Why Interculturalisation?

A Response to the Internationalisation of Higher Education in the Global Knowledge Economy

Xiaoping Jiang

Guangzhou University, China

This amazing, highly readable book breaks a new ground in revealing the dominant theories and policies that have had profound effects on the strategies to accommodate cultural diversity on university campus. Few have researched intercultural communication from macro to micro perspectives and applied a multidisciplinary approach by drawing on research from disciplines such as sociology, economics, politics, social psychology, management, communication, culture and language. This book has outlined an emerging concept of some considerable significance, interculturalisation, from a variety of contemporary perspectives, and indicated its conceptual potential in understanding the impact of higher education on globalisation, internationalisation and the knowledge economy. The book has also provided a critical assessment of the issues in globalisation and the internationalisation of higher education such as the homogenisation of cultures and the dominance of economic imperatives. In general, this book represents an original application of specialist literatures that develops certain theorisations and understandings together for the first time in a new constellation. Hence, the book provides an excellent contribution to the current interest in globalisation across disciplines, particularly to the research in intercultural communication.

It should be of great interest to philosophers, educators and researchers in the intercultural studies. This book is a significant and powerful work that is sure to invigorate interesting discussions of higher education and particularly intercultural education for years to come.

The publication of this book announces the emergence of an original approach to intercultural communication that scholars around the world will soon to appreciate.
Why Interculturalisation?
EDUCATIONAL FUTURES
RETHINKING THEORY AND PRACTICE
Volume 28

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DEDICATION

TO MY MOTHER, SISTER, DAUGHTER AND ROBBIE
DAI
ACKNOWLEDGEMENTS

Writing this book has been a demanding research task. I am very much indebted to the many people who have gone out of their way to help me with this book.

First of all, I wish to express my heartfelt gratitude to Prof. Michael Peters, Prof. Roger Peddie and Prof. Weijia Kuang who supplied their wisdom and support. I also would particularly like to thank my close friend, Dr Josta van Rij-Heyligers for all the work she has done in massaging this book into shape. She has never failed to provide me with her wise professional assistance. No words can describe my deep appreciation to her for what she has done for me.

Finally, I extend my genuine gratitude to my family members for their love, endurance and trust they have shown me with respect to completing this book. My sincere thanks goes to Robbie Dai, my special family member who is always there for me, heart and soul, supporting and helping me in whatever way he can.

There are many other friends who have offered their gracious support and precious time to bring this book to fruition. I would like to take this opportunity to show my deep indebtedness for what you all have done for me. Thank you.
ABBREVIATIONS

ADB   the Asia Development Bank
AELM  APEC Economic Leaders' Meeting
APEC  Asia Pacific Economic Cooperation
ASEAN the Association of Southeast Asian Nations
AT    Agency Theory
AUCC  the Association of Universities and Colleges of Canada
AVCC  the Australian Vice-Chancellors' Committee
CPCC the CPC Central Committee
CRI   Crown Research Institutes
CUAP  the (NZ) Committee on University Academic Programmes
EAEC  the East Asian Economic Caucus
ERO   the (NZ) Education Review Office
EU    the European Union
FDI   foreign direct investment
FFP   foreign fee paying
FRST Foundation for Research, Science and Technology
FSI   the US Foreign Service Institute
GATS  the General Agreement on Trade in Services
GATT  the General Agreement on Tariffs and Trade
GCERD Guidelines for China's Educational Reform and Development
GDP   Gross Domestic Product
HCT   Human Capital Theory
HE    higher education
HEEP  Higher Education Exchange Programme
HEIs  higher education institutions
ICT   information and communication technologies
IMF   the International Monetary Fund
IPP   intellectual property protection
ISAs  Ideological State Apparatuses
IT    information technology
ITAG  (NZ) Information Technology Advisory Group
MFAT  the New Zealand Ministry of Foreign Affairs and Trade
MFN   most favoured nation
MNCs  multinational corporations
MoE1  Ministry of Education
MoRST (NZ) Ministry of Research, Science and Technology
MOUs  Memoranda of Understanding
NBR   the National Business Review
NGOs  non-governmental organizations
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>NIE</td>
<td>New Institutional Economics</td>
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<tr>
<td>NPM</td>
<td>New Public Management</td>
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<td>NUFFI</td>
<td>the Netherlands Organisation for International Co-operation in Higher Education</td>
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<td>NZ</td>
<td>New Zealand</td>
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<td>NZBRT</td>
<td>the New Zealand Business Roundtable</td>
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<td>NZIS</td>
<td>New Zealand Immigration Service</td>
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<td>NZMD</td>
<td>the New Zealand Market Development Board</td>
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<tr>
<td>NZQA</td>
<td>the New Zealand Qualifications Authority</td>
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<tr>
<td>NZTC</td>
<td>the New Zealand Teachers Council</td>
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<tr>
<td>NZVCC</td>
<td>the New Zealand Vice-Chancellors’ Committee</td>
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<tr>
<td>OECD</td>
<td>the Organization for Economic Cooperation and Development</td>
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<tr>
<td>OEE</td>
<td>the Organisation for European Economic Co-operation</td>
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<tr>
<td>PBE</td>
<td>the Pacific Basin Economic Council</td>
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<tr>
<td>PCT</td>
<td>Public Choice Theory</td>
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<td>PRT</td>
<td>Property Rights Theory</td>
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<tr>
<td>RSA</td>
<td>Repressive State Apparatuses</td>
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<td>SAL</td>
<td>Structural Adjustment Loans</td>
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<td>SEC</td>
<td>the (Chinese) State Education Commission</td>
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<td>SM</td>
<td>structuralist Marxism</td>
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<td>SOE</td>
<td>State Owned Enterprises</td>
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<td>TCE</td>
<td>Transaction Cost Economics</td>
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<td>TEAC</td>
<td>the (NZ) Tertiary Education Advisory Commission</td>
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<td>the Tertiary Education Institutions</td>
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<td>The UK</td>
<td>the United Kingdom</td>
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<td>The US</td>
<td>the United States of America</td>
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<tr>
<td>TINA</td>
<td>There is no alternative</td>
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<tr>
<td>TNC</td>
<td>transnational corporations</td>
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<tr>
<td>TRIMS</td>
<td>Trade-Related Investment Measures</td>
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<tr>
<td>UN CPC</td>
<td>the United Nations Provisional Central Product Classification</td>
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<td>UN</td>
<td>the United Nations</td>
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<tr>
<td>UNDP</td>
<td>the United Nations Development Programme</td>
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<tr>
<td>UNESCO</td>
<td>the United Nations Educational, Scientific and Cultural Organization</td>
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<tr>
<td>UoA</td>
<td>the University of Auckland</td>
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<tr>
<td>USSR</td>
<td>the Union of Soviet Socialist Republics</td>
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<td>WB</td>
<td>the World Bank</td>
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<td>WIPO</td>
<td>the World Intellectual Property Organisation</td>
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<td>WTO</td>
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FOREWORD

Professor Michael Peters

In the age of globalisation internationalisation is one of the dominant strategic discourses that rule the university. We might consider it a set of processes in search of a theory and/or concept of internationalism yet to be articulated for it most often figures as a discourse of strategy with an emphasis on ‘how to’ questions rather than a reflective discourse examining political ends or purposes. While it is true to say that as a set of processes ‘internationalisation’ has changed over time, today it takes place in a way that reflects changes in the political economy of higher education and the global economy brought about strongly by a form of neoliberalism. There are different forms of internationalisation that differ according to colonial past, geopolitics, and global position so we should talk of ‘internationalisations’ (in the plural) and yet the neoliberal juggernaut best represented by the Australian export model of Higher Education now dominates. The General Agreement on Trade in Services (GATS) has effectively turned higher education into a commodity in the international marketplace and now nations vie for study abroad students to boost their country’s income. A major impact of globalisation on higher education is the advent of the view of education as a service, a commodity that is not only produced and consumed domestically but also traded internationally. The GATS is a set of multilateral, legally enforceable rules governing international trade in services. Negotiated under the aegis of the World Trade Organisation (WTO), it came into force in 1995. The GATS covers twelve different sectors of services, including transportation, recreation, construction, education among others. As a sector, education is further subdivided into primary, secondary, higher, adult education and other services as well. The agreement distinguishes four modes of supply and applies these to the trade of all services, including (1) Cross-border supply, (2) Consumption abroad, (3) Commercial presence, (4) Presence of natural persons. As the International Association of Universities these modes apply to education covering respectively (1) program mobility (distance education, online education, courses franchising… ), (2) student mobility, (3) institution mobility (branch campus) and (4) academic mobility (professors and researchers working temporarily abroad).

According to the United Nations Educational, Scientific and Cultural Organization (UNESCO), roughly 2 million higher education students are being educated outside their home countries. Projections from the British Council and IDP Education Australia suggest that this number may double by 2015 and double again by 2025. By 2025, almost 8 million students will be educated internationally. The greatest percentage and most growth until recently have been in Anglo-American neoliberal capitalist economies of the United States (US), the United Kingdom (UK), Australia, Canada and New Zealand. As the UNESCO Institute for Statistics indicates (UIS/FS/05/02 updated: November 2005)
- Out of every ten tertiary students studying abroad, five are Asians, three are Europeans and one is African.
Half of all foreign students study in Europe and one-quarter in the United States.

Three countries host almost half of the world’s foreign students (United States, United Kingdom and Germany). Add the next three highest hosting countries (France, Australia and Japan), and these six countries serve two-thirds of the world’s foreign students.

While 25% of all foreign students are in the United States, they represent only 4% of the country’s tertiary students. In the United Kingdom and in Germany, foreign students make up one in ten total tertiary enrolments, in Australia almost one in six.

South America is the least common destination for foreign students (hosting only 0.6% of the global foreign student population), followed by Africa (1.4%).

These are astonishing figures although it is the case that since 2003/04 there has been a decline in demand for international education affecting the major Anglophone countries, particularly in the undergraduate sector. These declines reflect increased global security concerns inhibiting travel by students and providers as well as increased competition, particularly from new players such as Singapore and China. International education has rapidly become an area of interest for an increasing number of countries who recognise the benefits of international education and now identify target markets and establish national level agencies.

An international market of more than US $30 billion in 1998 represented approximately 3% of global services (OECD, 2004). In the US gross export accounted for $11493 million in 2001; net exports in the same year amounted to $9115 million. In 2003–04, education services were worth AU$5.9 billion to the Australian economy, a 13 per cent increase on 2002–03. Certainly international higher education proved big business. Yet during the 1980s and after universities in the US opened over twenty branch campuses in Japan, and Australia did the same in South East Asia, there have been very few success stories and most of the branch campuses have since closed.

The driving force under globalisation has been a neoliberal export education trade by Anglophone countries who together comprise most of the world market to exploit South-North and East-West transfers. Clearly, the neoliberal market share will continue to expand in absolute terms but decline proportionally in the long term. We will witness the emergence of university consortia, strategic alliances, university agreements and university-business partnerships. We will also see greater world competition with the rise of China, India, Singapore and Middle Eastern countries serving as regional hosts, as well as greater privatisation of international education by transnationals and globally integrated enterprises, especially in areas of business education, science and technology. Finally there will also be greater market diversification.

It is against this background Professor Xiaoping Jiang poses her question Why Interculturalisation? and views it as a response to the internationalisation of higher education in the global knowledge economy. This is an important question coming on the eve of the growth of the higher education market. Her response is also a very comprehensive one providing strong interpretations of globalisation, the knowledge economy, and the internationalisation of higher education. Xiaoping Jiang’s approach is thorough and systematic and she focuses on the case study of
China-New Zealand, of which she herself is an example and someone with hard won experience living and working abroad as an advanced student in another country. Xiaoping Jiang’s focus on interculturalisation as an emergent phenomenon comes to the fore as a long-term alternative solution to neoliberal market approaches. It is based and modeled on communicational processes and more concerned with traditional liberal accounts of the university based on genuine intercultural understanding and exchange. It also provides a better nuanced and sophisticated view of the process of globalisation and the preparation of world citizens. Intercultural theory and interculturalisation is still at an early stage of development in theory and practice. This book helps to lay the foundation for intercultural studies in higher education and for that reason is an excellent addition to the literature.

Michael A Peters
Professor of Educational Policy Studies
University of Illinois at Urbana-Champaign
May 2007
PREFACE

Two important and incompatible trends can be seen to be developing in the 21st century: intensified globalisation and increased cultural diversity. We are confronting a ‘to-be-or-not-to-be’ type-question. Should cultural diversity become devalued in the global environment or should we adopt an intercultural approach to communication on the basis of cultural equality? This question becomes increasingly important in the context of ongoing internationalisation of higher education as a growing number of students choose to study overseas, thereby contributing to the cultural diversity on campus. How to accommodate this cultural diversity has become an important contemporary imperative. It necessitates an investigation of the different higher education and cultural systems involved so as to be able to understand and accommodate the differences. Such an investigation cannot ignore the macro global context.

As this book incorporates a macro-global approach, it first analyses the contemporary phenomena of globalisation, the knowledge economy and internationalisation in terms of their combined efforts and impact on higher education, with special reference to China and New Zealand. Globalisation and the knowledge economy are seen to fuel each other as well as drive current trends in higher education. Internationalisation is shaped by and is arguably a response to globalisation (and developments in the knowledge economy). All three phenomena are addressed through assessments of their dominant economic exigencies.

As a prerequisite to understanding and critiquing these forces and their dominant imperatives, the early chapters introduce a tripartite structure of political-economic theories: neoliberalism, neo-Marxism, and Giddens’ ‘Third Way’. The lens through which to view the three phenomena is explicitly neo-Marxist. The book critiques the ascendancy of neoliberalism in the discourse of globalisation, the rise of the knowledge economy and the internationalisation of higher education. Neoliberalism is shown to be promoted through global, regional, national and sub-national entities, and this promotion is found to be often covert.

The middle section of the book traces the effects of the economic, and specifically neoliberal or global-capitalist imperatives that the foregoing analysis on higher education reveals. Policies of deregulation, liberalisation, marketisation, privatisation and commercialisation are shown to exert largely negative influences on the role and mandate of universities and, by extension, on those of other higher education institutions. Neoliberal policies over-emphasise the private value of both knowledge itself and higher education as a knowledge agent, a trend that leads to a homogenising, devaluing ‘commodification’ of higher education. Having made the general case, the book then considers the Asia-Pacific region before shifting its focus to higher education in China and New Zealand. This structure embodies a macro-meso-micro approach to the development of the inquiry, in particular the macro and micro aspects.

This book further advances a ‘counter-hegemony’ in an attempt to turn the tide of current neoliberal policies and directives. The study concludes by recommending
the emergent concept of interculturalism as a way of understanding cultural interactions on campus, and presenting a desirable policy that complements internationalisation as part of national/institutional response strategies. The book argues for the endorsement and encouragement of neo-Marxist interculturalisation, and demonstrates its relevance to New Zealand higher education institutions, which host many international and new immigrant students, mostly from the Asia-Pacific region, in particular China.
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INTRODUCTION

“Universities have always figured in the global environment and thus been affected by circumstances beyond the campus and across national borders. This reality is too often forgotten in analysis of 21st century globalization” (Altbach, 2004, p. 2). As the quotation indicates, universities cannot be isolated from the outside world. They are de facto miniatures of the globe. The constituents (students and faculties) of a university can be very mobile: they constantly converge from and diverge to various areas beyond the regional and national borders. Therefore, universities are profoundly affected by the global environment: interaction among people from different cultural and ethnic backgrounds is happening almost everywhere on campus. This situation is spurred by advances in technology. Cross-continent transportation has shrunk our time-space dimension, resulting in a growing movement and number of international student populations around the world. Remote accessibility to knowledge resources on site further makes distant universities the virtual community colleges in the neighborhood. Thus universities are no longer confined to their ivory towers. They are critical players in advancing globalisation, the knowledge economy and internationalisation.

All these new developments result in new challenges as well as opportunities for universities and higher education (HE). For example, in response to an urgent and increasing need for professionals in the push for knowledge-based economies, there has been a growing demand for wider access to universities and other HE institutions (HEIs) to produce qualified and competent knowledge workers in large numbers and of varied kinds (Sadlak, 1998). It is estimated that by 2025 the global access rate to universities will be 31%, meaning 159 million students around the world, including 87 million from Asia, will be studying at universities (Blight et al., 2000). Many of them will be attending universities outside their home country. Indeed, the rapid growth in international access to universities might be the primary catalyst for changing the university sector in a competitive industry, with the result that universities are much more market-oriented. At the same time they are also increasingly interconnected with each other around the globe.

Globalisation, the knowledge economy and the internationalisation of HE are the key drivers behind the operation of current HEIs. They have greatly influenced the recent reforms and restructuring of HE systems. These changes have had major implications for the education curriculum, pedagogy, public policy, economic integration and cultural processes (Holsinger, 2001). With the intensification of internationalisation in HE due to strong growth in international student numbers worldwide, HEIs are faced with an increase in cultural diversity. How best to accommodate and respect this diversity requires consideration of cultural policies at governmental and institutional levels. Hence, the internationalisation of HE entails not only the integration of an international perspective, but also the adoption of an intercultural perspective into the aims and functions of HE.

Universities are one of the arenas in which theories, ideas and innovations are created, explored, developed and refined. They are able to “enhance our individual
and collective ability for selection and application of ideas in all spheres of social, cultural, technical and economic activity” (Sadlak, 1998, p. 107). These functions of universities could be seen as adaptive, enabling them to cope with the challenges and opportunities that arise from globalisation, the knowledge economy and internationalisation of HE. In Darwinian terms, universities and HE systems at large need to be well-positioned in order to survive and thrive in response to the multiple challenges confronting HE in today’s dynamic global environment.

To articulate some of the ways in which globalisation, the knowledge economy and functions of HE are conceptualised, and to discern the ideological agenda which overtly or covertly drive them or are most compatible with them, a multiple theoretical framework involving neo-Marxism, neoliberalism and Giddens’ Third Way is established in Chapter 1. The trio are influential, and indeed dominant, in current academic discourse. They provide a comprehensive understanding of globalisation, the knowledge economy and the functions of HE. The theories present distinct perspectives on the current political, economic, social and cultural changes as ideologies are very powerful in assisting as well as resisting social change. It is contended in this book that world-wide institutions like the World Bank (WB), the International Monetary Fund (IMF) and the World Trade Organization (WTO) are functioning as “Ideological State Apparatuses” (ISAs) (Sim & Van Loon, 2001, p. 78) whose role is to produce and disseminate ideologies and values that individuals and groups in due course internalise and to which they become subject, eventually serving the purposes of global capitalism. The ideologies and values being disseminated by these ISAs are shown to be overwhelmingly those of a neoliberal economic and political persuasion. Neoliberalism is the dominant discourse of our time, in fact so dominant that we may not even recognise it as an ideology, akin to the phenomenon that native-language speakers do not think that they have an accent – accents being only ‘what others have’. The (negative) effects of this neoliberal hegemony that is driving the vehicles of globalisation and the knowledge economy, and equally the internationalisation of HE, will be surveyed. In particular the book considers the neoliberal impact on the homogenisation and the Westernisation of culture and devaluation of cultural differences, and the exacerbation of inequalities of wealth (and corresponding inequalities of access to knowledge in the knowledge economy). It is argued that a ‘counter-hegemony’ needs to be established to oppose the prevailing ideology of neoliberalism in world institutions that guide societies and their citizens to become money-oriented and self-serving, and often devalue the collective for the individual and the public ‘good’ for private ‘goods’. This book takes a neo-Marxist position to provide counter-arguments to neoliberal and, to a lesser extent, Third Way objectives and argues that the Third Way itself has been captured by neoliberalism. In fact, it may even represent a form of neoliberalism in disguise.

It should be pointed out, however, that the three theories are themselves complicated and controversial, and as they are used differently for different purposes, no consensus has been reached about a consistent interpretation of these theories. The main reason to select the three theories is their dominant influences on the discourse of globalisation, the knowledge economy and HE, the book’s
leading themes. But it is beyond the scope of this book to explore every aspect of each theory in detail. In this book, only the core ideas (or concepts) of the three theories are presented to provide a broad and heuristic orientation for analysis. However, relevant references are provided for those who wish to further their knowledge of these theories.

This book also acknowledges that the three theories are just theories and share with other theories the fact that they are conceptual tools applied to the real world that is extremely complex if not chaotic. In this respect, the three theories contain ideal and perhaps typical specifications, with this book applying their theoretical positions as governing paradigms in a broader sense rather than fully accounting for their variations in the real world. Again, the complexity of the actual functioning of HE, and the intersection of theoretical models with a variety of agenda and influence cannot be as fully dissected within the scope of this book. However, it is hoped that the groundwork of this book provides a basis for further research on these complex issues in the future.

The book consists of six chapters that mainly discuss the internationalisation of HE in the global knowledge economy. Its later chapters provide an intercultural approach to accommodate cultural diversity arising from internationalisation on campus. Chapter 1 presents a comprehensive discussion of the three major theories: neoliberalism, neo-Marxism, and Giddens’ ‘Third Way’. Analysis is made by expatiating on their features and evolution histories, and by comparing their different views on globalisation and the role of the state. Chapter 2 focuses on the rise of the ‘new’ economy – the knowledge economy; the distinction between information and knowledge within that economy; the discourses and characteristics of the knowledge economy; and its implications as prescribed by the world policy makers like the WB and the Organization for Economic Cooperation and Development (OECD). This chapter also examines the impacts of globalisation and the knowledge economy upon higher education. Chapter 3 argues that the internationalisation of HE is becoming increasingly dominated by economic imperatives. At the same time, ‘internationalisation’ is occurring across as well as within national borders. This chapter hence presents various interpretations of the internationalisation of HE and points out that a conceptual understanding of the distinction between globalisation and internationalisation is needed to better understand the various and complicated ways internationalisation has an impact on HE worldwide. Moreover, the chapter examines different rationales for, and importantly, provides a model of, the internationalisation of HE. Chapter 4 takes China and New Zealand as case studies of globalisation and internationalisation and focuses on two shifts which can be observed in the examination of the two countries; one is from regulation to marketisation; the other is from nationalisation to internationalisation. In Chapter 5, the writer defines and discusses the emerging influence on HE — interculturalisation, and advocates a neo-Marxist approach to interculturalisation. The chapter highlights the impacts of globalisation and internationalisation upon culture and intercultural communication. Also, the chapter investigates different forms of multiculturalism and intercultural communication theories with special reference to higher education. Chapter 6 further focuses on future challenges and practices in intercultural communication.
INTRODUCTION

The author provides some practical ways for the application of interculturalism and interculturalisation in foreign language learning and teaching. It is hoped that these practical ways will benefit and inform HEIs’ policy, practice and development in an increasingly globalised world.
CHAPTER 1

INTERPRETATIONS OF GLOBALISATION

Globalisation, either as a concept or a phenomenon, has not yet been precisely defined. It appears differently in neoliberalism, neo-Marxism and Giddens’ ‘Third Way’. The differences arise from the different foci of the theories and evolve with these theories development. For the purpose of analysis, a definition of globalisation is given in this chapter. This analysis requires an understanding of the different interpretations on globalisation by the three theories. In order to better understand the basic principles embedded in neoliberalism, this chapter also investigates the role of world institutions and the state.

A SURVEY OF NEOLIBERALISM, NEO-MARXISM AND GIDDENS’ THIRD WAY

Neoliberalism

Neoliberalism has prevailed around the globe for over two decades. Historically speaking, neoliberalism was at its peak during the period of trans-Atlantic cooperation between then American President Ronald Reagan and then British Prime Minister Margaret Thatcher in the 1980s (and pre-eminent in New Zealand under Finance Ministers Roger Douglas in the mid- to late-1980s and Ruth Richardson in the early 1990s). It is still influential, indeed prevalent, even though it has lost some of its dominance since the 1990s because of growing awareness of, and resistance to, its negative consequences, such as widening the divide between rich and poor nations and rich and poor within nations, and curtaining ecological consciousness. The WB, the IMF, the WTO, the Asia Development Bank (ADB), the OECD, the General Agreement on Tariffs and Trade (GATT) and the GATS have promoted neoliberal policies like privatisation, free trade, lowering labour costs and shrinking public expenditure (Peters, 2001b; Bourdieu, 1998; MRTA, 2000).

Neoliberalism refers to a new form of liberalism, which could be regarded as both an ideology and a strategy. It is often associated with ‘Reaganomics’, ‘Thatcherism’, ‘Rogernomics’, so-called ‘Ruthanasia’, ‘supply-side economics’, ‘monetarism’, ‘new classical economics’, and ‘structural adjustment’. In the ideology of neoliberalism, the market is of vital importance and should be respected. All economic actors, including government and individuals, should follow the invisible hand or magic wand of the market. Besides those other aspects of neoliberal policies stated above, the strategy of neoliberal economics covers higher profits, free capital mobility and the speedy commodification of nature (Zapatista, 1999; Olssen, 2000). However, Paul Treanor (2003) points out that
neoliberalism, contrary to liberalism, does not restrict itself to economics but has an underpinning social, moral, political and cultural philosophy. Neoliberals do not deny ‘market failure’ but are optimistic about what markets can achieve and are swift to claim that ‘government failure’ undermines policies that try to correct ‘market failure’.

As neoliberalism also represents the prevalent way of thinking about government and individuals in the Western world at present, its profound influence and importance cannot be overlooked. Moreover, its principal tenets have been translated to other parts of the world. Hence, it should be a major focus of discussion in research on globalisation, including research on HE, since it has had a deep impact on HE policies and HEIs’ management (Olssen, 2000).

The foundation of neoliberalism was first laid by Friedrich von Hayek (1899-1992). He presented the three principal arguments. The first argument is that the market is “the result of human actions over many generations” instead of “the result of human design”, indicating that the markets develop naturally (Peters, 2001a, p. 14). The second is that knowledge is restricted in nature, resulting, for example, in the impossibility of coordination in the spreading of information about supply and demand among large numbers of consumers and producers. The last represents the major element of Hayek’s liberalism: “methodological individualism; *homo economicus*, based on assumptions of individuality, rationality, and self-interest; and the doctrine of spontaneous order” (ibid). These three principles were disseminated by the Chicago School, where Hayek moved to from Austria in the 1950s. Hayek’s theory shares many of the main ideas of neoliberalism as embodied in Human Capital Theory (HCT), Public Choice Theory (PCT), Transaction Cost Economy (TCE), Agency Theory (AT) and the different forms of Managerialism which evolved between the 1940s and 1960s (Olssen, 2000; Olssen & Morris Matthews, 1995).

Neoliberalism started to peak in the 1980s, when Reagan and Thatcher applied Hayek’s political and economic philosophy to justify policies aimed at removing bulky and cumbersome government structures, and reshape the rigid welfare state. They formulated and implemented a policy mixture based on free trade and an open economy. The policies and strategies indicated an emerging economic liberalisation and rationalisation, which had a strong bearing on the ‘Washington Consensus’ formulated to adapt national economies to the global economy that emerged in the last two decades.

From the 1980s, there has clearly been a weakening of the post-war Keynesian (fiscally interventionist) welfare state in Western countries and collapse of European and Russian communism as typified by the breakdown of the Soviet Union and the fall of the Berlin Wall. At the same time there has been speedy worldwide application and progress of advanced information and communications technologies (Peters, 2001a). This situation has led to a further protection and increase of capitalist profits by taking advantage of the weak status of workers and developing countries.

The principal theoretical elements of neoliberalism that replaced Keynesian economics are:
**Human Capital Theory (HCT)** first appeared in modern form in the 1960s, with representative theorists Theodore Schultz (1960a, 1960b, 1961) and Gary Becker (1964). In HCT, investment in education could bring about economic growth. Although it was developed as a general economic model about the value of investment in education, HCT emerged in the mid-1980s as a renewed model. It demonstrated a shift from the earlier emphasis on macro-level public investment in human capital as espoused by Schultz to a market model as envisaged by Becker. The neoliberal version of HCT accentuates the need for investment in human capital to be ‘tailored’ according to a free-market form; it further underscores private rather than public investment in education because it emphasises the benefits of this investment as accruing to the individual recipients more than to society. The success of investment in human capital depends largely upon the free market conditions characterised by “perfect competition and no government subsidies in education market” (Marginson, 1993, p. 50). This new HCT model is best reflected in the present and prevalent neoliberal policies of smaller government and user-pays for public services (Olssen, 2000).

**Public Choice Theory (PCT)**, as Jane S. Shaw (n. d) states, is a branch of economics derived from the study of taxation and public expenditure, which examines the behaviour of politicians and bureaucrats, particularly in a representative democracy like the US (Machan, 1987). PCT was first proposed in the fifties and drew extensive public attention in 1986 when James Buchanan was awarded the Nobel Memorial Prize in Economic Science for his pioneering work in Public Choice. Buchanan and his colleague Gordon Tullock promoted the utilisation of economic theories in public-sector institutions in order to operate public organisations in the same way as the private sector does. Accordingly, the public sector could obtain costs and benefits similar to the private sector. PCT further applies the same principles economists use when studying people’s actions in the marketplace and follows the same hypothesis as HCT, that, although they have some concern for others, people are mostly motivated by self-interest and self-concern (Shaw, n. d).

**Transaction Cost Economics (TCE)** is another form of economic theory, proposed by Oliver Williamson (1975; 1985), Professor of Economics and Law at the University of California at Berkeley. It is closely related to PCT. TCE has become a central theory for examining a wide range of strategic and organisational issues extremely important to businesses. It aims to explore and explain “the efficiency costs of transacting business and the effect these have on organisational form” (Olssen, 2000, p. 28), and to affect practice. Therefore, TCE is basically “relentlessly and explicitly an efficiency argument” (Perrow, 1986, p. 18). TCE focuses on how differences in some fundamental transactions result in the various organisational arrangements to manage trade in a market economy. Essentially, TCE is concerned about the most efficient procedure of organisation in a specific market context (Olssen, 2000). With the development of theoretical and empirical work in TCE, the TCE structure has been extensively used to study inter-organisational relationships. This approach models the relationships between firms according to how their transactions are organised by markets and regulation. Its vital importance, according to Joskow, lies in explaining in depth how
non-profit organisations, government bureaucracies and political institutions shape and operate beyond industrial organisations (Joskow, 2001).

Oliver Williamson, in his work of 1991, 1992 and 1994 (as cited in Olssen, 2000), mainly addresses public-sector issues, particularly regarding the problem of how to determine governance structures that are most efficient; more exactly, how to reduce the costs of the various organisational transactions concerned. As efficiency and minimisation of costs are the basic tenets of TCE, it, like other neoliberal theories, emphasises concepts like outputs, outcomes, accountability, ownership, purchase, purchase agreements, contracts and specifications based on contractual arrangements with individual providers. What underpins TCE is claimed to be Property Rights Theory (PRT), the basic theory for the notion (such as in the claimed ownership of property) of self-interested human behaviour that is presumed in neoliberalism (Olssen, 2000, p. 29).

Agency Theory (AT), closely linked to TCE, addresses “the problems of compliance and control in the division of labour between work relationships” (Olssen, 2000, p. 26). As Kathleen M. Eisenhart (1989) states, “[A]gency theory is directed at the ubiquitous agency relationship, in which one party (the principal) delegates work to another (the agent), who performs that work. Agency Theory attempts to describe this relationship using the metaphor of a contract” (p. 58). Its major argument is that inadequate information and uncertainty lead to two agency problems: “adverse selection and moral hazard” (Mathieu, 1997, p. 1). The theory was originally initiated in the private sector and has been adjusted and advanced to be applied to public sector work relationships as a way of demanding strong responsibilities and good performance of employees (Olssen, 2000). Similarly to other neoliberal theories, Agency Theory presumes people’s self-interest, rational utility maximisation and risk aversion. Also, the theory presents information as commodified, tradable and potentially costly.

The above description, though insufficient in detail, demonstrates that these theories advance the neoliberalist concepts of self-interest, rationality, commodification, accountability, efficiency and making all services contractual. AT, PCT, PRT and TCE embody an essential element of the New Institutional Economics or of New Public Management. Central to such an approach is a 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, p. 29). Thus there is a common emphasis on efficiency, accountability, autonomy, self-management, privatisation and other aspects advocated by neoliberalism. The key assumptions of Managerialism, AT, PCT, PRT, TCE and HCT have been summarised by Mark Olssen and Kay Morris Matthews (1995) as follows:
- [subjects are] economically self-interested;
- the economy is separated from the rest of society;
- the uncoordinated self-interest of individuals correlates with the interests and the harmony of the whole;
- the individual is a rational optimiser and is the best judge of their own interests and needs; and
- a ‘flexible’, i.e. deregulated, labour market provides the same opportunities for people to utilise their skills and therefore optimise their life goals (p. 6).

Neoliberalism incorporates notions such as the self-interested individual, free market economics and free trade (Olssen, 2000). The typical feature of neoliberalism is “the desire to intensify and expand the market, by increasing the number, frequency, repeatability, and formalisation of transactions” (Treanor, 2003, p. 49; bold in original). For neoliberals, the world is a global market in which everyone conducts transactions of his/her every action in an exceptionally short time and at an extremely speedy rate. Neoliberalism advocates the marketisation of goods and services, education and health, individuals, the public sector, and other aspects of the state in the form of selling state-owned properties and “contracting out, deregulation, user fees, voucher systems, and load-shedding” (Peters, 2001a, p. 19). It is closely related to policies of privatisation providing the basis for strategies to downsize and limit the state. Neoliberalism strongly support decentralisation, “devolution and delegation of power/authority/responsibility from the centre to the region, the local institution, and the ‘community,’ with the development of new forms of ‘social capital’ and a greater interpenetration of public and private spheres” (idem, pp. 21–22). The ideology of individualism is the fundamental principle of neoliberalism – that society is (or should be) motivated by self-interest and that people should be responsible for their own welfare (Finn, 2001). In this perspective, individual responsibility substitutes for the notion of ‘the public good’ or ‘community’ (Martinez & Garcia, 2000). Policies such as privatisation, consumer sovereignty, user-pays, self-reliance and individual enterprises are expected to be the solution to economic and social problems. Meanwhile, as noted above, it has become increasingly obvious that multinational and transnational corporations have played a leading role in the global market by promoting further deregulation and internationalisation.

**Neo-Marxism**

Karl Marx’s (1818-1883) political and economic philosophy, Marxism, has influenced Eastern Europe, and some parts of Asia and Latin America for more than a century. Although it has suffered a series of crises, Marxism, as an ideology, still dominates people’s thinking in some countries. As one of the mainstream theories, Marxism remains influential in the debate over the globalisation process. However, there are many branches of Marxism, perhaps most broadly classical Marxism and neo-Marxism.

In classical Marxism, much emphasis has been placed on historical determinism, expounded by Plekhanov’ as the inevitability of a certain series of general events that would eventually replace capitalism with a socialist economic system. Dialectical materialism is another important theory in classical Marxism. According to classical Marxism, the base consists of the forces of production such as capital, machinery and technology, and also the relations of production or means of production, distribution, and exchange. It is the driving force of society, whilst
the superstructure, shaped by the base, refers to all the aspects of ideology such as ideas, art, religion and law. Yet, the system is complicated because the mode of production itself includes a number of divisions of labour between forces and relations. Although the superstructure may be shaped by the base, it also has some limited autonomy or control and may even exert some influence on the base. It is a dialectical system in which internal conflict leads to necessary change (Malcolm S. Forbes Center, n.d).

Neo-Marxism, while remaining true to the general principles of classical Marxism, has modified Marx’s theory, offering different or novel explanations, such as de-emphasising economic determinism and stressing the impact of Western ideology and culture. In its heyday in the 1960s, the ‘New Left’ advocated a form of Marxism generally known as neo-Marxism and Western Marxism. Neo-Marxism means new Marxism because it adjusted itself to “the political cultures of the industrialized Western world (i.e. Western Europe and North America)” (Wilfrid Laurier University, Canada, 2002, p. 5). Neo-Marxists bring new Marxist approaches to all facets of “bourgeois culture”, challenging classical Marxism’s holding of “an integrated, scientific doctrine that can be applied universally to nature” (ibid). They consider Marxism as “a critique of human life, not an objective, general science”, and therefore, their analyses are more in line with “the younger and more humanistic Marx’s writings, rather than his more schematic works in his later life” (ibid).

Neo-Marxist theory aims at elucidating the real connections between the following: “class interests and public policy; the implications of welfare benefits and social-democratic governments; the cultural/ideological processes of social integration; and the limited reformism of the labour movement” (Head & Bell, 1994, p. 41). In terms of the development of neo-Marxism in the West, five approaches can be identified: structural Marxism, represented by its main theorist and philosopher Louis Althusser (1918-1990), whose core concept is the “Ideological State Apparatuses” (Sim & Van Loon, 2001, p. 78); poststructural Marxism as seen in the work of Michael Peters; cultural Marxism as represented by Antonio Gramsci (1891-1937) who developed the concept of hegemony as central to his cultural analysis; the Frankfurt School, the most significant branch of cultural criticism in Western Marxism, as represented by Theodor Adorno (1903-1969), Max Horkheimer (1895-1973) and Herbert Marcuse (1898-1979) who together developed critical theory; and literary Marxism, whose major figures include the distinguished American professor Fredric Jameson, leading British Marxist literary critic, Terry Eagleton and influential British proponent of Marxism, Perry Anderson (McPheron, 1999; Sim & Van Loon, 2001; Skidelsky, 1999; Abercrombie, Hill, & Turner, 1994).

Structuralist Marxism (SM). McLellan (1979) explains that SM attempted to “harmonise Marxist thought with the apparently organised and passive nature of advanced industrial society in which both the working class and the bourgeois ego had lost their self-confident sense of mission” (p. 298). Its premier theorist is the Frenchman Louis Althusser who highlighted the notion of overdetermination, meaning that one consequence has a series of linked causes instead of one single cause (i.e., the economic). He also argued for the relative autonomy of art in
relation to the economic base, suggesting that the ideology is the greatest material power. This assertion stands in contrast with Althusser’s idea on ideology: ideology weakens the dialectic link between base and superstructure in which the economy shapes culture.

Althusser’s outlook on culture and economics was different from that of classical Marxism, as for him, not the economic base or material considerations, but ideology, is ultimately more manipulative (Klages, 2001). Althusser’s major contributions to Marxism lie in his theory of the capitalist state and his concept of ideology. For Althusser, the capitalist state maintains its social order through the ‘Repressive State Apparatuses’ (RSAs) and the ‘Ideological State Apparatuses’ (ISAs). The RSAs are employed to coerce people into doing what the capitalist state wants and the ISAs to give people the illusion that what they do is in their own best interests, interests that happen to align with state objectives. As such the ISAs are like a soft weapon enticing people to pursue the capitalist model of society subsequently capturing their hearts and minds.

Althusser’s principal essay on the state and education (Althusser, 1971) highlights his argument that superstructural and cultural aspects of class domination are of greater significance than its economic aspects (Carnoy, 1982, p. 91). In comparison with Marx and Lenin, Althusser shifts the site of reproduction from the base to the superstructure. In his essay, the capitalist state is highlighted as the embodiment of the RSAs and the ISAs, with the latter closely connected to the education system. In particular, HE produces knowledge-rich and innovative citizens who are likely to play a central role in the construction of the state. Althusser further argues that the social system must, in the production process, reproduce the conditions that make that production possible (Carnoy, 1982). What needs to be reproduced, he suggests, is the division of labour, and this requires that particular people will need to acquire particular production skills (idem, p. 92). This is not a straightforward process, however, and occurs by means of “ideological subjection” (Althusser, 1971, p. 133), which takes place mainly through the capitalist education system. For Althusser, therefore, the school has become an arena from where capitalist ideology is disseminated and naturalised (ibid).

In Althusser’s view, the education system is thus essential to the reproduction of labour power and the relations of capitalist production. The school reproduces the diversified skills required from modern workers. At school, children learn not only the elementary knowledge and techniques in the various jobs of production but also learn normative behaviour such that what is instilled is:

the attitude that should be observed by every agent in the division of labor, according to the job he [sic] is ‘destined’ for: rules of morality, civic and professional conscience, which actually means rules of the order established by class domination (Althusser, 1971, p. 132).

As a result, the school has become a significant instrument in serving the interests of the capitalist state through supplying two decisive reproductive components: on the one hand the reproduction of compliance with the governing ideology by the working class, and on the other the reproduction of the skills to implement the dominant ideology properly so as to satisfy the needs of the ruling
class. The school reproduces the relations of production between the exploited and exploiters because the mechanisms generating this result for the capitalist state are “naturally covered up and concealed by a universally reigning ideology of the School” (idem, p. 156).

Poststructuralist Marxism. Michael Peters, a prolific New Zealand writer, has established himself in education as a leading international scholar on poststructuralist thought (Marshall, 1996). Peters criticises neoliberal constructions of the subject in education that overemphasise “economic rationalism” under which science and education are interpreted as “reasons of state”, its “purposes” diminished, rendering people slaves of the economic system (idem, p. 17). He seeks modern political forms by examining the role of intellectuals and education in postmodern culture; the neoliberal doctrine of the “self-limiting” state (idem, p. 15); and its interpretations of “market subjects” such as education and the politics of difference (idem, p. 81).

Peters (2001a) introduces “the politics of poststructuralism”, which covers two linked themes: the culture of Western Marxism and contemporary neoliberal capitalism (p. vii). For Peters, poststructuralism is not antithetical to Marxism (ibid). He thinks that poststructuralism, despite the controversy of this term, “can be characterized as a mode of thinking, a set of critical practices of reading, a style of philosophising, and a kind of writing” (idem, p. 1). At the same time, Peters reminds the reader, this does not suggest homogeneity, singularity, and unity of approach. Rather, poststructuralism seeks to “decenter the ‘structures’, systematicity and scientific status of structuralism, to critique its underlying metaphysics and to extend it in a number of different directions, while at the same time preserving central elements of structuralism’s critique of the humanist subject” (Peters, 1999, p. 2). According to Peters, poststructuralism is different from classical Marxism in some aspects. Classical Marxists insist on “a macro-view of sociohistorical change” and contend that the economic base determines the sociocultural superstructure (Peters, 2001a, p. 7). Poststructuralism, highlighting fragmentation and difference, might be viewed as “directing its theoretical attention to the social and political institutions that Marxists see as being determined by the economic”, and as seeking to explain the role of social and political institutions in such a way as to move beyond the economic determinism of the Marxists (idem, p. 8). However, poststructuralists do not entirely reject the economic. Classical Marxism is distinguished for its materialist construction of history whereas poststructuralists’ position towards history is that it “effectively denies material historical truth and also the possibility of a telos in history” (ibid). Poststructuralist thinkers encourage us “to be suspicious of metanarratives – the unifying stories, based upon metaphysical premises that purport to legitimate contemporary events and institutions” (ibid). Also, in opposition to humanist Marxisms that accentuate “political agency either of the individual or collective subject” (ibid), poststructuralists stress the “forces that are beyond ‘Man’, whether these be linguistic, extra-rational, ecological, or economic” (ibid).

Peters (1996) has employed poststructuralist resources to systematically attack and critique neoliberalism, the dominant political philosophy in the West. Not only, as just mentioned, does he not believe that poststructuralism is antithetical to
modern forms of Marxist analysis, he also is not convinced that the usefulness of Marxist political economy has been reduced. Peters draws on “the poststructuralist critique of reason and of the subject as the means to deconstruct and criticize neoliberal constructions of the subject in education and in social policy more broadly” (ibid). Peters (2001a) suggests that poststructuralists’ work involves a critique of diverse forms of liberalism, including its current neoliberal manifestations.

Peters sees neoliberalism as “a governmentality and policy mix” that dominated many governments throughout the world in the 1980s (ibid). In this process, principal national services such as health and education were dismantled, and developing countries were put under great pressure by the structural adjustment policies and loan conditions imposed by the IMF and the WB.

For Peters, neoliberalism as one dominant aspect of globalisation has profoundly penetrated almost every field including HE. He also critiques the way that the knowledge economy, one representation of neoliberalism, overemphasises the economic importance of HE and capitalises knowledge (Peters, 2002b). Peters’ special contribution lies in his application of Marxism and poststructuralism to explicate the problematics of neoliberalism and the knowledge economy.

Cultural Marxism Antonio Gramsci’s ideas distinctively differ from those of Marx. Similarly to Althusser, Gramsci highlighted the comparatively autonomous role played by politics and culture in maintaining the authority of the state and in mobilising the public to resist it, whereas Marx’s dialectical materialism deals with the authority of the bourgeois state, forecast by Marx to be conquered by revolutionary forces and substituted by a classless society (Burke, 1999). Yet, Gramsci endorsed Marx’s critique of capitalism. He considered that the conflict between the ruling class and the working class, like a driving force, pushed society forward. However, he did not accept the classical Marxist view on how the ruling class ruled. For Gramsci, ideology, often as a system of ideas and values, was closely linked with the notion of power and was utilised to justify the interests of the ruling class. Similarly to Althusser’s conceptions of RSAs and ISAs, Gramsci distinguished two forms of control: domination, described as direct physical force by hegemonic powers; and hegemony, signifying ideological control and compliance. In his opinion, no government, no matter how autocratic or powerful, could maintain itself principally by means of state authority and the army, as government could not last without popular support and legitimacy (Burke, 1999).

Gramsci put forward that the hegemonic values of the ruling elite become internalised, giving the false sense that these values represent “the natural order of things” (Boggs 1976, p. 39). In a broad sense, and again parallel to RSAs and ISAs, schools and universities reflect Gramsci’s conception of a dual-functioning superstructure, as schooling entails in part compulsory education, the national curriculum, national criteria and qualifications, but also other, non-coercive features which constitute the hidden curriculum. Therefore, in Gramsci’s eyes, society consists of “the relations of production (capital v labour); the state or political society (coercive institutions) and civil society (all other non-coercive institutions)” (idem, p. 3).
Gramsci further emphasised the value of intellectuals participating in daily life. In his *Selections from the Prison Notebooks* (1971), he claimed that each social class “creates together with itself, organically, one or more strata of intellectuals which give it homogeneity and an awareness of its own function not only in economic but also in the social and political fields” (p. 3). Gramsci emphasised the need for the working class to build a counter-ideology/hegemony against the ruling class. To create such a proletarian counter-hegemony, the working class must surpass its own limited interests so that it can represent and protect the interests of the whole society. To achieve this goal the contribution of the proletariat intellectuals is needed, as well as the leadership of the proletariat Party.

Gramsci pointed out the close link between state schools and bourgeois dominance because he believed that “the type of knowledge taught and teacher/pupil relations in the school are crucial to intellectual formation and hence to the maintenance of bourgeois hegemony” (ibid). Because the school is so central to maintaining class-based power relations, Gramsci argued, it cannot be the starting place to develop proletarian hegemony. The proletariat can draw on the intellectual’s knowledge only when it is “transformed through a process of establishing proletarian hegemony” (ibid). For Gramsci, it is vital to enhance “the consciousness and cultural level of the proletariat – ‘by educating them and making them aware of the possibility of an alternative society’ ” (Boronski, 1987, p. 18).

The above discussion demonstrates that Gramsci, similarly to Althusser, emphasised the role of the superstructure, placing politics and ideology at the core, but again like Althusser, not ignoring the economic base. He identified the “totalizing role” of the political party but maintained that it was “responsive to its mass base” (Burawoy, 1999, p. 1). As Bob Jessop (1997) observes, Gramsci’s views on the economy are “not only relevant to the rise of Fordism but also to its crisis and the problems of developing a post-Fordist accumulation regime” (p. 1). Gramsci was among the first to recognise the potential political and cultural implication of Fordism, which he interpreted as “an ultra-modern form of production and of working methods such as is offered by the most advanced American variety, the industry of Henry Ford” (1971, pp. 280–81). While acknowledging that the discipline of economics was mainly about value, Gramsci linked economic problems with their wide-ranging political, intellectual, and moral context. His economic analyses surpassed the narrow focus on the relationship between the worker and the productive forces. As a result, Gramsci’s explanation and analyses represent a comprehensive theory of hegemony and are closely connected with broader social relations and class struggles.

The Frankfurt School, which is the most important strand of cultural criticism in Western Marxism, has Theodor Adorno, Max Horkheimer and Herbert Marcuse as its leading figures. This school has named its analytical methodology “critical theory” to “cover the entire scope of other theories” (Sim & Van Loon, 2001, p. 39).

In the School’s approach to a critical theory of society, it applies all the disciplines of the social sciences. The aims of this theoretical originality emerge from Max Horkheimer’s intention to develop a philosophy of history from which the evolution of human reason, through empirical research, could be understood.
The Frankfurt School shared with Althusser and Gramsci the concept that ideology is very powerful and could dominate people’s thinking and action and, more importantly, could serve the ruling class as a covert force equal to that of the RSA’s.

The Frankfurt School gave Marxism a methodology as Horkheimer applied the concept of rationality to the interpretation of historical materialism. Whereas Marx said, “This is historical materialism, and this is what it does,” the Frankfurt School said, “This is historical materialism; this is what’s right with it, this is what’s wrong with it, and this is how it works” (Case Western Reserve University, n. d, p. 6). Whilst classical/orthodox Marxism is characterised by “reductionist determinism, which interpreted the dynamics of history primarily in terms of the economic base as it acted on the superstructure of society” (Peters et al., 2003, p. 5), critical theory, being practical and all-embracing, combines philosophy, politics and economics to critique bourgeois culture and philosophy. Acting as “a moral-political system” and linking practice with theory, critical theory is related to the “improvement of human condition” and the “realization of freedom through reason” (ibid). Its meta-analytic approach to society through its economic, political, and social systems deeply influenced Marxism and philosophy as a whole particularly in thinking (Case Western Reserve University, n. d).

**Literary Marxism**, the premier theorists of which are Fredric Jameson, Terry Eagleton and Perry Anderson. Jameson, a prolific writer, is the most influential Marxist critic of recent decades, and he has developed a unique neo-Marxist theoretical position. Opposing the prevailing Anglo-American forms of literary criticism, he has explored and applied continental European approaches and ideas as alternatives to the dominant American conventional literary and cultural theories (Kellner, n. d. a).

In his later work, Jameson is making the case that the capitalist process of commodification and reification is fueling today’s world-system, especially after the collapse of Soviet communism (ibid). The importance of Jameson’s work is that he has linked Western culture and its aesthetics to political economy. He highlights the relationships between the arts and historical situations of their formation and reception. Jameson registers parallel developments between ideological movements from realism through modernism and into postmodernism, and capitalism from mercantilism to industrialisation and later globalisation. For Jameson, the struggle or global conflict between socialism and capitalism is being, or might be, abandoned unconsciously, which leaves working class or non-capitalists vulnerable to the strong influence of global capitalism.

Terry Eagleton, a student and disciple of Marxist literary critic Raymond Williams, has been considered, as an internationally recognised academic rebel and literary critic and influential British Marxist revolutionary from a working-class background. Eagleton attempts to reveal the links between politics and power in academic and intellectual institutions and practices where such links have been supposed not to exist. His analyses of texts from Shakespeare and Richardson through Conrad and the Brontës reveal the impact in and on these texts of ideology, which he defines as “the link or nexus between discourses and power” (Wofford College, n. d, p. 1). Eagleton, like Jameson, considers that ideology seems to be programmed by the dominant power of the ruling class to serve its goals. Schools
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or universities, arguably collectors of ‘cultural capital’, transmit ideology, controlled and designed by the dominant powerful class to students through teachers. Thus, the students become successors of the existing ruling class so that the ruling class will persist. In this way, people will gradually accept what they already have and may well take it for granted that this is the way it ‘naturally’ is. What Eagleton intends to do is to awaken people who seem to be misled by the dominant ideology from the ruling class and instead encourage their ability to think critically. The way to undo uncritical acceptance of control by the ruling class is for people to depend on themselves.

Perry Anderson, as the longstanding editor of the British socialist periodical *The New Left Review* and co-originator of Verso books, has been regarded as an outstanding modern Marxist theorist. What *The New Left Review* had accomplished was to substitute the old, “intellectual provincialism” (Skidelsky, 1999, p. 3), with a constantly ‘new’ democratic form. It could achieve no more than that owing to the breakdown of socialist politics in that period. What characterises Western Marxism in general is the shift away from practical politics to inquisitions of culture and ideology. As Anderson claims, “the hidden hallmark of western Marxism... is that it is the product of defeat” (as cited in Skidelsky, 1999, p. 3). He indicated that Marxist disciples in their protest against capitalism tended to seek a breakthrough by questioning culture and ideology instead of launching a revolutionary struggle, but they ignored “the mechanics of state power” (Skidelsky, 1999, p. 2). Anderson has recognised the intellectual and political victory of the right in the past ten years, but never officially abandoned his revolutionary beliefs (ibid). He acknowledges that neoliberalism has been challenged by anti-globalisation campaigns such as the Seattle protest (Stiglitz, 2002), but emphasised that “capital has comprehensively beaten back all threats to its rule” (Anderson, P., 2000, p. 6). Blackledge (n. d) interprets Anderson’s argument as a rupture with his earlier radicalism, and this rupture is described as a consequence of political, social and economic transformations of the past few decades.

Anderson is also famous for his *The Origins of Postmodernity* (1998), a work which traces the cultural transformation that co-occurred with the triumph of global capital or capitalism (ibid). *The Origins of Postmodernity* is basically a vindication and expansion of Fredric Jameson’s book that postmodernism embodies the cultural logic of late capitalism. Anderson’s work diagnoses the malady, but he offers no cure (ibid). Anderson clarifies the importance of Jameson’s work for unveiling the hidden relationships between the diverse cultural products of postmodernity and for explaining how these cultural products have helped their consumers adapt to “the reality of a triumphant global capitalism” (Weisengruber, 2000, p. 1) and TINA. Anderson and Jameson are of one mind regarding a Marxist rendering of the postmodern condition as the outcome of economic and political forces. They do not agree that the postmodern condition is the representation of the present ‘condition of knowledge’ (Lytard, 1989) or innovative artistic practices. Briefly, *The Origins of Postmodernity* aims at interpreting the postmodern condition in a neo-Marxist approach as classical Marxism does not provide an adequate framework from which to explain what is happening in the rapidly changing environment. By taking the field of cultural
criticism as a battlefield, Anderson attempts to seek a new social formation to the prevailing global capitalism and to arouse people’s political sensibility by linking culture and literature with the power of politics.

In general, the literary strand of neo-Marxism is typified by taking culture and ideology as a breakthrough in awakening people’s consciousness to the real conditions of existence. Being shattered by their disillusionment about the possibilities of overthrowing the capitalist regime through radical or revolutionary approach, the literary neo-Marxists have turned to seek alternatives to the old form of revolutionary struggle against capitalism, as represented by neoliberalism, by means of creating a new kind of socialist culture or ideology. Culture or ideology might work as a forceful weapon against neoliberalism/capitalism. Conceived in this way, the literary neo-Marxists have highlighted the relationship between culture/ideology and state power but their influence has been confined to the academic world, in particular, the sub-disciplines in humanities. This situation can hardly be said to be optimistic in terms of its influence and counterbalance against the dominant neoliberal force in the world.

Giddens’ Third Way

The Third Way, broadly defined, is an attempt to seek a middle path between the First Way, laissez-faire capitalism and the Second Way, the socialist system. In a broad sense, the First Way involves private ownership of capital, the profit drive, goods and services traded in the global marketplace, while the Second Way concerns public ownership, production for the public good instead of private profit and the state’s governance of the economy. Thus, arguably, the Third Way could refer to almost everything between “these poles of economic and social organization” (Eichbaum, 1999, p. 35), namely between the old left and the new right. This has led to a worldwide debate on the politics and feasibility of the Third Way.

The Third Way is closely related to the politics of Tony Blair and New Labour in the UK. Anthony Giddens is the theorist who has formulated and advocated probably the most systematic and coherent definition of the Third Way. He also has been an adviser to some top Western politicians, including Blair, Clinton in the US and former Chancellor Gerhard Schröder in Germany. His concept of the Third Way, adopted by the Blair government in 1997, is based on contemporary liberal European and North American politics. Giddens (2000b) recognises that our societies are being transformed by globalisation and the knowledge economy. In response to these large-scale changes in societies, either in terms of states or social groups, governments need to make corresponding adjustments. Against this background, Giddens has constructed the Third Way to seek a new path beyond neoliberalism and old socialism. It will be argued among other things that the Third Way ignores the ‘new left’ of neo-Marxism.

Giddens (1998) suggests that the principles that underpin the Third Way already emerged at the turn of the 20th century and prevailed among the right-wing groups in the 1920s. He claims that in the early post-WWII period, however, social democrats declared that they found a way different from American market
capitalism and Soviet communism, which was confirmed as the Third Way by the Socialist International in 1951. After 20 years, the Czech economist Ota Sik and others applied the Third Way to indicate market socialism. In the late 1980s, Swedish social democrats used it to refer to “an important programmatic renewal” (idem, p. 25). The Third Way, adopted by Clinton and Blair in the 1990s, was welcomed by most Continental social democrats (ibid). Giddens’ Third Way: the Renewal of Social Democracy was published after “the high-point of the Asian crisis” in 1998 (Giddens, 2000a, p. vi), and forms a new framework of thought and policy-making aiming to make social democracy relevant in a transformed world (Giddens, 1998). The Labour government under Helen Clark in New Zealand started promoting Third Way policies in 1999 (Kelsey, 2002).

The Third Way has instigated an ideological debate not only in the UK, the States and New Zealand, but also in Latin America and Asia. According to Giddens, the Third Way debate is about how to generate left-of-centre politics when the two important theories of new capitalism and old socialism can no longer wholly explain what is happening in the world (Giddens, 2000b). Giddens (2000b) suggests that the Third Way is the latest phase in the renewal of social democracy in reaction to the great transformations of our societies. Given its theoretical value and its popularity in practice, the Third Way demands attention in the global debate about globalisation, the knowledge economy and HE. However, before it is discussed in relation to the above-mentioned three domains, we need to establish what it is and what it advocates. This section thus starts with an exploration of Giddens’ views on the Third Way. This is followed by a discussion which expands on Giddens’ definition, giving special reference to the role of the state and globalisation, the knowledge economy and HE in the next section. The final aim is to put forward critiques of the Third Way.

According to Giddens, the Third Way is not the old left nor is it free-market neoliberalism. One of the main causes of complaints from critics is that it is a challenge to pin Giddens down to a precise definition. Giddens (BBC News, 1999) has stated that the Third Way is the modernising left attempting to follow the same core, traditional, left-of-centre values such as dealing with inequality and creating a society of solidarity and prosperity to care more for vulnerable people. However, in the new politics those core values can hardly be practised and achieved purely on the basis of the old political ideas. Something new must be found to cope with those values in changing global societies. Different countries have their own historical trajectories. Whether the term Third Way is employed or not is not the point. What counts is that each country should find a way for itself based on its own characteristics. (However, it will be argued that Giddens is implicitly ethnocentric). For Giddens, the Third Way is a way of ‘modernising social democracy’. Third Way politics stands for building a new relationship between the individual, the community and the state, and reinterpreting rights and obligations. Some of its major concerns include social justice, social inclusion, an active civil society consisting of the mutual participation of community and state, and revival of civic culture. Also, the Third Way embraces three key conceptions: ‘the new democratic state’, ‘the renewal of civil society’ and ‘the democratic family’ (see Table 1.1). Furthermore, the Third Way emphasises the importance of an effective
cooperation between public and private sectors, fulfilling the potential of markets without ignoring the public interest. To put it simply, Third Way politics is meant to symbolise the renewal and revival of social democracy. Giddens (1998; 2000a) believes that Third Way politics modernises social democracy to support socialist values and implement them in a globalised world.

Table 1.1: Three Conceptions of the Third Way: ‘the New Democratic State’, ‘the Renewal of Civil Society’ and ‘the Democratic Family’ (Giddens, 1998).

|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|

One chief goal of Third Way politics is to help citizens steer their life in the direction of the principal changes of today: “globalization, transformations in personal life and our relationship to nature” (Giddens, 1998, p. 64). It is supposed to consider globalisation positively, only with the critical qualification that it be seen as a phenomenon covering more than just the marketplace. The Third Way values include equality, protection of the weak and vulnerable, freedom as autonomy, no rights without responsibilities, no authority without democracy, cosmopolitan pluralism and philosophic conservatism (idem, p. 66). The new politics of “no rights without responsibilities” (ibid) requires responsibilities from government for its citizens such as the protection of the weak and the vulnerable but also obligations for individuals to fulfil such as actively searching for work if unemployed. This new politics applies to every citizen. Another principle, “no authority without democracy” (idem, p. 66), means building up authority by means of democracy. The new individualism does not necessarily lead to the erosion of authority but calls for its involvement in active and participatory democracy. Also, in response to globalisation, scientific and technological revolution and ecological
problems, Giddens strongly recommends “cosmopolitan values”\(^{12}\) and “philosophic conservatism”\(^{12}\) (idem, p. 67), which he closely links to modernisation. Modernisation, for Giddens, is about awareness of the problems and limitations inherent in modernising processes rather than about further development of modernity. Modernisation and conservatism are generally seen as conflicting concepts, yet Giddens calls on us to apply the tools of modernity to deal with current global issues of environmental risks and social responsibilities that go beyond tradition and nature. In this context, conservatism, according to Giddens, indicates “a pragmatic attitude towards coping with changes”; an objective view of the value and consequences of science and technology; a respect for history; and an implementation of protective principle wherever possible in the environmental scene (idem, p. 68).

As noted above, one basic and distinguishing characteristic of the new social contract initiated in the Third Way is ‘no rights without responsibilities’. The Third Way is also concerned with equality and pluralism and highly values a dynamic model of egalitarianism with active reaction to the changing patterns of inequality. Third Way politics postulates that existing welfare systems and the structure of the state might cause social problems as well as challenges. Thus, existing welfare institutions need to be completely modernised and the state and government, reformed. Third Way politics clearly points out that social and economic policy cannot be separated and that social expenditure should be appraised regarding its consequences for the economy as a whole. Also, active welfare and labour market reform should be combined. Giddens (1998) claims that Third Way politics is one-nation politics, which echoes the ‘one-size-fits-all’ policy formulated and promoted by the neoliberal world institutions. The cosmopolitan nation encourages “social inclusion” whilst simultaneously playing a pivotal role in helping the development of “transnational systems of governance” (idem, p. 69).

The programmes (see Table 1.2) that the Third Way promotes consist of the radical centre\(^{13}\), the new democratic state (‘the state without enemies’), active civil society, the democratic family, the new mixed economy, equality as inclusion, positive welfare, the social investment state, the cosmopolitan nation and cosmopolitan democracy (Giddens, 1998). Those programmes represent how the Third Way is framed.

Table 1. 2: A Brief Outline of the Third Way Programmes (Giddens, 1998).

<table>
<thead>
<tr>
<th>The Third Way Programmes</th>
<th>Features</th>
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<tbody>
<tr>
<td>1. The new democratic state (the state without enemies)</td>
<td>See Table 1.1</td>
</tr>
<tr>
<td>2. Active civil society</td>
<td>See Table 1.1</td>
</tr>
<tr>
<td>3. The democratic family</td>
<td>See Table 1.1</td>
</tr>
</tbody>
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### INTERPRETATIONS OF GLOBALISATION

| **4. The new mixed economy** | Looking for a synergy between public and private sectors; utilising the dynamism of markets but with public interests in mind; involving a balance between regulation and deregulation on a transnational as well as national and local levels; and a balance between the economic and the non-economic in the life of the society (idem, p. 100). |
| **5. Equality as inclusion** | The formal attribution and actual realisation of the civil and political rights and obligations that all members of a society should have and fulfill. Yet, the actual realisation of these formal rights and obligations relies mainly on citizens’ equality of opportunity that is achieved chiefly through education and training, not just a labour market tool, but also in general as an emancipatory instrument for opportunities in life (idem, 102). |
| **6. Positive welfare** | To which not only government but also individuals themselves and other agencies contribute and which is functional for wealth creation (idem, p. 117). |
| **7. The social investment state** | Government has an essential role to play in investing in the human resources and infrastructure needed to develop an entrepreneurial culture (idem, p. 99). |
| **8. The cosmopolitan nation** | Keeping the principle of nationality while endeavoring to form national identities that can accommodate the pluralism and mutability of modern culture (idem, p. 132). |
| **9. Cosmopolitan democracy** | The cosmopolitan nation implies cosmopolitan democracy, operating on a globalising scale. The boundaries between nations have almost everywhere been fixed and agreed by international consensus. A likely consequence is that democracy becomes more widespread. It also represents the idea that democracies do not go to war with one another (idem, p. 140). |

### DIFFERENT APPROACHES TO GLOBALISATION

*Neoliberalist Views on Globalisation*

Neoliberals represent positive hyperglobalists who assume that globalisation symbolises a new age in human history. In the globalisation process, all forms of relations are being globally interacted and intermingled, going beyond the...
nation-state and weakening it gradually. For neoliberals, globalisation is characterised by growing flows of capital, people, goods, finance, trade and services, knowledge and information across borders. They advocate open, free and global markets and they believe that to promote ‘optimal’ economic development is to improve people’s living standards (Castles, 2000). Martin Altbrow (1996) also describes globalisation as a move away from the age of modernity to a new global epoch, signifying meaningful opportunities as well as challenges.

Bradford Delong (1999) states that globalisation has three major economy-oriented benefits based on the neoliberal argument. First, the economic might of the nations that make up the world’s industrial core plus those nations that exist in the developing periphery benefit disproportionately when this capital-rich core (where interest rates are low) extends loans to the capital-poor nations (where high interest rates are high). Second, both consumers and producers increase their profits, with the former benefiting from much-reduced transport costs and tariffs and the latter increasing their sales, thanks to the expansion of a market. Finally, the intensified internationalisation of the global economy enables producers from each country to gain wider access to goods and production processes created elsewhere. The accelerated dissemination of knowledge promotes productivity and technology at a global level. Globalisation thus brings about a richer, more active and understanding world. For this reason, governments should support globalisation instead of opposing it (Delong, 1999).

Likewise, the IMF argues that both developed and developing countries benefit greatly from this globalisation that provides many opportunities for global development. The IMF also believes that the power of markets can almost always enhance efficiency by means of competition and the division of labour. For the IMF, good opportunities offered by global markets enable people to make full use of wider markets worldwide, which indicates that people increase their access to more and freer flows of capital, technology, cheaper imports, and more extensive export markets. Countries are supposed to support the policies that a free-market world requires (IMF Staff, 2002).

In general, neoliberal theorists advocate globalisation and claim that it brings about prosperity and development. They also describe globalisation as an inevitable trend (The End of History, as Francis Fukuyama (1992) famously calls it). The present writer argues that both claimed benefits and alleged inevitability are false rationales invoked to justify a global restructuring that is itself self-interested. Particularly after the collapse of the Soviet Union and the fall of the Berlin Wall, believed by neoliberals to represent a victory of capitalism and a failure of socialism, liberalisation and freer markets have been claimed to be the key to everything. Globalisation is driven by speedy advances in technology and transport that have prompted increasing expansion and integration in global trade, investment, production and services. For neoliberals, globalisation is as important as development and technology. And this development can be accomplished only within the context of neoliberal ideology. Globalisation is interpreted as Westernisation or McDonaldisation or internationalisation (TuJ Jr., n. d).

Antonio TuJ Jr (n. d) indicates that imperialism is a process of globalisation that can be seen as a fast process of economic restructuring, conquest and control.
over production resources by transnational corporations (TNCs). This process also promotes the major neoliberal principles of privatisation, deregulation and liberalisation. Tujan Jr (n. d) further argues that globalisation is the neoliberal offensive of monopoly capital. This sounds ironical because a monopolist can hardly be equated with a liberal. However, monopoly capital has justified neoliberalism for the selfish reason that it will eradicate all types of protective mechanisms that have obstructed monopoly operations and that restrict their access to markets and investments in customer countries. This is a typical representation of monopolist opinion. ‘There is no alternative’ (TINA) is the catch-phrase popularised by Margaret Thatcher. The world is supposed to follow only this neoliberal ideology. Should this be the case in the present world? After the Asian crisis, once-neoliberal businessmen have condemned globalisation for creating the financial crisis in the world and the social and economic turmoil in most Third World countries such as Brazil, Indonesia and Argentina (Tujan Jr, n. d). Governments, United Nations organisations like the United Nations Conference on Trade and Development, multilaterals such as the IMF, and some eminent economists have asked whether financial deregulation is ‘globalisation’ opening up markets. Meanwhile, apologists of neoliberal globalisation continue to insist that globalisation is inevitable for everyone and every country. But they downplay important issues prevailing in both developing and developed countries, such as many people losing jobs and homes, and communities, suffering from poverty and starvation as a consequence of the process.

Different people have different responses to neoliberal globalisation as it impacts on their daily life and work. Tujan Jr. (n. d) argues that many critiques ignore the monopoly capitalist foundation and the material situations of imperialist crisis that have led to neoliberal globalisation. Globalisation is not simply the occurrence of economic integration emanating from a technological revolution and prosperity in which nations are involved in neoliberal restructuring. As he points out, capital is still very much national as TNCs have home countries and it is the nation states that establish the rules of economy for the benefit of the TNCs nationally, bilaterally and multilaterally. Therefore, such critiques (which were outlined earlier) show that globalisation represents a biased political aspiration which needs to make explicit to the public so as to awaken their awareness of the fact that globalisation is dominated by neoliberal ideology.

**Neo-Marxist Views on Globalisation**

Neo-Marxism is an ideology of anti-global-capitalism. Neo-M Marxists are often seen as “negative hyperglobalists” whose viewpoints can be perceived in the critical neo-Marxist writings (Castles, 2000, p. 6). Hans-Peter Martin and Harald Schumann in their *Global Trap* (1997) assert that globalisation began with the sudden and rapid increase in global media and mobility. They further argue that such trends are advantageous only to a small group of middle-class elites whereas for the majority globalisation signifies a world transforming into “a lumpen planet,
CHAPTER 1

rich only in megacities with megaslums, where billions of people eke out a meagre living" (Martin & Schumann 1997, p. 23).

Globalisation has brought about negative processes such as the dismantling of trade unions and welfare systems, increasing unemployment and social exclusion, and deteriorating the environment, as a consequence of uncontrolled growth. Globalisation brings about "social fragmentation, cultural uncertainty, conflict and violence" (Castles, 2000, p. 6). Martin and Schumann (1997) point out that the neoliberal nature of advancing globalisation results in exacerbating social inequalities, widening wealth gaps between and within countries; escalating the exploitation of workers and natural resources; and worsening the burgeoning rate of unemployment in many countries. In their opinions, the strengthening of a 'global village', supported by radical free-market advocates and neoliberal politicians, was over by the end of the 1980s. The claim of Hayek's followers that, in terms of ideology and politics, human society had turned into a uniform one on the eve of the third millennium is an illusion according to Martin and Schumann. They identify and examine three major neoliberal principles, dominant in the 1980s and 1990s, on which capital accumulation in a global environment has been based: deregulation, privatisation and liberalisation. They also explore the link between the economy and politics and the social consequences of the neoliberal globalisation process (Leal, 1998).

Marx was, similar to the neo-Marxists, anti-global-capitalism. Marx observed that the development of modern industry in his time had created an immense labour force within the time span of a generation, which had brought "even the most barbarian, nations into civilisation" and "rescued a considerable part of the population from the idiocy of rural life" (Marx & Engels, 1964, p. 9). Marx showed no intention to discontinue or prevent globalisation; what he was concerned about was the fact that the benefits of globalisation largely flowed to bourgeois capitalists to put oppressed workers in a disadvantaged position. Core to his ideal was to eliminate private property so all could benefit equally from globalisation. Marx predicted that capitalism was subject to periodic crises, as was evidenced by the later 1930s Great Depression, and that this would cause the final collapse of the capitalist system. This helped reinforce the important role of the state and support the trend towards state intervention in many countries for another 50 years (Kerr, 1998).

Similarly, the representative group of neo-Marxists consisting of Kelsey, Dale and Cox are also critical of global capitalism. In Jane Kelsey's (2002) essay The Wobbly Bicycle: Globalisation on the Precipice, she states that the future of global capitalism has become "far less certain" than it was a decade ago (p. 3). She says that even representative pro-globalisation cheerleaders are concerned and think they need to readdress the dominance of neoliberal globalisation. She further argues that the determined quest for economic globalisation has deepened the conflicts between "capital accumulation, social stability and political legitimacy", impacting on the everyday life of peoples and countries in the past several centuries (idem, p. 4). Global capitalism, she claims, is faced with a crisis. Those who are pro-globalisation make light of increasing public resistance to neoliberal globalisation - but the promoters of globalisation have experienced constant public
protests, expressed during conferences of the WTO in Seattle, the WB and the IMF in Washington and Prague, and many other cities. Those anti-globalisation movements oppose the neoliberal practices which accompany globalisation, such as deregulation, privatisation, removal of trade barriers and freeing up of national markets (although protectionism is still applied by the rich nations in the key area of agriculture, which is an export of the poor nations). Each movement, however, also has its own orientation in its opposition to globalisation. For instance, concerns of the underdeveloped countries in the South and Africa are centred round “poverty, denial of the right to economic and human development, and the disempowerment of people and governments through a combination of foreign investors, transnational enterprises, superpowers and international economic institutions” (idem, p. 9). Unions and non-governmental organisations (NGOs) from higher-income countries such as in Europe and North America, on the other hand, concentrate on specific issues like “public services, foreign investment, environment, labour standards and the exercise of democracy/governance/sovereignty” (ibid). These issues are of no concern to their governments that are keen on gaining increased access to foreign markets for their entrepreneurs, TNCs and exporters. Different countries, organisations, groups and people have their own stance on different issues brought about by globalisation because of different historical, economic, cultural and political backgrounds. Hence, the protests against globalisation are made “in a loosely shared, sometimes coordinated, but often contested and contradictory way” (ibid). Together, however, they represent a significant backlash or a negative response to economic globalisation.

Kelsey (2002) claims that global capitalism transforms the “natural and spiritual world” into “tradable commodities” and justifies its exploitation (p. 10). This leads to the damaging of permanent relationships and equilibrium between economic, social, cultural and spiritual existence, and deprives citizens of their rights as the protectors of that existence. Though global and free markets are arguably claimed to heighten the level of people’s living standards, economic or neoliberal globalisation is essentially a matter of global capital power enabling the owners of considerable capital to maximise their profits (no matter the means or channels of generating these profits).

Roger Dale shares the neo-Marxist view on globalisation. He states that globalisation embraces three dimensions - political, economic and cultural. One of its principal characteristics is that it functions at different levels - supranational, regional and national - having diverse effects, such that globalisation constitutes an overarching discourse explored to serve different interpretations for explaining the sea changes in today’s societies. Globalisation, to a great extent, involves the individual and collective effects of three key economic regions - Europe, Asia and America - that engender and reconcile their distinct policies. For Dale, it co-occurred with “the decline of the post-war economic and political settlement, that centred on the set of international financial agreements and institutions known collectively as the Bretton Woods agreement” (Dale, 1999, p. 3).

Dale shares his views with Phillip Cerny in the latter’s argument that globalisation as a political phenomenon “basically means that the shaping of the playing field of politics is increasingly determined not within insulated units, i.e.
relatively autonomous and hierarchically organized structures called states; rather, it derives from a complex congeries of multilevel games played on multi-layered institutional playing fields, above and across, as well as within, state boundaries” (Cerny, as cited in Dale, 1999, p. 4). Irrespective of how neoliberal globalisation has informed and influenced each state, it tends not to weaken the significance and dominance of ongoing societal and cultural influences. Globalisation may have great impact on national policy-decisions in a parallel way, yet it cannot inexorably eradicate nationally unique features. Geert Hofstede’s work (1984) on comparing the values of related people in 64 diverse national subsidiaries of IBM shows that people differ significantly in their performance of the same tasks or obligations based on Hofstede’s dimensions of cultural variability including Uncertainty Avoidance, Power Distance, Masculinity-Femininity, Individualism-Collectivism, Confucian Dynamism (see Chapter 5). Dale (1999) suggests that Hofstede’s work provides a useful explanatory framework from which to analyse nationally specific responses to globalisation.

Robert Cox (1997), from a different perspective, argues that “globalization widened the gap in living conditions between most of the world’s population and the relatively small segment integrated into global production and financial networks” (p. 24). Based on his argument, globalisation mainly benefits the small number of social elite who hold considerable capital and the largest part of world resources, but disadvantages the majority of people who have comparatively much less access to the increasingly incorporated world system, or the use of high technology and advanced transport. Therefore, a new social polarisation emerges in the world structure that Cox describes as a three-tiered hierarchical system. The first, top level, features those well merged into the global system, from global economy managers to comparatively advantaged and highly skilled workers who have stable jobs. The second level comprises people who participate in the global economy but who have no secure jobs. The last level includes the redundant labour force marginalised in the global economy (Cox, 1997).

Furthermore, Cox (1997) indicates that the single-minded pursuit of economic benefits under globalisation has profoundly destabilised the natural world on which our existence depends. The hole in the ozone layer, global warming, deforestation, soil erosion and the exhaustion of fish stocks illustrate nature’s retaliation and resistance to abuse. Cox suggests that economics should respect and follow a science of nature. Therefore, he calls for “realistically based action” that he believes can prevent globalisation from leading to the “end of history” (Cox, 1997, p. 30). For Cox, the state, affected by globalisation and liberalisation such as structural adjustment, “no longer primarily acts as a buffer against the world economy, but plays an integral role in globalization” (Singh, 1999, p. 3).

The Third Way and Globalisation

Despite being critical of its consequences, Giddens, like the neoliberals, mainly takes a positive attitude towards globalisation. He does not see globalisation as a major cause of new inequalities. For Giddens (2000c), globalisation is the unprecedented
INTERPRETATIONS OF GLOBALISATION

The intensification of worldwide social relations that connect distant places in such a way that local happenings are shaped by distant events and vice versa. Unlike neoliberalism, the Third Way does not view globalisation from just one dimension. It is a process that has compressed geography, space and time as well as influenced the progress of our society. Globalisation has made people more aware of the importance of considering the world as a whole instead of thinking only in terms of a national realm. Globalisation for Third Way theorists embraces three dimensions: economic, political and cultural (Giddens, 1998; 2000a). Like transformationalists (see Table 1.3), Giddens (1998) argues that globalisation is the main driving force behind the great transformations in the economy, culture, society and politics that have a profound impact on people around the globe. In response to these changes, states and societies try to adapt to a more interlinked, but very uncertain, world.

Table 1.3: Theoretical Framework of neo-Marxism, Neoliberalism and the Third Way

<table>
<thead>
<tr>
<th>Domains</th>
<th>Globalisation</th>
<th>The Knowledge Economy</th>
<th>Higher Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Theories</td>
<td></td>
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</tr>
<tr>
<td>Neo-M Marxism (Castles, 2000; Martin &amp; Schumann, 1977; Giddens, 1998; Jessop, 2000; Peters, 2001a, 2002a; Olssen, 2000;Marginson, 1993, 1997a, 1997b, 1999a, 1999b)</td>
<td>- Negative hyperglobalist; - Globalisation only benefits a small middle-class elite; - For the majority, globalisation means: the world is becoming “a lumpen planet, rich only in megacities with megaslums, where billions of people eke out a meagre living” (Martin &amp; Schumann, 1997, p. 23) - Globalisation is the mechanism for the rule of</td>
<td>- NeoM Marxists may not specify or conceptualise what the knowledge economy means, but indicate clearly knowledge is indispensable to human development; - Knowledge is power; - Knowledge and the value of knowledge is rooted in social relations; - The knowledge economy is one part of neoliberal</td>
<td>- HE plays an important role in the construction of society; - HE is profoundly affected by the intensification of globalisation and the knowledge economy; - HE is losing its intrinsic and social value under the influence of globalisation and knowledge economy; - HE is being quantified, commodified,</td>
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</tbody>
</table>

23
| International investors and TNCs free from the control of ever-weaker nation states; | Ideology promoted by the neoliberal institutions of WB, OECD and IMF; |
| Escalating unemployment & social exclusion; | The knowledge economy is conceptually deficient; |
| Life-threatening environmental deterioration because of uncontrolled growth; | The narrow definition of the knowledge economy supports the neoliberal ideology and highlights only the economic dimension of knowledge; |
| Globalisation causes social fragmentation, inequality, cultural uncertainty, conflict and violence; | The knowledge economy is the latest phase of capitalism that needs empirical justification (Peters, 2003); |
| Trade unions and welfare systems are breaking down; | Knowledge should not be seen as a private rather as a public good; |
| Governments/States are the central authority to guarantee ongoing economic liberalisation. | The knowledge economy, a shift from industrial capitalism to privatised and capitalised; |
| State is dominant in social and economic life as well as civil society. | State HEIs have new multinational competitors such as private universities, international university consortia (e.g. Universitas 21); |
| Growth of private think-tank, policy agencies and research organizations; | Privatisation of research. |
### Interpretations of Globalisation

<table>
<thead>
<tr>
<th>Interpretation</th>
<th>Knowledge Capitalism</th>
</tr>
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<tbody>
<tr>
<td>Transformationists;</td>
<td>The knowledge economy is being globalised;</td>
</tr>
<tr>
<td>Globalisation is a pivotal driving force behind the social, political and</td>
<td>The IT revolution has a profound impact on going globalisation;</td>
</tr>
<tr>
<td>economic transformation, reshaping modern societies and world order;</td>
<td>The twin revolution of the knowledge economy and globalisation has affected the capability of national governments to manage economic social/political and cultural life;</td>
</tr>
<tr>
<td>Globalisation is re-generating the power, functions and authority of national</td>
<td>The knowledge economy is going to be all-conquering;</td>
</tr>
<tr>
<td>governments;</td>
<td>Knowledge is central to productivity;</td>
</tr>
<tr>
<td>Globalisation is inevitable and requires careful regulations;</td>
<td>Helping adults without basic skills or qualification, to update their out-of-date skills and offer more and better opportunities to those with a higher education level qualification, which is especially emphasised by the three main priorities in government expressed by Blair as “education, education, education” (Giddens, 1998, p. 109). This also proves how important education - fundamental to the knowledge</td>
</tr>
<tr>
<td>Nation states have stopped being the single centres or the principal forms of</td>
<td></td>
</tr>
<tr>
<td>governance or authority in the world but with the military and military and</td>
<td></td>
</tr>
<tr>
<td>knowledge capitalism, is converting the West into ‘workless worlds’</td>
<td></td>
</tr>
<tr>
<td>(Rifkin, 1998).</td>
<td></td>
</tr>
<tr>
<td>Economic power of the dominant states still playing a decisive role;</td>
<td>Government should facilitate the knowledge economy to fulfil the country’s full potential;</td>
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</tr>
<tr>
<td>Globalisation is the overall consequence of increasingly interconnected processes of the transformations in different areas;</td>
<td>Innovation stemming more from networks and collaborative ventures is essential to the knowledge economy;</td>
</tr>
<tr>
<td>Freer flows of trade, people, resources and service integrate all countries into a global system, leading to principal social transformations at all levels;</td>
<td>Finance, computers and software, telecommunications and biology are the key components of the knowledge economy;</td>
</tr>
<tr>
<td>Globalisation is a complex historical process with unpredictable results;</td>
<td>Education, particularly HE is the key contributor to the knowledge economy;</td>
</tr>
<tr>
<td>Globalisation creates new forms of global stratification including marginalisation;</td>
<td>An active and responsive state is more needed in the age of the knowledge economy.</td>
</tr>
<tr>
<td>Local transformation is</td>
<td>Government – is in the knowledge-driven economy;</td>
</tr>
<tr>
<td>Encouraging large investment in human capital - crucial for the 'redistributio of possibilities';</td>
<td>Expanding HE by recruiting more students (Giddens, 2000a, p. 73–74);</td>
</tr>
<tr>
<td>Considering HE as an important instrument in fostering economic development and constantly improving high technology;</td>
<td>Viewing human capital as key to the knowledge economy and HE as central to human capital;</td>
</tr>
<tr>
<td>Encouraging governments’ greater investment in HE.</td>
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<tr>
<td>INTERPRETATIONS OF GLOBALISATION</td>
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<tr>
<td>----------------------------------</td>
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</tr>
<tr>
<td>• Neoliberalism (Ohmae, 1991; 1995). Representative neoliberal policy promoters are the WB, the IMF, the WTO and the OECD.</td>
<td>an important part of globalisation.</td>
</tr>
<tr>
<td>• Positive hyper-globalists; Supporting open and global markets and thinking these will ensure best economic growth and eventually benefit all; Weakening role of nation states in a global economy dominated by TNCs and global markets for resources, consumer goods and labour; Emphasising individual autonomy and the market principle over state power, and regarding democratic control through states as outdated; Globalisation is generating new forms of social organisation to replace traditional nation states as</td>
<td>Strongly promoting the knowledge economy worldwide; Emphasising the economic dimension of knowledge; Quantifying and commodifying knowledge; Prescribing neoliberal policies to ‘coerce’ governments worldwide to follow; Adovating ‘one-size-fits-all’ neoliberal policy to endorse the knowledge economy.</td>
</tr>
<tr>
<td>• Advocating decentralisation, privatisation, commercialisation, deregulation, devolution, marketisation in HE; Seeing the relationship between teachers and students as the relationship between providers and consumers; Quantifying and ‘selling out’ HE; Emphasising HE mainly as a key to economic development; Closely linking HE with globalisation and the knowledge economy; Rise of private HE providers.</td>
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Giddens (1998) also echoes the view of transformationalists that globalisation is conceived as the total consequence of an increasingly interconnected processes of change in the domains of technology, economy, governance and communication. The freer and speedier flow of investment, immigration, information, industries, knowledge and trade services, and other material and cultural products are seen as unprecedented (Castles, 2000). Such mobility has led to a growing integration of almost all countries into a global system and has therefore triggered major social metamorphosis or revolutions at all levels. For transformationalists and for Giddens, such trends as representations of global convergence or the emergence of a single global society cannot be presumed. Globalisation is too complicated a process to enable us to forecast its results. What it does do, however, is to cause a new divide, with some individuals, communities, countries and regions becoming more incorporated into the global nexus of power and wealth while others are excluded and marginalised. However, as noted above, globalisation is not the only major cause of the problem, for this problem might also involve historical, geographical and other factors. Furthermore, Third Way theorists often consider globalisation does not erode the role of the state as neoliberals claim. It has been argued that those states with military and economic power (above all the US, but more broadly the G7/8) are still playing a central role with the emergence of new governance at the national, regional and global levels as the sovereign power of all the other, weaker states is weakened by globalisation forces (Castles, 2000; Giddens, 1998; 2000a). Seen in this light, Giddens’ outlook on the globalisation process represents a transformational view.

In general, Giddens is optimistic about the globalisation process as he thinks that it could provide people, communities and nations equal opportunities to fulfil their potential and achieve their targets. His views on globalisation come from his belief that globalisation evolves from processes of modernisation. As such, he does not recognise globalisation as the start of a new epoch in human history. For Giddens, globalisation is an extension of trends triggered by the processes of modernisation mainly involving administrative power, military power, capitalism and industrialism (Sociologyonline, n. d). Administrative power indicates the growth and development of the state built upon rational and bureaucratic forms of administration of its population and law and order. Capitalism and industrialism signify new forms of production on the basis of factory and industrial production. Finally, militarism is founded on technology and professional armies in modern societies. This view is consistent with that of transformationalists, who consider the contemporary patterns of globalisation as the latest form of development from modernisation.

Like most Western sociologists, Giddens fails to see globalisation from a non-European perspective. For Giddens, globalisation is no more than an
ever-growing integration through a Westernisation process originating precisely from the West. The processes of Easternisation and Africanisation are invisible and clearly ignored (Sichone, 2002). Hence, whether his conceptions of the Third Way and globalisation can be applied to countries outside Europe, North America and Australasia remains an issue, as countries in Africa and Asia, such as China, have their distinctive historical development.

THE ROLE OF WORLD INSTITUTIONS AND THE STATE

World Institutions of Neoliberalism

As Elizabeth Martinez and Arnold Garcia (2000) note, neoliberalism has been spread around the globe by influential financial institutions, notably the WB and the IMF, as well as by the OECD and WTO including the GATS.

The IMF and the WB, also named the Bretton Woods institutions, were created at a conference attended by 44 countries, held in Bretton Woods, New Hampshire in July 1944, mainly to revitalise the post-war economy and build a peaceful existence. The IMF, a central institution in the international monetary system with 184 member countries was founded to promote international monetary cooperation, endorse international trade, foster sustainable economic growth, and provide short or medium term financial support to countries involved in balance-of-payments difficulties. It now acts as a supervisor, examining members’ economic policies and offering policy advice (Brainwalte & Drahos, 2000; Department of Finance, Canada, 2002). The WB is one of the largest sources of development assistance, aimed at improving living standards and encouraging sustainable development in developing countries partly by alleviating poverty generally, or removing its worst forms. As a world-leading development institution, the WB is seen to assist developing countries by means of lending money and providing technical assistance for projects leading to sustainable growth and raising the quality of life, and by offering structural economic policy advice (Department of Finance, Canada, 2002; WB Organization, 2002).

A mere glance at the proposed roles of the IMF and the WB (see Table 1.4) does not necessarily link them with neoliberalism. However, an examination of the policy conditionality imposed by IMF on borrowing countries reveals its neoliberal stance. An official IMF publication (IMF Survey, 1993) unveils the fundamental nature of the policy conditionality in the following quotation:

Use of the IMF’s general resources must be in accordance with the provisions of the IMF’s Articles and the policies adopted under them. Consequently, the IMF usually approves financial support on the condition that the member make an explicit commitment to a set of policy measures [emphasis added] aimed at correcting its economic and financial imbalances within a reasonable period. This requirement, known as conditionality, seeks to strike an appropriate balance between the provision of financing and policy changes (p. 13).
Based on this conditionality, the IMF has imposed strict conditions on the developing countries involved in Structural Adjustment Loans (SALs) and other loans provided by the IMF and the WB. It is through the above-stated policy conditionality that these neoliberal world institutions control the developing countries in return for SALs and other loans. They do not offer financial assistance to the developing countries unless the latter accept certain policies that the former impose on them (Harris & Seid, 2000).

Table 1.4: Roles of the IMF and the WB (Department of Finance, Canada, 2002)

<table>
<thead>
<tr>
<th>IMF</th>
<th>WB</th>
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<tbody>
<tr>
<td>1. Supervises the international monetary system and endorses international monetary co-operation;</td>
<td>1. Provides support for poverty reduction through investments in health and education;</td>
</tr>
<tr>
<td>2. Maintains good exchange rate relationships among member countries;</td>
<td>2. Promotes economic development and structural reform in developing countries;</td>
</tr>
<tr>
<td>3. Provides short- to medium-term financial support to members experiencing serious payments imbalance;</td>
<td>3. Assists developing countries through long-term financing of development projects and programmes;</td>
</tr>
<tr>
<td>4. Obtains its financial resources principally from the quota subscriptions of its members.</td>
<td>4. Provides special financial assistance to the poorest developing countries through the International Development Association;</td>
</tr>
<tr>
<td></td>
<td>5. Stimulates private enterprises in developing countries primarily through its affiliate, the International Finance Corporation;</td>
</tr>
<tr>
<td></td>
<td>6. Secures most of its financial resources by borrowing on international capital markets;</td>
</tr>
<tr>
<td></td>
<td>7. Enhances the flow of capital and technology for productive purposes to developing countries by encouraging foreign investment by providing investment insurance against non-commercial risks in developing countries.</td>
</tr>
</tbody>
</table>

Also, the IMF and the WB have applied the ‘principles’ of the Washington Consensus, a term coined by John Williamson, to strengthen the conditionality that they have imposed on the recipient-countries (Rappoport, 2002). The Washington Consensus was originally a package of policy reforms considered by a majority of official Washington economists (from the US Treasury in particular) as
a good remedy for Latin American countries, and could be summarised as follows (Williamson, 2000):

- Fiscal discipline;
- A redirection of public expenditure priorities toward fields offering both high economic returns and the potential to improve income distribution, such as primary health care, primary education, and infrastructure;
- Tax reform (to lower marginal rates and broaden the tax base);
- Interest rate liberalization;
- A competitive exchange rate;
- Trade liberalization;
- Liberalization of inflows of foreign direct investment;
- Privatization;
- Deregulation (to abolish barriers to entry and exit);
- Secure property rights (p. 2).

These reforms entail that the strategies stated above convey three major notions: “macroeconomic discipline, a market economy, and openness to the world” (Williamson, 2002, p. 1). The Washington Consensus accentuates five key policies: trade liberalisation and export-led growth, financial market liberalisation and financial capital mobility, fiscal and monetary austerity, privatisation and labour market flexibility (Palley, 2002). Williamson’s list of remedies is not different from the policies and conditionalities of the IMF and the WB. The neoliberal policies that they have formulated are oriented towards market fundamentalism. Joseph Stiglitz thinks that the Washington Consensus was developed from market fundamentalist conceptions and indicates that it has ignored social reality and lack the understanding of what happens or is happening in the rapidly changing world (Shorrock, 2001).

The General Agreement on Trade in Services and Education Services

The GATS, a government-to-government agreement, created in 1993, is an important services branch of the WTO and aims at removing restrictions on international trade in services, including education (Kelsey, 1999). The WTO with 145 member countries is the most important world organisation negotiating the rules of trade between nations. Of great significance are the WTO agreements, with the GATS as one of the principal agreements. Together with the GATT and the intellectual property protection (IPP) regime, it forms the “Tripod” of agreements (Robertson et al., 2001, p. 16).

The GATS explains four trading forms of services, known as ‘modes of supply’, which are cross-border trade, consumption abroad, commercial presence, and presence of natural persons. Cross-border supply relates to the provision of services across borders through telecommunications or mail, such as distance learning. Consumption abroad indicates the physical movement of a consumer to the country of a supplier for a service supplied, such as overseas students. Commercial presence refers to services delivered abroad by establishing or
providing commercial facilities, such as local branch or satellite campuses and franchising. Presence of natural persons involves the flow of persons into another country to provide service for a short term such as teachers and researchers working overseas. These four modes of supply are applicable to all service sectors under the GATS (WTO, n. d. a; Knight, 2002).

The GATS further classifies trade in education into five categories according to the United Nations Provisional Central Product Classification (UN CPC), which are primary education, secondary education, HE, adult education and other education involving education services unclassified elsewhere, except those relating to recreational matters (Knight, 2002). The implications of the GATS for HE are reflected in the commodification of HE in the global market. HE in the postwar period (after 1945) was mainly considered as a public good organised by nation states. However, the GATS formulates new conditions “enabling the transformation of education as a socially embedded extra-economic activity into a more mobile private economic good that operates on a potentially new global scale” (Robertson et al., 2001, p. 4). Therefore, the role of government/state is also changing. Normally the government/state plays a significant role in funding, controlling, supervising and delivering HE, or alternatively in delegating sub-organisations to undertake the job, which is the case in countries with a dominant public system or a combined public/private system. The ever-increasing cross-border education services offered by foreign education providers, however, bring about issues affecting the role of government/state, which Jane Knight (2002) describes as follows:

- Licensing and regulation procedures for foreign providers;
- Quality assurance and accreditation for imported and exported education services;
- Funding protocols including operating grants, loans, subsidies and scholarships;
- Qualification recognition and credit transfer systems (p. 16).

Furthermore, the GATS consists of three parts with the first including the general principles and rules, the second involving a country’s particular commitments on access to its national market by overseas providers, and the last with annexes containing details about particular limitations for a sector attached to the schedule of commitments (Knight, 2002). The major elements and rules of the GATS include coverage of all international trade services under 12 diverse service sectors, measures of all laws, regulations and practices from national, regional and local government, general unconditional obligations, most favoured nation (MFN) treatment, conditional obligations, national treatment, market access, progressive liberalisation and bottom-up and top-down approaches. As Knight (2002) claims, the GATS is not an impartial agreement. Its major target is to promote and facilitate the liberalisation of trading services. It highlights the importance of a market economy where “private profitability considerations are the driving force in determining the allocation of production within and between firms, sectors and countries” and “the focus of market-based policies is on creating and improving the institutional framework for private decision-making” (WTO Secretariat, 2000, p. 2). This shows that the GATS contains neoliberal elements: motivation by self-interest and marketisation of almost everything, including HE.
The GATS has a great impact on HE. With the advent of a global knowledge economy, the growing demand for access to HE puts pressure on governments to expand and fund HE. Their limited financial capacity forces governments to establish priorities and decide how to choose service delivery. This leads to some new developments in HE: a shift in funding arrangements which places increasing financial burden on the students; the necessity for government-funded HEIs to seek new sources of funds through entrepreneurial or commercial activities at home and abroad; a demand for greater autonomy from government/state by individual institutions; and the encouragement of new private education providers whether they be not-for-profit or for-profit. These factors force governments to consider the impact of intensified international trade on their changing role in providing and governing HE (Knight, 2002).

Susan Robertson, Xavier Bonal and Roger Dale (2001) argue that education under the GATS is seen primarily as a for-profit service. The GATS strongly promotes trading services mainly through student stays in a foreign country, leading to the marketisation of HE services. This marketisation has brought about rising competition for foreign students. Among educational institutions, governments, universities and private businesses are all involved in this global trend, as seen in the so-called ‘education fairs’. China is regarded as the largest potential HE market due to its large population and its limited capacity to provide university study. Every year international education exhibitions are held in China attended by many foreign providers from the US, the UK, Australia, Canada and other countries (UCL, 2003), including New Zealand. In line with HCT, education, particularly HE, has become the pivotal key to economic growth and capital accumulation. Therefore, education has been considered a crucial investment to enhance labour productivity and improve economic development. HCT has been extensively applied to justify educational planning. However, as argued by Robertson et al. (2001), “if the primary leit motiv of the rescaling and reterritorialising processes for global capital is about market access, then it follows that by setting in motion and commodifying education, the GATS rules undermine the strategic and economic functions of education in national systems” (p. 30). Under the GATS, education becomes “a goal rather than a means in the process of capital accumulation” (ibid, italics in original). Although the goals and the means of the economic functions of education may not exclude each other, those aspects that possibly steer the expansion of education in seeking consumers might contradict those that steer education as a strategic investment for economic development (ibid). The aspects can impact on the rationality of nation-states in treating education as another area of foreign capital attraction. In the current competitive global market, attracting foreign educational capital is increasingly becoming a strategy to deal with the fiscal deficit of the state. Private money is seen as an attractive source of financing educational services and a mean to reduce the educational budget. Furthermore, the role of government/state may be weakened through rules imposed by the GATS, similar to those educational policies, such as reducing spending on education, which have been imposed on borrowing countries by the Structural Adjustment Programmes of the WB and the IMF (ibid).
The Organisation was founded in 1961 out of the Organisation for European Economic Co-operation (OEEC) that was established to manage American and Canadian aid under the Marshall Plan for the economic reconstruction of Western Europe after World War II. The OECD is a multinational organisation embracing 30 of the leading global economies responsible for over half of the global economy, and is therefore commonly referred to as the Rich Club. Contributing 25% of the OECD’s budget, the US sets the tone of market liberalism for the Organisation and also makes important interventions occasionally, for example, exerting pressure in the past to have Japan and Mexico made member countries (Henry et al., 2001). The OECD has been “a key articulator of a predominantly neo-liberal reading of globalisation” (idem, p. 4). Yet, it is a multifaceted organisation. Its work and influence in the educational realm represent “more ambiguous stances which may contribute to both strengthening and to understanding national policy making” (ibid).

The ideological stance of the OECD nevertheless lies mainly and firmly in its “commitment to a market economy and pluralistic democracy” (idem, p. 8). The organisation has close contact with about 70 non-member countries from Brazil, China and Russia to countries in Africa and elsewhere. It is also well-known for its publications and statistics involving economic and social issues, from macroeconomics to trade, education, development and science and innovation. Compiling individual country surveys and reviews is also a significant task for the organisation. Thus, unlike the financially powerful WB and politically influential European Union (EU), its weight and influence arise from its relatively comprehensive and careful reports and analyses, which can assist policy-makers in designing and implementing adjustment strategies. Hence, the OECD is described as “a geographic entity, an organizational structure, a policy-making forum, a network of policy makers, researchers and consultants, and a sphere of influence” (idem, p. 7). It plays an important role in promoting ‘good’ management in the public service and business activity, assisting governments to supervise major economic zones (OECD, 2003).

In response to the rapidly changing global environment, instead of having its influence confined to member countries, the OECD has become more influential in non-member countries with respect to advocating economic liberalisation and globalisation. But as well as helping drive globalisation, the OECD is also being affected by it. To illustrate, the OECD has shifted its work away from assessment of particular policy areas in each member country to the study of how different policy areas interconnect between member countries as well as outside the OECD region. This shift finds expression in its work on issues like sustainable development covering environmental, economic and social concerns across borders, so as to comprehend global problems better and seek reasonable ways to cope with these concerns (OECD, 2003).

For the OECD, globalisation is thus not a single phenomenon. Sally Washington (2000), from the OECD Public Management Service, stated that globalisation is brought about by the information revolution and is prompted by major advances in
telecommunications and increased use of the Internet, with their reduced costs enabling more and more people to gain access to information and knowledge across borders. Washington (2000) observes that globalisation, in a sense, leads to undermining the sovereignty of the nation-state in terms of its capacity to govern or control without considering external forces and intervention. Increased competition for international investment promoted by multinational corporations (MNCs) or world organisations is internationalising domestic policies in education, economic regulation and taxation. Governments’ reactions to globalisation deepen the erosion of sovereignty. For instance, involvement in international organisations or acceptance of international agreements indirectly controls governments in choosing available policies that may further call for changes in important national policies and practices. Governments cannot benefit from globalisation unless they make adjustments in the structure of government (ibid). Thus, governments, in whatever way, are subject to globalisation or external market forces.

Hobsbawm (1994) suggests that the global economy, having undefinable territorial limits, weakens the nation-state, as evidenced by the footloose global capital movement across national borders and beyond national policies. World trade is supported and controlled by the world institutions such as the WB, the IMF, the WTO and the OECD exercising hegemonic trade liberalisation policies. This partly explains why governments in the rich countries of the global economy have embraced neoliberal policies and applied measures to reduce state interference (Henry et al., 2001). Within such a global economic framework, education is considered as the policy key to the good fortunes of a country (Brown & Lauder, 1996, pp. 7–8). This accords with the new HCT’s emphasis on micro-economics as opposed to previous forms of macro-based HCT17, and with the highlighting of a professional and innovative labour force as being central to a country’s success within a global knowledge economy. In education, particularly in HE, the new human capital approach places individual benefits on at least equal footing with social ones, if not ahead of them. The individual benefits justify the neoliberal principle of (partial) user-pays in education, particularly in HE (Henry et al., 2001).

The OECD functions in a role of policy actor through its discursive interventions as an enthusiastic supporter of “globalisation read as neo-liberalism, of new managerialism, and of anticipated policy convergence in the globalised and internationalized universities and university systems” (Henry et al., 2001, p. 144). Overall, the OECD is not much different from the WB and the IMF in terms of its neoliberal approach to issues such as advocating marketisation of HE and liberalisation of world trade. Neoliberalism espoused in the 1980s viewed education as key to individual profit as well as social profit. This view initiated the notion of the ‘student-consumer’, who is expected to pay for at least some of the profit or benefit to be derived from his/her education. As this concept has grown out of the WB and the OECD (Vanlathem, 2003), we can infer that these economic world institutions share the same neoliberal orientations.

Role of State from a Neo-Marist View One of the most thought-provoking debates at present among Marxists is about the role of the state. Based on Marx and Engel’s conception, the state is an instrument of the ruling class or the capitalist class, which owns the means of production and aims at maintaining its interests, its
property and power to control production and the working class\(^{38}\). The state, functioning as a repressive apparatus of the ruling class, has power to manipulate the economy as well as politics, culture and education in relation to the economy. Classical Marxism, however, is more concerned about the economic function of the capitalist state, coercing the working class to be at the disposal of the ruling class “through the juridical system and the army/police”, whilst neo-Marxism attaches more importance to “the reproduction of process to superstructure” (Carnoy, 1982, p. 81), in which education, culture and knowledge are involved. For instance, education institutions, HEIs included, are seen to be typical organisations where reproduction takes place. Students receive a systematic education including “skills, values, and ideology which fit into the type of economic development suited to continued capitalist control” (ibid).

For Hans-Peter Martin and Harald Schumann, globalisation acts as a system for the regulation of international investors and TNCs free from the control of increasingly weakening nation states. They remind us that class conflicts still exist. In an era of globalisation, the unprecedented flow of capital has intensified the major conflicts between capital and labour universally. Therefore, Martin and Schumann propose the solution is to “re-assert the power of democratic nation states, and at the same time to strengthen European cooperation as a counterweight to the American free market model” (Castles, 2000, p. 32). They believe that we should think globally and act locally, and demand that we seek real participation and democracy so as to regain the social role of the state and to reverse the hierarchical relation of the economy over politics. Whilst Martin and Schumann may be critiqued for their ethnocentrism in that their viewpoints and recommendation are Europe-oriented and do not take account of the non-European context, their book conveys an enlightening message to the world beyond Europe (Leal, 1998).

Neo-Marxists’ views on the role of the state and globalisation are perhaps most faithfully and cogently represented in the works of Jane Kelsey, Roger Dale and Robert Cox.

In Kelsey’s eyes, in order to maximise their profits, patrons of globalisation aim at restructuring the world’s economy into an unprecedented global free market so as to facilitate the borderless mobility of capital, products, people, information and knowledge. This mobility has to be achieved by disabling and handicapping laws, policies and regulations that are made to set barriers to foreign economic ‘invasion’ or to protect national interests, thus making everything (except the protected areas) subject to global free markets. Implementation of that measure is accompanied by inequality, injustice, and political and economic fluctuation. The United Nations Development Programme (UNDP) forecasts that the WTO agreements will intensify the poverty of underdeveloped countries instead of rejuvenating their economies based on the estimation that 48 countries (that is most underdeveloped countries) will be US$600 million worse off per year. One major objective of the GATS is to ensure the interests of transnational service providers, such as investment rights. Also, the WTO’s regulations on Trade-related Investment Measures (TRIMS) prohibit central and local government from restraining foreign entrepreneurs. The WTO believes that these entrepreneurs will “promote infant
industries, create new jobs and protect the balance of payments" (idem, p. 27). Thus the rules imposed by the WTO and the GATS as a reflection of globalisation have deeply affected national policies and threatened the autonomy of national governments. As a consequence, an increasingly persistent quest for the reinstatement of national power and social justice has been witnessed (Kelsey, 2002).

While supporters of globalisation cheer the power of the economic world institutions, they forget that the capacity of those institutions to execute their power is restrained by the power of the state. For instance, capital within a system of the world institutions cannot be free from the control of national institutions, particularly in powerful countries. Even the smaller countries that are weaker economically can both preserve and insist upon a significantly higher level of protectionism in response to neoliberal globalisation although they do not have sufficient leeway in their economic policy-making process to permit their exempting themselves from wider global economic considerations (Kelsey, 2002). Therefore, the state still plays a central role in the era of globalisation.

Unlike neoliberalists who claim that the role of the state is eroding in the globalisation process, Dale (1999) argues that nation states still play an important role in their overall national development, particularly in maintaining national sovereignty as a whole. He acknowledges that globalisation creates a novel and clear form of relationship between nation states and the world economy, but that it is represented in different forms. His argument about the role of the state in the globalisation process can be found in the following quotation:

While globalization has certainly not made nation states either irrelevant or obsolete it has affected both content and form of at least some of the policy making procedures and outcomes of all states – which is one of its defining characteristics. However, states have not been rendered impotent in the face of an overwhelming challenge, much less replaced by it; rather, while they have all retained their formal territorial sovereignty more or less intact, they have all, to a greater or lesser degree, lost some of their capacity to make national policy independently (Dale, 1999, pp. 1–2).

Based on Dale’s argument, globalisation does have an impact on reshaping national policies but it cannot disable the functions of nation states and be “reduced to the identical imposition of the same policy on all countries” (idem, p. 2). Nation states need to acclimatise themselves to the transforming global environment. According to Cerny, states as individual units, could be independent, self-protective or self-defensive and competitive, but collectively they are eager to establish a forceful and powerful circle comprising world institutions through which they intend to search for ‘governance without government’ (Rosenau, 1992). As discussed above, the WB, the IMF, the OECD, the G7/8 and the WTO are the most influential world institutions driven by their common neoliberal agenda, typified by the Washington Consensus (Williamson, 1993), and they have profoundly affected national policy-making. Individual states are also prone to give economic benefits top priority. Driven by such neoliberal ideology nation states are willing to sacrifice some of their own interests to pursue much greater interests of their key, corporate players (Dale, 1999).
Cox (1996) claims that one principal development in the globalisation process is the internationalisation of states. In recent decades, states have played a central role in shielding the national economy and other social development from outside forces so that the domestic economy has been encouraged and ensured to maintain adequate domestic employment and welfare. Normally domestic welfare is prioritised in any state. However, in the globalisation process and in the global context, the role and tasks of the state are being reshaped. In Cox’s opinion, the functions, roles and responsibilities of the state are socially and historically determined, but are also subject to continual alteration and improvement. Hence, his focus is on the relationship between state and civil society. For him, the state takes miscellaneous forms in different historical periods, and even within the same period. Therefore the key is to situate the state within a chain of social relations instead of seeing it as an independent unit unaffected by the changing nature of social forces. To Cox, the internationalising of the state in advancing globalisation is of particular significance. The power of the state is not relegated to the ‘invisible hand’ of the market. In fact, major government agencies in the financial area, together with elements of the foreign ministry and the central executive office, are increasingly related to each other, and more importantly, to world institutions such as the IMF, the WB and the WTO. As a result, states are constantly required to adopt policies embodying both international and domestic demands (Smith, 1998).

**Role of State from a Third Way View**

The Third Way seeks an active state without enemies. There is an emphasis on securing social solidarity and prosperity through a dynamic market economy in which the central government has less control, but fills a role of governance over local processes and embraces a global community. Thus, in this political ideology, the role of an active state should be redefined and government should be streamlined. Giddens explains the conceptualisation of the role of the state from neoliberal, social democratic and Third Way perspectives respectively. Neoliberalism seeks to weaken the state’s role because it is seen as problematic, and the social democratic objective is to strengthen it because it is seen to be ‘the answer’ (Giddens, 1998, p. 70). Giddens (ibid) makes the point that for the Third Way the problem does not lie in more government or less, but in active governance that must make corresponding adjustments to the new era of globalisation. He highlights the role of the state in the following six points:

- Respond structurally to globalisation. The “democratising of democracy” first of all implies decentralisation – but not as a one-way process because globalisation creates a strong impetus and logic to the downward devolution of power, and also to upward devolution. Rather than merely weakening the authority of the nation-state, this involves a movement of double democratisation;  
- Expand the role of the public sphere through constitutional reform promoting greater transparency and openness, and preventing corruption;  
- Retain or regain legitimacy through administrative efficiency;  
- Re-establish more direct contact with citizens through ‘experiments with democracy’ - local direct democracy, electronic referenda, citizens’ juries and other possibilities;  
- Increase capacity for risk management;
- Have a cosmopolitan outlook as upward democratisation should not stop at the regional level (idem, pp. 72–77).

The six points stated above explain a form of government on which social democrats could develop a new democratic state, that is the state without enemies, through devolution, double democratisation, renewal of the public sphere – transparency, administrative efficiency like neoliberal management mechanisms of direct democracy, and government as risk manager (idem, p. 77). However, it still remains an issue whether this new democratic state can be created through these strategies in the era of globalisation. Irrespective of how the Third Way is interpreted, the main tenet is that the state plays a pivotal role in sustaining the social and civic frameworks upon which markets depend, particularly in the globalisation age.

CONCLUSION

In neoliberalism the freest market should engender optimal economic results. Often neoliberals criticise the state as incapable of equalising the market’s instability, softening its inequality, or rectifying its short-sightedness. For neoliberals, governments are incompetent and inefficient institutions that need to be restricted so as not to be in the way of the laissez-faire market. In their eyes, the role of the state is eroding. Markets do and should override states. However, the extent to which markets actually override states cannot be left unchallenged. Neoliberals usually concede some role to the state.

The earlier part of this chapter argues that the key principles of neoliberalism, such as individualism, privatisation and deregulation, are formulated largely for the benefits of the wealthy at the cost of the poor. Neoliberals are not disinterested economic scientists; they are players themselves. They emphasise individualism to justify self interest and promote privatisation, and to sanitise and sanctify the desire to accumulate wealth. They advocate deregulation in order to remove all the controls from governments so that the interests of the dominant class are safeguarded in the so-called free markets. They do not adequately or fairly take the interest of the working people and the poor into consideration. They say that all humans are driven by self-interest and all firms by profit, but they claim that the invisible hand makes this efficient for the whole of society; yet often they, as represented in either the privileged few world institutions or rich states and businessmen, themselves reap by far the biggest rewards and profits. Society does not benefit proportionately nearly as much as they do. At the same time, policies which claim to support the free market often covertly support monopolies and unfair market power in a hypocritical way. The neoliberal world institutions like the IMF and WB claim to help the poor or the underdeveloped countries faced with balance of payments difficulties by lending money to them, but at the same time impose rigid conditions on the recipients of such loans. By doing so, they capture the borrowing countries gradually and often worsen their situations. Many of those recipient countries that had to follow the neoliberal policies imposed by the world institutions of neoliberalism such as Argentina and Brazil, have been thrown into financial crisis and become increasingly vulnerable to a neoliberal agenda.
Similarly, the Third Way, anchored in capitalism, remains preoccupied with economic growth and capitalist globalisation. What it provides is another version of neoliberalism with a social face but without real substance. It seems to have “no distinctive economic policy, other than allowing the market to rule the roost” (Faux, 1999, p. 25). And nothing concrete or practical is mentioned about how to solve the unequal distribution of wealth and power. In fact, it is a political project with a human face but remains most closely related to capitalism, as manifested in its support of markets and rejection of the socialist critique of capitalism.

By contrast, based on the three neo-Marxists’ views on globalisation and the role of the state, globalisation can be conceptualised as a multi-dimensional process, dominated by neoliberal ideology. The by now familiar neoliberal world institutions such as the WTO, the IMF and the WB globalise their influence to maintain the best interest of the few privileged: the rich countries, and TNCs and MNCs of the rich members in particular. Neoliberal and capitalist globalisation is creating new class conflicts by widening the gap between rich and poor, worsening inequalities and ignoring human rights. The state’s role is still crucial, particularly in nation-building, even though it may lose “some of [its] capacity to make national policy independently” (Dale, 1999, p. 2) under external forces such as globalisation and the knowledge economy.
CHAPTER 2

DIFFERENT RATIONALES OF THE KNOWLEDGE ECONOMY

With the intensification of globalisation, rapid progress in technology and the popularity of the Internet, knowledge fully displays its power, thus doing justice to the famous saying by Francis Bacon, ‘knowledge is power’. Knowledge can be considered as a national economic pillar and prerequisite to compete in the global marketplace. Based on the discussion of neoliberalism, the Third Way and neo-Marxism in Chapter 1, this chapter argues that the knowledge economy is a product of neoliberal ideology that is both formulated and strongly advocated by neoliberal world institutions. In order to understand neoliberal influences on the conceptualisation of the knowledge economy and neo-Marxist theory in the approach to the knowledge economy, this chapter demonstrates a close relationship between globalisation and the knowledge economy, and between globalisation and HE as well as the knowledge economy and HE. The major focus will be on the impacts of globalisation and the knowledge economy upon HE, and the consequent transformation of HE worldwide.

KNOWLEDGE IN THE ‘NEW’ ECONOMY

Along with globalisation and ‘change’ more generally, knowledge is considered to be one of the three key driving forces of the ‘new’ economy. Knowledge is increasingly seen as a critical component of success. In the ‘new’ economy, the value of knowledge in enhancing productivity, competitiveness and services has risen considerably in importance. It is also increasingly seen as the central constituent of customer value. The move towards knowledge as the leading source of value in the ‘new’ economy results in a strong interest and endeavour from those who seek to create wealth by managing knowledge effectively and by combining knowledge into new products and services faster than their competitors. Notably, knowledge has become an indispensable ‘instrument’ to increase value to new products and services in the ‘new’ economy.

The ‘New’ Economy: a Shift from Fordism to Post-Fordism

The 1990s witnessed considerable economic prosperity in some parts of the world, a prosperity of which the US was the leading trend setter. That decade confirmed the birth of a new age that is characterised by globalisation and globally networked computerisation (the Internet), and that distinguishes itself fundamentally from the earlier Industrial Period. This has aroused heated debate on the ‘new’ economy
among academia, business and government interests. However, the ‘new’ economy is not a single notion. A wide range of ideas falls under the banner of the ‘new’ economy. This has made it difficult to define exactly what the ‘new’ economy entails, while indicating that today’s economy works differently from that of the industrial era.

As Kevin Stiroh (2000) observes, three different but linked arguments reflect some leading understandings amongst various ‘new economy’ authors of the forces driving this economy and its future path: the long-run growth view, the business-cycle view and the sources-of-growth view (p. 4). The ‘long-run’ view as applied to the US forecasts that with the support of a higher productivity growth rate the US economy can increasingly thrive without increased inflation. Citing Business Week, Stiroh (2000) states that productivity in the US can grow 3 – 4% annually, compared to the 2 – 2.5% growth witnessed over the last 25 years (ibid). This faster long-run growth clearly indicates (in contrast to the business cycle view) “an increase in the trend growth rate of labor productivity and not cyclical adjustments” (idem, p. 4). As labour force growth is unlikely to change, the only way to boost long-run output growth is through improved productivity growth. ‘New’ economy supporters who subscribe to the ‘long-run’ view identify the spread of capitalism and the prevalence of deregulation as intensifying the positive pressures of the market that can enable resources to be utilised more efficiently and expedite output growth (ibid). Similarly, Lester (1998) asserts that globalisation, deregulation and innovation are the major forces that can sustain productivity. In addition, in the long-run version, it is argued that technology as represented by IT will have to be further developed to ensure a permanent long-run growth (Stiroh, 2000).

By contrast, the ‘business-cycle’ view predicts a ‘short-run’ balance between inflation and unemployment. For example, under the Clinton administration, there was a low unemployment and inflation rate in the US. What might have accounted for this low unemployment without a rise in inflation? The ‘new’ economy proponents who subscribe to the ‘business-cycle’ view claim that globalisation stabilises prices as US companies are compelled to vie with cheap imports and cheap overseas labour. In the meantime, they note that IT is another important factor through which companies may enhance productivity and reduce costs without causing prices to rise. From this point of view, globalisation and IT are transforming the structure of the economy and push companies to operate in a new manner without the need to raise prices. The decline in unemployment and inflation in the Clinton years, Stiroh (2000) suggests, may also be attributed to “a series of positive supply shocks” in the US, such as a sharp decline in oil and commodity prices, a fall in military expenditure and a strong dollar (p. 8). Yet none of these latter factors has altered the fundamental structural relationships, and a more reasonable explanation for a decline in unemployment and inflation rates that takes account of these relationships remains a difficult issue worth exploring further in both the business and academic worlds (ibid). Likewise, exactly how the new forces of globalisation and IT might be transforming those relationships is an important question but lies beyond the scope of this book.
The last version of the ‘new’ economy, the ‘sources-of-growth’ account, is probably the most extreme theory of the new economy as it postulates a totally different explanation of how economies grow. The sources-of-growth view proclaims that the Information Age brings about network economies, rising returns, and positive spillovers that change the way an economy develops. For traditional economists, input accumulation and focus on labour and capital is the source of economic growth. Whilst there may be some debate on how to gauge inputs and explain technological progress, there is traditionally agreement that much economic growth concerns trade-offs. For example, growing capital implies investment, savings and inevitable consumption, whereas rising labour input necessitates education spending.

By contrast, for ‘promoters of the sources-of-growth theory, the “Solow residual” is of great significance as a factor which radically improves the terms of such traditional trade-offs. This concept represents an increased economic value as a result of “technological progress, spillovers, improved efficiency and scale economies, etc.” (Stiroh, 2000, p. 9). Key sectors profit from the Solow residual, as a networked economy produces more and more through increased value of IT products. To illustrate, new IT products like Internet connections and software add value when others make the same investment and have matching equipment. Therefore, investment of company A enhances the productivity and value of company B’s investment. Such production spillover leads to continued growth that outruns the increases in physical production and human capital. Thus, ‘non-linear growth’ is possible.

Certainly, whichever view one takes on the origins and future of the new economy, the IT sector is now critical to economic growth. Contemporary networks are marked by high technology, such as communications systems like the Internet, and computer software and hardware, demonstrating numerous features of growing returns. The IT sector is now a very important part of economic growth. Furthermore, globalisation is a driving force in terms of expansion of markets, enabling increased economies of scale from national to transnational. Last but not least, the very nature of the new digitised economy is regarded as fundamentally different from the old industrial economy because the production and pricing of intangible goods like information and knowledge is different from that of tangible products.

Hence, the ‘new’ economy is associated with new technologies and the new industries that they are producing. The ‘new’ economy usually refers to a series of qualitative and quantitative changes which have transformed the structure, functioning and rules of the economy in the last two decades, and have restructured the modern economy in a way that is essentially different from the old economy of the Industrial Period. It is seen as a knowledge- and ideas-based economy, in which job creation and higher standards of living are brought about by innovation and technology in services and in manufactured products. As Charles Leadbeater (2000) states, “In the new economy more of the value of manufactured products will come from the software and intelligence that they embody, and more of what we consume will be in the form of services. Across all sectors the knowledge content of products and processes is rising. Everything is getting smarter, from
computers and photocopiers to cars and corn" (p. 43). Also, the ‘new’ economy often brings with it risk, uncertainty and constant changes that seem to be the rule rather than the exception.

In contrast, “[t]he old economy”, as Leadbeater (2000) observes, “was organized around physical, material, and tangible assets and products. The old economy had a large service sector, but it was organized to service physical products: processing paper, taking orders, managing production, selling, servicing, and repairing” (p. 43). The old economy was basically characterised in the Industrial Period by standardised mass production or the application of assembly line techniques, which were a distinctive feature of Fordism, a transient era that was in its prime in the 1950s and the 1960s. Fordism encapsulates “the age of ‘intensive accumulation’ with ‘monopolistic regulation’ of the economy” (Amin, 1994, p. 9). This “intensive accumulation” is arguably driven by “the mass production dynamic” initiated by the US and sustained by diverse forms of ‘monopolistic’ regulation (ibid). Jessop (1991) concisely analyses in the following quotation the dynamics of Fordism as being on four levels:

As a distinctive type of labour process [or industrial paradigm], it involves mass production based on moving assembly-line techniques operated with the semi-skilled labour of the mass worker. ... As a stable mode of macroeconomic growth [regime of accumulation], Fordism involves a virtuous circle of growth based on mass production, rising productivity based on economies of scale, rising incomes linked to productivity, increased profits based on full utilisation of capacity, and increased investment in improved mass production equipment and techniques. As a mode of social and economic regulation [mode of regulation], Fordism involves the separation of ownership and control in large corporations with a distinctive multi-divisional, decentralised organisation subject to central controls [Taylorist division of labour]; monopoly pricing; union recognition and collective bargaining; wages indexed to productivity growth and retail price inflation; and monetary emission and credit policies orientated to securing effective aggregate demand. ... And, fourthly, Fordism can be seen as a general pattern of social organisation (‘societalisation’). In this context it involves the consumption of standardised, mass commodities in nuclear family households and provision of standardised, collective goods and services by the bureaucratic state (pp. 136–137).

This is the so-called ‘ideal-type’ Fordism that dominated the US macro-economy after 1950. However, starting in the mid-1970s Fordism suffered from a crisis triggered by oil shocks on account of “the slow-down of growth and recurrent recessions” (Amin, 1994, p. 10). This was due to its social and technical limits, which reduced productivity profits; an intensified “globalisation of economic flows” caused by the growth in mass production; increased social expenses; and consumption becoming oriented towards various “use values”, which made standardisation and mass-production procedures problematic (Nielsen, 1991, p. 24).
As a result of these four factors contributing to the crisis of Fordism, the ‘ideal-type’ of Fordism no longer met the new demands and challenges posed by globalisation and the ‘new’ economy. As Ash Amin (1994) observed, capitalism reached a critical moment in its historical evolution with the advent of technological, market, social and institutional forces which were markedly different from those controlling the economy after the Second World War (p. 1). A distinctive regime of accumulation marks the new phase of capitalist development to have emerged from the mid-1970s, commonly termed ‘post-Fordist’. Stuart Hall (1988a) provides the following, comparatively detailed description of post-Fordist times:

[There has been a] shift to the new ‘information technologies’; more flexible, decentralised forms of labour process and work organisation; decline of the old manufacturing base and the growth of the ‘sunrise’, computer-based industries; the hiving off or contracting out of functions and services; a greater emphasis on choice and product differentiation, on marketing, packaging and design, on the ‘targetting’ of consumers by lifestyle, taste, and culture rather than by categories of social class; a decline in the proportion of the skilled, male, manual working class, the rise of the service and white-collar classes and the ‘feminization’ of the work force; an economy dominated by multinationals, with their new international division of labour and their greater autonomy from nation state control; and the ‘globalisation’ of the new financial markets, linked by the communications revolution (p. 24).

These phenomena are not only evident in the economy but can also be seen in the appearance of new cultural patterns. Post-Fordism has led to a “greater fragmentation and pluralism, the weakening of older collective solidarities and block identities and the emergence of new identities associated with greater work flexibility, the maximisation of individual choices through personal consumption” (Hall, 1988a, p. 24). For instance, the increase in mass consumption did not annihilate the barriers of class-divided society, yet it impacted considerably on “the life-patterns, the social experience and expectations and the lived universe of the majority of ordinary people” (Hall, 1988b, p. 213). This impact is evidenced in new kinds of modern conveniences that have become part of ordinary homes, in changing patterns of drinking and entertainment or food consumption, in continued change in youth culture – “the revolution in musical tastes, styles of dress and modes of behaviour”, all of which reshape “habits, patterns and the models of everyday life” (ibid). This reshaping, it may be argued, reflects the way in which people tend to accept things that the system attempts to cast them into. As a consequence, people are inclined to utilise what appear to be the opportunities “opened up to widen their area of experience and choice” (idem, p. 215), but in fact follow unconsciously the system of ‘consumer capitalism’ or ‘market capitalism’, that aims at pioneering expansion, developing new products and maximising new choices, while also maximising profits. This fact is often underestimated or even ignored.
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With Fordism abandoned as “an exhausted age” (Marxism Today, as cited in Amin, 1994, p. 4), the ‘new’ economy is conceptualised as a high-tech, service, and office economy. This does not imply that mass-production manufacturing declined. More manufactured goods and food are being produced than ever before. However, despite this high output of manufacturing, approximately 80% of the workforce is employed in the information and service industry, while in the fields of manufacturing and services, technology businesses have become more important, with an added value to manufacturing in the US increasing from 18% in 1970 to 24% in 1994 (New Economy Index Organisation, 1998).

Nevertheless, to define what the ‘new’ economy entails seems difficult because it often means various things to different communities. To illustrate, the ‘new’ economy probably signifies something considerably different to a community in Silicon Valley than it does to a coal-mining town in Southeastern Kentucky (Fore, 2003). Therefore, relevant contexts or backgrounds cannot be overlooked when a definition of the ‘new’ economy is considered and put forward.

What can safely be said in short, however, is that knowledge is the key to the ‘new’ economy and is embedded in manufacturing, services and all other fields. As physical resources are limited, they cannot be simply transformed infinitely. Determining the ways in which effective use may be made of such resources requires knowledge, and this means that knowledge itself becomes even more significant than the physical resources (WB, 1999b). Giddens (1998) claims that “[k]nowledge and competitive capability count for more than natural resources” (p. 140). It is clear that he shares the same view as the WB about the increasing importance of knowledge in the global era. Stiglitz identifies a key point of comparison between the Fordist and post-Fordist eras when he suggests that “knowledge and information is being produced today like cars and steel were produced a hundred years ago. Those like Bill Gates, who know how to produce knowledge and information better than others reap the rewards, just as those who knew how to produce cars and steel a hundred years ago became the magnates of that era” (1999a, p. 1). Therefore, knowledge is seen as a most valuable asset for human beings and it is argued that its production and application should be maximised in the global knowledge economy (Leadbeater, 1999). But all this begs the question: what is knowledge? The next sections outline some responses to that question.

Knowledge and Information

‘Knowledge’ and ‘information’ are often used interchangeably. As Phillip Murray (n. d) observes, “[d]escribing the difference between information and knowledge is difficult because both are pervasive and because we often use the terms interchangeably” (p. 2). For some this is a deliberate choice. The Spanish sociologist, Manuel Castells, for example, presents a “conscious conflation of knowledge and information” as he positions information on the same conceptual level as knowledge (Stehr, 2001, p. 27). Another difficulty in detecting any clear-cut distinction between knowledge and information occurs because they are
claimed to share some similarities. Citing points of convergence noted by Borgmann (1999), Polanyi (1967) and Dosi (1986), Nico Stehr (2001) suggests that, despite the fact that they are two different concepts, knowledge and information in many ways merge. Thus he writes, “information is codified knowledge or indirect knowledge (see Borgmann, 1999: 49), while knowledge in general also includes ‘tacit knowledge’ (see Polanyi, 1967: 204-206) and other categories of knowledge (Dosi, 1996: 84)” (Stehr, 2001, pp. 41–42).

Despite the difficulty in distinguishing knowledge from information, great efforts to separate them are still being made. Such efforts are useful insofar as they test and refine our understanding of both concepts, and it is in any case necessary to define terms so that the subject of knowledge can be discussed meaningfully. For instance, Daniel Bell (1979), an influential sociologist and social theorist, differentiates information from knowledge by stating that by information he means “data processing in the broadest sense; the storage, retrieval, and processing of data becomes the essential resource for all economic and social exchanges (post-industrial society)”, whilst by knowledge, he means, “an organized set of statements of facts or ideas, presenting a reasoned judgment or an experimental result, which is transmitted to others through some communication medium in some systematic form” (p. 168). Building on Bell’s argument, Stehr (2001) proposes that information is simply seen as ‘pure’, meaning unprocessed, whereas knowledge is “methodically generated, sorted and judged” and is principally “abstract, disembodied, formal, individual and aspires to be universal” (Stehr, 2001, p. 43).

Also, Peter Roberts (2000) makes a distinction between the two confusing terms by stating:

Knowledge implies depth and breadth in understanding, rather than a mere acknowledgement of the presence of information or the ability to make information circulate. Information “moves about” – in flows and relays – in the contemporary world in myriad contexts: as part of global systems of trade, within political circles, in school classrooms, among governments, between chat groups on the Internet, and so on. Moving into the realm of knowledge involves asking questions of information, disrupting its flows (from time to time, where possible), and trying to historicise it and place it in its appropriate social and political and cultural contexts (p. 44).

For Roberts, information is distinguished from knowledge in that the former “does not necessarily imply justification or truth or reasoning or Enlightenment or breadth and depth in understanding” (Roberts, 2000, p. 439). Information merely represents “the presence of signs – in the form of a text or a set of figures or an utterance - and may be untrue, defamatory, superficial, or fragmented” (ibid). Yet, whether the information contains all of the features stated above does not matter for neoliberalists, insofar as they measure everything not by an investigation into its quality or some scale of objective or social or practical value, but simply by the prevailing, equilibrium price set by supply and demand. The bottom line for neoliberalists is simply whether information sells, and thus raises profits.
Peters (2000), following traditional analytic philosophy, points out that “for a statement to count as knowledge it must satisfy belief, truth and justification conditions” (p. 97), while this is not necessarily so for information. The objective of knowledge is “to discover the why and how of a situation, whereas information typically provides only the what” (Radding, 1998, p. 33).

As seen in the above arguments, knowledge is a very complicated and evolutionary conception, and thus very hard to define. In the words of Wittgenstein (1958), it is “often in the eye of the beholder, and you give meaning to the concept through the way you use it” (as cited in Von Krogh et al., 2000, p. 6). The purpose of the discussion of information and knowledge is to understand the nature of knowledge. In this book, whereas information relates to the storage, retrieval and processing of data and mainly represents what, knowledge is more than information, and should fulfil the three conditions: belief, truth and justification.

Knowledge involves deep understanding and reasonable judgement and needs to be transmitted to people in some systematic form. A crucial point is that knowledge has social value that can serve the world if it is properly applied. What this book focuses on, by contrast, is the unprecedented economic or commodity value of knowledge in the knowledge economy strongly advocated by the neoliberal world institutions. The writer critiques the fact that often neoliberals use knowledge as though it were nothing more than a commodity.

CONCEPTUAL APPROACHES TO THE KNOWLEDGE ECONOMY AND HIGHER EDUCATION

In a broad sense, for neo-Marxists the current HE is largely shaped by the intensified globalisation and knowledge economy. Under these two external forces, HE is losing its intrinsic and social values and is being quantified, privatised and capitalised. Different from the neo-Marxist critiques, Third Way politics highlights innovation in the knowledge economy and the economic value of HE in advancing modern society. Neoliberal approaches to the conceptualisation of the knowledge economy and HE can be clearly seen in the quantification and commodification of knowledge and the ‘selling out’ of HE as reflected in the earlier discussion of the knowledge economy, and further will be implicit in the answers/alternatives to neoliberalism in the following sections. Thus, instead of contributing a special section on neoliberal perspectives on the knowledge economy and HE, the writer focuses on neo-Marxist and Third Way perspectives.

Neo-Marxism and the Knowledge Economys

Knowledge has become increasingly important for prosperity, be it of nation states or multi/transnational interests. Economic growth relies more and more on knowledge and the application of knowledge. Nations have recognised knowledge as a precious national economic asset, with the potential to create national wealth and to ensure national competitive advantage in the global marketplace (Peters & Marshall, 2000). Hence, a great knowledge wave has emerged. Countries, be they
rich or poor, want to catch and surf the wave. According to Rikowski, (2003), we are now “entering into the knowledge revolution or the knowledge economy” (p. 160), which characterises the current phase of capitalism, and distinguishes it from the first two phases: the Agrarian Revolution and the Industrial Revolution. Stephen Byers (1999), former Secretary of State for the UK Trade and Industry (Dec 1998 – Jun 2001), urged the UK to be prepared for maximising the new knowledge driven economy. He claims:

Success in this fast moving world depends critically on how well we exploit our most valuable and distinctive assets: our knowledge – including our world class science and engineering base, our skills and our ideas. The first industrial revolution was based on investment in capital and machinery. The revolution we are going through now requires investment in human capital – skills learning and education (1999, p. 3).

The above quotation highlights the paramount importance of knowledge in the era of the global knowledge economy. The knowledge economy is a new concept that has been articulated and promoted by the world institutions such as the WB and the OECD. These institutions have constructed globalisation and the knowledge economy as twin ideologies to spread and expand all over the world so that they may become deeply rooted in people’s minds without their realising they are under the - more, or less, direct - control of these world neoliberal institutions or those rich countries or privileged few who own advanced knowledge infrastructure and can take full advantage of what they possess so as to protect their interests and accumulate their capital. Those world neoliberal institutions act as what Althusser called ISAs, to generate and disseminate ideologies in their favour, for their interests, but at the cost of the larger populations of the world.

The fact that knowledge has become a major source of capital, according to Peters and Olssen (2003), is “[t]he most significant material change that underpins neoliberalism in the 21st century” (p. 13). This change has given impetus to “the neoliberal project of globalization” (ibid) – a consequence of the Washington Consensus formed by world policy agencies like the IMF and the WB, so that it has become dominant in world policy forums. This book adopts the neo-Marxist stance that these neoliberal world institutions have established their metanarrative of globalisation and the knowledge economy so as to universalise neoliberal policies and obfuscate country and regional differences. Such a totalising model has had to confront severe criticism, even from eminent economists. For instance, Stiglitz (2002) criticises the IMF structural adjustment policies inflicted upon underdeveloped countries for causing hunger and riots and for deepening international inequalities. He also implies that the transformation of knowledge production and legitimation is key to an understanding of neoliberal globalisation and its impact on education policy. If transformation in knowledge production involves “a rethinking of fundamentals” (Stiglitz, 1999, p. 1), the movement to a knowledge economy also necessitates “a profound rethinking of education as emerging forms of knowledge capitalism, involving knowledge creation, acquisition, transmission and organization” (Peters & Olssen, 2003, p. 28). Seen
from this viewpoint, neoliberalism has penetrated globalisation, the knowledge economy and HE which themselves are increasingly interconnected.

Bob Jessop, a neo-Marxist (2000), looks at knowledge in the knowledge economy from a different perspective. He thinks that knowledge and the value of knowledge are rooted in social relations. For him, concentrating on social relations is of great importance to understand the capital-labour relationship and to analyse the role of information and knowledge in ‘post-industrial’ economies, for labour and knowledge are both, as he claims, a “fictitious commodity” (2000, p. 1). According to Marx (1859), “the most fundamental contradiction in class-based [italics in original] modes of production is that between the increasing socialisation of productive forces and private control of the means of production” (as cited in Jessop, 2000, p. 2). Therefore, regarding labour power as a commodity determines “the forms of economic exploitation, the nature and stakes of class struggle between capital and labour in production, and the competition among capitals to secure the most effective valorization of labour-power” (ibid). Consequently, it has an effect on “the forms and stakes of politics and the overall nature of societalisation” (ibid).

This argument can also be applied to knowledge. Knowledge has always been a major contributor to economic growth, and is particularly so in the current transformation period that is accompanied by advances in science and technology. What has brought knowledge into particular prominence today is “the growing application of knowledge to the production of knowledge in developing the forces of production; and the increased importance of knowledge as a fictitious commodity in shaping the social relations of production” (ibid). This does not mean that the exchange-value of knowledge is equivalent to the costs of the commodities consumed in its reproduction, as knowledge is “a collectively generated resource” and “a far wider intellectual commons” (ibid). Also, it is difficult to measure the exchange-value of commodified knowledge, while “the use-value of knowledge qua non-rival good” (ibid) does not decrease in sharing knowledge, and may even increase because of networked economies.

By a fictitious commodity Jessop (ibid) means that knowledge becomes no longer a collective good but an intellectual property (e.g. patent, copyright). Knowledge in the global knowledge-driven economy is full of contradictions similar to land-power, land or money if it develops into a commodity. These contradictions are identified in the following:

- The primitive accumulation [italics in original] of capital (in the form of intellectual property) through private expropriation of the collectively produced knowledge of past generations;
- The role of ‘intellectual technology’ in the real subsumption of intellectual as well as manual labour;
- The dynamics of technological rents [italics in original] generated by new knowledge and their disappearance once the new knowledge (whether as knowledge or as intelligent means of production) becomes generalised and thereby comes to define the socially necessary labour time embodied in commodities;
These contradictions underline the self-defining character of the informational revolution from the viewpoint of capital, insofar as each new round of innovation is prone to ever more rapid devalorisation; this in turn has implications for social inequality and polarisation within and across national societies (Jessop, 2000, p. 4).

These above-mentioned contradictions can find best expression in the predominant neoliberal forms of globalisation today, as also manifested in the conflict between “neo-liberal demands to accelerate the flow of abstract (money) capital through an increasingly disembodied space and the need for the more concrete forms of capital to be ‘fixed’ in time and space as well as embedded in specific social relations as a condition for their valorisation” (idem, p. 5). Jessop claims the state has a vital role in dealing with the conflict particularly in “meta-governance” because governments at different levels are increasingly engaged in “organizing the self-organisation of partnerships, networks, and governance regimes” (idem, p. 6). The state governs at the macro-level and leaves local governments considerable autonomy to run for themselves, for example, to set “the ground rules” for governance (ibid), namely to:

- guarantee the compatibility of different governance mechanisms and regimes;
- deploy a relative monopoly of organisational intelligence and information with which to shape cognitive expectation;
- act as a ‘court of appeal’ for disputes arising within and over governance;
- seek to re-balance power differentials by strengthening weaker forces or systems in the interests of system integration and/or social cohesion (ibid).

These tasks fulfilled by the state clearly demonstrate the state’s undeniable contribution to state functions and the way that gets translated into class-based privilege. Clearly, for Jessop, the state still plays a key role in the global knowledge economy. He suggests that the knowledge economy "cannot be adequately understood by regarding knowledge as a natural(ised) factor of production" (idem, p. 7). In his view, the knowledge economy is founded on the contradictions discussed above, between knowledge as both a public and private good.

In fact, the idea of the knowledge economy signifies something of a paradox. When the larger world seems to be enthusiastically involved in introducing neoliberal reforms to reorganise and privatise the state sector, the state does not lose the means of production, such as the national education system, a major part of public sector. Although this point may not apply to private HEIs, universities at least, as arenas of knowledge production, are often still owned by the state and remain under the control of the state (Peters & Olssen, 2003). This is the case in China as well as in New Zealand (see Chapter 4). Economists like Stiglitz (1999a) and Thurow (1996) argue that the state’s role should be reassessed in the knowledge economy, as a majority of governments have adopted policies to “follow a process of incremental and parallel privatisation designed to blur the boundaries between the public and the private, learning and work” (Peters & Olssen, 2003, p. 21). Clearly, the knowledge economy has great potential to result in a constant war between how to socialise the means of production and how to privatise them.
Third Way politics seeks to respond to the major current social revolutions: globalisation, the establishment of the knowledge economy and changes at the level of everyday life. All these transformations are closely linked. Globalisation processes are being accelerated as a result of the IT revolution that is one part of the globalisation of the knowledge economy. In today’s global economy, science and technology, together with human symbolic skills, are playing an undeniable and important role in productivity, leading to fast economic growth. In the knowledge-based economy, distinct and separate industries are more and more interlinked. For a simple example, petrol stations double as grocery stores and newsagents. Advances in science and technology, central to the knowledge economy, have a great impact on people’s lives in virtually all countries around the globe and in a more direct and faster way than previously in history (Giddens, 2000a). As Giddens (2000a) claims, “[t]he knowledge economy is not as yet all-conquering, but it is well on the way to being so” (p. 69).

What counts in the knowledge economy and what revitalises the economy today is IT, communication technology, finance, computers and software, telecommunications and bio-technology. The advent of the weightless and intangible economy consists of both the knowledge economy and financial markets. For instance, the value of Microsoft cannot be appraised in terms of land, plant and raw materials. It is the knowledge workers who ‘know how’, that are the economy’s most precious assets. Industrial production is still one important part of today’s economy but its processes have largely been incorporated into IT. However, intangible values like ideas, image and brand names can produce more profitability than efficiency of production. Also, innovation and niche marketing are very significant in the knowledge economy. According to Giddens (2000a), governments should establish a “knowledge base” to help fulfil the potential of the information and knowledge economy (p. 73). This view resembles that of the World Bank’s 1999 Education Sector Strategy report (WB, 1999a), which highlights the importance of knowledge for advancing development in the economy, environmental sustainability as well as health and other social dimensions to support the free market economy.

As mentioned above, in Giddens’ view, those knowledge workers who ‘know how’ are the most valuable. Hence, it is central to developing human capital – to produce the knowledge workers, the source of wealth creation. As has been noted, in HCT (see Chapter 1), HE is seen as the answer to human capital development that in turn enhances economic efficiency and strengthens civic cohesion. HE has the potential to actively contribute to the knowledge economy, which itself is expected to be changed by HE. The knowledge economy and HE are intertwined and affect each other. HE helps adult students develop the basic knowledge that they have acquired in their primary and secondary education. It is supposed to foster students’ creative, innovative and problem-solving abilities that can be further developed through their life and career (Giddens, 2000a). HE is therefore essential to the development of the knowledge economy that is transforming the global economy. Universities, as HE agencies, have a pivotal role in the global knowledge economy and the global society not only regarding education and
promoting civic values but also regarding the principal source of research and technological innovation that promotes economic development (ibid). Accordingly, Third Way politics encourages large public as well as private investment in human capital for enhancing economic efficiency and civic cohesion. This investment is also crucial for the ‘redistribution of possibilities’ and the expansion of HE for recruiting more students. HE is seen as an important instrument in fostering economic development and constantly improving high technology progress (ibid).

In general, Third Way politics welcomes and advocates the knowledge economy. It states that government should facilitate the knowledge economy to fulfil its potential. Giddens (2000a) regards human capital development as the key force to the knowledge economy, and HE is expected to shoulder the mission to develop human capital: to help produce competent future knowledge workers for the competitive global knowledge economy. Education, particularly HE, is the key contributor to the knowledge economy. One major aim of Third Way politics just mentioned is to help adults without basic skills or qualifications to obtain them. It also seeks to help those with old skills to upgrade their outdated skills and to provide more and better opportunities to those with a HE qualification. This coincides with the promotion of lifelong learning by the OECD and the WB. In order to attract people’s attention, Tony Blair repeats “education, education, education” as the three main priorities in government (Giddens, 1998, p. 109). This is not only a slogan to get attention, but also indicates Blair’s genuine view of how important education is in the knowledge-driven economy. Furthermore, in the age of globalisation and the knowledge economy, an ‘active’ and ‘responsive’ state, steering at a distance, is seen to be needed more than ever before (ibid).

THE KNOWLEDGE ECONOMY AND HIGHER EDUCATION IN THE CONTEXT OF GLOBALISATION

As discussed earlier, ongoing global economic growth is now much more knowledge-based. For example, knowledge-based economies account for 50% of GDP in the OECD markets (Stevens, 1996; OECD, 1996c). Fundamental to understanding this new global knowledge economy has been a rediscovery of the economic importance of education (Papadopoulos, 1994). Clearly, as a source of knowledge, education in general, but HE in particular as its most value-added portion and its cutting edge, play a pre-eminent role in the development of ‘human resources’, in the production of research and scientific knowledge and in the education of competent future workers.

Both the OECD and the WB have highlighted the importance of education and training as keys to partaking in the new global economy. This involves developing ‘human resources’, upgrading workers’ skills and improving their competency, and generating research and scientific knowledge. Similarly, both Peter Drucker (1993) and Michael Porter (1990) accentuate the significance of the economics and productivity of knowledge as fundamental to national competition in the global market. This is reiterated by Lester Thurow (1996) who claims that in today’s world “knowledge and skills now stand alone as the only source of comparative advantage. They have become the key ingredient in the late twentieth century’s
location of economic activity” (p. 68). Such an understanding has been supported by economists and sociologists who, as examined earlier, have emphasised the growing market value of knowledge in the post-industrial knowledge economy.

Not surprisingly, HE has become one of the priorities on the agenda of governments throughout the world, as shown by the recent worldwide restructuring of HEIs in countries such as China and New Zealand (see Chapter 4). What is emphasised in the knowledge economy is human capital and knowledge intensity, particularly as represented by high technologies and science. Arguably, the technological revolution is the key to economic growth. The university, as the principal constituent of the HE system, has been viewed as “… not just a creator of knowledge, a trainer of young minds and a transmitter of culture, but also as a major agent of economic growth: the knowledge factory, as it were, at the centre of the knowledge economy” (Guruz & Pak, 2002, p. 15).

In brief, the task of universities is to generate and disseminate knowledge and produce knowledge workers. Thus, universities as knowledge institutions are generally considered as a key to the knowledge economy. This shows the economic significance of HE as a fundamental element of the knowledge economy (ibid; Scott, 1998a).

**Impacts of Globalisation and the Knowledge Economy upon Higher Education**

The impacts of globalisation and the knowledge economy are widespread and far-reaching in today’s world. HE, as it closely relates to knowledge production and dissemination, is not immune from this. Therefore, the impacts of globalisation and the knowledge economy on HE must be considered. First and foremost, what is challenging HEIs is their capability and capacity to produce competent graduates that meet global qualifications (Prijatno, 2002). As Donald Holsinger (2001) notes, globalisation has profoundly influenced the reforms and restructuring of HE systems from a number of practical and philosophical perspectives. These include: “education curriculum (what is taught), pedagogy (how the curriculum is delivered in the classroom), public policy (e.g. financing, distributing, assessing), economic integration, world peace, agendas of development agencies, political radicalism, cultural influences and the debate between rich and poor nations” (p. 1).

The knowledge economy has also led to a new discovery of the increasing economic value of HE in creating new knowledge, developing science and technology and educating future knowledge workers. Thus, HE, in a sense, has become a new and profit-earning business. Additionally, the major features of the knowledge economy have emphasised the profit-gaining potential of some knowledge subjects like ICT and electric engineering. Those less likely to generate profit have been de-emphasised, such as some foreign languages. For example, Associate Professor, Dr Friedrich Voit, Head of Department of Germanic Languages and Literature and Slavonic Studies, the University of Auckland (UoA), told the writer of this book in his email on 23 September 2003, “The Department of Germanic Languages and Literature offered for many years Scandinavian and Dutch Studies. These subjects have been [sic] sadly deleted two years ago because
DIFFERENT RATIONALES OF THE KNOWLEDGE ECONOMY

of lack of the required student numbers and money from the university” (see UoA, 2001; UoA, 2003). Arguably, neoliberalism is reframing the curricula and subject choices of universities.

Impacts of Globalisation on Higher Education

Traditionally, regular education systems have run under the aegis of a country’s government. The government executes its control, regulation, co-ordination, legitimisation and funding in the process of teaching and learning. In return, education systems produce good and competent citizens who are supposed to contribute to the society after having become sufficiently equipped to establish their own careers with what they have learned at school (Carnoy, 1999). Simply put, education systems are traditionally created and designed to serve a country.

Education systems are inescapably under the powerful influence of rapid globalisation. In the globalising process, they are facing great transformation and many challenges. HEIs are under myriad pressures from global economic competition, speedy global communication, growing human migration and advancing privatisation trends.

The globalising process has some thought-provoking consequences for transforming the long-practised teaching and learning methods that are often highly national in character. It also poses some implications for policy-makers in the development of education systems. For instance, how will the educational endeavour be affected by the ongoing globalisation that is shaking the foundations of autonomous national education systems under the patronage of a nation-state which itself cannot avoid being impacted by the dynamics of globalisation? How is globalisation changing the fundamental conditions of an education system that enjoys a long history well-known to a community? How does the economic restructuring spurred on by globalisation affect education systems worldwide? What reforms should education systems make to be well prepared to conform to and face the new challenges evoked by globalisation? What is determining education systems? What are the possible trends of education? All these questions have become more than an academic concern for educational theorists, decision-makers, curriculum designers, teachers and all those who are involved with the educational endeavour worldwide. They are global concerns that arguably need serious consideration. Globalisation has profound effects on education in the following ways.

Firstly, globalisation has changed people’s views about education. Education has become more like a private good in which everything is valued or assessed according to the standard of the market. Lyotard (1989) observes that knowledge has become a commodity, to be traded in the marketplace along with other goods and services. As globalisation has intensified, Altbach (2001) claims, “[h]igher education is increasingly seen as a commercial product to be bought and sold like any other commodity. Higher education commercialisation has now reached the global marketplace” (p. 1). In the global market, students have become customers, and teachers in any educational organisation or institutions are the providers.
Students who invest their money in education after meeting some basic requirements of any HEI enjoy the freedom of choosing, among competing providers, a programme of study in which they are interested (Roberts, 1998).

Secondly, with the introduction of new technologies into HE systems, the style of teaching and learning is changing and has become more active and efficient. With the continuous evolution of computers, on-line education has begun to gain momentum. It makes education more accessible to more people and at much reduced cost through e-learning. Moreover, with the help of computer-assisted instruction and wide application of the Internet, higher quality and more efficient education can become a reality. The new communication technologies also link academic institutions and systems globally. Additionally, as English dominates almost 80%² of all Websites (UNDP Report 1999, 2000), that language has gained growing importance in the context of globalisation. Thus, English is considered an instrumental and indispensable tool to gaining access to global communication in almost every field. Above all, English, as a lingua franca for scientific communication, teaching and for other fields, makes communication easier and quicker through the Internet. Even though at the present stage not every country enjoys the full benefits of such new technologies, for various reasons, it is an immutable and inevitable global trend (Woods, 2000; Carnoy, 1999).

Thirdly, globalisation requires that HEIs should be much more closely related to the rapidly changing and increasingly integrated world economy. The HEI cannot be an ivory tower, isolated from the global society as national educational quality is gauged at an international level or standard. With more interactions between universities around the world, some subjects, for example, mathematics, ICT and English as a universal language, are becoming treated as more important and instrumental. How one is to measure knowledge production in HEIs, however, remains a controversial issue. This is because the standard by which to test the quality of a national education system is undoubtedly subject to the powerful influence of a political environment and the objectives of the assessment system. However, no matter how disputed the testing system might be, it is, in a sense, of great necessity for the internationalisation of HE in terms of standardisation, to ensure portability of degrees and students across borders (Marginson, 1997b). National education cannot remain within its border and needs to enhance its international appeal if it is not to lag behind and be cut off from the outside world (Carnoy, 1999; Burbules & Torres, 2000).

Fourthly, in a more demanding market-oriented environment, the amount of money that should be spent on national education has become a central issue. There is a deepening conflict between autonomous education systems and self-financing-institutions. Underdeveloped countries in particular are under much pressure to make bigger investments in education to guarantee a better-educated labour force as required by the changing global environment. This is due to the fact that a competent HE system can produce good-quality future workers which might attract high investment from globalised financial sources to the country.

The way in which to develop a sound HE system depends on many factors, among which is the intense competition in the new global economy. Inequality between the developed and the developing countries seems unavoidable. Like a
vicious circle, the less you have, the less you get. The poor need a great deal of
capital to develop a good system but often fail owing to lack of capital and
essential infrastructure. Underdeveloped countries are now facing the challenge of
further combating more marginalisation (Woods, 2000; Carnoy, 1999; Burbules &
Torres, 2000).

Finally, globalisation makes it necessary for universities to position themselves
in a radically changing global environment through reform and restructuring,
driven by competitiveness and neoliberal values in the global market. Globalisation
demands that these processes are responsive to the dramatically changing world
and have a clear impact on the reform and structuring strategies of universities. HE
shoulders the responsibility for creating specialised all-round well-developed
students to meet the new and high demands raised by the global market. For
example, the UoA 23 (UoA, NZ, 2002), expects its graduates to achieve three basic
attributes: obtaining “knowledge skills”, “thinking skills” and “personal skills” to
“equip them for employment and citizenship” and to prepare them for “a lifetime
of continuous learning and personal development” (p. 54). HEIs also have to cope
with emerging knowledge provision competitors and take up the dynamic
challenges of access and equity as well as new quality assurance in the new epoch
(Carnoy, 1999; Burbules & Torres, 2000).

In sum, globalisation, as a multifaceted concept and compound process, has
profoundly influenced the reforms and restructuring of HE systems, as is discussed
in Chapter 4 when addressing the cases of China and New Zealand’s HE.
Therefore, worldwide, universities and HE systems are undergoing transformation
in response to the multiple impacts and challenges confronting HE in the prevailing
dynamics of the global environment, with the knowledge economy as one of its
defining features.

**Impacts of the Knowledge Economy on Higher Education**

The nature of knowledge cannot survive unchanged within this context of
general transformation. It can fit into the new channels, and become
operational, only if learning is translated into quantities of information. We
can predict that anything in the constituted body of knowledge that is not
translatable in this way will be abandoned and that the direction of new
research will be dictated by the possibility of its eventual results being
translatable into computer language (Lyotard, 1989, p. 4).

Lyotard’s claim two decades ago about the changing nature of knowledge still
holds true, at least regarding the commodification of knowledge prevalent in the
present knowledge economy. According to Lyotard, knowledge becomes
operational if learning is converted into quantities of information, and one impact
of the knowledge economy is the quantifying and commodifying of knowledge.
Knowledge becomes a product to be sold in the global market. With this
commodification, education loses its social function and intrinsic value.

From a neo-Marxist view, Michael Apple (2001) observes, “For all too many of
the pundits, politicians, corporate leaders, and others, education is a business and
CHAPTER 2

should be treated no differently than any other business” (pp. 1–2, italics in original). This trend prevails in world institutions. Apple claims, “[o]f the many voices now talking about education, only the most powerful tend to be heard” (ibid). Education, an agency of knowledge production and dissemination, is pivotal to the market economy strongly advocated by neoliberals. The shift from industrial physical economy to post-industrial knowledge economy has drawn attention to the increasing economic value of knowledge. As previously mentioned, this has led to the growing importance of education, particularly HE, and investment in education, which is believed to procure future economic returns.

From a neoliberal view, the WB (1995) believes that investment in education “contributes to the accumulation of human capital, which is essential for higher incomes and sustained economic growth” (p. 1). Likewise, from a Third Way view, Giddens (2000b) sees education as the vital force in human capital development. He also points out that education is not “a static input into the knowledge economy, but is itself becoming transformed by it” (idem, p. 73).

This section addresses the impacts of the knowledge economy, first on HE in terms of the policy templates set by the WTO, the GATS, the WB and the OECD; second, on the internationalisation of HE; and third on the expansion of HE and the resulting increase in competition within the sector.

Firstly, the WB, the WTO, the GATS and the OECD, as enthusiastic supporters of capitalist globalisation and the knowledge economy, have set educational templates for governments worldwide so as to move towards a more neoliberal orientation. The evolution of the WB policy in education has demonstrated that its focus has been increasingly on education, especially HE. Today it seems remarkable to note that the WB did not establish an education file until 1962, nor did it provide a loan for education until 1963 (Tavoletti, 2003). However, since 1980 the loans for education (mostly on educational inputs and intangibles rather than buildings and goods) have “tripled, and its share in overall Bank lending has doubled” (Tavoletti, 2003, p. 16). The WB’s investment in HE in the mid-1990s accounted for half of its education budget. It continued to give priority to those countries that implement HE policy with the aim of transforming institutional structures and diversifying resources with more stress on private providers and private funding (WB, 1995). This emphasis indicates that the WB advocates a policy of reducing public spending in education. Clearly, the WB, mirroring the hegemonic Western view of the world, promotes its neoliberal policy of privatisation and effectively ‘coerces’ countries to adopt its neoliberal education policy by means of its loans, especially SALs.

The WTO, the WB, the GATS and the OECD, besides facilitating globalisation and the knowledge economy through their policy prescriptions and promotion, are also the major movers in reinforcing neoliberal principles. These include, for example, the liberalisation, deregulation, privatisation, capitalisation, marketisation and commercialisation which are now extending to the education sector. For instance, the WTO aids the progress of capitalisation in all spheres of social life including public services like education. This is reflected in the GATS, one of the WTO’s principal agreements, which fosters increasing liberalisation of trade in services including education (see Chapter 2). The WTO makes available an
“enforceable global commercial code” according to strong links with transnational
capital, and it prioritises trade rights of capital over any other rights. Deregulation
underpins the WTO’s view with increasing “freedom for trans-national capital to
do what it wants, where and when it wants” (Tabb, 2000, p. 5).

The OECD, another important world institution in support of globalisation,
stakes out an arena for exploration, study and research, functioning as a kind of
international think tank to help governments form policy. Its education policy
programmes are designed according to its formal charter as “a commitment to a
market economy and a pluralistic democracy” (OECD, as cited in Lingard & Rizvi,
1998, p. 260). Rather as Steven Klees (2001) observed, the WB is “only an
‘Opinion Bank’ and, worse still, an opinion bank with monopoly power” (p. 7).
The OECD’s neoliberal commitment to a market economy exerts an ideological
monopoly on HE which raises questions about its supposed parallel commitment to
‘pluralism’. George Papadopoulos (1994) observes that the OECD emphasis on
education is an outcome mainly of the economic notion of benefits in economic
performance. The OECD’s interpretation of globalisation has further had a
profound impact on many governments’ policy making with regard to the
legitimisation and encouragement of their principal educational changes (Lingard
& Rizvi, 1998; Henry et al., 2001). Therefore, the OECD is also a significant
vehicle in triggering the worldwide educational changes as represented in the
reforms and restructuring of HE. Clearly, these world institutions, as keen
advocates of neoliberal ideology, have profoundly affected educational policies
and structures worldwide.

Secondly, the knowledge economy has intensified the internationalisation of HE.
The OECD, a strong advocate and facilitator of the knowledge economy, is an
active and notable global policy actor. It encourages educational reforms so as to
respond to the new economic imperative characterised by progressive
interdependence and competition between countries in the global economy. Being
an intent proponent of globalisation, the OECD favours neoliberalism,
contemporary Managerialism and NPM, and educational policy convergence in
globalised and internationalised universities and university systems. Thus, the
OECD ardently promotes the internationalisation of HE as an active response to
globalisation processes.

Under the umbrella of internationalisation, universities are expected to take note
of the OECD’s interpretation of economic globalisation (Henry et al., 2001). They
have to orient their operations towards neoliberal direction. Consequently,
universities are increasingly run like businesses. Also, the global knowledge
economy creates a global labour market in which companies can search for talent
worldwide. Hence, there is an increasing demand for internationally recognised
degrees, which explains why a vast number of students are pursuing HE wherever
they find (or at least perceive) the highest affordable return on their investment.
HEIs in the USA have benefited most from this intensified internationalisation of
HE in the world. As Guruz and Pak (2002) note, in the 2000-2001 academic years,
547,867 overseas students studied in the US, constituting 3.8% of gross enrolment
and contributing $11 billion into the American economy. Similarly, New Zealand,
though a small country, has gained considerable profit from the internationalisation of HE. The New Zealand case is dealt with in Chapters 4 and 5.

Thirdly, close links between the knowledge economy and HE have led to an expansion of HE. This is evidenced by a phenomenal growth in HE enrolment in the last quarter of the 20th century. For instance, the average total enrolment ratio in industrialised countries of 28.9% in 1970 escalated to 57.4% in 1997. Meanwhile, the world average gross enrolment ratio rose from 10% to 57.4% in the same period. Similarly, the number of students in high-income countries, and that of the rest of the world, grew from 20.9 million and 6 million in 1970 to 36.3 and 44.2 million in 1997 respectively (Guruz & Pak, 2002). This growth demonstrates the rising importance of HE, and the expansionary pressure that the sector is facing. The situation highlights how the knowledge economy values both higher skill levels in the labour force and constant adaptation to varying demand. This will in turn bring about increasing demand for HE qualifications required in the work place. HE in the global knowledge economy is thus facing the challenge of meeting the increasing demand for diverse forms of education, like lifelong learning and continuing education, and of serving more diverse customers of different age groups such as working students, mature students and part-time students (Tavoletti, 2003).

Lastly, the impact of the knowledge economy on HE has intensified competition among HE providers. As stated above, education, particularly HE, is being increasingly seen as a commodity, and students more as customers. For instance, the influential Universitas 21, formed “to secure a substantial share of the global higher education market”, is currently facing considerable competition from the University of Phoenix, named a “global education company” by its chief executive Jorge Klor de Alva (The Futures Project Organisation, 2000, p. 3). Many famous universities aim at seizing the HE market abroad, especially the HE markets of less-developed countries. Heads of HEIs in countries like Australia and New Zealand argue that they have the market system under control. Thus, HE has become market-oriented, and what distinguishes it today is the emerging competition for students between HE institutions of limited resources and recognition. Globalisation and the knowledge economy, as significant drivers of the expansion of HE, are stimulating this competition that has become more and more internationalised (ibid). According to Altbach (2002a), over one million students in the world are studying in a foreign country, whereas other estimates claim that figure may well be doubled (The Futures Project Organisation, 2000). Clearly, this intense competition signals that HE is increasingly seen as a profitable business, which has led to dramatic changes in HE.

**Major Changes in Higher Education**

The past few years have witnessed dramatic changes in HE in many countries such as China and New Zealand (see Chapter 4). The driving forces behind these changes are from globalisation and the knowledge economy (Salmi, 1999), and have been discussed in the above sections.
Traditionally, the role of the university has centred on teaching and scholarship, educating the young, searching for truth, producing knowledge, spreading culture and values, maintaining academic disciplines and professions, and critiquing societies. Central to these activities are “critical thinking, analysis, moral reasoning and judgment” (Duderstadt, 2002, p. 5) particularly in the West. Yet currently, universities are facing much greater demands than those addressed within their traditional role. They are becoming very utilitarian in terms of technology transfer, and economic and international development. Universities are more and more considered as an instrument through which to boost economic growth by means of creating and utilising new knowledge. Thus, they are much more involved in activities like “innovation,” “creativity,” and “entrepreneurship” than purely “distributing and analysing knowledge” (idem, p. 6).

The interpretations of the principal role of the university have changed significantly over time. For Manuel Castells (1991), universities fulfil three basic functions: “ideological apparatuses either recreating or opposing the dominant ideology of the state”, “mechanisms for selection of dominant elites” and “generators of new knowledge” (pp. 206–208; as cited in Nokkala, 2002, p. 9). Clearly, from this interpretation of the role of universities it is apparent that the changing environment has had a great impact on the functions of universities.

Universities are now more like engines for economic growth. They are required to be more responsive to the fast-changing society. Therefore universities, principal components of HE, are not immune to the strong forces of globalisation and the knowledge economy that have brought about some important changes in HE.

First, there is a shift from the ‘post-war’ (social democratic) view of HE as principally a public good to the new view of HE as primarily a private good. For the former, HE is largely funded by the state or public authorities to ensure there are students coming through who will be capable of informed decision-making at academic, institutional and political levels. HE thus benefits the whole society. For the latter, however, HE is funded by its direct beneficiaries (students themselves and their future employers) as well as by the state. Although the state continues to pay a substantial amount of the cost, the shift to individual contribution to cost marks a shift in attitude, where HE is seen to benefit the individual more than society at large. Therefore, the latter highlights “market mechanisms and means of facilitating those mechanisms (e.g. trade agreements)” (Nokkala, 2002, p. 9). This outlook is clearly demonstrated in the conception of the knowledge economy that can be, in a sense, interpreted as contributing to and representing the rising “colonisation of education policy by economic policy imperatives” (ibid).

Second, HE has become a tradable commodity in the new borderless HE market in which students become ‘customers’ or ‘clients’ and HEIs ‘providers’. Since the 1990s, the global HE market has noticeably expanded. Market forces, pushed by growing demand for HE and prompted by high technology, are very powerful and hard to resist. Neoliberal policies have fueled the marketisation of HE on a global scale; for example, the WB’s ‘reform agenda’ promotes the self-financing of HE. In order to seize and dominate the emerging global HE market, universities from North America, Europe and Australasia have developed initiatives to provide their education service in this new market. This has been done either by enrolling...
international and self-funded students to their home institutions, by founding offshore campuses or franchising and twinning programmes with local institutions, or through distance education and other international activities.

An OECD report (Larsen, Morris & Martin, 2000) states that the annual turnover for trading educational services (only inclusive of “consumption abroad”) in 1999 in the OECD countries added up to approximately US$ 30 billion, accounting for about 3% of the total trade in services in the OECD countries (as cited in Nokkala, 2001, p. 10). The actual value of trade in HE services is probably more considerable. Incomplete statistics, however, makes it rather difficult to obtain all the relevant information. For instance, with the rise of other forms of educational services such as distance education and the commercial occurrence of foreign HEIs, statistics lose accuracy. English-speaking OECD countries such as the US, the UK, Australia, Canada and New Zealand are seen as the most desirable knowledge destinations.

Third, the push for privatisation entails the takeover of HEIs by business, either directly or indirectly, for producing profits. The WB (1995) advises that user fees should constitute a much larger proportion of total financing, for ‘efficiency’ and ‘equity’ reasons, particularly in HE (as cited in Carnoy, 1999, p. 43). This privatisation also corresponds to the IMF economic imperatives to decrease public deficits through transferring national resources from governmental control to the private sector (Carnoy, 1999). This capitalisation encapsulates notions of labour in the form of value – creating value and surplus value – leading to profits. As Althusser (1971) already proclaimed, capitalisation shapes all values, both public and private, subject to the process of creating value. Accordingly, it dramatically alters the nature of labour in HEIs. HE labour becomes value-generating and profit-gaining labour, which becomes more intensely commodified in the process. This phenomenon justifies Teresa Ebert’s (1991) statement, “Globalization begins with commodification of labour-power itself” (as cited in McLaren & Farahmandpur, 2001, p. 297) and Peter McLaren and Ramin Farahmandpur’s (2001) observation that in capitalism “[h]uman labour becomes a commodity like all other commodities and is exchanged for wages” (p. 207).

Consequences of these changes are deregulation and decentralisation, twin terms to indicate autonomous regulation, or autonomy from the state, central government or high level authority control. For example, in such countries as the US, Brazil and Chile, formal education is extremely decentralised and deregulated even though they also lay emphasis on ‘centralisation’ in order to maintain HE criteria for domestic purposes. The major purpose of this reform in HE is based on the claim that HEIs is granted greater autonomy in decision-making (as will be illustrated in the case of China and New Zealand). This is based on the assumption that HEIs can enjoy much more freedom in their administrative management and teaching techniques, and can take more responsibility for educational outcomes. In this way educational quality can be guaranteed and improved (Carnoy, 1999).

The changes in HE discussed above are the major ones experienced by HE institutions worldwide. They have fundamentally changed the traditional functions and operations of HE. There are also other changes happening in HE such as the recent amalgamation of universities worldwide, as in China. This amalgamation is
to fully utilise the shared resources and to increase the capacity and capability for the new demands posed by globalisation and HE.

CONCLUSION

As discussed in this chapter, the knowledge economy is like a strong wave sweeping throughout the world. For the writer of this book, this concept is part of the neoliberal ideology promoted by the neoliberal world institutions as represented by the WB, the WTO, the IMF and the OECD as well as the GATS policy and the World Intellectual Property Organisation (WIPO), a specialised agency of the United Nations dedicated to developing a balanced and accessible international intellectual property system. The knowledge economy is the latest version of capitalism. It overemphasises the economic dimension of knowledge and de-emphasises other dimensions such as the social and cultural. Deeply embedded in these two neoliberal conceptions are the quest for profit and more profit; it seems as though little else counts as long as the economic value of everything is secured through neoliberal principles, ideologically cloaked under the umbrella of either the so-called ‘knowledge for development’ or ‘foresight projects’ or WIPO’s official commitment to fight poverty.

The neoliberal world institutions noted in the chapter attempt to make “one-size-fits-all” so that the whole world can move towards the free market futures they anticipate. However, they seem to neglect that society does not only consist of the economy. Other important functions of society are shared cultures, customs, values and other elements such as laws and organisations (Soanes, Waite, & Hawker, 2001). In reality, people are not simply money-making machines. They should not be, nor can they be, purely money-oriented. There are many issues that they have to take into account such as civic society, quests for equality, and their communal cultures and values that hold a society together. The pursuit of economic profit, if socially blind, risks leading to a cold and inhumane society that might cause many insecurities (see UNDP Report 1999; 2000), chaos and crimes in the world. Those who endorse the knowledge economy uncritically should not ignore the negative potential of the knowledge economy upon society and the environment, the increasing tensions between the ‘knowledge-haves’ and the ‘knowledge-have-nots’, and the widening disparity and deepening inequality between the rich and the poor.

In summary, knowledge has always been a significant component of economic development. Neo-Marxists may not necessarily specify or conceptualise what the knowledge economy means, but they recognise (because it is a simple fact) that knowledge is indispensable to human development. However, in the knowledge economy, instead of being viewed as an end in itself, knowledge is developing into a marketable commodity to be produced and consumed. Knowledge is increasingly seen as a principal force of production, changing social relations within and between nations and widening the gap between developed and developing nations. In the era of the knowledge economy, the global ‘fight’ for power is turning into a ‘knowledge war’, similar to a war fought for territories in the past (Roberts, 2002). Of further concern is the fact that the overemphasis on the economic
CHAPTER 2

exchange-value of knowledge and privatisation of knowledge may well deepen the conflict between knowledge as a collective resource/a public good and intellectual property/a private good. Arguably, it risks leading to a world more concerned for material gain than for personal relationships. The knowledge economy is basically a manifestation of neoliberal ideology that requires rethinking and critiquing. A ‘counter-hegemony’ such as a ‘socialist hegemony’, may defy this capitalist hegemony which tends to dominate today’s world.

Being critical about the neoliberal elements rooted in the knowledge economy does not mean that knowledge and economic development are insignificant. Knowledge has been and will continue to be vital to our societal and economic development. Therefore, to acquire knowledge and make it contribute to our society and economy is invaluable. What should be born in mind is that there are many dimensions of knowledge to pursue as mentioned in this chapter. Also, no matter how contested the knowledge economy, the neoliberal ideology, along with globalisation, has profoundly affected HE worldwide, which the writer of this book explores in the next chapter.