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Resolving the University crisis

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Summary

Analysis

- Australian universities are facing a crisis of resources and morale
- The damage done by cuts in public funding has been exacerbated by pressure to adopt a market or pseudo-market orientation in teaching and research and by the imposition of a 'managerialist' style of governance
- Standards of teaching have declined as a result of reduced resources and pressure to attract and retain students at all costs. Claims that market forces such as the desire for reputation would prevent this have proved mistaken
- The commercialisation of research has been demanded by policymakers with no understanding of the role of public good research and with an inadequate awareness of the financial and other dangers associated with inappropriate approaches to commercialisation.

Recommendations

- Public expenditure on tertiary education (university and TAFE) should be increased to 1 per cent of GDP
- Moves towards the replacement of the HECS system by up-front fees set at the discretion of university managers should be halted and reversed
- All Australians completing high school should be guaranteed a tertiary education place in either the TAFE or the university system
- Research funding should be enhanced through an expansion of the existing Australian Research Council grants system and through the provision of research support for individual departments as in the United Kingdom

- Universities should be required to reduce expenditure on management and increase the proportion allocated to teaching and research.

Universities in crisis - an analysis and a response

The Australian university system is at the intersection of two areas of national crisis – research and education. Australia’s deteriorating research performance is widely seen as a factor in the recent weakness of the currency. Equally significantly for our long-term economic performance and social values, our education system is under severe stress and is failing to deliver the enhanced education needed for modern economy.

Although the causes of this crisis are complex, the most important single factor is poor government policy. Not only have governments reduced expenditure on education relative to GDP when a rational assessment of our economic needs would dictate higher expenditure, but the diminished resources available to the system have been, to a significant extent, dissipated in the pursuit of ideological agendas and managerial fads.

Since 1980, Australian universities have undergone a series of ‘reforms’ which may broadly be characterised as a combination of neoliberalism and managerialism. As in many other instances in Australia during the past two decades, the costs of ‘reform’ in the universities sector have outweighed the benefits. In this submission, the term ‘reform’ will be used in the literal sense of ‘change in form’, without any connotation of ‘change for the better’. The universities have undergone a great deal of the former and very little of the latter.

This submission is organised as follows. First, some indicators of crisis are discussed with a focus on morale and values as well as quantitative measures. Next, the nature of a university is outlined. Claims that traditional universities are obsolete as a result of new technology and that the decline of the traditional university in Australia is part of a worldwide trend are discussed and rejected. The ‘reform’ program that has been applied to Australian higher education, based on the combination of neoliberal ideology and managerialism is described and critically analysed. The relationship between ‘public

good' research and commercial research is discussed. Finally, policy options that might reverse some of the damage of the past decade are discussed. It is argued that while more public funding is not a complete solution to the near-collapse of higher education, without it there is no possible solution.

Indicators of crisis

The fact that the university system is in a state of crisis is well-known. Indeed, the responsible minister has admitted as much. Nevertheless, it is important to understand the scale and scope of the crisis and its relationship to the broader crisis in education and research before formulating a response.

Government admission of failure

The resources of Australian universities were already severely strained by the early 1990s. In criticising the Labor government's performance in this area, the then Opposition spokesman, Dr. Kemp, noted

the overcrowding of lectures and tutorials;
deteriorating and obsolete infrastructure unable to cope with the massive increase in student numbers and research requirements;
the squeeze on research opportunities; and
the failure of academic salaries to keep pace with international levels resulting in staff shortfalls which worsened the burden on current academics.

These problems were greatly exacerbated by the Budget cuts of 1996, justified by the largely spurious 'Black Hole', but not restored when the Budget returned to surplus. By 1999, Dr Kemp, now the responsible minister, noted that 'higher student:staff ratios, less frequent lecture and tutorial contact, the persistence of outdated technology and gaps in key areas of professional preparation...are fuelling a perception of declining quality.

Dr Kemp's proposed response involved extension of the free-market agenda that

has already caused severe damage to the system. Following public pressure, the government announced that the core elements of this agenda, including deregulation of fees, would not be adopted, but did not give any indication of an alternative agenda.

The Innovation Statement announced on 29 January 2001 represented a partial reversal of the damaging policies implemented since 1996. As is common practice, however, the policies were presented in a way that overstated their financial impact. The Statement is at best a first step towards a more rational policy.

Resources and quantitative measures of performance

For the past twenty-five years, the Australian education system has been, in effect, living off capital inherited from the Whitlam government and its Liberal predecessors. The expansion of the university system under Menzies and the massive growth in education expenditure under Whitlam provided the basis for rapid growth in the quality and quantity of education provided to Australian children and adults.

Ever since the Whitlam era, however, the performance of the education system has been compromised by a steady erosion of government support. Paradoxically, the withdrawal of funding has been accompanied by increasingly intrusive attempts to exert centralised control.

The problems affect the entire education sector, including schools, the TAFE sector and education. Initially, the most severe impacts were felt in the public school sector, as the result of cuts in Commonwealth general grants to the states. Although funding for universities was constrained during the 1980s, severe cuts did not begin until the 1990s, when the Labor government refused to fund wage increases under enterprise bargaining. The effects of these cuts were exacerbated by additional cuts imposed by the Howard government in 1996.

The first clear evidence that cuts in resources were producing adverse effects came with the decline in school completion rates in the early 1990s. Attempts have been made

to attribute this decline to the improvement in labour market conditions following the end of the 1990-2 recession. However, school completion rates in 1999 were below those in 1989, at similar point in the business cycle.

The effects of cuts in higher education may be seen most clearly by considering impacts on staff student ratios. Table 1 shows changes in the number of university staff for the period from 1990 to 1999, a period in which the total number of students increased by around 70 per cent. The number of international students quadrupled and the number of higher degree students tripled . In general, the staff requirements for providing adequate teaching to international and higher degree students are greater than for domestic undergraduates, so it is reasonable to conclude that the total teaching load has approximately doubled.

Table 1: Staff at Australian Universities

	Academic	Other	FullTime	Fractional	Total
1990	34184	33,117	56,970	10,331	67,301
1991	35848	35,279	60,223	10,904	71,127
1992	34500	39,455	62,299	11,656	73,955
1993	35272	40,307	63,624	11,955	75,579
1994	35662	40,423	63,963	12,122	76,085
1995	36235	41,195	64,762	12,668	77,430
1996	36542	42,224	65,625	13,141	78,766
1997	35953	41,363	63,267	14,049	77,316
1998	35057	41,215	61,618	14,654	76,272
1999	34926	41,114	61,561	14,479	76,040

Source: DETYA Selected Higher Education Statistics

As can be seen from Table 1, the total number of academic staff was effectively static during this period, but there was a large increase in the proportion of part-time staff

(most of whom are academic rather than administrative staff). Thus, an effective doubling of workload was combined with a reduction in the number

These reductions in the quality of service have occurred at a time when the proportion of university costs met by the Commonwealth has declined, from around 85 per cent to less than 55 per cent. Further cuts in the net Commonwealth contribution may be anticipated as the effects of changes in the HECS scheme work through the system. The net result is that Commonwealth expenditure on higher education, expressed in 1989-90 prices, has fallen from a peak of just over \$3 billion in 1994-95 back to the 1989-90 level of \$2.5 billion. Expressed as a proportion of GDP, Commonwealth higher education funding has fallen steadily from approximately 0.6 per cent to approximately 0.4 per cent, at a time when the need for expenditure has increased substantially.

Morale and values in the university system

Evidence on morale and attitudes of university staff is always difficult to collect, and the problem is made more difficult by the increasing willingness of university management to victimise critics. Nevertheless, it is evident to any observer that the morale of university staff is at an all-time low. The 'brain drain' represented by the departure of academics to appointments overseas has reached the point where departures are reported daily.

On the other hand, although there is even less satisfactory quantitative evidence, morale among senior administrators appears to be at an all-time high. For example, leading Vice-Chancellors such as Gilbert (2000), Chipman (2000) and Schwartz (2000) clearly believe that the demise of the traditional university is long overdue, and that the enterprise university they represent is the wave of the future.

This difference in attitudes is scarcely surprising. In the traditional university, administration was a relatively low-prestige activity, largely seen as an outlet for academics whose best days in research and teaching were behind them. Even vice-chancellors were

little more than the ‘first among equals’ in universities dominated by professorial boards.

In the current environment, everything has changed, except perhaps for the fact that university administration is still largely made up of former academics. Although typically lacking either business experience or any formal qualifications relevant to the management of a multimillion dollar enterprise, senior administrators regard themselves as corporate leaders and see the managers and CEOs of private corporations as their peers.

The nature of the university

Universities are ancient and complex institutions. The first European universities were established in the early Middle Ages. The University in its modern form developed in the late 19th century with the end of church control in the United Kingdom and the rise of major universities in Germany and the United States. The crucial innovations included:

- the division of knowledge into distinct disciplines and parallel organisation of the university into discipline-based departments
- the replacement of amateur research undertaken by isolated individuals such as clergymen by university-based research, and the associated rise of the PhD and similar advanced degrees as qualifications to undertake research
- the formulation of the concept of academic freedom and the university as a bastion of independent inquiry and intellectual standards

The structures, organisational forms and values developed in the late 19th century remained largely unchanged during the 20th century and were adopted by the large numbers of new universities created during that period, despite periodic attempts by governments and others to bend the system to serve a range of goals. The most extreme such attempts, and the most disastrous failures, occurred under the regimes of Hitler in

Germany and Mao Tsetung in China, both of which effectively closed down higher education and research for a decade or more.

More superficial, and less damaging, assaults were made as a result of McCarthyism in the 1950s and of some elements of student radicalism in the 1960s (it should be noted, however, that the net effect of student activism was to promote both responsiveness to student concerns and collegial government practices). Both McCarthyist and Maoist political activists sought to use the university to promote particular political agendas and to expel or silence those who dissented from those agendas. Recent assaults on the idea of the university in Australia in are obviously not comparable with the excesses of totalitarian regimes, but they are considerably more comprehensive and damaging than anything that took place in the 1950s or 1960s. Victimisation of individual academics for opposition to policies espoused by university management, the source of several *causes celebres* in the 1950s and 1960s, is now routine commercial practice. Examples include the dismissal of Associate Professor Ted Steele by the University of Wollongong and the victimisation of Professor Allen Patience by Victoria University of Technology.

The persistence of the traditional model of the university through the changes of the 20th century has been justified by its success, and by the corresponding failure of alternative models. In particular, neither profit-oriented commercial educational institutions nor government departments have ever successfully provided education at the university level, despite ample opportunities. The ‘reforms’ of the Australian and New Zealand educational systems in the 1980s and 1990s were largely driven by the chimerical belief that some combination of market forces and bureaucratic control could produce a cost-effective alternative to the university system in its traditional form.

International comparisons

Advocates of neoliberal/managerialist reform such as Chipman (2000), Gilbert (2000), Schwartz (2000), base much of their case on the claim that developments in the Australian

university system reflect world-wide trends. Gilbert offers two examples. First, there are comments from Canada which mirror the despondency evident among Australian university staff. Second, there is the example of the University of Phoenix, a for-profit concern based primarily on distance education, which listed on US stock exchanges during the recent stock-market bubble. The University of Phoenix is also cited by Schwartz (2000) as the way of the future.

A broader examination of the international scene reveals a totally different picture. The combination of reduced government funding and radical neoliberal reform is evident mainly in the countries where policy has been driven by Thatcherism and its offshoots — the United Kingdom, Canada, Australia and New Zealand. As in other areas, reform has been most radical and its consequences most dire in New Zealand. The damage has probably been less severe in the United Kingdom and Canada, and has been partially reversed by the Blair government in the United Kingdom. The apparent despondency among Canadian academics is probably due to the greater salience of the United States system, which has prospered during the boom of the late 1990s.

Gilbert and other advocates of radical university reform seek to imply that changes in the Australian university system are lagging those in the United States. On the contrary, the changes in the Australian system have produced universities far more like private corporations than anything in the US system, with the exception of the University of Phoenix, the *beau ideal* of Gilbert and Schwartz.

The position of deans provides an illustrative example. Until the 1990s, deans in most US universities had considerably more power than their Australian counterparts, where the position was typically a part-time one held, in rotation, by professorial staff. This situation has been completely reversed. In most Australian universities, executive deans now have absolute power over almost all aspects of faculty policy, from course structures to the appointment of heads of schools and departments, and effective control over individual appointments. By contrast, their US counterparts are radically constrained.

Decisions on the appointment and tenure of new staff, on course structures and many other issues, are made by departmental staff in meetings at which deans are typically not even represented. Although deans have the final say in the appointment of department chairs, these appointments typically depend on staff consensus.

Similar points may be made across the entire range of policy issues affecting universities. Despite the wishes of some postmodernists, the destruction of academic disciplines that has taken place in many Australian universities has no counterpart in the United States. No reputable US university would display a Faculty of Law, Business and Creative Arts or a School of Economics, Accounting and Tourism (both examples drawn from my personal experience).

Despite Gilbert's claims, the University of Phoenix is not taken seriously as an academic institution in the United States. It is not even ranked in most assessments of the leading schools in particular disciplines. It is, to put the matter simply, a degree mill of a kind which has long played a low-grade role in the US system. The 'reforms' advocated by Gilbert, Norton and likeminded thinkers would reduce the entire Australian system to this level.

Radical cuts in public funding, treated by Gilbert, Chipman and others as a given have not been evident in the United States. On the contrary, the prosperity of the late 1990s has translated into greatly increased funding from State governments, while the contribution of the Federal government to research activities has been maintained despite general fiscal stringency.

In Europe and Asia, the situation is quite different from that represented by Gilbert. Public support for research and higher education is generally increasing, though not always as fast as student numbers, and academic standards are rising rather than falling. Until recently, the countries of the former British empire were heavily over-represented in contributions to university research and were viewed as high-quality centres of higher education. Following a decade or more of Thatcherite reforms this is ceasing to be the

case (though, as noted above, there has been a retreat from Thatcherism in the United Kingdom).

Technology

Gilbert (2000) and, to a lesser extent, Schwartz (2000), argue that the traditional university is technically obsolete. Gilbert uses the metaphor of ‘handloom weavers’ faced with steam technology and relies primarily on the Internet, which will eliminate the need for traditional lectures and tutorials. He does not note, or perhaps is not aware, that similar arguments were made with respect to television, videocassette recorders and desktop computers.

Gilbert’s arguments no doubt seemed plausible during the stock market bubble when essentially worthless enterprises like Melbourne IT (see below) were accorded market valuations of as much as a billion dollars. Now that the bubble has burst, inflated claims like those made by Gilbert can be assessed more reasonably.

If the capacity to deliver the same course content electronically to students all around the world was as crucial as Gilbert claims, the end of the traditional university would not have had to wait for the Internet — television and VCR technology can meet this need without the bandwidth problems that still plague Internet delivery of video and audio content. In fact, predictions similar to those made by Gilbert were common at the time television became available. In defence of those making these predictions, it must be noted that television was genuinely unprecedented, and there was no obvious reason to suppose that a televised lecture would prove an inferior substitute for the physical presence of a lecturer, as turned out to be the case. Gilbert has no such excuse for his uncritical acceptance of Internet hyperbole.

The Internet provides an easy method of making existing text-based teaching materials available to students, thereby serving as a paper-saving substitute for the ‘reading bricks’ that have increasingly substituted for books and journal articles, as cost-cutting has

dominated university teaching in recent years. In the rare cases where relevant video and audio material is available, a low-resolution form can be made available over the Internet. In addition, some forms of self-paced teaching and multiple-choice quizzes can be converted into Internet form at low cost.

However, attempts at producing full-scale multimedia for Internet use have proved both costly and disappointing in terms of outcomes. The costs of producing high-quality multimedia presentations are comparable to or higher than the costs of broadcast-quality television. As experience with televised substitutes for university education has shown, the world market for material of this kind is not sufficient to justify the regular production of up-to-date material. Despite the claims of Gilbert and others, there is no evidence that Internet-based multimedia presentations have made substantial progress in displacing traditional lecture-based delivery methods, and no reason to suppose that they are likely to do so in the foreseeable future.

As in the case of electronic commerce, the Internet represents an incremental improvement on long-standing technologies – mail-order in the case of retailing and distance teaching in the case of higher education. It is reasonable to expect that most distance courses will make substantial use of the Internet and that the proportion of students whose needs will be met by distance education will increase somewhat. However, despite the wishful thinking of would-be entrepreneurs like Gilbert, the claim that the traditional university will go the way of the handloom, dispensing with the need for Gilbert and his fellow-managers to deal with recalcitrant academic weavers, appears completely unfounded.

Markets, pseudo-markets and managerialism in higher education

In the traditional university, teaching was undertaken by departments based on identifiable disciplines such as history, physics, economics, English literature and so on. Responsibility for the maintenance of a high standard of teaching rested with the departments

and relied primarily on the professional commitment of staff members. The academic standards of the University as a whole were upheld by collegiate bodies such as faculties and academic boards which regulated the creation of new departments and courses.

This system had obvious deficiencies. It was, in general, open to abuse by staff who chose to perform the bare minimum of duties such as attendance at lectures. If particular departments were dominated by advocates of a particular theoretical position, there was little that could be done to change things, except to wait for staff turnover to change things. The allocation of resources was driven primarily by historical precedent, although areas with low student demand tended to contract gradually, at least in relative terms.

The advocates of a market-driven system argued that universities would perform better if their educational offerings were driven by student demand rather than by the judgements of academics about what ought to be offered. Student demand, it was argued, should determine both the type of courses offered and the quality of educational provision. To convert conservative traditional universities into dynamic, market-oriented enterprises, it was necessary to eliminate collegial systems of governance, and create a managerial structure which should be headed by a dynamic chief executive officer (CEO). Some variant of this title is increasingly being preferred to the traditional 'Vice-Chancellor'.

It was also frequently claimed that a more managerial approach would eliminate the defects of the tenure system, under which it was essentially impossible to dismiss lazy or underperforming staff. Funding cuts have certainly resulted in increasing workloads, but these have had more effect on staff who were already working hard than on underperformers. There have also been large numbers of involuntary and semi-voluntary redundancies

By contrast dismissals for cause remain rare in the Australian university system. While such dismissals have become more frequent in recent years, this has reflected increasing willingness by university management to victimise staff members whose actions and statements are inconvenient in political or corporate terms. Few if any Australian

academics have been dismissed purely as a result of laziness or incompetence, despite the greatly enhanced power of managers.

Pseudomarkets

The central element of the enterprise university is reliance on 'market signals' regarding student demand. Budgets are typically adjusted annually to reflect short-term changes in demand. This procedure is supposed to make universities more like commercial institutions.

The analogy with a commercial enterprise is, in reality, quite misleading. Public funding of universities is driven by a 'Relative Funding Model' based on historical cost relativities estimated in the 1980s. In essence, universities receive funding for full-time students which depends on the mix of students each university taught at the time the model was estimated and on the relative costs of teaching students in different areas (medicine, science, arts and so on) at that time.

The result is a pseudo-market which bears little or no relationship to the market demand for university places or to the social costs and benefits of providing university courses.

Depending on the balance of power within universities, two different classes of pseudomarkets have been created. Since DETYA funds each university at a given rate per full-time student (with the rate being determined by the historical relativities) described above, the most rational response to the pseudomarket signal is to fund each department according to the number of students enrolled. This policy effectively renders science and other high-cost departments unsustainable. "It is a disaster - I could not even guess the number of deans who feel like putting their heads in the oven," said Professor Rob Norris, president of the Australian of the Deans of Science. (quoted by Paul Sheehan, Sydney Morning Herald on Friday, 4 February 2000).

In universities where science departments play a dominant role, internal

pseudomarkets have replicated the relative funding model used by DETYA to determine historical relativities. Under this model, science departments are funded at approximately twice the level per student afforded to humanities and social science students. The distortions of the relative funding model are opposite to those of an equal per-student funding model. It may well be that the 1980s level of funding for science students were approximately twice those for humanities and business students. However, while an across the board cut of around 50 per cent from these base levels renders science teaching difficult, it makes the teaching of humanities and social sciences almost impossible. The only courses that are sustainable in the long-term under a relative funding model at current levels are undemanding mass-market courses in business and marketing.

The crucial observation about the pseudo-markets driving allocation of resources within universities is that they bear no relation either to social needs or to the financial viability of universities. Pseudo-markets produce all the costs of competitive markets (corrosion of traditional values and institutions, promotion of self-interested behavior and so on) with none of the benefits (efficient resource allocation, promotion of beneficial innovations and so on).

Reputation effects and quality

Reputation effects have frequently been relied on by advocates of the free-market as a substitute for consumer-protection systems of various kinds, including systems based on professional ethics. Three major problems emerge with reliance on reputation. First, there are 'externality' effects associated with the fact that poor practices in one university may affect the reputation of the university system as a whole. Second, where quality is difficult to assess, any real evidence of relative quality may be drowned out by marketing and advertising. Finally, the relative stability of university standings means that forces tending to reinforce existing inequalities in standards dominate the system, reducing the value of short-term information.

The externality problem associated with the reputation effect may be seen with respect to the market for full-fee paying overseas students. The fact that such students often receive preferential grading in Australian universities is common knowledge. Yet there is hardly any evidence, even at the level of anecdote or gossip, regarding the relative prevalence of such practices at different universities, or in different departments within particular universities.

It follows that, while the reputation of Australia as an educational provider is harmed by preferential grading, the harm is borne more or less equally by the entire university sector, while the benefit is received by departments and universities which can attract or retain full-fee paying students. Hence, the incentives to lower standards far outweigh any concern with reputation effects.

The operation of reputation effects is further complicated by the rapid growth of competitive marketing and advertising activities by universities. Apart from adding a great deal of noise and little information, these marketing activities have been associated with a proliferation of ranking systems, to the extent that most universities appear to be able to claim some title such as 'University of the Year'.

In practice, the limited value of information about the current performance of universities means that, as far as reputation is considered, relative standings only slowly, if at all. In Australia, relative standings roughly correspond to the classification set out by Marginson and Considine (2000), who class universities, in rank order of status, as:

Sandstones (the first universities in each state, established in the 19th century)

Redbricks (the remainder of the 'Great Eight', namely ANU, Monash and UNSW)

Gumtrees (postwar universities founded between 1960 and 1975)

Unitechs (former institutes of technology)

New Universities (former colleges of advanced education)

These relative standings have been stable for many decades, except that the status of Unitechs has risen while that of Gumtrees has fallen somewhat. Even this change,

however, reflects changes in policy settings that have favoured the Unitech sector as a whole, rather than superior performance by particular institutions.

The stability of relative standings reflects the fact that changes in student demand through reputation effects operate more slowly than the processes of change that operate within universities. Where they operate effectively, reputation effects tend to be part of a self-reinforcing cycle, so that initial improvements in performance promote growth in demand, which in turn facilitate further improvements in performance. By contrast, in the absence of deliberate policies aimed at reducing inequality in standards, relative rankings tend to be determined by long-standing sources of relative advantage (or disadvantage) such as the institution's history of excellence or otherwise, the body of graduates (now called alumni, in recognition of the success of US universities in obtaining funds from this source), the possession of high-value centrally located campuses and so on.

The stability of relative standings is a common feature of educational institutions, regardless of the organisation of the system as a whole. For example, the same stability may be observed in rankings of universities in the United States and United Kingdom or in rankings of Australian private schools, which have remained remarkable stable for a century or more.

The stability of relative standings also explains the failure of hopes that a competitive market system would lead universities to specialize in appropriate market niches. This idea was never well-thought out. For example, in relation to universities it presupposed the politically and educationally unsustainable notion that students in particular regions should be deprived of the opportunity to study subjects other than those in which their local university had chosen to specialize. More fundamentally, as Marginson and Considine note, the system gives incentives for convergence on a common model, not divergence. Under the current systems universities do best by imitating the status characteristics of institutions with slightly higher status, while aspiring to the cost structures of institutions with slightly lower status.

Managerialism

The central doctrine of managerialism is that the differences between such organisations as, for example, a university and a motor-vehicle company, are less important than the similarities, and that the performance of all organisations can be optimised by the application of generic management skills and theory. It follows that the crucial element of institutional reform is the removal of obstacles to ‘the right to manage’.

Managerialism is inconsistent with traditional free-market thinking in which the ideal form of organisation is that of competitive markets supplied by small entrepreneurial firms, in which the manager is also the owner. However, managerialism is entirely consistent with the neoliberal pseudo-market approach to reform that has dominated Australian higher education policy.

More importantly, managerialism and neoliberalism are at one in their rejection of notions of professionalism and the idea of autonomous academic disciplines. Both managerialists and neoliberals reject as special pleading the idea that there is any fundamental difference between higher education and say, the manufacturing and marketing of soft drinks. In both cases, it is claimed the optimal policy is to design organisations that respond directly to consumer demand, and to operate such institutions using the generic management techniques applicable to corporations of all kind.

The main features of managerialist policy in Australian higher education have been incessant organisational restructuring, sharpening of incentives, and expansion in the number, power and remuneration of senior managers, with a corresponding downgrading of academic staff.

Reorganisation is a natural product of managerialism in any setting, since it produces visible evidence of managerial activity, whether or not it is beneficial. In the particular circumstances of Australian universities, reorganisation has been driven by the need for an organisational structure amenable to control by full-time managers, replacing a system

in which managerial tasks were mostly undertaken on a part-time basis by senior academic staff.

The common feature of Australian university reorganisation has been the replacement of elected part-time deans with appointed full-time executive deans, with an associated reduction in the number of faculties. Although the logic of this move is defended in terms with comparison with the private sector, most deans have been selected from the same pool of senior academic staff as before, a group in which private sector management experience is, to say the least, limited. Only in salary are Australian executive deans comparable to the private sector. The need to pay greatly increased salaries and perquisites has generally been justified in terms of the possibility of administrative savings associated with a smaller number of faculties.

In practice, however, expenditure on senior management has grown rapidly. In the sample of seventeen universities studied by Marginson and Considine (2000), the total number of deputy vice-chancellors and pro-vice-chancellors had risen from 19 in 1987 to 69 in 1998. This is an increase of nearly 300 per cent in a period in which student numbers have increased only 70 per cent and academic staff numbers have been virtually static. Marginson and Considine do not give figures for full-time executive deans, but the number was close to zero in 1987 and is almost certainly more than 100 today. Allowing three personal support staff for each senior manager, the additional employment associated with these extra managers is around 600 positions, or about the number of academic staff in a medium-sized university. Yet this figure does not cover all universities and does not include the proliferation of highly paid senior managers outside the academic hierarchy (marketing directors, promoters of research commercialization, public relations promoters and so on).

The same logic has not been applied at the department level. Despite the fact that most decisions with real effects on students are made at this level, the role of department head continues to be filled by academic staff who typically receive modest enhancements

to their standard salary and limited relief from teaching duties in return for performing this role. Nevertheless, the ‘bigger is better’ assumption has been applied in restructuring at this level. A common approach has been the merger of discipline-based departments, into a smaller number of ‘schools’, defined on a basis of administrative convenience rather than disciplinary boundaries. The abolition of the name ‘department’ reflects the hostility to academic disciplines which pervades the managerial structure of the ‘enterprise university’.

The most important feature of managerialism has been the sharpening of incentives. In the traditional university, there were very limited sanctions against departments or individual academics if they pursued objectives inconsistent with those of the university as a whole. For example, if a department focused on high-level courses at the expense of those that would attract large number of students, it might face some restrictions on the resources and on the replacement of retiring staff. In the current environment, such a department might face closure and its staff members might be targeted for redundancy.

Such a sharpening of incentives is beneficial if the behaviors that are rewarded are exactly aligned with the interests of the university (or more generally, the nation) as a whole. But in pseudomarkets such as those that characterize Australian higher education this is rarely the case.

Research

Research as a public good

In economic terms, the information produced by research is a pure public good. That is, giving information to one person does not (inherently) restrict its availability to others. Of course, there are many reasons why particular pieces of information (for example, that which specifically concerns one individual) should be kept private. There are also institutions such as patents and trade secret protection, which can be used to restrict the use of commercially valuable information. Nevertheless, research policy must be guided by the

fundamental principle that the benefits of new information are maximised if that information is made freely available.

As society and technology become more complex, the links between the growth of knowledge and its economic and social outcomes become more indirect and interwoven. Developments in different fields interact in ways that are difficult to predict and control. As a result, the usefulness of devices aimed at allowing private exploitation of information is diminishing and the need for public good research is growing.

The literature on science and technology abounds with examples of curiosity-driven public good research that ultimately produced important economic innovations. Few subjects have ever been seen as more abstruse than the quantum theory of behavior of subatomic particles developed in the first half of this century, yet understanding of quantum phenomena is now central to progress in electronics and computing.

This point is reasonably well accepted in relation to the natural and physical sciences. It is less well appreciated that the same characteristics apply to research in the social sciences and humanities. Several examples may be used to illustrate this point.

A useful beginning is philosophy, commonly seen as totally irrelevant to 'real life'. Philosophical studies of logic were aimed at clarifying thinking and argument, rather than at commercial application, yet the tools of logic have been fundamental in the design of computer hardware and software.

In mathematics, the area of research commonly regarded as being the most 'pure' and as most concerned with aesthetics rather than application has been number theory, and particularly the theory of prime numbers. The difficulty of factoring prime numbers has formed the basis of recent advances in cryptography.

In economics, developments in auction theory have played a crucial role in budget outcomes in recent years, as surpluses and deficits have depended on the sale, by auction, of portions of the electromagnetic spectrum for use in telecommunications. The difference between well-designed and badly-designed auctions can result in gains or losses of billions

of dollars to governments.

Even postmodernist literary theory, the butt of many attacks on ‘political correctness’ in the university system, has found commercial application in the advertising industry. Traditionalists might argue, reasonably enough, that more long-term benefit will be obtained from the study of great literature than from the analysis of the social construction of reality in advertisements for toothpaste. Nevertheless, this example underlines the point that in a modern society, all aspects of economic endeavour depend, ultimately, on the outcomes of public good research.

The areas of research listed above are typical of public good research in that they would not have been undertaken in a commercial environment where the focus was on returns that could be captured by private investors in a short period of time (for example, the life of a patent). There is no single big discovery that can be turned into a salable invention. Rather, there is a body of research developed, in public, by many scholars collaborating over a long period of time.

It might be argued that, since the benefits of the public good research outcomes described above are available to the entire world, they do not justify the expenditure of the scarce resources available to Australian governments. In effect, Australia can free-ride on the public good research undertaken elsewhere, while focusing its own efforts on projects with a short-term commercial payoff. Several points may be made in response.

First, particularly in the social and biological sciences, many problems have particular Australian characteristics that will not be addressed by research undertaken elsewhere. To take a few examples, the problems of fiscal federalism, coral reef ecology and relations between indigenous and non-indigenous people are all manifested differently in Australia than in other countries. We can neither import the results of research undertaken overseas, nor ignore international developments and confine ourselves to applied research. High-quality research into problems relevant to Australia will be possible only through a commitment to public-good research of an international standard.

Second, the links between pure research, applied research and teaching are complex and resist the application of simple accounting techniques. A commitment to knowledge is at the core of the values of the university. If it is subverted by a demand for cash payoffs in pure research, the erosion of values will rapidly be transmitted into the approach to applied research and teaching. Evidence of the dangers of a market-driven approach to teaching is already widespread.

Developments in Australia

Under the binary system prevailing prior to the Dawkins reforms, academics in universities were expected to undertake research while those in colleges of advanced education and institutes of technology were not. There was a widespread assumption that 30 per cent of a university academic's time was supposed to be devoted to research. There was no system of monitoring research activity and no penalty for failing to undertake research, but promotion depended, to a significant extent, on research output. Research grants were available to assist in meeting the costs of research, particularly in the natural sciences, but were not, in themselves viewed as important indicators of research productivity.

The abolition of the binary system created a range of difficulties. The first was that academics in any given discipline were now assessed on similar standards whether or not they were located in universities with a history of research. This was problematic, particularly for academics with heavy teaching loads and no research experience. This problem ought to have been primarily transitional. As individuals adjusted to changed expectations and staff moved between universities, the former colleges and institutes should have gradually become more similar to traditional universities.

The difficulty, however, was that the upgrading of the status of the colleges and institutes was undertaken in the context of declining public funding for the system as a whole. In this context, any support for research in former colleges and institutes implied equal or greater cuts in the existing universities.

A second set of developments affecting research began in the early 1990s and was accentuated following the Vanstone cuts of 1996. These developments arose from a combination of extreme financial stringency, the acceptance of a managerialist ideology by vice-chancellors and university governing bodies (which led to the development of a distinct management class within universities) and the pursuit of pseudo-market competition between and within institutions.

The main effect of financial stringency was the breakdown of the assumption that university academics were automatically funded in a way that allowed them to allocate 30 per cent of their time for research. Since research *per se* generates no financial returns to universities it is an automatic casualty in (increasingly frequent) periods of financial crisis. Increases in teaching loads and the replacement of full-time academics by casual, temporary and part-time teachers can assist universities to balance budgets, but they do so by eliminating or cutting back the research function.

The rise of managerialism meant a substantial increase in centralised control over the activity of individual academics. In a situation where many university managers were willing and able to use compulsory redundancy to enforce their wishes, the capacity of individual academics to pursue a research agenda independent of the wishes of management was eroded. Considerations of self-preservation encouraged the abandonment of research that did not generate monetary returns to the institution. These monetary returns were increasingly distorted by funding formulas.

Apart from direct research grants, the principal method through which the government now provides support is the Research Quantum, which is a payment to universities based on measured research output. The formula used to measure research output was initially based on a combination of research publications and research grants obtained through competitive funding mechanisms such as the ARC Large Grants system, with the latter having the most weight.

This system was not satisfactory since the predominant grant-based components

rewarded research inputs rather than research outputs. It could be argued, that, since ARC Large Grants are primarily awarded to researchers with a substantial track record, the system indirectly rewarded research outputs. Nevertheless, the system clearly encouraged researchers to undertake expensive ‘grantworthy’ research at the expense of projects with lower costs and potentially larger benefits.

Subsequent changes to the system have only made matters worse. First, the publication component, which was admittedly problematic but was the only attempt to reward research output, was dropped altogether. Then the White Paper allowed non-competitive research grants equal weight with ARC and other grants in the calculation of research funding. In effect, this amounts to a subsidy for university-based consulting. Apart from distorting research priorities, such a subsidy appears to conflict with National Competition Policy.

The current stance of both government’s and university management towards research is completely incoherent. The government’s public statements, and apparently also its private thoughts, are based on the assumption that research is funded solely or primarily through the Australian Research Council and related grant-giving bodies, and through the research quantum. One logical corollary is that the only academics engaged in research should be those in receipt of research grant funding. This would amount to less than 10 per cent of academic staff in most disciplines. The second is that, relative to a situation where 30 per cent of university salaries were informally allocated to research, public support for research has been drastically reduced.

The stance of university management towards research is equally incoherent. Individual academics are still expected to undertake research, and research plays a large role in promotion decisions. However, funding for departments and schools within universities is driven by formulas based on enrolments. The result is that, if individual academics in a department are highly successful researchers, they will obtain promotion but the department will receive no extra funding to meet the costs of their higher salaries. In a situation where most departments have little or no capacity to meet additional costs,

an individual who obtains promotion based on research performance may be making themselves a target for redundancy.

Research and commercialisation

Recent government policy has strongly encouraged universities to focus on work which can attract the direct support of ‘industry partners’. Correspondingly, there has been a reduction in support for fundamental research and for ‘public good’ research, where the benefits are widely dispersed and the payoff is not immediate. While there are important potential benefits from closer links between researchers and those who apply the results of research (including, but not only, industry) the dangers in uncritical reliance on industry partnerships have not been fully appreciated.

In many cases of research collaboration, particularly in the social sciences, the ‘industry partners’ are government departments or agencies. In return for the support, these ‘partners’ play a major role in setting the research agenda, selecting the research team, and, in some cases, vetting the results before publication. In such a setting, there is little chance that politically inconvenient lines of inquiry will be pursued, and a substantial danger that politically embarrassing research results will be suppressed or distorted.

In effect, a shift from general research funding to ‘industry’ funding by government departments amounts to the replacement of independent research and open publication of results by government-directed consultancy research driven by short-term political objectives. The corrosive effects of such funding extend beyond individual research groups to the university as a whole. University managers are increasingly unwilling to offend powerful patrons, while individual academics can see that their already limited career prospects are unlikely to be enhanced by the cultivation of a reputation for independence and critical thinking.

The balance of costs and benefits is more favourable in the case of collaboration with business. In this case, the financial contributions made by business represent an

addition to the funds available to universities rather than a reallocation of existing public funding

Nevertheless, there are limits to the extent to which private businesses are willing to contribute to public-good research, even research with an applied focus. Inevitably, the more reliance on external funding is increased, the more closely the resulting research will approach commercial consultancy.

These limits are most evident in the various attempts at commercialisation of research undertaken by the universities themselves. Although superficially attractive, the idea that universities can generate substantial profits from commercialising research results is ultimately spurious. Most university research results cannot be commercially applied immediately. In most cases, the optimal course of action is to license the invention to a commercial firm. Only where application requires the continued participation of the original research team is university-based commercialisation desirable.

The profitability of this kind of activity is limited by the fact that the researcher or research team is free to leave the university and capture any commercial benefits of their discovery. The leverage of the university is limited to its right to assert intellectual property in the discoveries of its employees (a right which has generally proved valueless) and in the possible unwillingness of researchers to leave the university for the private sector (an unwillingness which has declined as the attractiveness of university employment has diminished). In practice, the returns to universities from the exploitation of research discoveries are likely to do little more than offset the costs incurred in the process.

Inevitably, the core focus of most 'commercial research' arms of universities is consulting. The standard arrangement for such consulting is that the universities takes a percentage of the consultancy fee in return for management services and professional indemnity. Since academics can purchase these services themselves at relatively modest cost, the potential for large profits is limited to the value of the leverage the university can exercise in giving or withholding permission to undertake outside work. In practice,

the use of this leverage by commercial consulting arms amounts to a diversion of academic time from research and teaching. If this diversion were costed, it is unlikely that the commercial arms of any of the Australian universities would be profitable.

From the viewpoint of academics, the rise of consulting opportunities represents an offset to the fact that salaries have declined substantially in real value. However, the growth of consulting has coincided with demands for increasing hours of teaching and pressure to produce measurable research outputs. In part, as with the Australian workforce in general, academics have responded by increasing the hours and pace of work. A second adjustment has been the abandonment of various forms of community service, such as the provision of information and advice to community groups, and to similarly unrewarded activities within universities. More generally, demands for an increased quantity of teaching and research output have been met by a diminution of quality.

Recent government policy, embodied in the White Paper of 1999, has encouraged the shift towards consultancy. Under the system prevailing in the 1990s, the general research funding system (called Research Quantum) was allocated to universities in proportion to success in attracting competitive grant funding from bodies such as the Australian Research Council. The effect of the White Paper was to spread the same amount of support more thinly, by rewarding universities for their consultancy income on the same basis as competitive grant funding.

One obvious concern relates to competitive neutrality. The Research Quantum provides an effective financial subsidy to consulting work undertaken by, or in conjunction with universities. This subsidy is increased by the fact that the consulting work of academics may not be fully costs.

In summary, much of the apparent increase in external funding obtained by universities over the past decade is illusory, since it is offset either by the increased costs associated with commercial and semi-commercial activities or by the diversion of resources from the core activities of research and teaching. Thus, there is little or no net surplus to offset

the reduction in public funding for research and teaching.

The Internet and Melbourne IT - a case study

The contrast between the traditional university and the enterprise university might be summarised by the observation that the traditional university gave Australia the Internet, while the enterprise university gave Australia Melbourne IT. The Internet is a characteristic product of the public good research undertaken by the traditional university while Melbourne IT is a characteristic product of the profit-oriented development and promotional activity undertaken by the enterprise university.

The Internet was developed as a result of a worldwide collaboration between universities and related research organisations. Crucial contributions included the development of the Unix programming language initially by the Bell research labs (then organised as a curiosity-driven research organisation on the university model) and then by programmers based at the University of California, Berkeley, the creation of the Internet protocol TCP/IP, the development of Hypertext Markup Language (HTML) by physicists at the CERN research laboratory. Australian universities contributed to the growth of the Internet as a whole, and created the Australian component of the Internet which was named AARNet.

The research and development required to build the Internet was undertaken on the public good model, with research output and technical advances being freely shared. The motivations of those involved in building the Internet included belief in research as a public good, an ethic of reciprocity and sharing and a competitive desire to demonstrate intellectual excellence by producing elegant and efficient solutions to difficult technical problems. All of these characteristics were typical of, and rewarded by, the traditional university. The public good model on which it was constructed was reflected in the nature of the Internet, which has proved remarkable effective in the dissemination of information and remarkably resistant to attempts to extract profits from restrictions on

access.

The economic benefits of the creation of the Internet have been substantial and are likely to grow in future. These substantial benefits have arisen despite the failure of most attempts to exploit the internet commercially, for example through 'e-commerce'. Public goods like the creation of a low-cost worldwide electronic mail system and the availability of the World Wide Web as a method of disseminating and locating information yield benefits to households and businesses regardless of the success or failure of e-commerce.

The Internet is a largely serendipitous by-product of the public-good research culture of the University. Nevertheless, the benefits generated by the Internet more than justify the entire worldwide allocation of research funds to universities over the past two decades. Most countries allocate around 1 per cent of GDP to university-based higher education. Using a conservative estimate that the benefits of the Internet are equivalent to a permanent five per cent increase in GDP, the internal rate of return on university research from the Internet alone amounts to

Australia has benefited substantially from its part in the growth of the Internet. Although the limited participation of the Australian business sector in the 'new economy' has been the source of considerable concern, the Australian university sector was among the world leaders in developing and exploiting the Internet. This fact contributed substantially to the high rate of adoption of Internet technologies in Australia, which significantly offsets our limited role in the production of high-technology goods and services.

It seems unlikely that any such benefits would have been achieved if the 'enterprise university' had been in place in the 1980s and early 1990s. This point may be illustrated by consideration of the float of Melbourne IT.

A relatively minor aspect of the Internet was the allocation of domain names. For Australian domains, ending in .au, this task was initially undertaken on a voluntary basis by an individual computer scientist who happened to be located at the University of

Melbourne. As commercial demand for domain names increased, the task was allocated to an organised group. As the stockmarket bubble in Internet related companies grew more irrational, ownership of the domain names registry became a potentially valuable commercial asset.

The domain names registry operation of the University of Melbourne was converted into a company, Melbourne IT which was floated on the stockmarket in 1999. Shares rose rapidly above the offer price. Following the return of realistic market valuations in April 1999, the share price fell rapidly, eventually falling below the offer price. Although the University of Melbourne profited significantly from the sale of a low-value asset, even greater gains were made by those insiders who were able to buy shares at the offer price and sell in the early days of trading. This aspect of the process has been the subject of considerable criticism, although the float appears to have followed the normal pattern of public offerings in speculative stocks.

The Melbourne IT share float was, at least, profitable for the University. By contrast, the commercial activities of many universities, such as those of the Australian National University, have incurred heavy losses.

The more fundamental point is that the social benefits associated with undertakings like Melbourne IT are trivial in comparison to those of the public-good research which were, until recently, the main focus of university research activity.

Future policy options

The neoliberal reform agenda

The neoliberal reform agenda is based on acceptance of the proposition that governments, or at least Australian governments, will not provide sufficient funding for the university system, even after taking into account substantial contributions from students through the HECS system. It follows that the higher education system should be converted, initially in part, and eventually wholly, to one based on up-front fees, and that research

should be directed towards activities which can either attract commercial funding or produce commercially profitable outputs. The managerial component of the agenda is based on the claim by senior managers that they can deliver these outcomes while maintaining a high-quality university system.

Different versions of the neoliberal agenda have been propounded. The managers of universities with large endowments of publicly-provided land and capital, such as the 'Great Eight', tend to favour full-scale deregulation and privatisation of the education function, preferably accompanied by a concentration of any remaining public research contribution on 'centres of excellence'. By contrast, newer universities tend to place more emphasis on commercialised research and related activities with any associated subsidies being spread more thinly across the system. Moreover, even among current senior managers, there are many who recognise the failure of neoliberal/managerialist reform to deliver the promised outcomes, and would prefer a return to the traditional university system.

The core of the neoliberal reform program for higher education is expansion of the number of full-fee paying domestic undergraduate systems. Two versions of this program may be considered.

Reviving the university system

Any realistic approach to rescuing the Australian university system from its recent decline must begin with the need for the reversal of the funding cuts of the 1990s. Any discussion of policy options which begins, as do the neoliberal reformers associated with the CIS, with acceptance of past and continuing cuts, is little more than a choice between alternative routes towards the collapse of the system and the exclusion of Australia and its young people from the modern knowledge economy.

The most appropriate approach is not to nominate a funding level and consider how the available funds can be spread but to identify Australia's needs, then consider how

these needs can be met. In an information-based economy, nearly all workers will require some form of post-secondary education. It follows that the guarantee of universally available public education, which has until now been confined to primary and secondary schooling, must be extended to tertiary education, including universities, TAFE colleges and other forms of post-secondary education and training, such as apprenticeships.

An important first step in this respect is further integration of funding for universities and the TAFE system. In important respects, this would result in a recreation, on a more expansive scale of provision, of the former binary system, with TAFE colleges providing primarily vocational training and universities a more academic approach.

The fundamental requirement as far as government is concerned is the creation of sufficiently many adequately funded places to allow all young people to undertake some form of tertiary education, while restoring staff-student ratios at least to the levels prevailing prior to the Vanstone cuts. Assuming an additional 100 000 undergraduate university places (an increase of 20 per cent), and an increase in Commonwealth funding per student of 20 per cent, this would entail additional expenditure of around \$1.5 billion per year, or about 0.025 per cent of GDP. Allowing for a commensurate increase in State and Commonwealth funding for the TAFE sector, it would be necessary to increase total funding for universities and TAFE to around \$6 billion per year or 1 per cent of GDP. This is still a modest expenditure for a vital national investment.

Improvements to HECS

The HECS scheme introduced in the 1980s was an important and positive innovation in educational financing. Criticisms that HECS involved the end of 'free' tertiary education were unfounded, since the system replaced by HECS was not, unlike public primary and secondary education, freely accessible. Places were rationed by the use of entry standards, which were determined, not by ability to undertake the course, but by limits on the available amount of public funding.

The interest-free and contingent nature of the HECS loan amounts to a subsidy of between 30 and 50 per cent relative to the nominal amount of the fee. However, this subsidy is offset by the fact that, in general, investments in human capital are treated less favorably by the tax system than other investments. In particular, there is no provision for depreciation and no easy way to convert returns into lightly-taxed capital gains. It seems reasonable to conclude that the HECS scheme has reduced or eliminated the public subsidy to the purely income-enhancing role of the university system.

Public support is appropriate for the public or external benefits of higher education, arising from example from the spread of learning about social and natural sciences and the humanities. The change to a differential system of HECS, although never supported by clearly articulated externality arguments, largely succeeded in matching public subsidies to social benefits. The high charges for relatively low-cost law and business courses eliminate most of the public subsidy provided for these courses, which may be assumed to generate mostly private benefits with few externalities. The largest subsidies are for science courses, followed by the humanities. This is consistent

Other changes to the HECS scheme have been far less positive. In particular, both Labor and Liberal governments have reduced the threshold at which HECS becomes payable, eliminating much of the insurance component of the scheme and raising the risk that fear of debt will deter students from enrolling. The original rules, under which HECS debts were only repayable when income exceeded average weekly earnings, should be restored.

A more important reform should be the elimination of the remaining restrictions on entry to tertiary education. All young people completing high school should have the right to a HECS-funded place in a university or TAFE college. This does not require the establishment of a voucher scheme, but simply the creation of sufficiently many places to meet demand.

The recently-announced extension of a contingent loan scheme to postgraduate

degrees illustrates the confusion of thought that characterizes the current government's approach to education funding. Under current proposals, the amount of the available loan is to be capped only by the fee charged by the university. Hence, the largest subsidy goes to the most expensive courses, primarily MBA courses. Moreover, there is a strong incentive to providers of courses (particularly those with a residential component) to bundle items of luxury consumption, such as travel, into the subsidised fee. This proposal has the potential to become a bottomless sink for public subsidies, with limited social benefits.

The funds used in this program would be better allocated to support for fully-funded HECS places, with the public subsidy being determined by the presence or absence of externality benefits. Courses with purely private benefits, such as the MBA, should continue to be provided on a full-fee basis, but the recent tendency to replace HECS-funded courses with full-fee courses should be replaced.

Research funding

The reversal of funding cuts previously imposed on the Australian Research Council, announced as part of the Innovation Statement will go some way to undo the damage done under the Howard government.

The core problem, however, is the ambiguous status of the vast majority of academics who do not receive funding from the ARC or related bodies. Even assuming a substantial increase in funding, it does not seem likely that the traditional presumption of uniform allocation of 30 per cent of time to research, and 70 per cent to teaching can be restored to relevance.

It is therefore necessary to adopt some explicit method of allocating support for general research. The crucial problem is to determine the level at which research funds should be allocated – to institutions, departments or individuals.

. Representatives of the 'Group of 8' (the established 'sandstone universities, plus

UNSW, Monash and ANU) have argued that their institutions should be nominated as the primary research universities. On the other hand, the current drift of policy is, in effect, to make the normal conditions of employment ‘teaching only’, and to create a smaller number of ‘research and teaching’ or ‘research only’ positions. The third possibility is to allocate a proportion of public university funding directly to individual departments, based on an assessment of their research performance, as is done in the United Kingdom.

There is little merit in the first proposal. Although the research performance of the ‘Great Eight’ has been better-than-average, the difference is not great once the effects of greater size and (for some measures) the presence of medical schools is taken into account. Moreover, performance is far from uniform. All universities have strong and weak departments, and many departments in ‘Great Eight’ are weaker than their counterparts outside the charmed circle.

The most promising policy option is a system similar to that adopted in the United Kingdom, maintaining the existing system of Australian Research Grants to individual researchers and research teams, and allocating a substantially increased proportion of general funding to departments ranked as making a significant research contribution.

Managerialism

The ‘enterprise university’ has proved a dismal failure on all counts. Academic and ethical standards have declined, while desperately-needed resources have been diverted from the core mission of teaching and research into a bloated and overfunded managerial structure, and into wasteful exercises in competitive marketing.

The introduction of research funding specifically allocated to departments is an important measure in reversing the trend to managerialism. First, by steering funds directly to working academics, such a policy will undermine the central power of full-time managers. Second, by rewarding excellence in research contributions to particular disciplines, it will generate pressure to reverse the arbitrary administrative agglomerations that have been a

characteristic feature of recent 'reform'.

A more direct attack on managerialism is required. Any increase in public funding must be made conditional on a reduction in the waste of resources in administration and marketing. Institutions should be required to make cuts in the absolute level of resources allocated to administration and in the number of full-time senior administrative positions, and to increase the total proportion of funds allocated to teaching and research to a minimum of, say 75 per cent.

Restrictions of this kind may be criticised as an attack on the autonomy of universities. Such an attack mistakenly identifies universities with their Vice-Chancellors/CEOs and other senior managers. A reduction in the autonomous power of these senior managers is a necessary condition for the restoration of a meaningful concept of university autonomy.

Concluding comments

Australian universities are in a state of crisis, which could easily lead to an irreversible decline in standards in the near future. The damaging effects of cuts in public support have been exacerbated by the imposition of neoliberal and managerialist models of education, which lack theoretical foundations, empirical support and successful overseas models. As in other areas of Australian public policy, unsupported dogma has been allowed to override the lessons of experience.

An immediate and radical response is required. The core of this response must be the reversal of the expenditure cuts imposed by governments of both political colours during the 1990s. More public funding is not a complete solution to the near-collapse of higher education, but without it there is no possible solution.

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