

TOWARDS A MARKET-BASED MODEL IN HIGHER EDUCATION: A CASE STUDY OF CHINA AND NEW ZEALAND

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Higher education systems in China and New Zealand have experienced significant transformations in response to the dramatic economic and social changes of the two countries through the influence of globalisation. Both systems have shifted from mainly state-controlled, state-funded and elite systems to state-supervised, diversely-funded mass systems based on a market model. The transformations of these two systems are divided into four periods, with some differences of their time span in each period. The study of higher education systems in China and New Zealand demonstrates that no country's higher education system, be it large or small, Eastern or Western, can be immune from powerful external forces.

Introduction

China and New Zealand have undergone considerable transformations in their higher education systems alongside significant economic and social changes. Both countries have become more open and outward looking, moving to an increasingly competitive market system with higher education (HE) experiencing strategic shifts through a number of important reforms and reorganisations. These range from predominantly state-controlled, state-funded and elite systems to state-supervised, diversely-funded mass systems based on a market model. Although these two countries are vastly different historically, geographically, demographically, socially, culturally and politically, they have both been subject to external forces of globalisation and the knowledge economy, and have made consciously managed, state-mediated responses to those forces through the internationalisation of HE. This internationalisation has emanated from policies advanced internally as well as those advanced by international government organisations, such as the Organisation for Economic Cooperation and Development (OECD).

New Zealand HE reforms have been undertaken principally within a neoliberal framework challenging the traditional role, status and academic freedom of universities. China, since the economic reforms in the late 1970s, has been increasingly aware of the importance of advanced knowledge in nation building, and the need to connect with the outside world. Therefore, much emphasis has been placed on reforming the HE system to make it adaptable to the needs of a fast-changing global environment.

Understanding changes in HE systems in both countries helps to understand not only the specifics of these countries, but also the characteristics of the globalisation processes around the world. China and New Zealand are two of many countries undergoing significant social and cultural transformations, and although they differ widely from each other and from

other countries in many aspects, they also share many similarities with the significance of their adaptations to globalisation going well beyond their borders. This paper focuses on the reforming and restructuring processes that the two HE systems have undergone through several transformation periods.

Changes in the higher education systems of China and New Zealand

Changes in the HE systems of China and New Zealand can be divided into four periods. Table 1 shows that the four periods in both countries are approximately parallel although differences are apparent in the last period. Both systems have experienced restructuring and reforms. In general, HE systems in both countries before the mid-1980s were based mainly on an elite and traditional system but China went through some dramatic changes during the Cultural Revolution. HE reform from the mid-1980s onwards saw China moving to an open and more market-based system and New Zealand changing to a competitive market system under neoliberal principles. The 1990s were marked by reform exploration in China and market-based exploration in New Zealand. Currently, the Chinese HE system has completed full-scale reforms and moved towards a more open system based on a socialist market economy while New Zealand continues a competitive market-based model with a shift to more central steering.

Table 1: A Comparison of HE Changes in China and New Zealand

HE in China	HE in New Zealand
1A. Before 1976: <ul style="list-style-type: none"> • Soviet model • The Cultural Revolution 1B. 1977 - 1984 <ul style="list-style-type: none"> • Restoration and readjustment 	1. Before the mid-1980s: <ul style="list-style-type: none"> • A British-based system • An elite system within a welfare state • Largely government funded
2. 1985 -1992: Minor reforms: <ul style="list-style-type: none"> • Innovative ideas • Introduced student fees 	2. Mid - to late - 1980s: Rogernomics <ul style="list-style-type: none"> • Broader participation • More competition
3. 1992 - 1997: Further reforms: <ul style="list-style-type: none"> • Decentralisation • Job selection 	3. 1990 -1999: <ul style="list-style-type: none"> • Competitive market-based model • Increased student fees
4. 1998 - 2000: Full-scale advancement of reforms <ul style="list-style-type: none"> • Amalgamation of HEIs • Shattering the old system 	4. 2000 to present: <ul style="list-style-type: none"> • Continued market-based model • Aim towards more central steering

Changes in Chinese higher education system

Changes in Chinese HE system under external forces are discussed basically according to four major periods: (1) Soviet influences, the Cultural Revolution and restoration stage (1950s–1984); (2) brewing stage (1985–1992); (3) exploration stage (1992–1997); and (4) full-scale advancement stage (1998–2000).

(1) Soviet Union's influences, the Cultural Revolution and restoration stage

The new Chinese HE system was created in the early 1950s based on the Soviet model, characterised by nationally uniform teaching plans and curricula (Hartnett, 1998). The Marxist-Leninist ideology that this model represented guaranteed training students to serve the

objectives of a socialist state. As an imitator of the Soviet Union's experience, this system was highly centralised to fulfil the mission of serving the socialist construction of China.

After 1966, the 'Cultural Revolution Model' dominated. With the start of the Cultural Revolution in 1966, Mao Zedong had abolished the National College Entrance Examination in order to create more opportunities for underprivileged, working class children. In 1968, the reformed school curriculum was founded on Mao Zedong's educational ideals. These ideals were clearly expressed in the "Sixteen Points Decision" during the Great Cultural Revolution in People's Republic of China, as made public in the *People's Daily*:

The educational system should be shortened. The curriculum should be cut down. The teaching material should be reformed completely, some of which are firstly deleted from the complex to the simple. Besides, the students should learn other things, that is, industrial work, farming and military affairs. They should also take part in the struggle of the Great Cultural Revolution to criticize the bourgeoisie. (*People's Daily*, August 1, 1966)

The resulting education system was typically characterised by: much politicising; shortening of academic study; downplaying of academic aptitude in favour of class background; overemphasising of hands-on experiences; neglect of theoretical learning; and a combination of classroom teaching with work in the fields (Wan, 2001). On the whole, the HE reform during the Cultural Revolution was more politically oriented than economically oriented, causing an irremediable loss to the Chinese educational cause. It was only after the downfall of the Gang of Four in October 1976, marking the end of the Cultural Revolution, that educational policies and practices changed to satisfy the needs of the new period moving to socialist modernisation.

As shown in Table 1, the second period from 1977 to 1984 was characterised by the restoration and readjustment of the HE system and the reintroduction of the 1963 uniform HE management system that re-emphasised the formal education that had been abandoned during the Cultural Revolution. In 1977, Deng Xiaoping, whose ideology represents the new Marxism of present-day China, proposed that China must catch up with the most advanced countries of the world, and that addressing science and education should be the first steps to achieve that target. One of the first actions taken to reorganise Chinese HE was to restore the National College Entrance Examinations and to re-emphasise formal education. Deng mobilised the whole of China into Four Modernisations under the Four Cardinal Principles: keeping to the socialist road; upholding the dictatorship of the proletariat (the people's democratic dictatorship); leadership by the Communist Party; and Marxism-Leninism and Mao Zedong Thought. HE needed a central development strategy for agriculture, industry, science and technology, and national defence to build the country into a fairly advanced industrialised nation by 2000 (Library of Congress, 2002). Deng announced, "[e]ducation should be geared toward modernization, the world, and the future" (Hartnett, 1998: 353) mainly because he realised the crucial role of education, particularly HE, in developing China's economy and enhancing her status in the world. This message has ultimately marked China's far-reaching educational aims. Initially, policies reflected these aims by reinstating the pre-Cultural Revolution, Soviet

Union-influenced HE system in line with economic development, industrialisation, agricultural modernisation and political mobilisation in China (Hu & Seifman, 1987; Rai, 1991; WB, 1997). Soon, however, China began to disengage the system from the Soviet Union's influence. Since 1977 or thereabouts, the Chinese government has given HE development top priority by enlarging its scale and upgrading its structure so as to produce as much talent as possible for society (Rai, 1991). This identification of HE reflected the early impact upon China of the knowledge society and Third Way politics as formulated by Anthony Giddens. It also represented the first shift of focus to a Western model of education as the Soviets started to lose world power. Driven by the knowledge wave, the Chinese government realised that international competition would be the competition of professionals, and therefore started to highlight the importance of professionals. The fostering, attracting and utilising of professionals became a strategic task. Based on this principle, with education as the basis for cultivating professionals, China should take the road of reform and innovation in developing its education sector so as to avoid the failings of the economy that occurred under Mao's industrial model.

The reinstatement of the National College Entrance Examination in 1977 was the first signal of the restoration and readjustment period in Chinese HE in the post-Mao era. Students were once again selected based mainly on their academic aptitude, thereby restoring HE quality. In 1979, the 1963 uniform HE management system was reinstated and the Ministry of Education (MoE) was appointed to standardise national teaching plans, outlines and textbooks (Rai, 1991). This standardisation enabled the MoE to govern higher education institutions (HEIs) and easily supervise the so-called quality of HE. However, this 'one-size-fits-all' model had the effect of restraining the autonomy of HEIs and stifling the creativity of teachers and students. Lacking the freedom to choose their own textbooks and design their creative curricula, almost everything HEIs did had to follow this model.

Since 1977, the MoE has kept refining and adjusting the enrolment system to make HE more responsive to the fluctuating demands posed by the country's development. Hu and Seifman (1987: 32) explain that the amendments have covered

reducing the maximum eligibility age of the applicants, standardising and centrally organising the examinations, increasing the number of subjects on the entrance examinations, instituting a preliminary examination system to select the best qualified candidates to sit for the national examinations, giving preferential treatment to certain categories of applicants, etc.

In February 1980, three academic degrees, the B.A., M.A. and Ph.D. were reinstated in China. This reinstatement showed China's determination to elevate to international levels the academic criteria and attainable educational levels within its HE system. In 1984, Chinese HEIs and the MoE, under the influence of early overseas Chinese educators in the West, began investigating foreign educational developments, systems and theories, mainly from such developed regions as Europe and North America. This exploration was a symbol of early reforms in China's HE system, and an attempt to further disengage from Soviet influence.

The second large-scale reorganisation of the Chinese HE reform after 1984 can be divided into three stages: the brewing stage (1985–1992); the exploration stage (1992–1997); and the full-scale advancement stage (1998–2000) (Chen, 2002).

(2) Brewing stage (1985 to 1992)

China experienced a long period of relative isolation under Mao. The post-Mao government realised this isolation could be a major cause for the long-time economic failure in China and decided to open up to the outside world. In May 1985, in order to allow China's HE to fit within the international community with its market economy, the central government issued an important document on *Reform of the Education System*, a milestone in the ongoing transformation process of the post-Mao HE era. It articulated specific reforms: the principles and orientation that the post-Mao government set for education. This document restates the central role of HEIs in realising the Four Modernisations while also stressing the importance of increasing their autonomy. This paradox of central control and autonomy of HEIs mirrors the neoliberal management strategies for stakeholders (e.g. government) such as new public management (NPM) with its stress on contract to substitute central management by a new system of public administration, initiating such notions as “clarification of purpose, role clarification, task specification, reliable reporting procedures and the freedom to manage” (Olssen, 2000: 29). With a view to reinforcing the Party's leadership in education, the State Education Commission (SEC) was founded to “develop educational policies, plan the development of Chinese education; coordinate the educational work among different governmental departments to guide the reform of educational reform” (Hartnett, 1998: 361). Universities were granted new powers to define teaching content and techniques, and autonomy to recruit enterprise or self-funded students beyond the state plan and to initiate new programmes. The need for faculty research was emphasised at universities. From 1984 to 1992, there was a 16.7 percent increase in the number of HEIs in China. The SEC, central ministries and provinces, and municipalities became the main financing sources for these HEIs. Also, since 1989 students have been charged tuition fees in order to recover some of the operation costs and to reduce the financial burden on the government (WB, 1997). This indicated the first step towards a semi-market model based on a philosophy of benefits to the consumer. This period was characterised by some innovative ideas with occasional exploratory reforms, but did not result in much improvement in terms of “reforming the macroscopic system of HE administration during the 1980s” (Gang, 2001: 179). However, it paved the way for later substantial reforms (Hartnett, 1998; Rai, 1991; WB, 1997).

(3) Exploration stage (1992 to 1997)

Deng Xiaoping made influential addresses while surveying the Southern-China areas during February 1992. He proposed a complete series of theories and guiding principles for advancing socialism with Chinese characteristics. In October 1992, the 14th Congress of the Chinese Communist Party decided to build a socialist market economy and, in line with this, established a theoretical framework on which to develop further educational reforms (Bao & Xu, 1998; Chen, 2002).

From 1993, this readjustment of HEIs was officially initiated with the intention of fully promoting the institutions through reform and restructuring while handling the problem of the HEIs' fragmented structure by experimenting with the shift of some HEIs from the

control of central ministries to provincial governments. In February, 1993, the *Guidelines for China's Educational Reform and Development* (GCERD) was published, promoting further reforms through two levels: government policy and institutional practice. Attention was focused on the issue of how to restructure HE in terms of coordinating the relationship between government and university, central and local authorities, the SEC and other ministries of the Central Committee. The exploratory solution was decentralisation at the institutional level, counter-balanced by supervision at the macro-level with regards to management and administration. Universities were granted more autonomy in making administrative decisions concerning admissions, special studies, administrative structures, capital investment, remuneration policies, international academic exchanges, and some other areas in line with particular rules. The government was to be legally responsible for ensuring standards — one expression of a shift towards neoliberal governance — by providing “appropriate funds, information service, and guidance in policy and administration” (Li, X. P., 2000: 39).

From 1993 onwards, tertiary students in financial need were also provided interest-free loans to finance their studies (MoE, China, 2002), a move, incidentally, that New Zealand introduced in 2005. In order to develop and continue the tuition fees charge system, some scholarships and subsidies, stipends, and reduction or exemption from tuition fees have since been practised (China Organisation, 2002). The continual neoliberal practice of a ‘user-pay’ system followed a market-based model with the marketing of HE services providing welcome income sources, thus changing the relationship between HEIs and students into that of providers and clients.

In 1995, Project 211 was instituted as a principal national development strategy in the ninth Five-Year Plan period (1996–2000), with the aim of implementing the GCERD, achieving the goal of “Reinvigorating China through Science and Education”, and taking the challenges posed by the rapidly developing world-technology for the twenty-first century. In this project, about a hundred HEIs and a number of key disciplinary areas were supposed to strengthen and enhance their education quality, to promote scientific research, as well as to upgrade their management and increase their institutional efficiency (Education in China, 2001).

In 1997, “*Several ideas about changing roles, tightening up macro-administration and expanding the autonomous rights for universities under the direct authority of the state educational commission*” were issued with a focus on reshaping the relationship between the SEC and universities (Li, X. P., 2000: 39, italics in original). In addition, a two-way job selection policy was initiated to identify and decide on the important relationship between economic reform and HE. This policy reflected the profound impact of Human Capital Theory (HCT) and knowledge economy typified by a stress on the value of investment in human capital for economic performance in relation to education. It also signalled more demand-driven practices in a market economy and the abandonment of the unified national job-assignment system created in 1956 (WB, 1997). Consequently, students in Chinese HEIs became exposed to market mechanisms in education.

(4) Full-scale advancement stage (1998 to 2000)

The exploration stage from 1992 to 1997 was followed by the full-scale advancement stage from 1998 to 2000. On January 17, 1998, at the National Experience Exposure Workshops on Higher Education Management System Reform held in Yangzhou, Jiangsu province,

Vice Premier Li Langqing emphasised the importance of speeding up the reform of HE management to meet the new demands of the socialist market economy. HEIs were urged to detach themselves from their originally affiliated departments and to seek new survival strategies. This move aimed at meeting the changing demands of the socialist market economy in China as is mainly characterised by bridging economic philosophies: combining state-controlled investment and quota systems with liberalised tax and ownership policies. HEIs were either decentralised to the localities or handed over to the MoE, chiefly by merging into those universities that were already under the direct administration of the MoE. In the process, 1,232 HEIs experienced a great transformation through decentralisation and amalgamation. Before 2000, HEIs focused more on the administrative transition involved in devolution from the ministries to which they used to belong. Starting from the beginning of 2000, the process of restructuring HEIs was accelerated. Within a few weeks, 778 of those institutions were reformed (Chen, 2002).

Amalgamation occurred in two ways: one was to unite those HEIs in the same areas with identical or equivalent disciplines but attached to diverse ministries, in order to enhance efficiency and to avoid fragmentation and provincialism; the other was to construct larger and stronger universities by amalgamating key universities with comparatively limited disciplines in order to create top-level universities of world standard. For instance, Tsinghua University, China's leading university in science and engineering, has been merged with the Central Academy of Arts, a leading institute in fine arts, producing a powerful and comprehensive university with extensive disciplines (Chen, 2002). This large-scale reorganisation of HEIs was thus aimed at building top-quality comprehensive universities, inclusive of medical universities, with a great variety of disciplines and enough capacity to enrol a large number of students. Another principal objective was to shatter the old and inefficient system characterised by administrative centralisation, over-specialisation and fragmentation in order to build a new system under which the local governments would play a central role (Chen, 2002). This amalgamation was anchored in the Public Choice Theory (PCT) characterised by the utilisation of economic theories in public-sector institutions in order to operate public organisations in the same way as the private sector does. It reflected more demand-driven public choice and consumer choice in the market.

A noticeable feature in this large-scale amalgamation is that a large number of leading 'medical universities' have been incorporated into top, general universities. For example, Beijing University of Medical Sciences, the best in China, has been absorbed by Beijing University. Other universities of medical sciences have also been amalgamated. Never in Chinese history have HEIs experienced such a great transformation, pushing them towards a significant leap forward in the rapidly changing global market. On August 24, 2000, at a meeting of Congress, the second largest reorganisation of HEIs was declared to have been fundamentally and successfully accomplished (Li, L. Q., 2000).

Generally, before the HE reform in the mid-1980s, China's HE system used to be highly centralised or state-dominated in terms of governance. Under this system the MoE was responsible for the overall planning of curricula and syllabi, textbooks, student admission, graduate job assignments as well as budgets, salary scales and personnel arrangements (Mok, 1996). Local governments helped to implement national policy. In the post-Cultural Revolution

era, this old centralised management system was considered to be restrictive and inefficient, and inappropriate to meet the needs of the fast economic development in China. In order to make HE more accessible for greater numbers of people in a demand-driven rather than supply-driven situation in the market, the Chinese Government initiated a policy of decentralisation and devolution of administrative powers from the 1980s. Under the new policy, local governments have more flexibility and independence in developing HE, such as in the allocation of resources to finance HEIs, whereas the MoE acts as a regulator and coordinator. Individual HEIs have more administrative powers including freedom to develop their own businesses to earn money in the institutional construction. Without drawing on more government funds, autonomy came at a price; HEIs had to secure funds through profit-making activities, commercialisation and ‘enterprise-friendly’ activities. Market forces have impacted on curriculum and management in HEIs. A contractual relationship was correspondingly established between the presidents of HEIs and the teachers (Mok, 2001; Mok & Chan 2001; Mok & Ngok, 2001). Consequently, HEIs are run more like enterprises, a further move to a market-based model.

Changes in the New Zealand higher education system

Like Chinese HE, New Zealand HE has also undergone marked changes in the last two decades. The progression of New Zealand HE reforms since the 1980s can be classified into four periods as identified by Maureen McLaughlin (2003): before the mid-1980s; mid- to late-1980s; 1990–1999; and 2000–present (see Table 1).

(1) Before the mid-1980s: An elite system

Before 1984, New Zealand HE was very different from that of the present in terms of the role of the university, the number of students and funding. Broadly, the university at that time was perceived as a repository of knowledge and representation of academic freedom. The university was seen as “critic and conscience of society” facilitating the “closely interdependent nature of teaching and research” (Baker & New Zealand University Students Association, 1994: 6). Opportunity to study was selective, however. According to the Academic Board of the University of New Zealand, “not all persons are fitted by ability and interest for university study – indeed in a healthy community it is recognised that the university fulfils a limited function for a selected group” (Parton, 1979: 197–198). This demonstrates the then dominant view that HE was for the elite, which differentiates that conception from the current trend of massification of HE due to increasing demand as prompted by the global knowledge economy.

The universities were considered vital to New Zealand’s economic development because of New Zealand’s shift from dependence on primary production. Yet instead of regarding university education as merely an economic activity, “knowledge for its own sake” was an important ideal (Baker & New Zealand University Students Association, 1994: 8). Increased financial support for students was advocated in order to boost university participation, and to ensure that “university education was within reach of all those qualified to benefit from it” (Baker & New Zealand University Students Association, 1994: 8). In line with this orientation, New Zealand considerably increased funding for universities to reduce the staff–student ratio and to raise the student attendance rate, which subsequently resulted in a tripling of spending on university education from \$81 million in 1960–1961 to \$215 million in 1965–1966. Mainly as a result of the Hughes Parry Report and the resulting funding changes, HE from 1960 to

1984 was characterised by significant increases in government funding, lower staff–student ratios (10/12 students per staff member), and generous student support principally based on bursaries and scholarships, resulting in fast expansion of university student attendance, and the sharp increase in women’s participation in HE (Baker & New Zealand University Students Association, 1994).

(2) Mid- to late-1980s: Moving towards broader participation through more competition

There has been a significant change in the landscape of HE in response to the changes in New Zealand’s economy and society in the 1980s, as manifested in the deregulation of the majority of the economic sectors, the corporatisation and privatisation of state assets, the flattening of the tax base with the institution of the goods and services tax (GST) (a value-added tax), and the establishment of user-charges for state services to partly substitute funding from taxes (Kelsey, 1993). The principal driving force behind these changes came from the Treasury brief, *Government Management*, to the re-elected Labour Government in 1987. The 1984 Treasury brief argued that HE was “more a private than a public good” and criticised education for “the poor performance of the economy” (Butterworth & Tarling, 1994: 76). *Government Management* concentrated on economic issues, but extended to political issues and the ‘core’ areas of health, welfare and education.

The brief proposed a large reduction in state funding of HE, resulting in a sharp rise in student fees, which students could meet by applying for privately provided long-term loans. The brief also advocated the deregulation and marketisation of the HE sector so as to develop “consumer choice” and “variety of provision”, and promoted profit-driven institutions, removal of government control and central planning, and institutional competition for public and private funds (Baker & New Zealand University Students Association, 1994). Clearly, this brief set the scene for a New Zealand HE system, which was oriented towards more competitive, market-based policies.

Notably, the *Report on Post-compulsory Education and Training in New Zealand* (Hawke Report, 1988) and the consequent government responses, *Learning for Life I* (Department of Education, NZ, 1989a) and *Learning for Life II* (Department of Education, NZ, 1989b) represented the deepening of the neoliberal impact on the HE sector. These reports gave paramountcy to efficiency and accountability in HE. They followed an analogous market-driven approach and proposed much higher student fees and the selling of HE services as necessary income sources. Hawke (1988) criticised the over-centralisation and complication of the educational administration system and therefore recommended basic alterations. The Hawke Report echoed the ideology of *Government Management* and the New Zealand Business Roundtable report. It recommended further commercialisation of universities, decentralisation of post-compulsory education and training, separation of research and teaching, minimising of the role of university Councils, autonomy to establish student fee levels, contracting of the CEOs by Councils, Equivalent Full Time Students (EFTS)-based capitation funding, fundamental changes to management and accountability, increase in the proportion of private funding, devolution of responsibilities, and wide application of charters, audit procedures and performance appraisals, to guarantee the efficient operation of universities (Olssen, 2000; Baker & New Zealand University Students Association, 1994). As private benefit was seen as human

capital, education output was explained in the market terms as “the quantum of knowledge, skills and values that has been added to the initial stock of a student or trainee as the result of the service of a provider” (Hawke, 1988: 35).

The State Owned Enterprises (SOE) Act (1986), refined by the State Sector Act (1988) and the Public Finance Act (1988), established the legal structure for the changes described above. The SOE Act (1986) empowered the managers of SOEs to have executive control and authorised government corporations to operate by company law, as does a private business oriented towards high profits and efficiency. This corporate-styled reform has been correspondingly employed in universities to enhance competition resulting in a rise in user-charges, a new funding and accountability system, private-sector management and industrial relations structure. Under such a system, the Vice-Chancellor has become a corporate chief executive and the employer of all university staff.

(3) 1990–1999: A further move to a competitive market-based model

The process of corporatisation was further reinforced through the Education Amendment Act (1990), which has produced a system of charters whereby universities and the MoE have entered into a direct contractual relationship, thus weakening the autonomy of universities. The institutions’ Councils have been redefined as corporate bodies, and the financial and structural reforms have led to increased responsibilities on institutions and an enforcement of increased accountability and legal requirements. On the whole, the Education Amendment Act sped up the marketisation of the HE sector. Since then HE has been seen increasingly as a private investment rather than a ‘right’, corresponding to the viewpoints of Human Capital Theory held by a neoliberal government, which were that the goal should promote student-centred funding models in the later 1990s (Baker & New Zealand University Students Association, 1994; Olssen 2000).

Further HE reform was planned with the release of the Green Paper (MoE, 1997a) and the White Paper (MoE, 1998). The Green Paper addressed five principal issues concerning HE, as outlined by Olssen (2000: 39):

- funding and tuition costs for students;
- funding and assessment of research undertaken in tertiary institutions;
- issues of regulation and quality assurance with respect to qualifications, programmes, and the organisational effectiveness of TEIs (tertiary educational institutions);
- issues of ownership and organisational form; and
- issues relating to governance and accountability of TEIs with specific attention to Councils.

Olssen (2000: 39) observes that the Green Paper focused on “accountability”, “responsiveness”, “transparency” and provision for wider participation in HE at reduced costs. Roberts and Peters (1998: 6) argue that this Green Paper is “positively emaciated” and lacks concrete details in almost every area of HE, “having little to say about teaching practices, the

process of research, the nature and purpose of a university, the role of the humanities, and so on". However, an earlier version of the tertiary education review document that was leaked to the media (MoE, NZ, 1997b) was more radical than was the Green Paper, and was probably the most radical report on HE ever constructed by a department of state in New Zealand. According to this leaked document, "the broad implications of the package ... continue the direction set in 1989" and "implementing the package would require a shift from current policy parameters in a number of important ways", such as instituting a voucher system of funding to students by means of giving them "non-transferrable entitlements", instead of allocating bulk-funding to the educational providers (Olssen, 2000: 39). Although this document was not officially implemented, the Green Paper, as Peters and Roberts (1999) observed, did not stop its objectives from being realised. The Green Paper "simply wove extreme and less-extreme variants of further marketisation into the one document, leaving either route open" (Peters & Roberts, 1999: 21).

The 1998 White Paper, supporting the majority of the proposals in the Green Paper, recommended some important changes in subsidies and costs, quality assurance, protected terms, financial viability, research, information, governance and accountability (Olssen, 2000). Overall, however, the White Paper has been characterised as "an insubstantial document, similar in scope and content to the tertiary education review green paper" (Peters & Roberts, 1999: 21).

Both the Green and White papers, to a great degree, echoed the themes of the New Zealand Treasury's (1996) *Brief to the Incoming Government* in relation to "the need for the increased monitoring and managing of tertiary funding, a greater role for student choice, a more even treatment of private and public providers, increased provider competition, a greater alignment of funding across the tertiary sector, and increased reliance on student-centred funding models in contrast to the bulk-funded system" (Olssen, 2000: 40). They both viewed financial performance as a key indicator of financial viability, and advocated monitoring and accountability (Olssen, 2000).

In 1999 when the Labour Government was elected, the Labour Party reviewed the effects of the market-based model and concluded that education had become too expensive for students and that the system lacked coordination. Therefore, the Labour Government urged a shift from a market-based model in HE to a more strategic, coordinated direction which tied HE to national needs. It further advocated a decrease in the cost of HE by proposing interest-free loans to all students while studying, and no or limited fee increases (Olssen, 2000). Despite this discussion the reality remained the same at this time.

(4) 2000 to present: Continued emphasis on a competitive market-based model while deciding how to move to more central steering

The market-based model continues although the Tertiary Education Advisory Commission (TEAC), founded in April 2000, recommended policy towards a more centralised steering of HE (Olssen, 2000). Following the four reports produced by TEAC: *Shaping a Shared Vision*; *Shaping the System*; *Shaping the Strategy*; and *Shaping the Funding Framework* (TEAC, 2000, 2001a, 2001b, 2001c) the government's policy decisions still hold to the competitive elements of the present system but implement them from a "more centrally steered and regulated

approach” (Olssen, 2000: 40). The government has issued a *Tertiary Education Strategy* document, proposing priorities for the HE sector from 2002 to 2007 (MoE, NZ, 2002). A new Tertiary Education Commission (TEC) that will manage the funding and regulation of HE providers has been established and new regulatory and funding policies have been accepted (McLaughlin, 2003: 6). In this document, HE is viewed as an integral part of the nation’s economic and social goals, contributing to the political objective of “creating a knowledge society with a strong focus on the global marketplace” (Codd, 2002: 1). This suggests the importance of building a knowledge society since education will not only produce the skills and knowledge needed in the global market but will also itself become a tradable service in that market. In this way education represents “both the means and the ends of globalisation” and is an essential tool for the production of new global citizens and an indispensable contributor to economic globalisation as evidenced by a billion-dollar export industry (Codd, 2002: 1).

Driven by the global knowledge economy, the New Zealand government endeavours to build New Zealand as a knowledge nation. As Rt. Hon. Steve Maharey (2001), Associate Minister of Education (HE), claimed in his address at the launch of *Tertiary Education Strategy*, “the focus of the tertiary education system from 2002 will be to produce the skills, knowledge and innovation that New Zealand needs to transform our economy, promote social and cultural development, and meet the rapidly changing requirements of national and international labour markets” (as cited in Yourn, 2002: 1). Clearly, the new changes in the HE system demonstrate the New Zealand government’s determination to build New Zealand into a new ‘knowledge economy’ and ‘knowledge society’. This objective can be traced back to the first important initiatives including the “Foresight Project” by the Ministry of Research, Science and Technology (MoRST) in 1998 and the “Bright Future” programme, which were both launched under a National-led administration, and in which the theme of knowledge played a central role. The Labour-Alliance government, officially styling itself on the Third Way theme of Tony Blair in the UK, maintained the focus on knowledge but “pushed for an ideal of the ‘knowledge economy *and* society” (as cited in Yourn, 2002: 1, italics in original).

Therefore, HE as a key knowledge carrier has become one of the major representatives of Third Way ideology in New Zealand (Codd, 2002). The TEAC reports and the *Tertiary Education Strategy* have resulted in a new paradigm for HE in line with a ‘shared vision’ of developing New Zealand into a knowledge economy and society (Roberts, 2002). The new paradigm applies an integrated approach of “inclusiveness, partnership and intelligent intervention” for co-ordinating and resourcing the HE system (TEAC, 2001c: 12). Six strategies, each with its own set of goals and outcomes, are recommended for the HE sector from 2002 to 2007 (MoE, NZ, 2002: 6–7). These are:

1. Develop the Skills and Knowledge New Zealanders need for our Knowledge Society;
2. Promote Learning and Research for Maori Development;
3. Raise Foundation Skills so that all people can participate in our Knowledge Society;
4. Educate for Pacific Peoples’ Inclusion and Development in our Knowledge Society;
5. Strengthen Research, Knowledge Creation and Uptake in our Knowledge Society;
6. Strengthen System Capability and Quality for our Knowledge Society.

It would appear that this new approach shows a shift away from the neoliberal principles of privatisation and minimisation of the role of the state. The TEC will be responsible for supervising the whole HE sector. The Minister will be empowered to manage fees, subsidies, charters, and research funding. All these changes, or what will change, indicate a rigorous, democratic and comprehensive process or approach. However, in a sense, few changes from the underlying neoliberalism have taken place. According to Roberts (2002: 59) “[t]he language of policy development is still the same as it was under the previous government”. Although ‘choice’ and ‘competition’ are much less accentuated, the *Tertiary Education Strategy* still refers to “stakeholders”, “providers”, “outcome”, “value-added businesses and experts”, “performance indicators”, “quality assurance” and the like. The current government still uses the rhetoric of the knowledge economy to discuss HE. Knowledge becomes a dominant theme in the TEAC reports and especially in the *Tertiary Education Strategy* as exemplified in the comment that “New Zealand needs an *outward-looking, future-focused* and *connected* tertiary education that contributes effectively to our nation’s transformation into a Knowledge Economy and Society” (MoE, NZ, 2001: 4, italics in original). The TEAC and the *Tertiary Education Strategy* endorse the role of knowledge as a top priority, particularly in terms of New Zealand’s development and competitiveness in a global economy. However, as Roberts (2002) points out, they fail to define the nature of knowledge. It seems clear though that knowledge in the terms of these documents is no longer an end in itself, but relates to economic and social development. What is clear is that knowledge remains a tradable commodity to be produced and consumed so as to create an exchange value, and the same can be said of HE as a crucial knowledge agent. Correspondingly, the internationalisation of HE in New Zealand has switched its orientation from ‘aid’ to ‘trade’ and has developed as a new industry since 1988 (Alvey et al., 1999).

To sum up, New Zealand HE has been transformed in accordance with the policies and practices of neoliberalism; and HEIs in New Zealand have been changing in response to the social and political changes that have taken place from 1984 onwards (Peters & Roberts, 1999). The neoliberal reform process has had a great impact on all the institutions in the New Zealand HE system, and universities in New Zealand are facing constant challenges to their status, role and character. Much influenced by neoliberal principles, New Zealand HE is becoming increasingly commodified, marketised and privatised and while there has been a recent reorientation towards Third Way ideology, fundamental neoliberal principles continue to guide policies. The Third Way adds a human face and puts forward social values such as equality, yet in essence it is an extension of those neoliberal principles. “[T]he fundamental planks of neoliberal policy reform remain in place in the tertiary education sector in New Zealand” (Roberts, 2005: 40).

Conclusion

The present investigation of HE in China and New Zealand shows some common changes in the policy and structure of their systems and of their HEIs. The study suggests that developments in both countries have been influenced by similar global trends, in particular the knowledge economy and internationalisation. HE in both countries has experienced significant transformation from a centrally planned, state-controlled and inward-looking elite system to a state-supervised and outward-looking mass system based on a market model. Their systems have been moving towards deregulation, decentralisation, individualisation and marketisation. Both countries’ systems call for an improvement in the efficiency and effectiveness of the HE

sector and both recognise the importance of establishing academic links with the external world. HE is being seen increasingly as a private good and individual investment rather than a public good and public investment. Correspondingly, state funding in HEIs has been much reduced and their HE systems have been feeling the pressure of financial constraints at the same time as facing increased demands for efficiency in running good quality education. The state in both China and New Zealand continues to exercise a significant degree of autonomy in shaping the educational agendas, and to follow state-directed development paths, even though both countries are confronting pressures and challenges brought about by globalisation, the knowledge economy and internationalisation. Nevertheless, their governments still largely own the means of production including (state) universities. The two governments have tactically applied the discourse of globalisation and the knowledge economy to justify their political agendas. Their neoliberal approach to HE put HEIs under the governance of the market placing students at the service of the market. The radical changes in China and New Zealand's HE indicate that most countries (if not all), in order to be competitive in the global market, shift strategically towards a market-based model in HE through the influences of globalisation and the need for the establishment of a knowledge economy. However, these changes take different configurations in cases of marketisation, indicating that transformations in a country's system are both nation-specific as well as global.

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