of state/provincial expenditure on social spending	1960	C	U	-	-
	1970	C	U	-	-
	1980	C	U	-	-
	1990	C	U	-	-
	1994	C	U	-	-
% of GDP on Tertiary Education (OECD)	1970	C	U	N	-
	1975	C	U	N	-
	1980	C	N	U	-
	1985	C	N	U	S
	1990	N	U	S	-
	1993	C	S	N	U
Proportion of public expenditure on public (rather than private) higher education					
	1994	S/N/C	U	-	
Real Public Expenditure per Student as a % of GDP/capita	1970	C	N	U	-
	1975	C	N	U	-
	1980	C	N	U	-
	1985	C	U	N	-
	1994	S	U	C	N
Average annual public subsidies to households for education by subsidy category 1994 (per student : U.S.$)					
Scholarships/grants and loan-related subsidies					
as % GDP		N	S	C	U
per student		S	N	C	U
loan-related subsidies (%)		S	N	C	-
Scholarships/grants net of fees and loan-related subsidies					
as % GDP		C	N	S	U
per student		S	C	N	U

- data not available for comparison.

* The literature indicates that Sweden had no costs for admission to higher education during this time period. See Eicher (1998).

Table 7.8: Summary of State Changes [1]

		Sweden	NZ	Canada	U.S.
State Expenditure					
OECD % of GDP on Tertiary Education	1970-75	-	decrease	decrease	decrease
	1975-80	*decrease	stable	decrease	decrease
	1980-85	increase	increase	stable	increase
	1985-90	increase	increase	-	increase
	1990-93	increase	decrease	*increase	decrease
OECD state expenditure per student in Tertiary Education					
	1985-90	-	increase	-	-
	1990-93	increase	decrease	-	-
	1993-94	decrease	increase	decrease	increase
Public Institutional Operating Revenues					
% of Revenues from Central government	1960-70	-	-	decrease	decrease
	1970-80	-	increase	decrease	increase
	1980-90	-	decrease	increase	decrease
	1990-95	-	decrease	decrease	increase
Revenues from Central government in constant dollars	1960-70	-	increase	increase	increase
	1970-80	-	increase	decrease	increase
	1980-90	-	increase	increase	increase
	1990-95	-	increase	increase	increase
% of Revenues from State/Provincial Government	1960-70	-	-	increase	increase
	1970-80	-	-	increase	increase
	1980-90	-	-	decrease	decrease
	1990-95	-	-	decrease	decrease
Revenues from state/provincial government in constant $	1960-70	-	-	increase	increase
	1970-80	-	-	increase	increase
	1980-90	-	-	increase	increase
	1990-95	-	-	decrease	decrease
% of revenues from student fees	1960-70	-	-	decrease	increase
	1970-80	-	decrease	decrease	decrease
	1980-90	-	increase	increase	increase
	1990-95	-	increase	increase	increase
Revenues from student fees in constant dollars	1960-70	-	-	increase	increase
	1970-80	-	decrease	decrease	increase
	1980-90	-	increase	increase	increase
	1990-95	-	increase	increase	increase
% of revenues from donations	1960-70	-	-	decrease	decrease
	1970-80	-	-	decrease	increase
	1980-90	-	-	decrease	increase
	1990-95	-	-	increase	increase
Revenues from donations in constant dollars	1960-70	-	-	increase	increase
	1970-80	-	-	decrease	increase
	1980-90	-	-	increase	increase
	1990-95	-	-	increase	increase
Average tuition costs (public institutions) in constant $	1965-70	none	-	-	increase
	1970-80	none	-	decrease	decrease
	1980-90	none	-	increase	increase
	1990-97	none	-	increase	**increase

Table7.8: Summary of State Changes [1] (continued)

		Sweden	NZ	Canada	U.S.
% of central (federal) expenditure on education	1960-70	decrease	increase	increase	increase
	1970-80	decrease	decrease	decrease	increase
	1980-90	decrease	increase	decrease	decrease
	1990-95	decrease	increase	decrease	increase
% of state/provincial expenditure on education	1960-70	-	-	increase	increase
	1970-80	-	-	decrease	increase
	1980-90	-	-	decrease	decrease
	1990-95	-	-	decrease	decrease

[1] The most recent changes in this table are for the latest available data for each country.
* Data were unavailable for this time frame. Comparisons are for the previous time period. For instance, in Canada the increase listed between 1990-93 is for the period 1985-1993.
** U.S. tuition costs for 1995-96.

(1) Public spending on education differs by welfare state type.

The welfare state type of each country was initially defined as liberal and social democratic by Esping-Andersen (1990). This forms the basis for the analysis. However, as Esping-Andersen notes, there is no pure welfare regime and, therefore, social democratic states are not free of liberal elements and liberal states are not free of social democratic elements. Likewise, spending alone cannot determine a welfare state type, as the rules and conditions of a public program, service or intervention must also be considered.

It was hypothesised that spending would be the highest (most public) in the social democratic state (Sweden) and lowest in the liberal welfare states (New Zealand, Canada and United States). However, the various dimensions of higher education spending and the conditions and structure of education in relation to other social policy and political economic developments run the danger of oversimplifying reality by assigning a purely social democratic or purely liberal typification. Nevertheless, some notable trends did emerge in terms of welfare state types.

The state plays a significant funding and regulatory role in each country

independent of welfare state type. Each of the countries devotes a significant amount of its central or provincial budget to higher education. New Zealand and Sweden have centralised funding structures and the United States and Canada have decentralised funding structures making comparison difficult. Divided jurisdictions allow for significant variation in expenditure across regions within a country. For instance, in Canada, Nova Scotia has the highest tuition and spends the least of all the provinces on post-secondary education per provincial population, while Quebec has the lowest tuition and invests the most per provincial population (Table 3.5). On this basis, Quebec is arguably more public than Nova Scotia (The variation in tuition between the Quebec and Nova Scotia in 1997 is $2085 and the variation for spending per provincial population for 1995 is $226.2 which is almost equivalent to the $228.2 Nova Scotia spends per person). It is very likely that similar variations exist in the United States. This suggests that an overall typification of Canada or the United States may conceal the sometimes extreme variation across regions.

Table 7.7 summarises comparatively the public and private elements of each national higher education system. The countries are ordered at the top of the table on the basis of their welfare state type. For instance, Esping-Anderson defined Sweden as being social democratic and the least commodified. Thus, on the public-private continuum Sweden is placed closest to the public end of the continuum. Canada, New Zealand and the United States, all liberal regimes, are then ordered as they appeared in Esping-Anderson's de-commodification index. Canada is placed closer to the public end of the continuum because Esping-Anderson scored it as less commodified than New Zealand

and the United States.[10]

Table 7.7 shows that on one or more indicators during at least one point in time each of the countries is comparatively most public. There appears to be movement of each country along the continuum through time for each indicator. For instance, in 1985 Sweden spent the least of all the countries as a percent of its GDP on tertiary education, but in 1993 it ranked second in terms of the percent of GDP on tertiary education. Between 1970 and 1985 and in 1993 (1990 data unavailable) Canada spent the highest percent of its GDP on tertiary education. On this same indicator, the United States ranked second to Canada between 1970 and 1975 but ranked last in 1993.

Since the data for Sweden were mostly unavailable it is difficult to draw many conclusions about this country. Where data are available there is insufficient evidence to place it at the most public end of the continuum. There are indicators where Canada, New Zealand and the United States are most public. In comparing state/provincial and central/federal spending on education as a percent of total spending the data was such that it could not be easily added together for Canada and the United States. However, data that aggregated the total spending for every country would likely change the position of each country on the public-private continuum.

In comparing Canada and the United States at the state/provincial level, Canada consistently devoted less of its state/provincial budgets to education than did the United States. This could be interpreted in terms of constitutional jurisdiction over education such that central and state/provincial jurisdiction in Canada and the United States may be

[10] For further details see Esping-Andersen (1990: 52), Table 2.2: The rank order of welfare states in terms of combined decommodification, 1980.

different. The United States and Canada tend to be at the most private end of the continuum. New Zealand typically ranks closer to the public end of the continuum although this depends upon the particular measure used. If the countries could be compared on the indicator of total education expenditure as a percent of total spending a different ordering may result.

In terms of overall government expenditure in the economy (see Table 7.6), each country's placement along the public-private continuum is quite accurate according to Esping-Andersen's model. In 1996 Sweden had by far the highest level of expenditure as a percent of GDP, while Canada and New Zealand were more central and the United States had the lowest expenditure. With respect to overall social spending as a percentage of the total budget for the latest budget data (1994, 1995): New Zealand (see Table 5.1) devoted approximately 64%; Canada (see Table 3.1) devoted 40% of its central budget and 64% of its provincial budgets; the United States (see Table 4.1) devoted 58% of its federal budget and 38% of state/local budgets. Social spending in each country is quite significant.

The countries do not fit nicely along the public-private continuum for all of the quantitative indicators. The United States is highly commodified (market driven) in that it charges tuition, and has both a public and private system in competition with each other. In Canada and New Zealand, tuition costs are increasing, but the system remains mostly public. For New Zealand, Canada and the United States the systems are becoming more private due mostly to an increase in private sources of revenue. In Sweden, there are no tuition fees and the system is mostly public, although comparable data were

unavailable for comparisons on many of the indicators.

In conclusion, there is little evidence to support sub-hypothesis 1. Each country's placement on the public-private index depends upon the aggregate measure being considered. As well, a country that is most public in some regards may be more private in other regards. This conclusion highlights the complexity of state spending on education and typifying countries on the basis of expenditure.

(2) Public expenditure on higher education is being reduced.
(2.a) Changes in public spending on higher education are part of an international trend.

Table 7.8 indicates the changes in state expenditure or educational institutional revenues through several time periods. This summary table in conjunction with the national data provides a good illustration of public expenditure changes in each country.

Canada has experienced both increases and decreases on various indicators during the overall time period examined. Tertiary education expenditure as a percent of GDP decreased between 1970 and 1980, remained stable between 1980-85 and then increased between 1985 and 1993. However, there was an overall decrease between 1970 (3.0%) and 1993 (2.3%). State expenditure per student in tertiary education decreased between 1993-94. However, real public expenditure per student as a percent of GDP per capita (see Table 7.2) decreased between 1970 and 1994. As a percentage of federal expenditure, education increased between 1959-60 and 1969-70 and then decreased between 1969-70 and 1995-96. The highest point was 1969-70 when education expenditure constituted 4.5% of the federal expenditure. Provincial educational expenditure increased between 1960-70 and then decreased between 1970-95. Provincial

educational expenditure as a percentage of all expenditure was highest in 1969-70. During the 1990s, the federal government embarked on expenditure reductions to transfer payments, which impacted provincial expenditure on post-secondary education. The increases in provincial governments as a percentage source of revenue for universities and colleges between 1963-64 and 1980-81 were followed by substantial decreases until 1995-96. However, the provincial governments remain substantially higher as a source of revenue in 1995-96 than they did in 1963-64. In constant dollars, provincial governments increased as a source of revenue between 1963-64 and 1990-91 and then decreased between 1990-91 and 1995-96. Generally, the 1960s and 1970s were characterised by state higher educational expenditure increases and private-source decreases, whereas the 1980s and 1990s were characterised by expenditure decreases and a rise in private sources of revenue.

As a percent of GDP, United States tertiary education expenditure decreased, increased and subsequently decreased indicating no specific trend over time. State expenditure per student increased between 1993 and 1994. Real public expenditure as a percent of GDP per capita (see Table 7.2) decreased between 1970 and 1985 and increased between 1985 and 1994. Between 1960 and 1995 the United States has experienced increases and subsequent decreases in public expenditure on higher education at the federal level. Federal expenditure on post-secondary education in constant dollars (see Table 4.3) increased between 1965 and 1975, its highest point during the time period, and has subsequently decreased, increased and then decreased. Between 1959-60 and 1979-80, federal education expenditure increased as a percent of

total expenditure and has subsequently decreased and increased (although the increase never surpassed the high point of 1979-80). Following a similar trend, the state/local level education expenditure as a percent of total expenditure increased between 1959-60 and 1979-80 and then decreased until 1992-93. The high point of education expenditure was 1979-80.

As a percentage source of revenues for public higher education institutions, state governments increased between 1961-62 and 1980-81 and then decreased until 1993-94. The federal government decreased and increased twice during this period, but there was an overall decrease between 1961-62 and 1993-94. In private institutions, the federal government has decreased as a percentage source of revenue between 1980-81 and 1993-94. In public institutions, state governments decreased as a source of revenue in constant dollars in 1990-91 after continuous increases since 1961-62. The state has increased and decreased higher educational expenditure during the time period. The late 1970s and 1980s appear to be a turning point for the increases, at least at the federal level, as higher educational expenditure never surpassed the high points of 1975 and 1980. As well, during the 1980s state/local government increased as a public institutional source of revenue in constant dollars until 1990-91 when it began to decrease as a percentage source of public institutional revenue. While some indicators appear to suggest state spending decreases, this is not a trend for all indicators.

In New Zealand, government expenditure in constant dollars increased between 1959-60 and 1993-94. State expenditure per student has followed no discernible trend as it both increased and decreased over time. Real public expenditure as a percent of GDP

per capita (see Table 7.2) increased and decreased between 1985 and 1993. Expenditure on tertiary education as a percentage of GDP decreased between 1970 and 1975, stabilised until 1985, increased in 1990 followed by a decrease. As a percent of total expenditure, educational expenditure increased between 1959-60 and 1993-94. As a percent of the education budget, tertiary education expenditure increased between 1959-60 and 1979-80, and then slightly decreased and stabilised until 1993-94 (see Table 5.3). As a percent of university revenues, government as a source increased between 1970 and 1980 and then decreased between 1980 and 1996. As in Canada and the United States, the highest point for government as a source of institutional revenues was 1980. In constant dollars, government as a source of revenue increased between 1970 and 1996. There is no evidence that state spending has decreased.

Although the Swedish data are limited, it is possible to observe some trends. There was a decrease in the percentage of GDP allocated to tertiary education between 1970-80, followed by increases between 1980-93. Tertiary education as a percent of the education budget (see Table 7.1) increased between 1960 and 1969, decreased until 1980, and then increased until 1992. Recent state higher education expenditures (see Table 7.2) also indicate spending increases. The data allow a qualified conclusion that public spending is increasing but that further historical data would have to be analysed to determine trends.

The data do not unequivocally support the argument that there have been public expenditure reductions in each of the four countries. The data for Canada supports the claim that there have been state spending reductions since the late 1980s. It appears in the

United States as though the character or nature of spending is changing rather than being decreased. For instance, in the United States Table 4.3 showing federal support for education suggests that between 1990 and 1996 spending was not drastically reduced but rather reallocated. New Zealand is more complex in that there appear to be public expenditure increases as well as an increase in private funding as a source of revenue for higher education institutions. In Sweden, the limited data show public spending increases. Thus, for these four countries there is no unqualified support for the claim that public expenditure reductions are part of a universal international trend. There is support for the claim that the nature of spending appears to be changing although in divergent directions.

(3) Higher education systems are becoming more reliant upon non-governmental sources for operating purposes.

(3.a) These non-governmental sources include students and corporations.

With the exception of Sweden[11], all countries are now relying more on student fees and non-governmental donations for their institutional revenues than they did in the past (although in New Zealand donations are aggregated into the "other" category so it is difficult to discern). Between 1970 and 1980, tuition costs decreased in Canada and the United States. However, since 1980, tuition costs in Canada and United States have increased substantially. Also since 1980, student fees as a source of institutional revenues have increased in constant dollars and as a percentage of revenues from all sources in all countries that levy fees.

Although donations remain a relatively small part of institutional revenue sources, they have increased as a percent and in constant dollars in North America. Donations vary

[11] The lack of available data for Sweden prevents a determination of the extent that the higher education system relies on private sources such as donations.

as a source of revenue when the revenue category is considered. For example, in Canada, non-government donations have never exceeded 5% of total operating revenues. However, when considering revenues for sponsored research, non-government donations increased in percentage terms between 1972-73 and 1995-96. In constant dollars also, non-government donations increased as a source of revenue for sponsored research between 1963-64 and 1994-95 with a slight decrease in 1995-96.

With the exception of Sweden, the data support the hypothesis that higher education systems are becoming more reliant upon non-government sources of revenue. As well, it can be stated that these non-government sources include students. With some qualifications, Canada and the United States are also relying more on non-governmental donations (including corporations, foundations and individuals).

(4) The political orientation of government toward the goals and nature of higher education is changing toward commercialisation on an international level.

This thesis has provided a qualitative description of the structure and nature of higher education in each country and recent political developments that have influenced the state's involvement in higher education. This section will not repeat that discussion but seeks to summarise the results to elucidate any commonalities or differences among each of the countries.

In September 1997, the members of the Asia-Pacific Economic Co-operation (APEC) Human Resource Development Ministers, of which Canada, New Zealand, and the United States are a part, released a statement saying that education had to be linked more closely with the world of work. The APEC statement asserted that "lifelong

learning and school-to-work transition are essential to creating an adaptable workforce as well as providing individuals with relevant skills." Defining education in terms of the labour market and the economy is not a new political development. However, Canada, New Zealand and the United States appear to be defining education more in economic terms, in conjunction with privatising the costs of education to individuals. As well, in Canada industry-university partnerships are developing with the potential effect being the commercialisation of knowledge. Similar developments are also occurring in the U.S., although this was not specifically discussed in this thesis.

Each of the countries has experienced higher educational change and political economic shifts both specific to the country and common to the other countries. New Zealand, the United States and Canada all have experienced new right political movements that have attempted to redefine higher education policy, the state's role in higher education, and the welfare state in general. While New Zealand and the United States underwent specific and overt new right programs of "Rogernomics" and "Reaganomics", Canada experienced a new right economic program of deficit reduction through program cuts that has been largely discussed in terms of constitutional jurisdiction and intergovernmental relations. The provincial governments of Ontario and Alberta are most notable for their new right reforms to the welfare state and higher education.

Political developments in Canada have involved significant reductions to social spending at both the federal and provincial levels, increased accountability measures for higher education institutions in some provinces, a move toward a moderate voucher

system where students increasingly are funded in the form of loans while institutions face government reductions, increased competition among institutions for both students and institutional funding, and facilitation of the tax expenditure welfare state. This could be characterised as a move from a non-commodified publicly controlled system to a commodified publicly controlled system that allows for an increased role for individuals within a competitive marketplace.

Similarly New Zealand is experiencing an overt neo-liberal reformation of its welfare state and higher education system. The reforms include a redefinition of the welfare state to tighten eligibility and reduce benefits, the introduction of tuition fees to tertiary education, a moderated voucher system where funding follows the student, the facilitation and promotion of private sector education alternatives to the public sector, the introduction of "total quality management", and a move to make institutions more commercial and competitive. This suggests a move toward a mix between a privately and publicly controlled system that is commodified.

The United States has always been highly commodified and market oriented, and this remains the case. Public and private institutions compete among themselves for student funding, donations and government funding. The Reagan era appears to have reshaped the structure of higher education funding by reducing government subsidies and promoting privatisation. The United States is both publicly and privately controlled and commodified.

Sweden has undergone several shifts that have included increased government control over higher education programs followed by a decentralisation of government

control. A Social Democratic government undertook the increased government control, while a Conservative government initiated the decentralisation of control. Public support for the welfare state in Sweden made radical changes politically unfeasible. Interestingly, for a non-commodified social democratic welfare state, higher education was defined in terms of occupational sectors and the labour market. Institutions had little autonomy to develop their own programs independent of state control. The decentralisation of 1993 could be interpreted as a means to enhance individual choice and institutional autonomy, but still within the public system. The reforms in 1993, which included decentralisation, privatisation, and performance-based funding were designed to make the system more demand driven. In this sense, it introduces market mechanisms into the system, but remains publicly funded. Unlike New Zealand, Canada and the United States, Sweden remains committed to full employment and the maintenance of a welfare state through public investment.

Overall, higher education has been influenced by the political conditions in each country. Since higher education is largely financed by the state, the political dynamics and economic conditions are important to consider when discussing education reform. Tuition fees, enrolment numbers, labour agreements within universities, institutional governance, partnerships with external agents such as industry, and research are all affected by decisions made at various political levels. The orientation of government towards the goals and nature of higher education is changing in the sense that it is emphasising individual responsibility for access to education, the requirement of quantifiable output measures for educational investment, increased competition, and a

greater role for markets as an organising mechanism. This is within the context of a utilitarian perspective on education and its relationship to the labour market and an overall rethinking of the welfare state. Sweden is the exception to this general trend as it has largely protected the welfare state, but even so, it sees a role for quasi-markets within the public system.

The macro-hypothesis was that higher education is becoming more privatised/commercialised in Canada as well as internationally. The forms of privatisation and commercialisation are multifaceted. In consideration of Sub-hypothesis 4, it can be concluded that higher education in Canada is being commercialised and privatised. This trend is also apparent in New Zealand and the United States suggesting an international element. However, Sweden seems to be resisting the neo-liberal tendencies suggesting that not all countries are converging in their higher education policy.

The privatisation and commercialisation of higher education is multifaceted in that it involves corporate partnerships, increased tuition costs, reduced or reallocated state expenditure and regulatory mechanisms that impose business principles upon higher education institutions.

Chapter 8: Higher Education Transformation in Context

Summary of Hypotheses

The objective of this research was to determine if privatisation/commercialisation of higher education was occurring, and if so to what extent, in Canada, New Zealand, the United States and Sweden. The overall macro-hypothesis for this research was that higher education is becoming more privatised/commercialised in Canada as well as internationally. The forms of privatisation and commercialisation were suggested to be multifaceted. The macro-hypothesis was considered through the examination of several sub-hypotheses that were discussed in the previous chapter. The main findings relating to these sub-hypotheses include:

(1) Public spending on higher education differs by welfare state type.

There was no unqualified evidence to suggest that welfare state type is a determinant of higher education spending per se. The countries do not fit nicely on a private-public spending continuum on the basis of their welfare state type. However, as Esping-Andersen (1990: 114) argues, measuring a welfare state on the basis of aggregate economic data has limited validity. If the nature of higher education is considered, American higher education is highly commodified in that there is a well-established private system that competes with the public system. This fits in with the fact that the United States is also the most liberal of all the countries. Canada, New Zealand and Sweden mostly have a public system, as their private system is small and well regulated.

Canada, New Zealand, and the United States all have higher education systems that rely on student fees for access while Sweden, the only social democratic regime surveyed, does not charge tuition. Where data are available, Sweden does not consistently rank at the public end of the public-private index. As well, Canada and the United States do not rank fairly consistently at the most private end of the public-private continuum. The country's placement on the public-private index depends upon the aggregate measure and the time period being considered. As well, a country that is most public in some regards may be more private in other regards. Therefore, there is limited evidence to support the hypothesis that higher education spending depends upon the welfare state type.

(2) Public spending on higher education is being reduced.

(2.a) Changes in public spending on higher education are part of an international trend.

In Canada, New Zealand and the United States public spending on higher education generally increased between the 1960s and 1980s. Between 1980 and 1995, Canada experienced both federal and provincial reductions on higher education spending and on spending that supports higher education (i.e. federal transfer payments). In New Zealand, between 1980 and 1996, government spending on tertiary education generally increased but decreased on a per student basis. In the United States, public expenditure generally reached an all time high during the mid to late 1970s and early 1980s after which, depending on the indicator, there have been a series of increases and decreases. Generally, the data indicate that for Canada, New Zealand and the United States 1980 was a turning point for government expenditure, institutional reliance on private sources, and

tuition costs. From the limited data available for Sweden, its can be concluded that there have been spending increases. Therefore, the hypothesis that there have been spending reductions and this is part of an international trend is not supported. What can be argued is that the character or nature of spending has changed with reductions, increases or reallocation on some indicators with no consistent international trend.

(3) Higher education systems are becoming more reliant upon non-governmental sources for operating purposes.

(3.a) These non-governmental sources include students and corporations.

In New Zealand, Canada and the United States, private sources (mostly student fees) have increased as a source of higher education institutional revenue. Tuition costs in all of these countries also increased. Between 1980 and 1995 there was generally an increase in non-government gifts and donations. Sweden does not rely on tuition fees for revenue and there were no data available for non-government donations. Therefore, the hypothesis that higher education systems are becoming more reliant upon non-governmental sources (i.e. students, corporations and private gifts) is supported by the data for New Zealand, Canada and the United States.

(4) The political orientation of government toward the goals and nature of higher education is changing toward commercialisation on an international level.

In New Zealand and Canada there is a political movement by government to stress the individual's responsibility for access to education, increased competition through an increased role for markets as an organising mechanism, and increased accountability through quantifiable performance indicators. This is within the context of an intensified

emphasis on the economic utilitarian aspects of higher education. The United States has historically been highly commercial (market oriented), as both a public and private higher education system are in competition with one another. Both the private and public systems receive subsidies from the government, thus blurring the public-private boundary. The Swedish higher education system, although highly publicly financed, is commodified in that many of the higher education programs have been defined in terms of occupational sector. The move toward greater institutional autonomy is also being conducted within a quasi-market environment where state funding is allocated on the basis of each institution's multi-year plan. The reforms in 1993, which included decentralisation, privatisation, and performance based funding, were designed to make the system more demand driven.

In relation to the original question, it can be concluded that in Canada higher education is becoming increasingly commercialised. Canadian higher education is increasingly relying on student fees and forming partnerships with industry while government expenditure on education is decreasing. New Zealand higher education is increasingly becoming privatised and this is indicative of a larger public sector restructuring where all public institutions are being encouraged to operate on business principles. The United States system is unique in that it has a well-developed public and private systems. However, the public system is increasingly relying on private sources. Sweden, has experienced the introduction of market mechanisms but remains publicly funded with no tuition fees.

Therefore, there is evidence to support the hypothesis that in Canada, New Zealand and United States higher education is becoming more commercialised. This takes the form of an economic utilitarian view of higher education that focuses on practicality, relevance and output. However, this claim is made against the cautionary backdrop that governments have always defined higher education in terms of economic utility which has always provided a rationale for public intervention. The difference between then and now may be that the present focus on labour market relevance, practicality, and output is within the context of public retrenchment and increased reliance on private funding sources.

The macro-hypothesis was that higher education is becoming more privatised/commercialised in Canada as well as internationally. The forms of privatisation and commercialisation are multifaceted. It can be concluded that higher education in Canada is being commercialised and privatised. This trend is also apparent in New Zealand and the United States suggesting an international element. However, Sweden seems to be resisting the neo-liberal tendencies suggesting that not all countries are converging in their higher education policy.

The complexity of privatisation and commercialisation is such that it may be occurring while state spending is increased or reallocated. This process may involve an increased reliance on private sources of revenue potentially allowing increased influence by private interests. The privatisation and commercialisation of higher education is multifaceted in that it involves corporate partnerships, increased tuition costs, reduced

state expenditure and regulatory mechanisms that impose business principles upon higher education institutions.

Possible Factors Influencing Higher Education Transformation

A number of factors that affect the role of higher education and the relationship between the state and higher education were mentioned in the introduction. Some possible influences include demands for accountability and "relevance", student access to higher education, the changing nature of knowledge, the introduction of technology, a neo-liberal political movement and structural political-economic shifts. Although each of these factors may have a different level of explanatory value for each country, the forces may be part of a universal trend that transcends national borders. For instance, accountability, access, the changing nature of knowledge, the introduction of technology, and economic conditions all appear to be influential factors in each country. The recent ascendancy of a neo-liberal political movement is particularly relevant for Canada, New Zealand and the United States. Here I briefly expand on each of these possible factors.

Accountability

Many governments are demanding accountability for the public money that is spent on higher education. Green and Hayward (1997: 13) suggest that accountability demands are surfacing in the United States and the United Kingdom, countries in which universities enjoyed relatively little regulatory oversight. In Sweden, undergraduate education is now funded on the basis of institutions meeting "educational assignments"

where higher education institutions must meet certain objectives determined by government. In New Zealand, there is a move to monitor the quality of education through external bodies consisting of industry, the community, government and educators. In Canada, many provinces are introducing key performance indicators and basing funding on meeting or exceeding these performance criteria.

Accountability with its techniques for measuring performance are potential transformative forces of higher education. This is especially so considering the financially vulnerability of higher education and the introduction of market mechanisms as an organising concept. The indicators provide a mechanism for enhanced state regulation of knowledge production and dissemination. State bureaucrats and university administrators who ensure "compliance" with the indicators have considerable power over the monitoring of teaching and research within the university.

Access

Access has also had a transformative effect on higher education, as it has been an important issue in all of the countries examined here. The demands for access come from students and parents who see higher education as a mechanism for a better social and economic future, employers who desire a larger number of skilled employees, and politicians who see a better educated "human resource base" as key to economic and social development (Green and Hayward 1997: 7). Many government and higher education policies and programs are designed under the umbrella term "access". Indeed, access is one of the many performance measures that were discussed in the previous section. On the surface, governments are placing importance on improved access and

using the measure of increased enrolments in higher education as an indicator of system accessibility.

However, the apparent consensus regarding the goal of access among policy-makers, business and students collapses when deciding the means to achieve it. The two major means to achieve access discussed by various groups include privatising higher education and enhancing student loan systems, or increasing funding to institutions to lower tuition costs and providing grants to students. As seen in the previous chapters, recent policy initiatives in Canada, the United States and New Zealand are following the privatisation route.

The tables below indicate enrolment trends for Canada, New Zealand, United States and Sweden. Table 8.1 indicates that although in 1994 participation in tertiary education remains high in each country when compared to the 1970s, the increases in student participation have decreased. In Canada, recent data show that participation has stabilised, and most recently, has actually decreased (Table 8.2). One important point in all of the countries is that participation among lower socio-economic groups remains the lowest of the groups. This raises the question of why the representation of lower income groups did not increase while government funding was at its highest point. As well, another worthwhile question is why Sweden, which has no tuition fees, has the lowest student participation in tertiary education and why students from the low occupational sector backgrounds are not more highly represented. In Canada, many students are from families with modest income backgrounds (see Chapter 3, page 59-60). However, the discussion on student access in Chapter 3 suggests that the recent tuition cost increases

are negatively impacting lower income students' decision to attend university. As recent statistical trends indicate (see Tables 8.1), enrolment will likely stabilise if not decrease. In Canada, the privatisation of higher education is accompanied by an increase in overall economic inequality among the Canadian population which will likely exacerbate the problem of representation among lower income groups (Statistics Canada 1998, Census 1996).

Table 8.1: Number of Full-Time students enrolled in tertiary public and private institutions per 100 persons in the population aged 5-29.

	1975	1985	1990	1994	Mean 1975-94
Canada	6.7	8.6	9.3	10.8	8.8
United States	6.6	7.4	8.2	8.8	7.8
New Zealand	2.5	3.0	4.8	7.3	4.4
Sweden	5.6	6.5	6.7	5.7	6.1

Source: *OECD Education at a Glance 1996 and 1997.*

Table 8.2: University Enrolment Growth in Canada

Year	Full Time Students	Part-Time Students	Total	Enrolment growth (%)	Population aged 18-24	18-24 growth (%)	University Participation: 19-24 olds
1962	141117	43990	185107	-	1770500	-	-
1970	309469	156576	466045	151.8	2623500	48.2	-
1975	369706	185406	557087	19.5	3137900	19.6	8.3
1980	382617	245128	629725	13.0	3435600	9.5	10.0
1985	467304	284898	754187	19.8	3377600	-1.7	12.4
1990	532131	309197	843318	11.8	2949900	-1.3	15.7
1994	575704	283252	860950	2.1	2837300	-3.8	18.5
1995	573185	273225	848405	-1.4	-	-	18.6
1996	576900	251287	828187	-2.3	-	-	-
1997	578390	240230	818620	-1.1	-	-	-
	Enrolment growth 1990-1997			-2.9	-	-	-

Sources: Little (1997); Mouelhi (1995); Statistics Canada (1998), http://www.statcan.ca.

The government reductions to higher education and the increases in tuition costs (and resulting student debts for the low socio-economic student group) may actually be part of an unstated policy to reduce enrollments in universities or at least in particular

programs and disciplines. In this regard, in 1975, Crozier, Huntington and Watanuki wrote a report for the Trilateral Commission and suggested that there should be a re-examination of the costs and function of higher education. The authors argued that the expansion of university education could result in the "overproduction" of graduates for the jobs available to them (Crozier et al. 1975: 183). The authors stated that this surplus of unemployed graduates might eventually destabilize the "democratic" system.[12] The authors concluded that either the job expectations of students should be lowered or higher education institutions should be induced to redesign their programs more in line with the labour market (Crozier et al. 1975: 183).

Green and Hayward (1997: 8) suggest that political rhetoric about increasing access is often contradicted by financial policies that either create higher costs (and in many cases debts) to students or disincentives to institutions, such as reduced funding per student. Recent provincial and federal government "assistance" policies encourage students to enter market-driven programs by increasing student debt loads, and implementing more stringent mechanisms around debt-repayment.[13] For instance, the Ontario government is "minimizing" student loan default rates by providing students with the default rate statistics for post-secondary programs and holding institutions responsible for the costs of defaults. In addition, the Ontario government is bringing in measures to disqualify loans to students with poor credit ratings and withhold income tax refunds

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[12] The authors did not see such a movement as being democratic in itself. Nor did the authors discuss the anti-democratic tendencies of the market capitalism they advocated.

[13] This author sat on the British Columbia Minister's Standing Committee on Student Financial Assistance. A presentation by bankruptcy trustees at one meeting suggested that students who are receiving student loans should have to write a "business plan" about their objectives in university or college. As well, the trustees suggested that students who receive loans should not be permitted to enter programs for which no clearly defined employment is available upon completion of their studies.

from individuals who have defaulted on their loans (Ontario Ministry of Education and Training, 1998). The federal government is bringing in similar measures by denying loans to "credit risk" students and amending the *Bankruptcy Act* to exclude student debt from allowable dischargeable debts.

Essentially there appears to be a shift in political priorities over student access and who is responsible for the costs of education. As student numbers stabilise or decline, and government funding declines (or decreases because institutions have not met the increased "access" performance indicator), this could exacerbate the pressure to further privatise by increasing fees and entering into more corporate-university partnerships to offset revenue losses. Higher education may continue, as Bourdieu and Passeron (1990) have observed, to act as a mechanism for maintaining privilege and social selection and exclusion.

Knowledge and Technology

The OECD suggests that an overall rethinking of the role and place of knowledge in society is impacting universities (Papadopoulos 1994: 157). There is an increased emphasis on the practicality of knowledge, a move away from the emphasis placed on liberal arts and humanities, increased fragmentation and specialisation of disciplines, and a movement of education out of universities into non-formal educational organisations such as the workplace (Papadopoulos 1994: 157). This increased legitimacy of knowledge obtained beyond the formal educational environment has the effect of "democratising" learning but may also reduce the value of knowledge disseminated in the traditional university environment. It also implicitly delegitimates the value of knowledge not

associated with "practical" economic, political and social objectives.

The trend toward knowledge fragmentation and specialisation has led Jean-Francois Lyotard to suggest that there is a post-modern knowledge environment in a computerised society where all knowledge is questioned and no knowledge is superior. Within Lyotard's knowledge marketplace, with public access to memory and data banks, individuals can operate within a system of "perfect information" as more types of knowledge become accessible and no one form of knowledge predominates (Hollinger 1994: 130; Lyotard 1984). Lyotard suggests that knowledge and power are equivalent, and he poses the question "who decides what knowledge is, and who knows what needs to be developed?" (Lyotard 1984: 376).

Although Lyotard's vision of the knowledge marketplace and the computerisation of society is problematic, there appears to be increased fragmentation of knowledge as disciplines specialise (often forming links with industry) and increased legitimation of knowledge disseminated outside the university environment. There is the potential that knowledge produced out of self-interest or with a bias for a particular result will be given equal merit with the more balanced, curiosity-driven research. As Newson (1994) states, knowledge cannot be separated from the institutional arrangements in which it is produced. The establishment of co-op programs, university credits earned for previous work experience, universities moving their research facilities into the workplace (e.g. the Queens University and Alcan International partnership for an automotive manufacturing centre discussed in Chapter 3) and industry moving employees into the university (the Nortel Centre for Telecommunication at the University of Toronto) all suggest that

knowledge creation is being transformed.

Changes in legitimate knowledge are also accompanied by changes in technology. Green and Hayward (1997: 15-16) argue that the introduction and development of technology has increased the "efficiency" of education by providing cost-effective education to students. Further, technology may enhance research capacity and increase student access through "distance education". However these positive aspects of technology are not without negative consequences. For example, Green and Hayward (1997) argue that technology may not be a panacea for accessibility or equality, as it may result in greater inequality between "have" and "have-not" institutions as well as between wealthy and poor students. Resource poor institutions and students from lower income groups may not be able to afford the technological means required to compete in the hi-tech marketplace (Green and Hayward 1997).

Noble (1997) suggests that the introduction of technology into the university is being driven by larger commercial forces that seek to "automate" education and enhance profit potential through technology development and utilisation. After the oil crisis of the 1970s, international competition increased and the industrial powers lost market share over the world's primary and manufacturing industries. The focus then shifted toward "knowledge" based industries which implicated universities as a site of economic development resulting in the proliferation of corporate-university partnerships (Noble 1997). This introduction of technology "automates" the campus and has led Noble to term the hi-tech university as a "digital diploma mill." The university has become a site of high technology development while at the same time there is an increased emphasis on

teaching technology skills.

Neo-liberal Political Movements

As seen in previous chapters, in New Zealand and the United States neo-liberal or "new right" governments have operated to redefine the welfare state and the role of the state in general. As suggested by Gill (1990), Canada has also undergone a neo-liberal restructuring of its political ideological map. To some extent what is occurring in Canada is also relevant in New Zealand and the United States. Sweden, however, has not experienced an organised and co-ordinated "new right" political movement as in the other countries. The overall rise in neo-liberal thinking toward the state and its related institutions has also involved a rethinking of higher education policy. The rise of neo-liberalism as a political movement has occurred through political parties, policy and interest groups, and university governing structures.

The establishment and perpetuation of neo-liberal hegemony occurs at the level of public discourse and the policy process. There are many sites of influence that facilitate integration between political officials, business elites and the academic officials who make decisions relating to universities. Structural supports such as third party networks (Newson and Buchbinder 1990) and corporate-university linkages at the level of university governance help assist in the integration of universities and corporations (Ornstein 1988; Carroll and Beaton 1998).

Similarly, neo-liberalism has subjugated political decisions to the economy, deficits and debts. O'Connor (1987) suggests that politicians and state planners may use

the word "crisis" ideologically because crisis is associated, not with social struggles, but with the actions of a rational ruling class and power elite directing the economy for the common interest while strengthening themselves and their power. [14] The discourse of fiscal crisis is both constitutive and strategic in that it structures political thinking and is consciously employed for political gain (Workman 1996: 30). The discourse excludes a careful examination of fairness in taxation, class inequality, or the economy itself. Politics that are subjugated to the market involve technical economic management discussions about the natural rate of unemployment, acceptable debt to GDP ratios, government spending as a percent of GDP, and taxation rates.[15] Hence, spending decisions, including spending on higher education, are examined by politicians, the private sector and much of the public through the lens of fiscal restraint.

Although it is mistaken to argue that neo-liberal forces actively and consciously suppress university programs and research that are critical of society or capitalism, such programs and research are increasingly being judged by market indicators such as overall relevance to the employment market and quality of output in the form of students and

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[14] The Canadian debt "crisis" is a good example of this ideological manipulation. Vincent Truglia, of Moody's Credit Rating Agency in the United States, states that Canada's debt situation has been grossly exaggerated by the Canadian private sector which has even published reports that deceived Canadians about the debt by double counting numbers, and making inappropriate international comparisons (McQuaig 1995). Truglia notes that Canada is unique in that it is the only country in the world where members of the private sector were encouraging him to downgrade Canada's credit rating to pressure the government to follow through on deficit reduction (Freeman 1995: 9). After Truglia issued a special commentary on Canada's debt situation indicating that Canada's debt was not out of control and its gravity had been misrepresented, this upset the business community and he states "one Canadian . . . from a very large financial institution in Canada called me up on the telephone screaming at me . . .[about the report]" (McQuaig 1995).

[15] In the United States, conservative fiscal policy on the surface may appear to resolve the fiscal crisis, however, spending has been merely reallocated rather than reduced. In fact, conservative policy has led to deficits, renewed inflation, and hardship for those dependent upon social and educational expenditure. Conservative policies have the effect of undermining the egalitarian and democratic concerns crucial to the legitimising functions of the state in a class society (Shapiro 1989: 116).

research. The current reorientation of the type of research and programs the state and business considers legitimate or worthwhile and is willing to support through increased funding takes priority over the basic or applied research which is conducted for the sake of knowledge itself. The impact of increased privatisation and commercialisation includes striving for increased accountability, efficiency and innovation in universities that often involves measurement indicators analogous to those found within the private manufacturing and service sectors.

Much of the advocacy for neo-liberal reforms has occurred through the state sector and third-party organisations. Corporate-university forums and summits, policy organisations, the state and the media all play influential roles in constructing the political and ideological support of the public through a reshaping of common sense understandings of the purposes of higher education and through facilitating partnerships to align the activities of universities with private enterprise.

Post-Fordism and Structural Economic Transformation

Changes in state spending priorities may also be driven in part by economic conditions. Drache suggests that while Keynesian style policies supported economic growth, the aggressive pursuit of investment and trade opportunities by business is changing the nature of the modern state (Drache 1996: 32). The modern state is faced with a distributional crisis in that governments are having difficulty in reconciling the demands by business to make the economy competitive while preserving social programs such as health, education and income protection programs. Universal social programmes

are increasingly stigmatised as outdated and obsolete in the fast changing world of the 1990s. Business argues that it cannot be competitive and pay the taxation required to finance social programs (Drache 1996: 43-44). Hence, the transformation of social spending in a post-Fordist economy has shifted toward a welfare state that is more market-oriented in that spending should not act as a disincentive to work or investment.

The post-Fordist economic transformation is accurately described as a Schumpetarian workfare state characterised by the promotion of product, process, organizational and market innovation, the enhancement of structural competitiveness of open economies through supply-side intervention, the subordination of social policy to the demands of labour market flexibility, and structural competitiveness (Jessop 1993: 9). Any "new" expenditure is generally a reallocation of previously reduced expenditure and with respect to higher education, is strategically directed to enhance structural competitiveness through facilitating private-public partnerships. A good example of this is the Canadian Foundation for Innovation discussed in Chapter 3.

The limits to social democratic education policy under a Keynesian welfare state reflect the overall structural limitations of the welfare state's dependence upon a strong private sector. The ability to sustain institutions or practices based upon democratic and egalitarian values within a larger social system characterised by their absence is difficult (Shapiro 1989: 71). As capitalist interests restructure institutions to displace or counter the accumulation crisis, the result of their actions may produce greater inequality, a reduced space for sustained articulation of political, economic and social alternatives, and a subordination of political and democratic participation to the discipline of the market.

Citizenship and Higher Education

During the post-war period higher education expanded the concept of the welfare state as it became a social right. By virtue of citizenship, the public could increasingly have access to the ideas and prestige of higher education. This development was largely a collective endeavour framed in the context of economic, social and cultural development. However, during the 1980s and 1990s the "liberal" countries have witnessed a reduction in social and cultural rights. The state is reallocating and reducing expenditure on its welfare state and redefining its redistributive role. Within this transformation of social rights, higher education is increasingly being redefined as a private good in terms of wealth generation for the economy. The individual becomes the emphasis of the process and becomes largely responsible for their access to higher education. This is arguably part of a larger trend where the emphasis on the economic has superseded the social and cultural rights of the citizen. As this transformation is largely political, it is conducted within the context of a strong regulatory state. The state, although vulnerable to shifts or crises in capitalism, remains strong in maintaining social and economic order.

Possible Implications of Higher Education Transformation

The growing emphasis on practicality and relevance coupled with the increased privatisation and commercialisation of higher education will likely impact the research and teaching conducted in universities. This will affect the knowledge base available for democratic decision making and alternative social, political and economic futures. Critical programs will likely continue to exist but will be increasingly disciplined by both the market, as well as performance indicators that favour market orientation.

Current government policies and various business organisations are encouraging individual responsibility for the costs of education while allowing tuition costs and student debt to increase significantly. This may segregate the poor and lower working classes to applied educational fields while more critical, humanistic or curiosity-driven fields become the privilege of the wealthy. Given that an individual's social condition can greatly influence the research s/he pursues, the task of social criticism may be entrusted to those who have an interest in maintaining or strengthening existing market structures.

Appendix 1: Representation in the Canadian Foundation for Innovation 1997

Position	Name	Principal/corporate affiliations	Sector of Representation
President	**J. Keith Brimacombe**		
		Alcan Chair of Process Engineering, UBC	CFI
Vice President	**Dr. Denis Gagnon**		CFI
Chair of Board	**Dr. John Evans**		
	Chair of the Board	Allelix Biopharmaceuticals Inc.	Industry
		Torstar Corp	
		Alcan Aluminum Ltd.	
	Director	Pasteur Meneux Connaught Canada	
		Harlequin Enterprises Ltd.	
		MDS Inc	
		Royal Bank of Canada	
	Former President	University of Toronto	
Directors	**Dr. Lorne A. Babiuk**		
	Director	Veterinary Infectious Disease Organization	Non profit private
	Dr. T. A. Brzustowski		
	President	Natural Sciences and Engineering Research Council	Academic
	Ms. Dian Cohen		
	President	DC Productions Limited	Industry
	Director	Canadian Pacific Limited	
		Monsanto Canada Inc.	
		Noranda Forest Products	
		PanCanadian Petroleum Ltd.	
		Roins Holding Ltd.	
		Royal Insurance Company of Canada	
		The Second Cup Ltd.	
		Sun Life Assurance Company of Canada	
	Dr. Bernard Coupal		
	President	T2C2/Bio Inc.	Industry
		T2C2INFO Inc.	
		Transfert Technologies Commercialisation Capital	
		Societe Innovatech du Grand Montreal	
	Director	IBEX Technologies Inc.	
	Dr. Monique Frize		
	Professor	NSERC/Nortel Joint Chair for Women in Science and Engineering	Academic
	Director	CADMI/CADCAM and Incutech N.B.	
	Dr. Michel Gervais		
	Consultant, former Rector	Universite Laval	Industry
	Director	Alliance Forest Products Inc.	
		Industrial-Alliance Life Insurance co.	
	Mr. Jean-Yves Leblanc		
	President/COO	Bombardier Transportation, Bombardier Inc.	Industry
	Dr. Robert Philips		
	Executive Director	National Cancer Institute of Canada	Non profit private
	Dr. David Pink		
	Professor (Physics)	St. Francis Xavier University	Academic
	Mr. Gedas A. Sakus		
	President	Nortel Technology	Industry
	Senior vice-president	Northern Telecom Ltd.	
	Chair/CEO	Bell-Northern Research Ltd.	
	Dr. Gerri Sinclair		
	Director	Exemplary Ctr for Int Technologies in Education (ExCITE)	Non-profit private
	Dr. Michael Smith		
	Professor	Peter Wall DistProf Biotechnology, U of British Columbia	Academic

Representation in the Canadian Foundation for Innovation 1997 (cont)

Position	Name	Principal/corporate affiliations	Sector of Representation
	Ms. Stella Thompson		
	Principal	Governance West Inc.	Industry
	President	Stellar Energy Ltd.	
	Director	AGRA Inc.	
		Allstate Insurance Company of Canada	
		Laidlaw Inc.	
		Talisman Energy Inc.	
	Dr. Mary Ann White		
	Professor of Chemistry	Dalhousie University	Academic
Members	**Dr. Angus Bruneau**		
	Chair	Fortis Inc.	Industry
		Air Nova Inc.	
	Director	The Canada Life Assurance Co.	
		Petro Canada	
		SNC Lavalin Group Inc.	
	Dr. Gilles Cloutier		
	Consultant, former Rector	Universite de Montreal	Industry
	Director	Bechtel Canada Inc.	
		Gentec Inc.	
	Dr. Jim Friesen		
	Professor (Medical Research)	University ofToronto	Academic
	Mr. Robert J. Giroux		
	President	Association of Universities and Colleges in Canada	Non-profit private
	Dr. Art Hanson		
	President	International Institute for Sustainable Development	Non profit private
	Ms. Dorothy Lamont		
	CEO	Cndn Cancer Society, Nat. Cancer Institute of Canada	Non-profit private
	Dr. Monique Lefebvre		
	President	Quebecor Multimedia	Industry
	Dr. Julia Levy		
	Pres/CEO, Chief Scientific Officer	QLT Photo Therapeutics Inc.	Industry
	Mrs. Judith Maxwell		
	President	Canadian Policy Research Network	Industry
	Director	Bank of Canada	
		The Mutual Life Assurance Co of Canada	
	Mrs. Edythe A. Parkinson		
	Former President	CS Resources Ltd.	Industry
	Dr. Peter J. Nicholson		
	Exec V-P Corporate Strategy	BCE Inc.	Industry
	Director	Bell Canada International Inc.	
		Express Vu Inc.	
		Medalinx Interactive Inc.	
		Maritime Telegraph and Telephone Company Ltd.	
	Mr. Guy Saint-Pierre		
	Chair	SNC-Lavalin Group Inc.	Industry
	Director	Alcan Aluminum Ltd.	
		BCE Inc.	
		General Motors of Canada Ltd.	
		Royal Bank of Canada	
	Dr. Martha Piper		
	President and Vice Chancellor	University of British Columbia	Academic
	Dr. Matt Spence		
	President	Alberta Heritage Foundation for Medical Research	Non-profit private
	Dr. Ron Steer		
	Professor (Chemistry)	University of Saskatchewan	Academic

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- **Conferences and Papers**

1998 Beaton, James. "Neoliberal Hegemony and the Commoditization of Higher Education in Canada" presented at the Congress of the Social Sciences and Humanities, Ottawa.

1998 Carroll, William K. and James B. Beaton. "Globalization, Neoliberalism and the Corporatization of University Governance in Canada 1976-1996: A Structural Analysis". Submitted for publication, *Studies in Political Economy*, August 1998.

- **Awards**

1998 York Entrance Scholarship ($3,000), York University.

1998 OISE/UT Scholarship ($10,500), Ontario Institute for Studies in Education, University of Toronto – declined.

1997 Graduate Teaching Fellowship ($3,000), University of Victoria.

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Title of Thesis

The Commercialisation/Privatisation of Higher Education

Autho[redacted]

James Benjamin Beaton
December, 1998