

# THE RESTRUCTURING OF TERTIARY EDUCATION IN NEW ZEALAND: GOVERNMENTALITY, NEO-LIBERALISM, DEMOCRACY

MARK OLSSEN *University of Surrey*

**ABSTRACT.** This article traces the influence of neo-liberal policy formulations on tertiary-level educational institutions in New Zealand during the late 1980s and the 1990s. After a brief outline of the central ideas of liberalism and neo-liberalism, a historical overview of policy changes in higher education is presented. The article starts this account by summarising the major policy reports that were released in New Zealand during the 1980s and 1990s, and then goes on to outline and analyse the major policy initiatives that developed in relation to funding, research, teaching, quality assurance, accountability and governance. The consequences of these changes and proposals were to increase market efficiency through competition. This article claims, however, that these changes also undermined institutional autonomy, endangered academic freedom, increased state regulatory controls over universities, and had unforeseen political consequences in relation to the democratic functioning of universities and their role within society. The article concludes by examining the change in policy direction after the election of a Labour-Alliance government in November 1999.

## RESTRUCTURATION DE L'ENSEIGNEMENT SUPÉRIEUR EN NOUVELLE-ZÉLANDE : GOUVERNEMENTALITÉ, NÉOLIBÉRALISME, DÉMOCRATIE

**RÉSUMÉ.** Cet article traite de l'incidence sur les établissements d'enseignement supérieur des politiques néolibérales adoptées en Nouvelle-Zélande à la fin des années 1980 et dans les années 1990. L'auteur expose sommairement les préceptes du libéralisme et du néolibéralisme puis présente un aperçu historique des changements de fond survenus en enseignement supérieur. Il résume d'abord les principaux rapports de politique publiés en Nouvelle-Zélande dans les années 1980 et 1990 puis analyse les grandes initiatives stratégiques élaborées en matière de financement, de recherche, d'enseignement, d'assurance de la qualité, de responsabilisation et de gouvernance. Ces changements et propositions visaient à accroître l'efficacité du marché par la concurrence. Or, l'auteur soutient qu'ils ont également sapé l'autonomie des établissements et la liberté universitaire, alourdi la réglementation imposée aux universités par l'État et eu des effets politiques imprévus sur le fonctionnement des universités et leur rôle dans la société. En conclusion,

l'auteur examine la réorientation entreprise à la suite de la formation d'un gouvernement travailliste-allianciste en novembre 1999.

## INTRODUCTION

Changes in New Zealand's universities, as well as in the system of tertiary education generally, must be understood against the background of the more basic changes in economic and social policies introduced from 1984 and continuing until the turn of the century. With the election of the fourth Labour Government in 1984, New Zealand has been subject to a massive program of restructuring in relation to economic, social and educational policies. The changes to education which took place were motivated by the adherence of the groups most centrally involved – the Fourth Labour Government, the New Zealand Treasury and the New Zealand State Services Commission – to perspectives on the state, economy and education which differed fundamentally from those that had held sway under the period of the welfare state. The broad faith in the state's grandmotherly role of 'guidance and governance', typified in the economic sphere by Keynesian demand management, was replaced by a range of new academic, social and philosophical perspectives whose central common assumptions can be seen as constituted by a particular strain of liberal thought referred to most often as 'neo-liberalism' (Burchell, 1996; Burchell et al, 1991; Olssen, 2000, 2001; Peters & Marshall, 1990; Rose, 1993, 1996) or as 'economic rationalism' (Codd, 1990; Marginson, 1993). The central defining characteristic of this new brand of liberalism was that it was a revival of the central tenets of classical liberalism, particularly classical economic liberalism.

The central shared presuppositions include:

- i. The self-interested individual: a view of individuals as economically self-interested subjects. In this perspective the individual was represented as a rational optimiser and the best judge of his/her own interests and needs.
- ii. 'Invisible hand' theory: a view that the uncoordinated self-interest of individuals correlates with the interests and harmony of the whole society.
- iii. Free market economics: the best way to allocate resources and opportunities is through the market. The market is both a more efficient mechanism and a morally superior mechanism.
- iv. A commitment to 'laissez-faire': because the free market is a self-regulating order, it regulates itself better than the government or any other outside force. Neo-liberals show a distinct distrust of governmental power.

- v. A commitment to free trade: involving the abolition of tariffs or subsidies, or any form of state-imposed protection or support, as well as the maintenance of floating exchange rates and 'open' economies.

Notwithstanding a clear similarity between neo-liberal and classical liberal discourse, the two cannot be seen as identical, and an understanding of the differences between them provides an important key to understanding the distinctive nature of the neo-liberal revolution as it has impacted on OECD countries over the last 30 years. Whereas classical liberalism represents a negative conception of state power in that the individual was taken as an object to be freed from the interventions of the state, neo-liberalism has come to represent a positive conception of the state's role in creating the appropriate market by providing the conditions, laws and institutions necessary for its operation. In classical liberalism, the individual is characterised as having an autonomous human nature and can practise freedom. In neo-liberalism, the state seeks to create an individual who is an enterprising and competitive entrepreneur.

As Graham Burchell (1996, pp. 23-24) puts this point, while for classical liberalism the basis of government conduct is in terms of "natural, private-interest-motivated conduct of free, market exchanging individuals", for neo-liberalism "the rational principle for regulating and limiting governmental activity must be determined by reference to artificially arranged or contrived forms of free, entrepreneurial and competitive conduct of economic-rational individuals". This means that for neo-liberal perspectives, the end goals of freedom, choice, consumer sovereignty, competition and individual initiative, as well as those of compliance and obedience, must be constructions of the state acting now in its positive role through the development of the techniques of auditing, accounting and management. It is these techniques, as Barry, Osborne & Rose (1996, p. 14) put it:

. . . [that] enable the marketplace for services to be established as 'autonomous' from central control. Neo-liberalism, in these terms, involves less a retreat from governmental 'intervention' than a re-inscription of the techniques and forms of expertise required for the exercise of government.

In his own analysis, Burchell is commenting on and articulating Foucault's perspective on liberalism as a form of state reason or 'governmentality'. For Foucault (1979), neo-liberalism represents an art of government or form of political reason. A political rationality is not simply an ideology but a worked-out discourse containing theories and ideas that emerge in response to concrete problems within a determinate historical period. For Foucault, like Weber, political reason constituted a form of disciplinary power containing forms and systems of expertise and technology utilisable for the purposes of political control. Liberalism, rather than being the discovery of freedom as a natural condition, is thus a prescription for rule, which be-

comes both the ethos and techne of government. In this sense, as Barry, Osborne & Rose (1996, p. 8) put it:

Liberalism is understood not so much as a substantive doctrine or practice of government in itself, but as a restless and dissatisfied ethos of recurrent critique of State reason and politics. Hence, the advent of liberalism coincides with discovering that political government could be its own undoing, that by governing over-much, rulers thwarted the very ends of government.

### NEO-LIBERALISM

Neo-liberalism<sup>1</sup> represents a broad cluster of economic and organisational theories that can be collectively represented as part and parcel of the New Institutional Economics (NIE) or of New Public Management (NPM). The common language of such approaches stresses concepts such as 'outputs', 'outcomes', 'accountability', 'purchase', 'ownership', 'specification', 'contracts', 'purchase agreements', etc. Central to such approaches is an emphasis on contract which ostensibly replaces central regulation by a new system of public administration which introduces such concepts as clarification of purpose, role clarification, task specification, reliable reporting procedures and the freedom to manage. According to Matheson (1997), contractualism includes relations where:

- parties have some autonomy to their role;
- there are distinctions between roles and therefore a clarification of roles is obtainable;
- the specific role components are specifiable and as a consequence individuals can be held accountable;
- responsibility flows downwards, rather than upwards, i.e., responsibility can be identified as fixed in terms of a specific role;
- the assignment of work is by agreement;
- there is an objective basis for judging performance;
- transparency is a feature of the agreement process; and
- there are explicit consequences (sanctions or rewards) for fulfillment or non-fulfillment.

According to the former Secretary to the New Zealand Treasury, Graham Scott (1997), the New Institutional Economics, especially Agency Theory<sup>2</sup> constituted a strategy that "appeared promising" in New Zealand in terms of its commitments to:

- strategic management;
- divestment of non-core activities;

- re-engineering to create customer focus;
- delayering/de-coupling;
- total quality management;
- use of modern information technology for management information systems;
- improved accountability systems; and
- establishing appropriate cultural values, teamwork and leadership.

Not only was the NIE important for the selection and modification of governance structures, but it also enabled a much tighter and clearer specification of roles, as well as greatly increased accountability. Such theories, say Scott & Gorringe (1989), acted as influential forces on the people who were in “key advisory positions in the Treasury at the time” (1989, p. 158). The key concerns of the NIE were a concern with transaction costs; concepts and principles for analysing them through enhanced specification of tasks and goals; increased transparency; clear allocation of responsibilities and duties; the imposition of a heightened incentive structure; and a greater ability to monitor the contracts linked to a greatly increased accountability system. Absolutely central to the “wave of structural reforms in New Zealand” which affected “every Department of State” were the following principles derived from NIE:

- i. separation of ownership and purchase responsibilities;
  - ii. separation of policy from operations;
  - iii. separation of funding, purchasing and provision of services;
  - iv. competition between service providers;
  - v. reallocation of functions for focus, synergy and information.
- (Scott, 1997, p. 158)

Such policy prescriptions are central to all neo-liberal theories in that they operationalise the postulates that are common to the neo-liberal approach. These include:

- i. that individual interests underpin apparent group loyalties, resulting in an assortment of potential behaviours such as ‘shirking’ or ‘free-riding’;
- ii. that governments and bureaucracies have a tendency to the expansion and wastage of resources, sustained by the personal and group needs to stay in office, or maximise votes;
- iii. that governments and public bureaucracies are inefficient providers of goods and services compared to the competitive market, and that such services should, as a consequence, be ‘contracted out’ where possible;
- iv. that to the greatest extent possible the public sector should be rendered similar to the market order and that mechanisms of the market order should be introduced – use of economic incentives,

costs and benefits should be more closely aligned with individual preferences, better monitoring of effectiveness of individual performance, etc.; and

- v. that constitutional reforms should be introduced to underpin and safeguard property rights and to ensure limits on the growth of government and bureaucracy because these interfere with the maximisation of individual preferences and wants.

In addition, neo-liberal theories such as Public Choice Theory and Agency Theory specify a range of monitoring, information-eliciting and performance-appraisal techniques which aimed at determining the best form of contract, the best way of motivating agents, the best way of spurring performance (via rewards and sanctions), and finding the best way of monitoring and specifying contracts to guard against excesses and dangers produced by opportunism on part of an agent, due to 'shirking', deception, cheating or collusion.

Such theories are thus relevant to understanding the unprecedented disaggregation of the public sector that has occurred in New Zealand and other OECD countries since the late 1970s (Althaus, 1997; Boston, 1991, 1996a, 1996b, 1996c; Deane, 1989; Scott & Gorrige, 1989; Wistrich, 1992). As Catherine Althaus (1997, p. 138) observes, Agency Theory has been central to the dramatic scale of the restructuring that has occurred in these countries. It has underpinned funder/provider and policy/delivery splits (the 'decoupling' strategies) both within the public-sector bureaucracy as well as between the bureaucracy and the state, and resulted in policies of deregulation, corporatisation and privatisation. In addition, notes Althaus (1997, p. 137), "New Zealand and the United Kingdom have engaged in a unique application of agency theory which places them at the forefront of its application to the public sector". Indeed, "the striking aspect of an analysis of New Zealand's reform program is its use of theory", notwithstanding the fact that "the agency model has serious deficiencies if applied uncritically to public sector management" (1997, p. 138). This influence of neo-liberal theory was largely because the agenda for public-sector restructuring was driven by Treasury "under the influence of a small group of 'new-breed' reformers noted for their sensitivity to the market liberalism doctrine espoused by the Chicago school and think-tank institutes such as the Centre for Independent Studies and Institute of Economic Affairs" (1997, p. 139). As such, such theories influenced the 1984 and 1987 Treasury briefs to the incoming Labour governments and influenced the legislative form of the State Sector Act 1988 and the Public Finance Act 1989 which transformed personnel and financial management practices and initiated 'decoupling' strategies which separated policy from delivery through the creation of new delivery organisations.

What were not noted by the political reformers, however, were the negative consequences of such disaggregative models. Ewart and Boston (1993) note that when policy advice is separated from operations, the emergence of destructive sub-cultures can result, which can in turn lead to the duplication of advice as well as increased distrust and disruption instead of the theorised would-be benefits of greater contestability. Other research suggesting negative effects (increased tensions, rivalry, unnecessary duplication of services and resources, etc.) of disaggregative models has been noted in Britain by Greer (1992, p. 223), Hede (1991, p. 38) and Trosa (1994).

### *Neo-liberalism and tertiary education*

In New Zealand, the proposed changes in tertiary education policy were developed in a series of reports which were published in the latter years of the 1980s. The Watts Report of 1987, commissioned by the New Zealand Vice-Chancellors' Committee (NZVCC), tended to prefer government funding to user-charges. Although its main recommendations foreshadowed the concern with increasing student participation as a major issue, it was not until the Hawke Report (1988) and the Government's 'White Paper' responses to the Hawke Report, *Learning for Life: Education and Training Beyond the Age of Fifteen*, and *Learning for Life Two: Policy Decisions* (1989) that the neo-liberal agendas were systematically stated.

Officially titled *New Zealand's Universities: Partners in National Development*, the Watts Report favoured public funding partly because it saw education as a 'right' and also because of the difficulty in estimating the balance between the private and public benefits of tertiary education. While it reluctantly accepted that, given fiscal restraints, some 'user-charges' might be necessary, these should not exceed 20% of average course costs. And although its position on user charges was 'lukewarm', it clearly foreshadowed the future framework in terms of which the debate would be cast as "one of identifying the balance between public and private beneficiaries and hence of appropriate shares in financial contributions" (Universities Review Committee, 1987, p. 81).

In 1988, New Zealand's private sector business pressure group, the New Zealand Business Roundtable (NZBRT), published its report *Reforming Tertiary Education in New Zealand* (NZBRT, 1988). This held that education shares the main characteristics of other commodities in the marketplace and as such is a private rather than a public good. In recommending structuring tertiary education according to a market model, it claimed that this would provide incentives and sanctions necessary to increase efficiency and effectiveness of tertiary education institutions. In so doing, it foreshadowed many of the proposals which were to be advocated in later reports, including student-centred funding, contestability in research, reduced state funding of

student places, increased user-charges and a system of bank loans. It claimed that a market model would enable each institution to operate autonomously, which would improve performance. In addition, such a model would provide incentives enabling institutions to attract greater student numbers. As funding in this model would be by government subsidies to students, rather than via bulk grants, tertiary education institutions (TEIs) that failed to meet market demands (provide high-quality and appropriately priced courses) would fail to attract students and hence would not attract funding. While it considered that most of the benefits from tertiary education were private, it did not consider it feasible to introduce a pure market model whereby students paid the full amount through fees. Such a policy would impact negatively on participation rates, which were already low by OECD standards, and would overlook the fact that through labour market imperfections graduates were not always appropriately rewarded according to their skills.

The Report on Post-Compulsory Education and Training in New Zealand (Hawke Report) (Ministry of Education, 1988) and the two *Learning for Life* reports (Ministry of Education, 1989a and 1989b) saw the initial onset of neo-liberal policies as they affected the tertiary sector. These reports identified the issues of efficiency and accountability as of central importance in the tertiary education sector.

The Hawke Report had recommended that universities be more commercial and generate funds; that universities, not government, should set student fee levels; that research and teaching should be separated; that councils should be smaller; that councils should appoint the chief executive officers (CEOs) who should be appointed on fixed-term contracts; that accountability should be of a contractual form; and that there should be more extensive use of charters, audit procedures and performance appraisals to regulate universities and to tighten controls. As regards funding, Hawke had advocated that the proportion of private funding should be higher, suggesting a Wran-type scheme of student fees and loans, as had been proposed in Australia. In addition, in what was seen by many as a blatant attempt to increase direct government control over universities, Hawke proposed the abolition of the University Grants Committee (UGC), meaning that the contract between universities and the state would be directly with the Ministry of Education (MoE). Such a prospect was not welcomed by the universities which saw such a policy as undermining their institutional autonomy.<sup>3</sup>

*Learning for Life* and *Learning for Life Two* (Ministry of Education, 1989a, 1989b) maintained a similar market-driven approach. Although these reports recommended that the government should maintain a leading role as the principal funder of tertiary education, they also recognised the need for 'additional' sources of revenue through student fees as well as through selling its services (Ministry of Education, 1989a, pp. 12-14). What was to



result was a more market-driven tertiary education sector. Whereas previously the different tertiary areas (polytechnics, colleges of education, universities, wananga<sup>4</sup> had operated with different rule systems, the new policies envisaged would be 'across the portfolio'. This notion, more of a slogan than argument, implied a level playing field which was designed to increase competition between TELs in their efforts to attract students. The idea was reinforced by giving all of the TELs the potential to award degrees or to achieve university status.

To improve efficiency, universities would be funded not by quinquennial grants as they had in the past but according to numbers of students, with funding levels based on yearly assessments of equivalent full-time students (EFTS), proportional to the EFTS in each course-cost category. Such a system would operate in a context in which all TELs could compete with each other for students. It would also operate a devolved contractual model of accountability through mission statements and performance objectives, as well as a system of student user-charges and loans. Such changes resulted in a degree of corporatisation whereby TELs operated like private businesses, utilising the private-sector industrial relations framework and enabling a change in the managerial style of university administration.

The State Owned Enterprises Act (1986), although overtaken to a large degree by the State Sector Act (1988) and the Public Finance Act (1989), constituted the initial legislative platform on which these changes could be established. It was the SOE Act 1986 by which the managers of SOEs were given the powers of executive control; where SOEs must act in a context of competitive neutrality and contestability; where the commercial and non-commercial functions would be separated out; and where the boards and councils of SOEs were to be constituted as much as possible from private-sector models. Under this legislation, government corporations were regulated by company law and had as their principal requirement to operate as successful businesses, i.e., being profitable and efficient in a way comparable to private-sector businesses. This was bolstered by the State Sector Act (1988) and the State Sector Amendment Act (1989) which re-wrote the conditions of employment for public-sector employees.

A new system of appointing and remunerating senior public servants was established, based on procedures used in the private sector. These procedures involved large salaries and/or financial incentives, and relatively short-term contracts. A new financial management regime based on an increased concern with accountability and performance assessment was put in place. There was an increase in contracting-out of services that led to an increased casualisation of the labour market in the public sector. The advisory, regulatory and delivery functions of departments of state were separated to safeguard against the various forms of 'capture'.

What the corporate-styled reforms meant for universities was increased competition, an increase in user charges, a new system of funding, a private-sector management and industrial relations framework, and a new system of accountability. In addition, the Vice-Chancellor became a corporate chief executive and the employer of every member of staff.

The process of corporatisation was consolidated further through the Education Amendment Act (1990) which legislated a system of charters by which each university would develop and maintain a contract directly answerable to the Ministry of Education. While such a contractual system can be said to have increased autonomy in relation to schools, in relation to tertiary education it undoubtedly increased government control.

In 1990, the Labour Government introduced a flat fee for students of approximately 10% of total estimated course costs, which was increased to approximately 20% under the National Government in the 1991 budget. In this budget a new funding scheme for tertiary education was introduced calculated on an EFTS formula, whereby the government initially paid 85% of total course costs, leaving it to the universities to make up the shortfall, either by creating efficiencies or by charging fees. As student numbers increased in the first half of the 1990s, the proportion of costs paid by the government decreased in real terms, necessitating increased fee levels by TEIs, as well as increasing student-staff ratios and workloads. Partly in relation to the problems of financing increased participation rates in the early 1990s, the National Government appointed the Ministerial Consultative Group (1994) under Jeff Todd to advise on how the growth in tertiary education numbers could be financed. Various options and possibilities were canvassed and presented, and not all of them could be classified as neo-liberal. However, the overall effect of the Todd Report was to reaffirm the current trend to see tertiary education as a private investment rather than a right. This was in line with the views of Human Capital Theory and the other micro-technologies of neo-liberal government that were to encourage student-centred funding models in the later 1990s.

#### THE GREEN PAPER OF 1997 AND THE WHITE PAPER OF 1998

In September 1997, the Coalition Government issued *A Future Tertiary Education Policy for New Zealand: Tertiary Education Review* (Green Paper) (Ministry of Education, 1997a). It dealt with funding and tuition costs for students, the funding and assessment of research, regulation and quality assurance, issues of ownership and organisational form, and issues relating to governance and accountability.

Some months before its publication in July 1997, a memorandum summarising its basic proposals and preferences was 'leaked' into the public domain (Ministry of Education, 1997b). As this 'leaked' document stated, "the

broad implications of the package . . . continues the direction set in 1989". It also acknowledged that "implementing the package would require a shift from current policy parameters in a number of important ways". The leaked draft proposed introducing a voucher system of funding to students through granting non-transferable entitlements to replace the existing bulk-funded system paid to providers. The Green Paper itself was less extreme and more non-committal over the details of a fully marketised funding system. The leaked document was perhaps the most radical report on tertiary education by a department of state ever produced in New Zealand. As Boston (1997b, p. 6) claims, if it had been introduced, it would:

. . . witness the introduction of full-cost fees by all tertiary institutions, significant changes to the regulatory environment, a large expansion of the private sector, the potential for greater political control over public institutions (including universities), and a substantial change in the character and culture of most institutions.

In November 1998, the Tertiary White Paper (TWP), officially titled *Tertiary Education in New Zealand: Policy Directions for the 21<sup>st</sup> Century* was released (Ministry of Education, 1998). While it endorsed most of the recommendations of the Green Paper, there were some specific differences. While the Green Paper had favoured the establishment of TEIs as Crown companies under the Companies Act 1993, the TWP adhered to the statutory corporation form as 'Crown entities'.<sup>5</sup> There were also differences on the specifics as pertained to governance, including the establishment of council membership and the existence of the CEO as a council member.

To a large extent both the Green and White papers reaffirmed themes that were documented in the New Zealand Treasury's (1996) *Brief to the Incoming Government*. These themes concerned the need for 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 more reliance on student-centred funding models and targeted assistance, in contrast to the bulk-funded system and the provision of state subsidies.

While a number of commentaries on both the Green and White Papers have now appeared,<sup>6</sup> in what follows I want to comment selectively on a number of factors which are important for the democratic functioning of tertiary institutions in New Zealand. These relate to issues that serve to undermine the liberal model of the university, especially as they affect institutional autonomy, academic freedom, collegiality and professionalism, and democratic governance. My thesis is that what neo-liberal governmentality effects is an increase in control: indirect forms of control through the use of the self-steering market mechanism, as well as direct control through the state's regulatory political power.

Although the White Paper was put on hold and subsequently eclipsed by the election of a Labour-Alliance Government in the 1999 general election, in that it represents tendencies already present within the tertiary sector during the 1990s, my focusing upon it here manages to bring these already existing features into sharper view, thus exposing its rationality of neo-liberalism. There are several main forms of external control, both direct state control and indirect market control, that are proposed in this policy document. These forms of control will now be discussed.

### *Funding and research*

The advocacy of a 'student-centred' funding model constituted a direct attempt to subject tertiary education to the pressures of the marketplace. In this respect, the TWP introduced a new Universal Tertiary Tuition Allowance (UTTA) to subsidise costs for students enrolled in approved courses, and announced that from the year 2000 Private Training Establishments (PTEs) will receive the same funding subsidies as public institutions.

A further change related to a proposal to adapt the EFTS scheme to introduce a new regime of tuition subsidies where undergraduate, postgraduate and higher research degrees would be funded at different rates. It was based upon an analysis of the different proposed levels of funding through which the NZVCC maintained that postgraduate research would be reduced (Boston, 1999, p. 109).

The TWP makes major changes to the way in which research is funded. Instead of having research funded as a component of the EFTS grant, a proportion of the grant will be assessed and funded on a contestable basis by a central authority external to TELs. While initially this will constitute 20%, provision is made for it to increase to 80% and over several years. The contestable fund will target "advanced, high quality research with a strong strategic focus" (Ministry of Education, 1998, p. 17).

This recurring move within the Ministry of Education and government to separate university teaching and research was proposed as a way of increasing participation by lowering the barriers to entry. It was thought that by increasing the numbers of 'teaching only' universities which offer degree programs without any commitment to research, the overall cost of running universities would be lowered. The effects of this would be to undermine the international credibility of New Zealand degrees and enable the state to maintain a tight control over what is researched, as well as who does the research. Other possible effects are that it could potentially restrict academics who do not win contestable grants to teaching only, and it potentially supports a casualisation of academic labour whereby academics contract for different components of their salaries from different sources. It also suggests the rather worrying possibility that research projects that are not validated through the contestable process should not be considered as research at all.

As far as most academics are concerned, the demarcation of teaching and research has few positive features. Not only are the compliance costs for external applications enormously time-consuming but success will depend on factors such as the priority given to particular subject areas, the limitation of funds and the replication of types of research, as well as prioritisation for particular methodologies. Moreover, universities have traditionally seen research as an integral part of good teaching. Thus, the New Zealand Vice-Chancellors' Committee made representations in opposition to such a separation in response to the Hawke Report (Butterworth & Tarling, 1994, p. 141) and again in their submission on the Tertiary Green Paper (NZVCC, 1997b). Their position has been consistently to oppose such moves because teaching and research are inter-dependent and mutually reinforcing (see Butterworth & Tarling, 1994; NZVCC, 1997a, 1997b; Peters, 1997a).

### *Monitoring and accountability*

Increased state control was also encouraged in both the Green and White Papers in relation to ownership, monitoring and accountability. Because the Crown considered itself obligated for universities to maintain financial viability, it maintained that government control over governance and accountability regimes should be strengthened in line with other Crown institutions. Yet, although the Crown bears a substantial ownership risk, these documents argued that the government had little ability to influence decision-making in universities. Under the Universities Act 1961, universities had been established as "free and separate . . . with commensurate status, privileges, duties and responsibilities" (Peters, 1997b, p. 20). Now it was being proposed, building upon and intensifying Hawke's recommendations, that TEIs must be properly accountable for their use of public funds. In line with this, it was argued that there should be a more direct relationship between the governing boards of TEIs and the Crown. Further, that the large size of university councils impairs their performance; that universities should be required to pay a capital charge for the use of public resources on the grounds of both fairness and efficiency; and that financial reporting and external monitoring regimes for universities should be strengthened. These proposals were directly linked to corporatisation, whereby TEIs would be given greater autonomy and flexibility over ownership matters including greater control over assets and their deployment, enabling TEIs to adapt more easily to labour market demands.<sup>7</sup> It was for this reason that it was initially proposed in the Green Paper that universities be established as Crown Companies (see note 3).

In both the Green and White Papers, financial performance was seen as a crucial indicator of financial viability which drove the recommendations on monitoring and accountability. Central to the proposed accountability regime was the fact that the TWP (1998, section 3.5) linked accountability

to ownership risk. To do this it proposed placing all TEIs on the 6th (rather than the 5th) schedule of the Public Finance Act 1989. This would allow the Responsible Minister a far greater power of intervention and control. Under this schedule each TEI would prepare a Statement of Intent (SOI), in consultation with the Minister, which set out the strategic directions and performance targets. The TEI would then report against them through regular reports and financial statements which would be subject to assessment by the Tertiary Ownership Monitoring Unit (TOMU) and to the possibility of unlimited amendments to the statements by the Minister. Under conditions that the financial viability constituted a risk to the Crown, there was a provision for graduated political interventions.<sup>8</sup>

There can be little doubt that such a stringent accountability regime would substantially threaten the institutional autonomy that universities have traditionally maintained. The emphasis on quantifiable outputs, the imposition of capital charging and the need for consultation under the SOI would all increase the power of the state by giving the Responsible Minister new and unprecedented powers. The TWP gives the Minister the powers to appoint the first Council (165A); states that every Council must be accountable to the Minister for efficient and effective governance (181A); makes amendments to Council Charters subject to the approval of the Minister (184/2); gives the Minister new powers of intervention (sections 222B to 222L); gives to the Minister the power to appoint or terminate Council appointments (222F/4); gives the Minister the right to appoint an observer to the Council of any TEI (222D); gives the Minister the power to direct the Council to take independent advice (222E); or to prepare an action plan (222G); or to dissolve a Council (222F/4); or to appoint a Commissioner to stand in for a Council (222J); or to refuse to reinstate a dissolved Council (222L). Such increased powers constitute a significant revision of the concept of autonomy.

The proposals on quality assurance and monitoring would also operate through a new system involving direct state control. At the time of the TWP, quality assurance operated by a system internal to the universities, as established by the New Zealand Vice-Chancellors' Committee, under the Committee for University Academic Programmes (CUAP) and the Academic Audit Unit (AAU). Now it was proposed quality assurance should operate externally and be responsible for reviewing programs and qualifications, as well as ensuring that providers are well organised and accountable. The TWP proposed the establishment of a new supra regulatory authority, the Quality Assurance Authority of New Zealand (QUAANZ), which would be directly responsible to the Minister. The universities maintained that this gave the government, through the Minister, a far greater power to intervene directly in the internal affairs of universities than it presently had. Their central claim was that quality assurance had to be independent.<sup>9</sup>

*University governance and academic freedom*

Increased government regulation is also evident in the new system of governance for TEIs recommended by both the Green and White Papers. As these documents recommended, new proposals would effectively replace the semi-representative system of governance established in Section 171 of the Education Act 1990 with a new system of ministerial appointees. In addition, councils would be smaller and representation would be drawn more from the private sector and based upon the principle of expertise.

The central feature of such proposals was to be a change in the basis of selection or composition of the ruling bodies – the councils – of tertiary institutions from a system based on representatives or stakeholder groups to one based upon the appointment of council members by the government. To have councils that are too large or too representative makes accountability difficult and is an obstacle to the Crown's ability to influence governance decision-making. Sound governance means establishing governing bodies based upon expertise and answerable to the Responsible Minister and parliament. What was advocated was a new system of management and control of tertiary institutions similar to forms of governance that operated in business. The government wanted universities legally structured as companies rather than as statutory corporations that currently existed (see note 3).

What was also advocated was a reduction of the size of university councils from between 12-20, as had been the case up until this time, to something much smaller (7-12). Although the Green Paper advocated removing the tertiary institution's chief executive from the council, the White Paper stated that the chief executive officer of each TEI could continue to be a member of the board. The White Paper also recommended, following the recommendations of the State Services Commission (SSC) (1992) and Victoria University of Wellington (VUW) (1995), that internal stakeholders' (staff and students) representation on councils be reduced and that the majority of members and the chair of councils be comprised of members drawn from outside the TEI.<sup>10</sup>

These reforms would create a more streamlined governance structure whereby the roles and responsibilities of TEI councils would be more clearly defined. According to the White Paper, the responsibilities of the governing boards included appointing the CEO, negotiating the charter with the Ministry of Education, establishing the objectives and determining how to achieve the goals in the charter, negotiating accountability and performance reports, overseeing the effective performance and management of the TEI, as well as writing the mission statement and establishing the strategic direction.

The justification of the governance changes proposed in the Green and White Papers is essentially the same as that given for increased accountabil-

ity and relates to the Crown's ownership risk. If the market vulnerability of TELs is increased, so too is the financial risk that the Crown faces. Because of this, ownership should be vested in the Crown along the lines of Crown Health Enterprises (CHEs) or Crown Research Institutes (CRIs), and they should be managed by boards or councils constituted of Crown-appointed experts. Such a system, it is claimed, will avoid the dangers of 'provider-capture', inefficiency and 'rent-seeking behaviour', which is characteristic of representative systems.

Together with the assertion of ownership, the government proposed the imposition of a capital charge. A capital charge is a tax imposed on institutions based upon the market value of their capital assets – land and buildings. While the Green and White Papers claimed that this would increase efficiency, the actual effect would be to favour the polytechnics and private tertiary institutes, and penalise the older asset-rich universities which, due to reasons of history and development, have their properties and assets in the centres of urban areas. The effect of the capital charge, then, as the TWP made clear, would be to equalise resources across the tertiary sector, favouring polytechnics, private training establishments, colleges of education and wananga. Such a tax would severely impact upon university autonomy.

It was in the context of these proposals that academics became increasingly concerned with the issue of academic freedom. During the 1990s, a number of seminars and conferences were held which directly debated the issue,<sup>11</sup> and in 1999 the Association of University Staff (AUS) appointed Dr Donald Savage, a Canadian higher education consultant, to prepare a report on the subject. Titled *Academic Freedom and Institutional Autonomy in New Zealand Universities*, the final report was published in 2000 in a book edited by the National Secretary of AUS, Rob Crozier, under the title *Troubled Times: Academic Freedom in New Zealand*. In the Executive Summary of his report, released prior to the release of the main report, Savage summarises the general concern:

... in the thirteen years from 1987 to 2000 New Zealand saw an unprecedented invasion of university autonomy and attack on academic freedom by the central government. Although the university community resisted these attacks with varying degrees of success, the consequent warfare has been debilitating, has eroded morale, and has undermined academic freedom and institutional autonomy. (Savage, 2000b, p. 2)

In his report, Savage proposes a number of structural reforms to restore universities as democratic institutions, to restore the powers of academics as custodians of these institutions, and to protect the autonomy of universities from the direct control of government.<sup>12</sup>



*In defence of representative institutions*

As well as introducing new forms of control, what neo-liberal technologies effect, I wish to argue, is a new form of power which systematically undoes and reconstructs the spaces which are sacrosanct in the older view of a liberal society. In that qualities such as 'freedom', 'autonomy', 'professionalism' and 'rights' are, in Foucauldian terms, complex assignments of power which are historically constituted in a net-like web, a rearticulation of the model reorganises the spaces and reconstitutes subjects in terms of them.

This reorganisation of space occurs in relation to the proposed governance of TEIs, in that the neo-liberal policies simply ignore the *raison d'être* of representative institutions. These advantages, as codified by writers like de Tocqueville and J.S. Mill, are:

- checking the power of central state authority;
- creating active citizen participation and community involvement;
- allowing for and fostering patterns of institutional autonomy and diversity;
- proving to be more open and accountable in any meaningful democratic sense of governance than are alternative forms;
- improving the consultative process and ensuring greater responsiveness to the needs and interests of the communities they serve;
- improving the transparency and the perceived legitimacy of the decision-making process;
- providing a wider and more representative range of viewpoints and expertise.

To maintain, as writers like Scott & Smelt (1995) and Evans & Quigley (1996) do, that representative governance results in forms of 'capture' or 'rent-seeking' behaviour, not only fails to acknowledge the importance of representation to the democratic process but also is blind to the fact that conflicts of interest and bias also afflict the neo-liberal paradigm. As Jonathan Boston notes, for instance:

Conflicts of interest occur in all walks of life . . . that they can arise for the representatives of internal stakeholders on tertiary councils is not a reason for abandoning the principle of representation . . . the simple solution is for the individuals in question to openly acknowledge their predicament and, where appropriate, absent themselves from participation in the relevant decision. (Boston, 1996c, p. 21)

One of the most famous defenders of representative systems of governance for public institutions was the nineteenth century English philosopher, John

Stuart Mill. In his book *Representative Government* (1910), Mill argues that too much central control constitutes a form of “elective tyranny” which, while it may well be efficient, neglects to give the citizenry a stake in public affairs or to allow opportunities for political education. Only with participatory institutions, says Mill, will an active, public-spirited character of the society be fostered, for there is a relationship, he maintains, between the nature of the political institutions of a society and the psychological characteristics of its citizens. In this sense, Mill argues that one function of representative democracy is to allow forms of participation in public affairs that are educative. In addition to this, representative democracy at the level of institutions helps protect society against the dangers of centralisation. As he says in *Political Economy*, “a democratic constitution not supported by democratic institutions in detail, but confined to the central government, not only is not political freedom, but often creates a spirit precisely the reverse” (Mill, 1965, p. 944).

Ministerial appointments to the governing councils of tertiary education institutions which were to form the basis of a new system of governance for universities would potentially seriously erode the independence of these institutions and their capacity to act as watchdog of government or ‘critic and conscience’ of society. Such reforms also fly in the face of the separation and autonomy of universities from the state which has prevailed since the establishment of the first universities as they developed from the ninth to the thirteenth centuries. In this sense, the ‘separation of universities’ was similar to the ‘separation of powers’, as formulated by Locke and de Montesquieu in the seventeenth and eighteenth centuries. The doctrine of the ‘separation of powers’ was based on the idea of a desirability of keeping the various estates of society – legislature, executive, judiciary – apart from each other to ensure countervailing checks and balances in the operations of power.

### *Competitive neutrality*

One of the major objectives of the reforms in tertiary education was to install relations of competition as a way of increasing productivity, accountability and control. Increased competition represents improved quality within neo-liberalism. As Marginson (1997, p. 5) points out:

Increased competition is meant to increase responsiveness, flexibility and rates of innovation . . . increase diversity of what is produced and can be chosen . . . enhance productive and allocative efficiency . . . improve the quality and volume of production . . . as well as strengthen accountability to students, employers, and government.

In New Zealand, the funding regime based on Equivalent Full-time Students is the key mechanism through which universities and other tertiary institutions are directly linked with the market order. Reforms introduced ‘across

the portfolio' were essentially a means of maximising the competitive context in terms of which funding pressures would operate. In an environment of competitive neutrality, what it means for universities is firstly:

- that user-pays is made to serve as a mechanism for choice for students. This exerts a conservative pressure on course selection by students, as well as on course and program development by universities. Such schemes constitute a governmental technology for constituting students as self-reliant consumers and for disestablishing education as a 'right';
- an 'across the portfolio approach' whereby the New Zealand Qualifications Authority (NZQA) is enabled to allow a wide variety of TEIs to award qualifications and degrees under the Education Amendment Act (1990);
- that EFTS funding ensures that funding follows the students; i.e., institutions get higher student fees and higher government funding, or lower fees and lower government funding;
- that TEIs will compete with each other for students. This would have been intensified under the TWP (1998) which proposed that private training establishments would receive the same subsidies on the same basis as public institutions;
- that internal to each TEI, departments, schools and divisions will compete with each other for students as well, as the introduction of accrual accounting methods means that each element in the system must demonstrate its financial viability;
- that TEIs can set their own fee levels, allowing each to compete with each other for students in relation to cost and service;
- the increasing importance of contestable research as a potential additional source of funding, with the simultaneous reduction in the university bulk grant, as has occurred in the 1990s, is likely to make contestable research funding an increasing source of financial support to universities. In turn, TEIs are likely to pressure staff to apply for such funds.

What such a competitive ordering results in is a new type of approach to academia which, with the addition of a particular funding model, conflicts with and interferes with traditional notions of professional academic autonomy and freedom. Within the academy, the consequences are already well known. What such a competitive context requires is academics who are skilled entrepreneurs, who can plan courses and programs that can attract students away from their colleagues' courses or, in simple terms, who can compete in the academic marketplace. In this process the values of disinterested inquiry and respect for the integrity of the subject matter compete

with a new set of pressures to 'dumb' courses down, as well as to demonstrate their relevance to labour market conditions and prospects.

According to neo-liberal rationality, a commitment to student-focused funding would give yet more say to the consumers of tertiary education (i.e., students) whose choices would be determined in the context of market competition between TEIs. In this context, the proposals of the Green and White Papers would therefore increase competition and lower costs in tertiary education. This was a quite explicit strategy, of course. As the 'leaked' memorandum which preceded the release of the Green Paper announced, "increased competition would improve the level of innovation and responsiveness to student needs and place a downward pressure on prices" (Ministry of Education, 1997b, p. 5). Competition is also promoted through the Green Paper endorsement of the policy to break the universities' autonomy in the granting of degrees under the impetus of the NZQA. Increased competition represents improved quality within neo-liberal economic rationality because self-interested choosers are able to choose between competing alternatives. Thus a greater role for student choice in the funding allocation process in line with the various neo-liberal theories is one way of enhancing competition between TEIs, and also a way of making TEIs responsive to the interests and demands of students. Such competitive pressures, it is claimed, will also lead to increased quality in tertiary education.

Possible negative consequences of increasing the competition between TEIs are that it allows for a proliferation of the numbers of TEIs, as well as a proliferation of programs between institutions. That there are distinct limits to the numbers of TEIs that are needed in New Zealand was not considered by the Green or White Papers, nor by the Hawke Report, or *Learning for Life*. Within neo-liberal discourses, although it is acknowledged that markets can function imperfectly, competition is invariably seen in purely positive terms as a means of increasing efficiency and effectiveness. Within the tertiary education sector, however, there are any number of potential negative effects that policies of competitive neutrality can produce. Amongst the most important are that:

- they contribute an in-built pressure which encourages unplanned expansion of tertiary education, resulting in the establishment of PTEs that lack educational viability;
- they result in the needless (and costly) duplication of courses and programs, as well as the siphoning off of the educational areas easily marketed by the private sector;
- they are inefficient and ineffective in the use of scarce resources and distort the overall availability of courses of study, leading to the potential loss of some areas altogether that cannot be sustained in market terms;

- they lead to a ‘dumbing down’ of tertiary qualifications as TEIs compromise standards and genuine educational quality in their attempts to position themselves in order to attract maximum student dollars;
- they compromise traditional academic values which govern professional conduct and research as each academic must now be primarily sensitive to the market appeal that their courses and research can attract.

#### MANAGERIALISM AND THE INTERNAL GOVERNANCE OF UNIVERSITIES

Marginson (1999) has observed that various organisational changes have accompanied the neo-liberal restructuring in Australia and New Zealand. In a major study of “management practices in higher education” prepared for publication as *The Enterprise University: Governance, Strategy, Reinvention* (Marginson & Considine, 2000), management practices were examined in some 17 Australian universities. Summarising some of the findings from this study, Marginson (1999, pp. 7-8) notes the following elements as they affect the organisational form of universities:

- the emergence of a new kind of leadership in universities. In this model, the vice-chancellor is a “strategic director and change agent”. Universities are now run as corporations according to “formulae, incentives, targets and plans”;
- the appointment of vice-chancellors who are ‘outsiders’, and who are not organically linked to the institution. This practice is in turn supported by a growing apparatus of DVCs and PVCs, AVCs, executive deans, etc., with loyalty to the centre rather than to disciplines or faculties;
- the partial transformation of governing councils into corporate boards and the sidelining of academic boards;
- the rise of flexible executive-directed systems for internal university consultation and communication, from internal market research to vice-chancellors’ advisory groups;
- the rise of new property structures concerning international education, intellectual property, relations with industry and work-based training;
- the removal from collegial view of key decisions regarding governance;
- the partial breakdown of traditional disciplinary structures in the creation of schools (rather than departments) for teaching purposes;
- the creation of limited life areas of research or research centres, sponsored from above for research funding purposes;

- research management is subject to homogenising systems for assessing performance;
- a diminishment of the role of peer input into decisions about research;
- an increasing irrelevance of the disciplinary organisation of research;
- a prioritisation of research in terms of quantity of research income rather than in terms of numbers of publications produced or of quality of scholarship.

A further consequence of marketisation has been the increased emphasis on performance and accountability assessment, with the accompanying use of performance indicators and personal appraisal systems. This has generated a concern with corporate loyalty and the use of discipline against employees who criticise their universities. Universities in this model have become concerned with their market reputation and become increasingly intolerant of adverse criticism of the institution by the staff. Such policies are the logical outcome of privatisation: in the private sector employers are not permitted to criticise their employer in public. Under neo-liberal corporatisation, many universities are employing advertising and public relations agencies to ensure that only positive statements appear about the university and its products.

Marketisation also leads to a shift in the forms of accountability to an emphasis on market processes and quantifiable output measures. The State Services Commission (1992) analysis of governance in tertiary institutions lists four types of accountability:

- bureaucratic accountability, where rules and regulations are specified in advance and accountability is measured in terms of process;
- professional accountability, formulated in terms of standards, based on expertise of those who work in a particular area;
- consumer accountability, associated with market systems, based on price;
- managerial accountability, which works in terms of specified contracts within a line management hierarchical model.

Although these four categories are theoretically distinct, for the purposes of this analysis I will collapse them to make two. Under the neo-liberal period of tertiary restructuring, there has been a shift from 'bureaucratic-professional' forms of accountability to 'consumer-managerial' accountability. Under consumer-managerial forms of accountability, "the assumption is that academics must demonstrate their utility to society by placing themselves in an open market and accordingly competing for students who provide the bulk of core funding through tuition fees. If academic research

has value, it can stand up to the rigours of competition for limited funds” (SSC, 1992, p. 15). From the neo-liberal perspective, however, professionalism is distrusted in that it generates the conditions for opportunism, sets self-serving standards and is prone to provider capture.

An ideal-type model of the internal governance of universities which indicates the conflict between neo-liberal managerial and liberal professional cultures, as I am distinguishing those terms here, is presented in Figure 1 on the next page.

### THE THIRD WAY AND THE TERTIARY EDUCATION ACTION COMMISSION

Neo-liberal theories seek, ostensibly, to actively advance and protect the freedom of individual agency and choice, increase efficiency and effectiveness, and limit the power and scope of the state. However, the paradox is, as Stuart Hall has noted in respect to Thatcherism in Britain, that neo-liberalism is in reality a “highly contradictory strategy . . . simultaneously dismantling the welfare state, ‘anti-statist’ in its ideological representation, and highly state-centrist and dirigiste in many of its strategic operations” (Hall, 1988, p. 152).

What can be discerned in the application of neo-liberal policies to tertiary education in New Zealand are a number of specific reforms that directly increased state regulatory control. This is evidenced, for instance, by the abolition of the University Grants Committee which had served as a semi-autonomous buffer between the state and the universities prior to 1990. It was replaced by a direct system of accountability between each tertiary institution and the Ministry of Education through the system of charters, plans and objectives, and by more direct control over funding based on student numbers.

The Green and White Papers of 1997/98 would have further increased the direct regulatory powers of the state through a whole host of mechanisms: through extensions to the powers of the Minister as documented above, through the establishment of a supra-national quality assurance system outside the orbit of the universities, through the separation of funding for teaching and research, or through the funding of research on a contestable basis through a system independent of existing tertiary providers.

Yet controls were not only imposed directly through a tightening of the regulatory environment, but also indirectly by use of the technology of the market. This is indeed one of the central defining aspects of neo-liberalism. What distinguishes it from classical liberalism is the deliberate utilisation of markets as a means of control promoted through the positive arm of state power and extended to traditionally non-economic contexts. In such a model, market exchange is represented as characterising all forms of volun-

	<b>Neo-liberal</b>	<b>Liberal Democracy</b>	<b>Social</b>
Mode of operation	private	public	
Mode of control	'hard' managerialism; contractual specification between principal-agent; autocratic control	'soft' managerialism; collegial-democratic voting; professional consensus; diffuse control	
Management function	managers; line-management; cost centres	leaders; community of scholars; professions; faculty	
Goals	maximise outputs; financial profit; efficiency; massification; privatisation	knowledge; research; inquiry; truth; reason; elitist; not-for-profit	
Work relations	competitive; hierarchical; workload indexed to market; corporate loyalty; no adverse criticism of university	trust; virtue ethics; professional norms; freedom of expression and criticism; role of public intellectual	
Accountability	audit; monitoring; consumer-managerial; performance indicators; output based (ex post)	'soft' managerialism; professional-bureaucratic; peer review and facilitation; rule based (ex ante)	
Marketing	centres of excellence; competition; corporate image; branding; public relations	The Kantian ideal of reason; specialisation; communication; truth; democracy	
Pedagogy/teaching	semesterisation; slenderisation of courses; modularisation; distance learning; summer schools; vocational; mode 2 knowledge	full year courses; traditional academic methods and course assessment methods; knowledge for its own sake; mode 1 knowledge	
Research	externally funded; contestable; separated from teaching; controlled by government or external agency	integrally linked to teaching; controlled from within the university; initiated and undertaken by individual academics	

FIGURE 1. Ideal-type model of international governance of universities

tary exchange amongst persons. Examples of this strategy can be seen in the advocacy of student-centred funding models, the promotion of competition amongst providers, the creation of a level playing field whereby both public and private providers would be treated equally, and the general support given to choice models of student selection policies (loans, fees and funding).

To have funding 'follow the students' through the system of fees (supported by bank loans) places a conservative pressure on course design and planning, and supports those programs and courses that are perceived to have direct economic payoff, consequently diminishing those (such as humanities and social sciences) that are not so perceived.

The perceived failings of the neo-liberal strategy were amongst the major reasons for the defeat of the National Government and the election of a Labour-Alliance coalition Government in November 1999. Within a few months of assuming office, the Government announced the appointment of a Tertiary Education Advisory Commission (TEAC) whose terms of reference spelt out the vision of a more cooperative social democratic model for tertiary education in order to pave the way for New Zealand to become a "world-leading knowledge society" (TEAC, 2000, p. 32). As John Codd



(2001, p. 1) points out, this represented a change in political direction by the new government:

With distinct echoes of its British New Labour counterpart, the New Zealand Labour-Alliance Government has expressed allegiance to the philosophy and principles of 'third way politics' as an alternative to both the neoliberalism of the New Right and the 'old-style' social democracy of the Keynesian welfare state.

This new policy involved "turn[ing] its back on some but not all of the neoliberal policies of the last decade" (Codd, 2001, p. 1). At the time of writing, TEAC has completed three reports, which confirm a marked turning away from competitive provision in tertiary education and the use of market strategies as a means of control. They also witness a return to an as yet undefined form of social democratic planning which is now seen as the only way by which New Zealand can meet the challenges of an increasingly global economy and move along the path towards a knowledge-based society.

As to what precisely will be the result, it is at this stage difficult to state. The first report by TEAC, *Shaping a Shared Vision*, published in July 2000, comprises a statement of general principles which appear, in as far as it is possible to tell, to be far removed from the guiding axioms of neo-liberalism which was the sad legacy of New Zealand's system of tertiary education for over a decade. In its second report, *Shaping the System* (2001), TEAC specifies (p. 8) the nature of the strengths and weaknesses within neo-liberalism. Its strengths were that it produced diversity of provision and increased participation. The weaknesses were that it lacked regulatory coherence, produced inequalities in the distribution of resources, was inequitable in the distribution of access to educational provision, resulted in ineffective and uncoordinated central-steering mechanisms, and maintained an excessive dependence on demand-driven funding system resulting in excessive and wasteful competition between providers. If one adds to this list the fact, as I have argued above, that such theories motivated by adherence to the principles of efficiency, effectiveness and individual responsibility, trod roughshod on age-old and important democratic principles, then one has an almost complete list of neo-liberalism's failings.

In its second report, *Shaping the System*, TEAC suggests that neo-liberal policies have been incompatible with the key contextual factors impacting on the tertiary education system in New Zealand, e.g. what is required for the development of a knowledge society; the need to take account of changes in technology and especially communications technology (the internet and email); and the realities of globalisation, or of demographic or ethnic changes in the population or work force. In order to cater for these demands and provide co-ordination to the tertiary system as a whole, TEAC proposes the establishment of a Tertiary Education Commission (TEC), once again restoring the notion of the functions of coordination, funding

and regulatory control being carried out by a body which is relatively autonomous from the central state, and which can act as a buffer between it and the tertiary system it serves. TEC's functions would be to provide advice to the Minister, negotiate provider charters and profiles, allocate funding, monitor performance, and carry out research and evaluation, only intervening in specific instances where the good of the system as a whole is endangered.

In its third report, *Shaping the Strategy*, released in July 2001, TEAC states that tertiary policy in New Zealand must be squared with important national strategic goals to do with economic and social development and the Treaty of Waitangi, and be consistent with environmental sustainability and the need for innovation and flexibility. While moving away from neo-liberal policies is clearly a priority for the Labour-Alliance Government, questions concerning the extent of the shift, as well as issues to do with 'bureaucratic control' vs 'market control', will only be settled once all the evidence is in and once the new model is settled and has taken root.

#### NOTES

1. I have described specific neo-liberal theories in detail elsewhere (see Olssen, 2001a, 2001b).
2. Agency Theory is an organisational theory concerned with the problems of compliance and control in the division of labour between work relationships. There is an extensive literature on Agency Theory including Althaus, 1997; Bendor, 1988; Bergman and Lane, 1990; Boston, 1991, 1996a, 1996b; Braun, 1993; Chan and Rosenbloom, 1994; Deane, 1989; Eisenhardt, 1989; Heymann, 1988; Jennings and Cameron, 1987; Jensen and Meckling, 1976; Kay, 1992; Levinthal, 1988; Moe, 1984, 1990, 1991; Palmer, 1993; Perrow, 1986a, 1986b; Petersen, 1993; Pratt and Zeckhauser, 1985; Rees, 1985a, 1985b; Scott and Gorringer, 1989; Simon, 1991; Thompson and Wright, 1988; Treblicock, 1995; Weingast, 1984; Wistrich, 1992.
3. Auckland and Canterbury Universities initiated legal proceedings due to their concerns about the Hawke recommendations. See Butterworth and Tarling (1994, ch. 7) for a detailed summary of the issues involved.
4. Wananga are institutions that teach and research Maori knowledge, or represent Maori aspirations or interests.
5. Statutory corporations, being public, are constituted by statute and their powers are changeable by parliament. Companies are more self-determining in that they can alter their own powers, can conduct their business in private and sell their shares on the market. It is a method of privatisation and would ensure universities ran according to market principles.
6. See Boston, 1996c, 1997a, 1997b, 1999; Fitzsimons, 1995; Kelsey, 1997; Peters, 1997a, 1997b, 1999; Peters & Roberts, 1998, 1999. Boston (1997b) maintains that the Green Paper exposed some real existing deficiencies in the funding system which included a lack of transparency in relation to resource flows, ad hoc EFTS cost categories, weak monitoring of institutional performance, inadequate treatment of private providers and a poorly focused system of accountability. While this may well be correct, it would seem to me that it can only be assessed as correct given certain assumptions about the ideal level of autonomy of universities from the state, and of the ideal levels of accountability for public

funding. What I am arguing here, however, is not that there were not problems that needed addressing but that the policy prescriptions that were adopted reflect a consistent form of state reason.

7. Formerly there was a need for universities to obtain approval for borrowing, issuing debentures, disposing of assets, granting leases in relation to land or buildings, etc., from the Secretary of Education. In addition, the SSC needed to be consulted by universities over changes to pay and conditions. Hence, while the Green and White Papers saw the need for greater autonomy in relation to commercial operations, as the Crown considered itself the owner of TELs on behalf of New Zealanders, it also saw a need for strengthened monitoring and accountability, especially financial accountability, in order to limit the Crown's risk, and ensure the efficiency of TELs. It was because these accountability relations between the Crown and TELs were seen as weak that new structures in relation to accountability, financial reporting, organisational form, governance and incentive structures were needed. Essentially, incentives were needed which would heighten ownership performance and ensure TELs efficiency in market terms.
8. The National Government originally investigated placing universities under the Crown Companies Monitoring Advisory Unit (CCMAU) but eventually created a new unit, the Tertiary Ownership Monitoring Unit (TOMU) which was a separate agency in the Ministry of Education. It was feared by the universities and others that TOMU would use market criteria similar to CCMAU in their assessments of universities, requiring that all courses and all resources be seen as profitable in commercial terms in order to be retained. Suggestions that the approach to auditing was indeed market driven can be seen evidenced in 1999 when it told the vice-chancellors that it wanted reports on the non-financial operations of universities formulated with objectives that "need to be specific and measurable" and "quantifiable" (see Tertiary Ownership Monitoring Unit: Statement of Objectives 2000-2002, Wellington, 1999).
9. Savage (2000a, p. 87) reports that in his interview with David Woodhouse, the head of the AAU, that Woodhouse defended QUAANZ saying that while it was true that QUAANZ would have significant powers to invade university autonomy, he had no doubt that the universities could defend themselves against such a possibility.
10. A number of influential reports and studies were drawn on by the authors of the Green and White Papers in their recommendations regarding the composition and structure of tertiary governing councils. The State Services Commission's *Governance of Tertiary Institutions*, a paper submitted to the Taskforce on Capital Charging of Tertiary Institutions (1992, p. 35) had concluded that governance structures were best served by non-representative structures and that 'internal agents' on councils were counter-productive. One study on which the SSC drew, which supported their conclusions, was that of McCormick and Meiners (1988). In addition, the Report of the VUW Working Party on Governance (1995), although it ended by recommending different possible options, tended to agree that governance of TELs could be improved, that 'internal' stakeholders should be reduced, that accountability mechanisms should be strengthened and that the Minister should be given increased powers of intervention. Such reforms would better serve the Crown's ownership, purchasing and financial risk interests. These arguments were also supported by Scott and Smelt (1995).
11. For instance, in July 1999 the Association of University Staff sponsored a one-day conference in Wellington on the subject of 'Managerialism and Restructuring' at which several remits and papers were presented on the subject.
12. See Olssen (2000) for a detailed summary of the Savage Report.

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**MARK OLSSEN** is Reader in Education and Director of Doctoral Programmes at the University of Surrey, England. He has published extensively in the area of education policy in New Zealand.

**MARK OLSSEN** est professeur en sciences de l'éducation et directeur des programmes de doctorat à l'Université de Surrey, en Grande-Bretagne. Il a publié de nombreux articles dans le secteur des politiques scolaires en Nouvelle-Zélande.



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