

Logics, Thresholds, Strategic Power, and the Promotion of Liberalisation by Governments: A Case Study from British Higher Education

ABSTRACT

Liberalisation has become an increasingly important policy trend, both in the private and public sectors of advanced industrial economies. This article eschews deterministic accounts of liberalisation by considering why government attempts to institute competition may be successful in some cases and not others. It considers the relative strength of explanations focusing on the institutional context, and on the volume and power of sectoral actors supporting liberalisation. These approaches are applied to two attempts to liberalise, one successful and one unsuccessful, within one sector in one nation- higher education in Britain. Each explanation is seen to have some explanatory power, but none is sufficient to explain why competition was generalised in the one case and not the other. The paper counsels the need for scholars of liberalisation to be open to multiple explanations which may require the marshalling of multiple sources and types of evidence.

Keywords: Liberalisation; competition; higher education; institutional change; thresholds; institutional logics

Introduction

Theorists of comparative political economy have become increasingly concerned with explaining the mechanisms aiding the spread of economic liberalisation, which has become an important current within public policy. The liberalisation of British Higher Education is an interesting case to examine. The sector comprises a large number of ‘providers’ and ‘consumers’, and has become an increasingly important element of the national economy. In addition, not only have Higher Education Institutions (HEIs) been the location of much debate concerning the advantages and disadvantages of liberalisation, they have also sometimes been seen as at the vanguard of promoting it in Britain. For example, , the private University of Buckingham contentiously received a Royal Charter, conferring it with University status, in the ideologically-polarised early 1980s. It is also of contemporary relevance, with a review of British Higher Education funding due to report in Autumn 2010 (the ‘Browne Review’) on whether a ‘cap’ on tuition fees for domestic undergraduates should be removed, which some have seen as consolidating the creation of a ‘market’ in British higher education (Kealey, 2006).

Restricting the analysis to one sector within one nation prevents those problems thrown up by comparative analysis arising from the causal potency of different

national and sectoral institutions, organisations and cultures. This paper seeks to build on the analysis of Le Galès and Scott, who sought to elucidate ‘the role of the state in introducing market mechanisms’ (2010, p.121), by complementing their macro-level analysis of institutional change with a sustained and detailed sectoral-level analysis.

This paper first examines and defines ‘liberalisation’ within the higher education sector. It then describes two cases of attempted liberalisation- the introduction of full-cost fees for international students, and the attempted introduction of a ‘bidding’ system for additional student numbers. In both cases a market alternative was offered to participants, yet in only one case was competition generalised across the sector and a ‘market’ created. Why might this have been the case? The paper moves on to examine three possible explanations. First, that a market-favouring ‘logic of action’ must be established before a market can be created; secondly, that a ‘threshold’ of competitive behavior must be reached before a collective institution ‘tips’ into a market; and finally, that the strategic position of different actors within institutions will affect the extent to which a market can be created. These explanations differ not only in their focus, but also in terms of the nature of evidence required to support them. The article concludes by suggesting that theorists of liberalisation should be wary of overly simplistic approaches. In this case, all three approaches are relevant, and each may be of use more broadly in the analysis of liberalisation across the public sector.

This article is based on documentary analysis of the papers of key organisations and individuals from the Warwick Modern Records Centre and the Public Records Office; statistical information; press reports; and interviews conducted with governmental (officials and politicians) and interest group actors between 2004- 2009. Ten semi-structured interviews were undertaken with individuals who had been involved in the two cases, including former politicians, civil servants, and representatives of lobbying groups for universities and international students. All interviews were anonymised. The interviews were undertaken in order to provide context for the documentary material, which at points was rather patchy and failed to provide clear information concerning the chronology of the policy processes discussed below. The interviews were also used to obtain a better understanding of the political context for each case, which again could not be ascertained through the documents alone.

Liberalisation in higher education

Liberalisation has been described as one of the most important, if not the most important, public policy developments in industrialized political economies since the end of the Second World War. Such liberalisation involved a ‘secular expansion in market relations’ (Streeck and Thelen, 2005, 2), sometimes also coupled with ‘intensified commodification’ (Streeck, 2008; see Slaughter and Leslie, 1997, for a discussion in the higher education context). Work on liberalisation within the public sector has tended to focus on the specificities of

the creation of 'quasi markets' (Le Grand, 2007). Quasi-markets combine free access at the point of delivery with decentralized market-like competition (Bartlett, Roberts and Le Grand, 1998; Le Grand, Propper and Smith, 2008). However, in many cases of public sector liberalisation, access is no longer free as user charges have been introduced as a means of promoting liberalization, in addition to competition between providers.

The scope of this article differs from previous analyses of liberalisation in the public sector by identifying liberalisation specifically with the *promotion of competition*. This focus on identifying and explaining the creation of competitive relationships helps avoid the confusion which is often engendered by the use of other, less precise, terms such as 'market'. Marginson suggests this arises because the term 'market' implies a 'conventional economic market' which he suggests must display a number of rather specific characteristics in order to qualify as such (2009, pp.14-5, 3)). In addition, 'governments and state agencies can set up markets, manage markets, own and conduct business activity and generate profits' (Marginson, 2007, 309)- thus muddying distinctions between 'state' and 'market' approaches to higher education policy. Marginson (2006) suggests that producer (university) competition can be separated from consumer (prospective student) competition, and local (domestic) from international (global) competition, while Teixeira et al. suggest that a variety of 'sub-markets' exist with their own competition dynamics, including markets for undergraduate,

postgraduate and international students; for academic staff; and for research grants, scholarships, and donations (2004, 4).

For the purposes of this paper, competition will be defined, following Boyne et al., as ‘a contest between rival producers for a share of a market’ (Boyne et al., 2003, p.31). Governments can promote this type of competition in a variety of ways, from changing ‘basic conditions’- the ‘framework of laws and values within which academic institutions operate’, to influencing ‘market structure’, by for example ‘freeing’ or ‘simulating markets’, to regulating the ‘conduct of ... sellers’ (Dill, 1997).

The paper examines two cases where competition was promoted within formerly collective institutions. The first concerns the introduction of full-cost fees for international students coming from outside the EU- who will be referred to as ‘international students’ throughout this paper. The second concerns the attempted introduction of a ‘bidding’ system for additional domestic students within the British Higher Education sector. In doing so, the paper highlights the challenges for the public policy theorist in researching liberalisation. In particular, by emphasising the role of governments in attempting, and sometimes failing to promote, competition, it illustrates the perils of viewing markets in a ‘disembodied’ manner, as merely ‘shaped by an ‘invisible hand’ or by the rational choices of individuals in the ‘marketplace’’, rather than acknowledging the role

of governments in both creating and sustaining competition (Marginson and Rhoades, 2002, p.297).

Explaining the Development of Liberalisation

The first explanation for the differential development of liberalisation in this sector stresses the institutional context for change. Wolfgang Streeck and Kathleen Thelen have maintained that liberalisation is fostered by the development of particular ‘logics of action’ (2005), drawing on Richard Deeg’s work. Deeg suggests that institutional paths exhibit identifiable ‘logics’, which are ‘distinct pattern[s] of constraints and incentives [which] generate typical strategies, routine approaches to problems and shared decision rules that produce predictable patterns of behaviour by actors’ (2001, p.14).

The second possible explanation concerns the number of actors supporting change. It suggests the need for a ‘threshold’ of competitive behavior to be reached before a collective institution ‘tips’ into a market. Such an approach would suggest that this threshold was reached in the full-cost fees case and not in the bidding case. Pierson’s analysis of path dependence suggests how the degree and scope of competition might affect the likelihood of transition into a ‘fully-fledged’ market (Pierson, 2004). He suggests that stable institutional arrangements generate increasing returns to participants. Once a significant

proportion of actors have begun participating in competitive behavior, the incentives for them to continue this way are strong. Hence, the structural context for stable liberalisation, as for the consolidation of other system characteristics (O'Toole and Meier, 1999), is crucial.

A third explanation concerns the power of actors supporting change. This explanation focuses on the strategic position of those involved in upholding particular logics or practices. Here, one could invoke Peter Hall's stress on power relationships as a determining factor in 'third-order change', with the 'supporters' of what he calls a new 'paradigm', which could be compared to a new 'logic' or 'practice', needing to 'secure positions of authority...so as to institutionalize the new paradigm' (1993, p.281).

Two Cases of Attempted Liberalisation from British Higher Education

The British higher education sector is currently composed of 165 higher education institutions (including universities, colleges, and specialist institutions) (UniversitiesUK, 2010). Traditionally, universities were funded through a stable and 'unselective' flow of grants from central government by what was then described as the 'University Grants Committee', later renamed the Universities Funding Council (Merrison, 1980: 287). From the mid-1970s onwards, as discussed below, the provision of such 'unselective' block grant funding started to diminish (Kogan and Hanney, 2000; Moore, 1987).

Although less than many of their continental counterparts, British governments have possessed a significant amount of influence in the domestic higher education sector. In addition to providing significant amounts of funding to higher education institutions, central government also traditionally controlled which institutions should benefit from degree-awarding status.

It should be noted that the UK higher education system has been subject to a considerable amount of policy change since the case studies described in this paper. First of all, since the introduction of the Scotland Act (1998), Government of Wales Act (1998), and alterations to the governance of Northern Ireland, these component nations of the United Kingdom have been able to set their own policies concerning higher education (Clark, 2006). At the time of the two cases described here, however, higher education institutions based in the different nations of the UK could still reasonably be viewed as part of the same system (with all subject to broadly the same funding measures).

Secondly, the role of private financing of higher education has increased significantly in England since the introduction of a flat-rate tuition fee of £1,000 across the UK in 1998 (which was, however, abolished in Scotland in 2000, and replaced by an 'endowment charge' after graduation). The fee was increased to a maximum of £3,000 in 2006, to rise in line with inflation. Most recently, the 'Browne Review' into student support in England, published in October 2010,

recommended that tuition fees be increased significantly. This has been accepted by government, albeit with a limit on maximum chargeable fees of £9,000, and a removal of the block teaching grant for all subjects falling outside 'STEM' status (Science, Technology, Engineering and Mathematics). The cases described below can help illuminate current developments, not least by highlighting the fact that governmental attempts to induce competition in British higher education have not always been as successful as initially predicted (Dodds, forthcoming)

The two attempts to introduce competition into higher education examined here differed across some respects. International students comprised a relatively small proportion of the higher education intake at the beginning of the period. In contrast, while the bidding system initially concerned additional student numbers, it might have been seen as a 'Trojan horse' for government to lower costs across the board by signaling the possibility for lower unit costs. In addition, one case involved a quasi-market, whereby the transaction occurred between government and HEIs, whereas the other was more akin to a full-blown market, whereby the transaction occurred between international students and HEIs. Nonetheless, both attempts were viewed as opportunities for what one then Education Minister described as 'an opportunity for... radical marketisation' which the then Conservative Government was eager to seize, by introducing competition into the sector (Interview with Former Education Minister, 2009). In both cases, competitive mechanisms were introduced in tandem with, or as a consequence of, attempts to cut costs; in the full-cost fees case, to trim the higher education

budget, and in the bidding case, to reduce the unit costs per student. In addition, both the new systems marked significant breaks with existing methods of higher education funding in the U.K.

The Introduction of Full-Cost Fees for International Students

The decision to introduce full-cost fees for international students was made by the UK Department for Education with no consultation with HEIs (Her Majesty's Government, 1979, p.6). Initially, most HEIs suffered a cut in total funding following the removal of all public subsidy for international students which amounted to around 13-15% of institutional income in the three years up to 1984 (Kogan and Hanney 2000, p.86). However, by 2003-4, the higher education sector as a whole was receiving £1257.8 million in fee revenue from international students, *after* scholarships and other costs had been subtracted (Johnes, 2004, p.10). This benefit was, however, very unevenly distributed across the sector, and does not appear to have been anticipated by HEIs in 1979, who were unable to prevent the introduction of the new system.

The Attempted Introduction of a Bidding System for Additional Students

In contrast, the 1989 attempt to introduce a bidding process, described by Catherine Bargh et al. as effectively a 'full-blown internal market', failed (Bargh, Scott and Smith, 1996, p.17). The system required universities to bid against each

other for funded student places. Effectively universities were required to declare the price at which they would be willing to take on additional student numbers. Those offering the lowest 'prices', i.e. with the lowest bids, would then obtain greater student numbers. The clear expectation amongst policy-makers was that this system would lead to many universities under-bidding the official guideline 'price', since they wanted to attract additional student numbers.

The introduction of the new system was first mooted by Lord Chilver, the newly-appointed Chairman of the Universities Funding Council (UFC) (THES, 9.6.89). The UFC had been created to replace the UGC, which had traditionally been seen as a relatively benign 'buffer' between universities and government (Salter and Tapper, 1994). In contrast, the new UFC, and in particular the businessman Lord Chilver, heralded a more accountable and open relationship between the universities and government. Lord Chilver promoted a view of universities as 'selling, as a service, the teaching of students', and the development of a 'price' for educating individual students (Appleyard, 1989a).

In December 1989 proposals were unveiled whereby universities were 'to be thrust into a competitive arena that will see them bid blind against each other for most of their undergraduate and postgraduate taught courses' (THES, 15.12.89). The new system applied to all courses except those subject to numerical restrictions for workforce planning reasons, such as medicine, dentistry and veterinary science.

By the summer of 1990 however, the bidding process had been acknowledged as a ‘failure’, given ‘that only 8% of the bids [were] below the guide price and nearly all of those are only a small amount below’ (see also Bargh et al., 1996, p.17; Cave, Dodsworth and Thompson, 1995; Kogan and Hanney, 2000, p.92). The UFC maintained that it did not believe ‘that a cartel had been operated, but [suggested that] there had been suspicions [of this] in some quarters’ (CVCP, 1990, p.3; Shattock, 2008). Bidding came to be described as only one method of introducing competition (UFC, 19.12.90, p.3), which could not be countenanced again for fear of a ‘second failure’ (UFC, 8.1.91, p.4).

Why was competition generalised in the case of full-cost fees for international students, and not in this case of the introduction of bidding for additional student numbers? The remainder of the article attempts to assess the three proposed explanations.

Explaining Competition: New ‘Logics of Action’?

The first approach to be examined here suggests that institutions embody particular ‘logics of action’, and that new logics must therefore be created if institutions are to change in any significant manner. ‘Institutional logics’ can be defined as a ‘set of material practices and symbolic constructions’ used by organisations as guidelines for behavior (Friedland and Alford, 1991, p.248; see

also Thornton, Jones and Kury, 2005; DiMaggio, 1991; Mullins, 2006; Scott, Ruef, Mendel and Caronna, 2000).

‘Institutional logics’ thus comprise certain institutional factors, including their less formal elements- i.e., institutional logics are constituted by certain elements of institutions, rather than resulting from them. For the limited purposes of this article, ‘logics of action’ will be defined as those *patterns of behaviour* which follow from the creation and implementation of particular rules. Hence, a market institution would constitute those sets of rules which govern economic interactions (Davis and Holt, 1993, p.33), by promoting competition between actors. The institutional ‘logic’ in this case would comprise the patterns of behaviour- the types of economic and social interactions, for example- which are structured by these sets of rules.

The rules constituting particular institutions may contradict each other, and may be more, or less, formalised or explicitly codified. Institutions may, therefore, comprise of ideational elements such as cultural norms, which shape behaviour, as well as of more formal elements, such as codified regulations. Such cultural norms may be tacit rather than explicit- thus differentiating them from formal systems of ‘ideology’. As previously explained, however, ‘institutional logics’ refer to those patterns of behaviour which these formal or informal rules promote, rather than to the institutional elements themselves. The following discussion

focuses mainly on the impact of formal, rather than informal, rules on institutional logics.

It is necessary to examine the rules created and implemented by government and the UFC in the full-cost fees case and in the bidding case, and consider the 'logics of action' which these promoted. In the full-cost fees case, government removed any possibility of extracting revenue from international students unless HEIs charged them above a certain minimum fee. In 1993-4 (Back, Davis and Olsen, 1997), the market was deregulated with the removal of this minimum fee. It is arguable that by rendering the status quo financially impossible for universities, government promoted a 'logic' of seeking out additional funds from international students (Cave et al., 1995, 93).

It would, however, have been possible for universities to continue to charge just the minimum fee for international students, thus operating the type of 'price-fixing cartel' which they were accused of using to disrupt the bidding system. Yet, rather than clustering around the minimum fee, universities quickly moved to charge higher fees. It is arguable that this occurred because the minimum fee was set at a relatively low level, which failed to cover the costs of most courses (THES, 8.6.90). This led to a proliferation of different fee levels being charged, with universities competing for custom.

It is difficult to maintain that the use of particular types of rules was responsible for the failure to create a market in the bidding case, given the absence of a 'control' governed by different rules. Nonetheless, a number of contemporary observers suggested that the creation of a 'guide price' during the bidding process led inexorably to the failure to institute a market for additional student numbers.

Initially the UFC appeared unsure about whether or not to offer universities 'guide prices' (UFC, 1.6.89, p.2) or 'bidding benchmarks' (Appleyard, 1989b, p. 2). Initially at least, the process of price formation for this auction was confused rather than explicit as is usually the case for auctions, with 'the rules that determine the final price... usually well-understood by all parties involved' (Menezes and Monteiro, 2004, p.9). In January 1990 however, the UFC finally published a set of guide prices, which represented 'the maximum amount the funding council [was] prepared to pay for teaching per student per year' in twenty different academic subject groups (THES, 5.1.90).

The Times Higher lead article following the failure of the bidding process, maintained that:

'...it was the UFC and not the universities which established the conditions for a price-cartel. [...] Once those prices had been published- and in many cases objected to by subject

associations as too low- it became difficult for any universities to make bids that were systematically lower' (THES, 29.6.90).

Andrew Whitford (1997) has described how the particular rules created by governments for bidding systems and auctions can affect outcomes. Such rules include the setting of 'floors', 'ceilings', or 'reserve prices'. The temptation to specify such maxima and minima is strong, given the desire of governments to exercise at least some control over competitive funding systems. Indeed, in the absence of maxima or minima, the credibility of a bidding system can be undermined, as actors will not necessarily trust governments not to intervene if 'unacceptably' low or high bids are put forward. However, the presence of maxima or minima can steer actors towards a particular bid value.

This is perhaps especially the case where 'bid-makers' are accountable not just to 'bid-takers' but also to other constituencies. Vice-Chancellors, as 'bid-makers', had to offer bids to the UFC, but were also in theory accountable to the staff of their universities. Putting forward bids below the guide price would inevitably send a message to staff about how much, or more to the point, how little, their work educating extra students was valued by management. By setting a realistic, albeit 'challenging', guide price, the UFC perhaps unwittingly reduced the room for Vice-Chancellors to offer lower bid prices and thus compete against each other. Although in the vast majority of cases identical bids were offered, which would generally be classified as constituting a cartel (Comanor and Schankerman,

1976), such an outcome was perhaps inevitable given the ‘logic of action’ promoted by the guide price system.

However, this conclusion in some respects appears to be contradicted by the case of full-cost fees for international students, since a type of ‘guide price’ was set (the ‘minimum fee’), and was only used by universities as a basis for setting prices for a very short period of time, with fees varying widely between universities after complete deregulation. One assumes that universities would have been equally constrained by staff not to lower international students’ fees below the previous minima- but some HEIs did.

It is interesting to consider the informational differences between the two cases. The bidding case involved what could be described as a sealed-bid auction, often seen as the most profitable type of auction where risk-averse bidders are involved (Klemperer, 2004, 2). HEIs might reasonably have been concerned not to differ too substantially from the status quo given a lack of information about other HEIs’ bids. However, there appears to have been considerable ad hoc sharing of information between HEIs, given the accusations of a price-fixing ‘cartel’ (Shattock, 2008).

In addition, it is arguable that HEIs operated in similarly ‘information poor’ environments, at least initially, when setting their prices for international students following the deregulation of international students’ fees. Interviewees suggested

that the process of fee-setting did not, generally, follow a meticulous survey of other HEIs' fees, but occurred on a rather ad-hoc basis, with HEIs having little idea of the real 'market value' of their courses (Interviews with HEI employees and British Council employee, 2004-5).

As a result, it is arguable that HEIs were 'information poor' in both cases, as well as being subject to similar sets of rules to promote the introduction of competition, i.e. to similar 'logics of action'. The creation of an appropriate 'logic of action' might therefore be seen as potentially necessary for the engendering of widespread competition, but not sufficient for this to be generalised across a sector.

It might also be argued that the institutional context in each case created different sets of incentives for participation in the new systems. In particular, it could be argued that one proposal (the bidding system) necessarily involved a *reduction* in funds going to the higher education sector, whilst the other (the introduction of full-cost fees) potentially signified an increase in funds. If so, the 'self-interest' of HEIs would naturally lead them to support the new fees, but not the bidding system. This argument can, however, be contested. As previously mentioned, in *both* cases, the measures were introduced specifically in order to reduce governmental financial commitments in higher education- to either reduce unit costs (the bidding case) or to remove government contributions to the cost of international students' education (the full-cost fees case). If HEIs truly anticipated

making substantial gains from attracting high numbers of international students through the new fees regime, it is surprising that so many criticised the proposals when they were first promoted. Indeed, as Williams notes, a “good part of the opposition to the overseas student policy came from Vice-Chancellors and principals who could not see how their institutions were to remain solvent when faced with a withdrawal of part of their grants” (Williams, 1981, p.225)- rather than viewing the new fees as a potential new source of revenue. Hence, ‘self-regarding reasons’ (Streeck and Thelen, 2005, p.33) (i.e. the prospect of additional funds, or conversely of cuts in funds, following the introduction of more competition) appear insufficient to explain the differences between the two cases.

Explaining Competition: Crossing Thresholds?

A number of public policy accounts have suggested that incremental changes can build up over a considerable period of time without substantial effects, until a ‘threshold’ is reached and significant institutional change then occurs (Cashore and Howlett, 2007). This notion has also been an important element of Baumgartner and Jones’ (1993) model of ‘punctuated equilibrium’, alongside other concepts such as venue shifting and agenda-shaping (for a review, see John 2006). It has also informed analyses of the spread of liberalisation across nations (Simmons and Elkins, 2004) and within the EU (Levi-Faur, 2003).

The concept of a 'threshold' seems to suggest that quantitative factors can play an important role, with change being cumulative and linear. What can we learn from the proportions of HEIs which decided to participate in competition in each case?

In the bidding case, a majority of institutions underbid on at least some subjects, with 21 universities underbidding the guide price by at least ten percent for at least some subjects, 11 underbidding the guide price by between five percent and ten percent, and ten underbidding by up to five percent (UFC, 12.9.90). The low number of universities which underbid *did* appear to prevent the institutionalisation of the bidding system. So, perhaps policy-makers had some type of threshold in mind, although this was never explicitly stated.

It is more difficult to assess whether thresholds were relevant in the case of the introduction of full-cost fees. Only one university (Manchester) subverted the system by allowing international students an extended deadline for payment of full-cost fees. While many HEIs claimed that some of their courses were only viable due to the attendance of international students (Education, Science and Arts Committee, 1980, 127-8), none followed Manchester's lead.

By 1981-2, the average fee level per international student was varying by up to £1,100 for those students who had started their courses the previous year (Committee of Public Accounts, 1982, 41). This variation became more significant following the removal of the 'minimum fee' in 1993.

This comparison might suggest that whilst a ‘tipping point’ was reached in the full-cost fees example, it was not in the ‘bidding’ example. The problem however with arguing that quantitative thresholds constitute ‘tipping points’ for generalising competition relates to the argument’s reliance on counterfactuals. Because ‘thresholds are behavioural dispositions, they are difficult to measure with confidence before the behaviour actually occurs’ (Granovetter, 1978, p.1440). A certain ‘value’ could be *described* as a threshold, beyond which a market would be deemed to have been created, and below which a market would not have been created. For example, one might posit that eight percent of bids would have needed to be below the guide price for a competitive bidding system to have been instituted; and that this was why, with just seven percent of bids coming in under the guide price, the bidding process failed and a market was not instituted. Similarly, it could be argued that if more than one university had acted as Manchester had- say, if ten rather than one universities had tried to subvert the system- the full-cost fees system would have failed.

However, such an argument would need the backing of at least one out of two types of evidence concerning the ‘aggregation process’ involved in decision-making relating to the generalisation of competition (ibid., 1428). First, one could, hypothetically, provide evidence that policymakers themselves held to a certain psychological threshold, beyond which they would publicly proclaim that a ‘market’ had been created. This would be to create institutions by semantic fiat - but need not necessarily be rejected out of hand.

Secondly, one could, hypothetically, provide proof of either, in the full-cost fees case, a previous unsuccessful attempt at instituting fees competition, with fewer HEIs participating than in the case examined, or, in the bidding case, a previous or subsequent successful attempt at instituting bidding competition, with more HEIs participating than in the case examined. Hence, while the concept of thresholds appears to have some intuitive purchase on the case at hand, in the absence of further evidence it offers only a partial, and rather weak, explanation of the difference between the two cases.

Explaining Competition: Strategic Position?

The final explanation comes from Paul Pierson's qualification of the importance of thresholds in his discussions of path dependence (2004). Pierson suggests that not only must quantitative thresholds sometimes be passed for institutional change to occur; qualitative factors can also be important. In particular, he notes the importance of large groups' decisions to participate in new institutions as a factor which can help us to understand change. Rather than simply the 'size of groups, alone' explaining institutional change or stability (Howlett and Rayner, 2006, 11), the particular power and influence wielded by those actors who decide to participate in markets, or otherwise, should be examined. This approach parallels work in science and technology studies which has examined 'tipping

points' in the adoption of innovations, referring to the strategic position of early adopters (Gladwell, 2000).

We can ask, therefore, which HEIs decided to participate in the market for international students, and which in that for extra students in the bidding system. Were participating HEIs traditionally 'powerful' or influential universities, or younger or smaller universities which might be expected to have less strategic influence?

The market for international students has had 'winners' and relative 'losers'. Examining the fee levels and numbers of international students at forty-six pre-1992 universities from 1980-1981 until 2001-2002, confirms this (see below).

[Table 1 here]

The numbers of international students attending particular HEIs has changed greatly from 1979 to 2002. Initially, the distribution of international students attending different HEIs appeared to converge but by 1982-3 there was increasing divergence between HEIs, with the difference between HEIs' intakes of international students increasing year on year, with the exception of a small increase in convergence during 1986-8.

In addition, there has been a significant concentration in the 'market' for international students over time. Hence, increasing numbers of HEIs were to be found at the lower end of the distribution, with relatively fewer international

students attending their courses, whilst a decreasing number of HEIs were clustered at the higher end of the distribution, with relatively larger numbers of international students. An analogous stratification has occurred in terms of the revenue accruing to different HEIs from international students' fees, at least until the late 1990s.

It is possible that some more elite universities, such as those within the 'Russell Group', may have anticipated the possible benefits of the fees, and that this was reflected in their response to the new policy- although such HEIs, as suggested by Table 1, varied in the degree to which they benefited from the new fees. Most HEIs were publicly critical of the predicted effects of full-cost fees on their existing international student intake, and all HEI sectoral associations opposed the policy, with the then Chairman of the CVCP maintaining that universities were 'unanimous' in opposing the plans (Education, Science and Arts Committee, 1980, p.92; see also Williams, 1981, p.225).

However, HEIs adopted a variety of responses to the full-cost fees policy, ranging from outright opposition to disagreement with particular details. Manchester University, as noted above, was apparently the only university which attempted to subvert the new fee system, by giving international students an extended deadline for payment (THES, 16.11.79a). There was a certain amount of intra-sectoral conflict concerning the consequences of the new fees, with the Vice-Chancellor of London University being particularly keen to criticise polytechnics, which he

claimed were ‘benefiting unfairly out of fees’ (THES, 16.11.79b), and to warn that universities of lesser prestige than his own might reduce admissions standards to gain more fee revenue (David, 1979).

In contrast, a number of prominent, Russell Group Universities expressed outright opposition to the bidding system from the start, and made clear that they would bid only at the guide prices. Hence, the Vice-Chancellor of Bristol University stated that ‘Universities have to say they won’t do it’ (THES, 20.10.89), and Lord Flowers, Vice-Chancellor of London University, made clear most colleges of the University would bid only at the guide prices (THES, 19.1.90).

However, as can be seen from Table 2 below, despite their public opposition to the policy, some Russell Group universities were amongst those HEIs which bid below guide prices, even if few apart from the University of Liverpool participated in the new scheme as wholeheartedly as the generally more enthusiastic newer universities.

[Table 2 here]

Overall, it appears that the strategic position of those universities which supported, or at least, did not actively attempt to disrupt, the development of competition may have had some impact on the extent to which markets subsequently developed. It would be difficult however to make any more substantial claims, for example concerning the required ‘degree of authority’

possessed by supportive universities in order for a nascent market institution to develop and be consolidated- and how this might be researched.

In addition, as Paul Pierson has noted, it is important to guard against functionalist explanations of institutional development which suggest that supporters of the creation of new institutions are motivated by knowledge of their effects (2000). As with the previous two models, this apparently intuitive explanation is also subject to possible pitfalls.

Assessing explanations for liberalisation

As the previous discussion indicates, none of the approaches investigated here offer a sufficient explanation for change and/or stasis in the cases concerned.

The particular rules used during attempts to create markets did seem to have some impact on the extent to which competition was generalised across the sector, with the setting of a relatively realistic ‘guide price’ in particular being seen by some commentators as leading ‘logically’ to the development of a cartel. However, in the absence of a counter-example where such a guide price had not been set, it seems difficult to allocate primary causal efficacy to this factor.

Similarly, without evidence of whether any threshold was antecedently defined by policy-makers, the setting of a ‘tipping point’ beyond which institutional change occurs appears to offer only a limited explanation.

The final explanation appears to offer us some purchase on the case at hand, since the more traditionally powerful Russell Group HEIs did appear to lobby strongly against the introduction of the bidding system, although a small number still bid under the guide price. More powerful HEIs may have believed they would benefit from the full-cost fees system, and not from the bidding system, whether or not this was likely to match reality.

This analysis indicates the need for more careful scholarship concerning the mechanisms underlying liberalisation- in particular, the need for a focus on both institutions and actors when explaining the introduction and generalisation of competition. Such an analysis should consider the parameters for liberalisation set by governments, the number of actors supporting liberalisation, and the dynamics of the relationship between these actors.

This approach is necessary in order to move beyond mechanistic approaches to liberalisation as counselled by Marginson and Rhoades (2002). Liberalisation need not necessarily arise organically and naturally. Rather, governments often attempt to shape the parameters for markets, and actors can either accept or reject new institutional norms (Fligstein, 1992: 358-9). As such, it is important not to place a hard and fast line between institutional frameworks on the one hand, and the behaviour they engender or shape, on the other. Institutions not only privilege the interests of certain groups or others, by ‘mobilising bias’; they also often

embody compromises between different powerful actors, which can make them inherently unstable (Mahoney and Thelen, 2010). More detailed analysis is required of the interactive, and indeed, sometimes, constitutive, relationship between powerful actors and the institutional contexts within which they operate. Such an approach offers a more plausible and subtle means of uncovering and explaining the mechanisms of liberalization.

Conclusion

This article has examined two cases of attempts to create markets. As both cases were drawn from the British higher education sector and occurred during a similar time period - indeed, under the same Government- , this comparison should allow the isolation of factors which promoted the development of a market in one case and not in the other. Three explanations for the institutionalisation of liberalisation were considered here: the alteration of 'logics of action', the breaching of a threshold, and the gaining of support from strategically important actors for a new, market-based, institutional arrangement. The article concluded that none of these approaches offered a sufficient explanation of the differential progress of liberalisation. It did, however, underline the importance of considering the relationship between powerful actors and the institutional contexts within which they operate. It thus challenges those accounts which portray liberalisation as an 'inevitable' process.

In summary, there is a pressing need for additional scholarship to uncover the precise mechanisms under which new institutional arrangements arise and are

sustained over time. In particular, the analysis of these two cases suggests the need for a focus on both institutions and actors, and the reflexive relationship between them, when explaining the introduction and generalisation of competition. It should be noted, however, that whilst the focus of this article on one sector in one national context has facilitated the isolation of relevant explanatory factors, the specificities of this case should be born in mind before applying any of its conclusions to other cases.

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Table 1: Change in the fee per international student, from 1979 to 2004⁶

Higher Education Institution- University of... unless otherwise stated	Chge FPS, in thousands	Russell group?
Birmingham	4.27	yes
St Andrews	5.44	no
Warwick	5.60	yes
Uni. College of North Wales- Bangor*	5.66	no
Salford University	5.69	no
Oxford	5.77	yes
Keele	5.87	no
University College of Wales Cardiff*	6.12	yes
Bradford	6.14	no
Essex	6.16	no
Loughborough Institute of Technology *	6.73	no
Hull	6.89	no
York	6.91	no
Newcastle Upon Tyne	7.03	yes
University College Swansea*	7.16	no
Stirling	7.17	no
Reading	7.21	no
Kent at Canterbury	7.35	no
City University	7.44	no
Sussex	7.50	no
Cambridge	7.60	yes
Uni. College of Wales Aberystwyth*	7.61	no

Exeter	7.65	no
Sheffield	7.72	yes
Dundee	7.72	no
St David's College*	7.73	no
Manchester University	7.85	yes
Manchester Inst of Tech.	7.91	no
East Anglia	7.92	no
Southampton	8.00	yes
Lancaster	8.09	no
Nottingham	8.15	yes
Bristol	8.33	yes
Leeds	8.52	yes
Aston	8.73	no
Aberdeen	8.77	no
Liverpool	8.91	yes
Glasgow	8.96	yes
Surrey	9.08	no
Edinburgh	9.41	yes
Brunel University	9.49	no
Durham	9.53	no
Bath	9.82	no
Herriot Watt University	9.93	no
Strathclyde	10.42	no
Leicester	11.54	no

Notes: This table is based on HESA statistics covering the forty-six HEIs which had continued with a roughly similar structure and identity throughout the period 1979-2005, and for whom there were no significant data errors. The change in Fee Per Student is given in 2004 £s, discounted for inflation (using ONS measures of inflation, rounded up from .5). The Fee Per Student was calculated by dividing the amount of institutional income derived from 'other' fees by the number of 'overseas students' (as classified in USS statistics) and 'full-time equivalent overseas students' (from HESA statistics), and is therefore not an exact measure. For starred institutions (*), the original institutional name is used.

Table 2: The extent to which universities bid below the UFC's guide price: the costs of students offered by universities, as a percentage of what costs would have been if pegged at the guide price⁹

Higher Education Institution- University of... unless otherwise stated	Offered cost as a percentage of guide price cost	Russell group?
St David's College*	93.6	no
Leicester	96.1	no
UCWM	96.8	no
Liverpool	97.1	yes
City University	97.5	no
St Andrews	97.6	no
Stirling	97.6	no
Sussex	97.7	no
Hull	98.2	no
Sheffield	98.4	yes
Uni. College of Wales Aberystwyth*	98.5	no
University College of Wales Cardiff*	98.5	yes
Durham	98.6	no
Uni. College of North Wales- Bangor*	98.7	no
Anglia	98.8	no
Salford University	98.8	no
York	98.8	no
Edinburgh	98.9	yes
Lancaster	99.0	no
Exeter	99.1	no
Keele	99.1	no
Manchester Inst of Tech.	99.1	no
Nottingham	99.1	yes
Newcastle Upon Tyne	99.3	yes
Aberdeen	99.3	no

Glasgow	99.3	yes
Strathclyde	99.3	no
Kent at Canterbury	99.4	no
Warwick	99.4	yes
Bradford	99.6	no
Southampton	99.6	yes
Birmingham	99.7	yes
Leeds	99.7	yes
Dundee	99.7	no
Bath	99.8	no
Loughborough Institute of Technology *	99.8	no
Essex	99.9	no
Reading	99.9	no
Aston	100	no
Bristol	100	yes
Brunel University	100	no
Cambridge	100	yes
Manchester University	100	yes
Oxford	100	yes
Surrey	100	no
University College Swansea*	100	no
Herriot Watt University	100	no
London Business School	100	no
Manchester Business School	100	no

Notes: Table is based on statistics reported in the UFC's records (UFC, 12.9.90).

For ease of exposition, the University of London has not been included in this table, as the vast majority of its colleges stuck to the guide price for all subjects.

For starred institutions, the original institutional name is used, to prevent confusion due to mergers or changes in names.