

Milne, Frank

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Queen's Economics Department Working Paper No. 1080

# The Australian Universities: A Study in Public Policy Failure

Frank Milne  
Queen's University

Department of Economics  
Queen's University  
94 University Avenue  
Kingston, Ontario, Canada  
K7L 3N6

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**The Australian Universities:**  
**A Study in Public Policy Failure**

**Frank Milne**  
**Economics Department**  
**Queen's University**

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Over the last decade and a half, the Australian Universities have been subjected to a series of reforms introduced by the Australian Commonwealth Government. The most revolutionary of these reforms, have become known as the “Dawkins Revolution” - after John Dawkins, the Federal Education minister (1987-1992) who introduced the policies. This paper discusses these reforms, subsequent policy changes, and their impact on the Australian university system. I will argue that the experience has been a disaster and will have long-term adverse effects on the Australian universities, the faculty, the education of university graduates and a detrimental, long term impact on the Australian economy and society. Not all the reforms were ill-judged: a few of the changes imposed on the system were sensible ideas, but the overall impact has been to diminish the quality of the university system and lead to a serious brain drain of quality academics.

There are some lessons to be learned from this experience, particularly for other countries (eg. Canada) who have governments wanting to make their university systems more “efficient and effective”. These ideas surface regularly in the media in Canada, the US and the UK. It would be a tragedy if politicians, bureaucrats and the media seized upon the Australian reforms as a possible formula for action. Australian education bureaucrats in Canberra regarded their reforms as a success and have been willing to peddle their ideas to the rest of the world. Many of their claims should be taken with a great deal of scepticism. Indeed, in the last couple of years there has been growing unease at the bureaucratic and political level, that the university system is in serious trouble, but there is no consensus on how to address the problems, nor any collective will to take serious, considered action.

To understand Australian tertiary education policy problems, one must go back to the post-war era, 1945-75, to trace the policy trajectory and the influences that shaped the current structures - that is the subject of Section 1. Section 2 discusses the changes in the decade 1975-1985 and the background that motivated the Dawkins’ revolution. Section 3 discusses Dawkins’ policies, their implementation and their impact on the university system. Section 4 discusses the policy changes and debates under the subsequent Liberal (Conservative) government of John Howard. Section 5 evaluates the impact of the reforms and draws lessons that will be of interest to Canadians.

## 1. The Post-War Australian University System:<sup>1</sup>

In 1941-2 Australians were shocked to find that they were in danger of invasion from rapidly advancing Japanese Imperial forces. After numerous Japanese bombing raids on Darwin, miniature submarine attacks in Sydney Harbour and a bitter military campaign in New Guinea, US and Australian forces were able to defeat any invasion attempt. This period was a watershed in Australian history in emphasizing Australian strategic vulnerability. After the Second World War, Australia was faced with the unpalatable fact that it was a sparsely populated continent, strategically isolated from its British protector, heavily reliant upon US military support, in a region dominated by emerging nationalist and communist countries. This insecurity created a bipartisan policy of accelerated industrial development, large scale immigration and rapid growth of the university system. It is this last development that will concern us here.

The easiest way to describe the post-war Australian university system to a Canadian audience is to point to the UK university system. The Australian system had the same internal structure, promotions, professorial system, etc. as the UK. The older universities, Sydney, Melbourne and Adelaide were faithful provincial imitations of Oxbridge. The more recent campuses were red-brick, or later 1960 concrete and glass constructions faithful to British academic practice. There was a two-tier system of universities and technical colleges copying the UK university/polytechnic system. Universities were seen as ladders for social mobility, and necessary educational institutions for training professionals in a modern society. Political leaders supported the universities and were proud of their development. Under Prime Minister Ben Chifly (Labour) 1945-9 and Prime Minister Robert Menzies (Liberal) 1949-66, there was a bi-partisan effort to improve the scale and quality of the Australian university system. Menzies (an outstanding Melbourne University law student, and young QC) was proud of his efforts, and stated: "I have been almost thirty years in Australian politics. I have not found them very rewarding, but if I leave the Australian universities in a healthy state it will have all been worthwhile." (quoted, p.399, Martin (1999)).

Until the mid 1970's universities received funds from the States, Commonwealth and to a lesser extent student fees. The universities were reasonably independent with a style that would be familiar to any British or Canadian academic. The major difference from the Canadian (and US) system was the sharply pyramidal faculty structure with heavily restricted entry into the top professorial positions. For example, a department of twenty faculty would be restricted to two or three full professors and a couple of readers. No matter the quality of the junior faculty, they were barred from internal promotion to full professor. In addition, the salaries were controlled by the government wage-fixing system: all academics of the same rank had the same salary no matter the university or discipline. Tenure for junior faculty was virtually automatic, so once an academic was appointed as a lecturer, they could expect to plod up a carefully graded series of annual salary grades irrespective of performance. These restrictions were a relatively minor problem for most departments in the post-war period until the late 1970's, because the rapid growth of the system allowed flexibility in hiring and promotion across departments and universities. High inflation imposed relative real wage reductions for the non-performing academic: by missing out on promotions from lecturer to senior lecturer, the laggard received reduced relative income.

Nevertheless, this bureaucratic structure imposed major problems for the top departments in the country. It was difficult to hold a good department together as the promotion and salary restrictions created tensions amongst the best young faculty in the department, when they found their way barred by salary and promotion restrictions. Some academics argued that the system encouraged good young academics to leave the top departments to venture into less successful departments and build them up. In reality this seldom happened as good academics liked to work together. The more likely event was that the frustrated, ambitious academic simply emigrated to a good department in North America or the UK.

This was a modestly successful, and rapidly expanding system, which prospered under governments that saw tertiary education as a mechanism for upward social mobility, and were in favour of a well-educated, literate society. This was despite Australian society's historical suspicion of intellectual achievement, and strong roots of populist anti-intellectualism. In this period, many academics believed that the old populist anti-intellectualism was fading into the past, and a new, more cosmopolitan and intellectual Australia was emerging. In 1972, funding and

administrative changes were introduced by the socialist Whitlam government. Tuition fees were abolished to encourage wider participation from poorer families, and full responsibility for funding of the universities was assumed by the Federal government. This funding change implied that the universities were under the fiscal rule of one government. Any endowment or private money raising was effectively taxed at a 100% tax rate. At the time these restrictions appeared benign as the universities were well-funded, expanding rapidly and the government was sympathetic to tertiary education. But following the electoral defeat of the Whitlam government in 1975, the conservative (Liberal) Fraser government introduced policies of spending restraint on the universities that were to demonstrate clearly the serious problems inherent in shackling the universities to a single source of revenue.

In 1977 the Fraser government introduced the Commonwealth Tertiary Education Commission (CTEC) to oversee the “the balanced and co-ordinated development of the provision of tertiary education in Australia” and “the diversifying of opportunities for tertiary education”. At this point the Federal government set in place the apparatus for increasing intervention in the tertiary education system (Universities, Colleges of Advanced Education (CAE’s) and Technical Colleges). Although the senior positions in CTEC were held by ex-academics, the majority of the positions were filled by Canberra bureaucrats. What was to follow was a slow but sure campaign by the Federal bureaucracy to take over the role of this central body and expand its functions and powers of intervention into the tertiary education system. Increasingly, Federal bureaucrats saw the universities as a branch of the bureaucracy which had far too much independence. As far as many bureaucrats were concerned, academics were government employees with privileges and pretensions well beyond their status in the bureaucratic hierarchy.

In 1983 the populist Hawke Labour government was elected: the policies of fiscal restraint imposed by the Fraser government on the tertiary system continued unabated. The conservative opposition and the Hawke government had declining respect for the universities; and there was growing populist antagonism toward higher education in the general populace, media and the federal bureaucracy. An added constraint was the government’s incomes policy (“the Accord”) which had the effect of reducing real academic salaries over the decade by about 20% compared to the national average. A succession of weak Fraser and Hawke government Education ministers administered a gradual slide in the independence and status of the university system.

Academic morale throughout the period (1975-1985) declined as the status of the universities and academia, and pecuniary rewards for academics fell steadily. Anti-intellectual and anti-academic sentiments, always latent in Australian society, began to appear more frequently in public and private debate. This was apparent at cabinet level where a number of senior ministers either had no tertiary education or had incomplete undergraduate degrees (for example: the Treasurer, and later Prime Minister, Paul Keating, had no tertiary education at all; and the Minister of Finance, Peter Walsh, had taken a few university economics subjects but had not completed a degree). It was clear that most senior ministers had no real understanding of the crucial role of quality tertiary education, or the increasing importance of quality post-graduate education, in training specialists for a modern society.

A few critics acknowledged that the growing strains in the university system were a direct result of a poor incentive structure and under funding. But in the media, it was much easier to attack “academic privilege”, and make caustic comments about lazy academics “researching arcane academic subjects”. There was little public interest in careful analysis of the problems, serious attempts to examine the operations of North American universities, or the lessons for Australia in making comparisons between the two systems. With the power and prestige of the universities greatly diminished, the stage was set for a major attack on the universities by the politicians and the Federal bureaucrats: there was to be “reform” of the system.

## **2. “Efficiency and Effectiveness”: Background to the Dawkin’s Revolution:**

By the mid-1980's the universities had suffered nearly a decade of fiscal restraint imposed over an inflexible bureaucratic system. Morale was declining. A small number of academics<sup>2</sup> (mainly economists) had criticised the Australian university system, drawing lessons from the more flexible, decentralised US system. They pointed to the sharp relative decline in salaries and prestige of Australian academia, the difficulties in keeping and attracting good faculty from the more lucrative US system, the drift to the domestic private and public sectors, and they predicted a long-term decline in quality unless the system was reformed.

The criticisms were ridiculed by the academic establishment (CTEC officials and senior academic administrators) as unrealistic ideology. They saw the problem as a simple crisis of public funding that could be solved by a bigger government budget allocation for tertiary education<sup>3</sup>. Unfortunately, public sympathy for the universities was low and this was not seen as a feasible policy option: in 1985, the government appointed a committee chaired by Hugh Hudson, Chairman of CTEC, to enquire into “ways of improving the efficiency and effectiveness of the Higher education sector”. The report congratulated the universities for their performance over the last decade. It complained about the obvious lack of funding, and suggested that there could be room for improvement in the internal management and operations of the universities. Also it contained some ill-advised analysis on economies of scale in university funding. The latter turned out to be largely a figment of the funding formulae<sup>4</sup>, but it provided an excuse for the government to force further “economies” on the universities. Unfortunately, the report’s discussion on possible improvements in university operations and management and its apologetic tone, gave the politicians and their bureaucratic advisors their final excuse for intervention.

In 1987 the government appointed a new Minister of Education, John Dawkins. Dawkins was ambitious, and was determined to leave his mark by introducing a major shake-up in the tertiary education system. Like many reformers, Dawkins ambitions far exceeded his capacity to develop coherent, workable policy. Surrounded by a group of bureaucrats that had been conspiring for years to bring the universities under firmer government control ( a secret working group had been operating in the Department of Finance), and a group of academics (“The Purple Circle”) who for various reasons were willing to provide some semblance of intellectual respectability to a semi-coherent set of ideas, Dawkins embarked on a series of major policy changes. A few policies were beneficial, but most were a disaster for improving the system.

### **3.The Dawkins Revolution: Policy Changes:**

One of Dawkins' first policy initiatives was to abolish CTEC: and replace it with a new National Board of Employment ,Education and Training (NBEET) and some supporting councils. It was clear that these boards were merely advisory and the minister and his advisors were in direct control of the Tertiary education system. There was an influx of bureaucrats into NBEET from other departments (including members of the Department of Finance secret working group), most of whom had no experience in tertiary education administration, nor interest in the long term goals of universities.

Dawkins' policy objectives could be summarised as follows:

1. Raise the level of participation in higher education to levels similar to those in Europe and North America.
2. Widen access to the system to a broader spectrum of Australian society.
3. Improve the efficiency and effectiveness of the institutions.
4. Increase institutional responsiveness to Australia's economic and social needs.

I will discuss these objectives, and the way they were interpreted and pursued by the bureaucracy.

### **3.1. Higher Participation Rates in Tertiary Education:**

This policy objective was based on simplistic ideas that interpreted correlations as causal relations. It was observed that in comparison to Western Europe and North America, Australia had a relatively poor labour productivity growth record; and it had lower tertiary education participation rates. Rather than look for other explanators, the government and its advisors used this as a reason for urging greater numbers of undergraduates on the universities. This policy received added impetus in 1990 as the international recession hit Australia hard, leading to youth unemployment rates of 50 - 60%. Given that the hourly minimum wage for youths was \$Aus10 per hour, it was not difficult to draw a causal link between high minimum wages and youth unemployment. The government (and its trade union supporters) refused to acknowledge any such relation and argued that the problem was low productivity and poor training: their solution was more tertiary technical education for unemployed youth.

Threatening individual universities with budget cuts unless they complied, the government enforced a rapid expansion in the undergraduate population<sup>5</sup>. It was clear that the government and its advisors were not interested in maintaining entry standards nor the quality of the graduating class. Funding was not tied to current student numbers, but to the number who graduated: the incentive to lower standards was blatant. The university administrations were only too eager to comply. Academics who complained, were given unsubtle incentives to “get in line”.

The government acknowledged (correctly) that the non-payment of fees had not led to greater participation by lower income groups in tertiary education. The “free” system had been a largely regressive system of income redistribution to the middle class. In one of the few sensible reforms in this era, the government introduced the Higher Education Contribution Scheme (HECS) which imposed a flat fee of 20% of the average cost of university tuition. The novel element of this implicit loans scheme was that it was repaid over a number of years through the Federal taxation system. The scheme allowed for post graduation payments, and had HECS exemptions for low incomes. The system did not discriminate across faculties with different costs of tuition, so medical students and history majors paid the same fees, although receiving very different proportional subsidies. HECS was a retreat by the Labour party from its “free” university policy of the 1970's; but it was a compromise system designed to placate a number of competing interest groups.

Although this scheme had some reasonable policy implications for income redistribution, it was divorced from the incentives facing the educational institutions. In particular, the scheme had no positive incentives for the universities - it was a device purely for raising revenue from the beneficiaries of tertiary education. University funding allocations were decided by bureaucratic formulae that were a compromise between bureaucratic and political expediency. In reality, it was an old fashioned manpower planing scheme, that reflected government and private sector demands, passing fads and popular prejudice. Universities were ordered to submit “profiles” that were open to negotiation with the bureaucracy, and funding was awarded according government set priorities across disciplines and faculties. The bureaucrats and politicians were

micro managing the university system. Vice Chancellors and university administrations were answerable to the central bureaucracy and not to faculty or students – the latter were reduced to lowly “employees” and “student units”. To paraphrase a Labour Party insider:

” Dawkins has implemented a Stalinist university system.” Unfortunately, the outcome in terms of lowering the quality of education, the growth of large bureaucratic structures, and a growing indifference to the interests of faculty and students, were obvious manifestations of a centralised Stalinist system.

In addition to encouraging wider participation by Australian youth in tertiary education, the government set about encouraging full-fee paying foreign students. Whereas Australia had a long tradition of training students from Asia under various aid programs, the new schemes were explicit revenue-raising exercises designed to raise export revenue and help “the problem of the current account deficit” - an obsession in Australian political and economic policy debates in that period. It is hardly surprising that academic administrations became dedicated to filling foreign student quotas (of which they kept a sizeable proportion of the fees) and were relatively uninterested in educating Australian undergraduates unless compelled by government funding threats<sup>6</sup>. Tragically, there was little interest in maintaining quality as the prevailing attitude was that there was a large pool of foreign fee paying students who would be desperate to pay for an Australian university education. The consequences of these policy miscalculations had long term effects that began to emerge in the late 1990’s.

### **3.2. Widening Community Access to Universities:**

This policy provided the impetus for a range of populist measures that the government foisted upon the universities. There were various quotas, reviews of student profiles and incentives for increasing the participation of various minority groups in the student and academic populations. These schemes, and their strengths and weaknesses will be familiar to Canadian audiences and I will say no more about them.

But more intrusive were the attempts to make university research “more accessible and relevant to community needs”. For example, scientists were lectured by cabinet ministers and media pundits suggesting that they should provide simple explanations of their research to the public and avoid jargon;

scientific research was urged to become more applied to make it readily exploitable by Australian companies for export; in the social sciences there should be more emphasis on Australian applied research and less research on theoretical ideas<sup>7</sup>. Much of this rhetoric was driven by simplistic, populist beliefs that were suspicious of “arcane”, “academic”, “theoretical” ideas, and wanted more “real world”, “practical” research and teaching. The established universities were portrayed as bastions of privilege and snobbery; they were “elitist” institutions out of touch with community needs. In addition the government intruded in a heavy-handed way to direct and influence the direction of research funding through the Australian Research Council (ARC). Academic researchers were required to apply through an increasingly cumbersome research evaluation system that rewarded large, spectacular, technical projects over smaller or more obscure (to the non-specialist) research proposals. Even more worrying was the government’s system of rewards for academics who provided research which supported their policies; and the veiled threats to those who were critical of government policies. A number of professions, including economists, were singled out for special abuse.

In a further attempt to “democratize” and broaden the university system, Dawkins introduced a series of policy initiatives that were aimed at reducing the status and power of the large established universities. The first was to convert all the Colleges of Education (CAE’s) into universities. In one stroke, community college diploma students became university graduates, boosting Australia’s international academic profile in a Soviet style statistical redefinition. Second, these newly elevated universities were given access to research funding and extra funding for post-graduate degrees. The established universities faced research funding cuts (the “claw-back for research”) to help fund research centres in the new universities. The new universities had faculty largely comprised of pass and honours graduates with no graduate training and little or no research experience. Third, citing the earlier 1986 CTEC report of economies of scale, the Minister introduced “incentives” for mergers between smaller universities (under 8,000 students) and local colleges turned universities.

The last “reform” was based on faulty research that identified economies of scale in teaching and research that were largely a figment of bureaucratic funding formulae. The reform did not reflect the relative impact

of the costs of medical, engineering and other highly technical and capital intensive faculties, nor the possibility that small liberal arts colleges along the US model could be very efficient. The policy was aimed at humbling the old universities, “introducing new blood into the rarefied halls of established academe”. Given the opportunity (and political encouragement) for university administrators to substantially increase their salaries by becoming senior administrators of “mega-universities”, there was a flurry of mergers, a few moderately sensible, but many were administrative and academic absurdities where university multi-campuses sprawled over several sites many hundreds of kilometres apart. By the mid 1990's some of these mergers were being undone as unworkable, because they had been expensive failures. Some of the new mega universities continue in existence, but it is not clear that they are more efficient, or that quality has been improved. Anecdotal evidence suggests the reverse.

A test case for the minister and his policy was the proposed merger between the ANU teaching faculties and the Canberra CAE (about to become Canberra University). The ANU administration embraced the deal enthusiastically, significantly increasing their salaries in anticipation of their new responsibilities. The faculty rebelled almost universally: they saw an influx of academics who under normal circumstances would not be appointable to ANU, becoming colleagues, and in some cases, their academic superiors. These implications and the resulting detrimental impact on the international reputation of the ANU was argued in a letter signed by nearly 100 senior ANU academics<sup>8</sup>. In response the CAE administration sued the signatories for defamation, much to the delight of the minister and Canberra bureaucracy. The case was never brought to court, but Australian defamation law effectively silenced the ANU academics from public discussion of the issue. Eventually, the Federal opposition and a minor party used the issue to politically embarrass the government, defeating the amalgamation bill in the Commonwealth Senate. This episode was a painful reminder to ANU academics of entrenched anti-intellectual and vindictive attitudes in the Government and bureaucracy. It permanently soured relations between the ANU academics and the Federal bureaucracy<sup>9</sup>.

### **3.3 Improving Efficiency and Effectiveness in Universities; and Improving Responsiveness to National Priorities:**

These policy objectives became an excuse for the evolving bureaucracy (NBEET) to meddle in university administration, teaching and research.

The first implication was an increasing series of reviews, profiles and reports on all aspects of the universities. The universities were required to provide detailed educational plans, profiles, statistics etc. to justify courses, programs and research. The administration of universities virtually ground to a stop as these absurd bureaucratic demands absorbed increasing amounts of time and resources. Bureaucrats, or their nominees, sat in judgement over courses and programs they did not understand. Proposed courses were denied because they were not perceived as relevant or introduced “unwarranted duplication”<sup>10</sup>. Failure to comply resulted in threats of drastic cuts in funding.

At the same time as one section of the bureaucracy was acquiring increasing power over the internal running of the universities, another policy encouraged “entrepreneurial” activity in attracting full-fee paying students, and allowing a small number of full-fee paying programs in marketable course work (eg. Business schools). It was obvious that the system was suffering from inconsistent and often capricious policies that changed from year to year as the government grappled with every new policy fad that floated through Canberra and the Australian media. Universities were encouraged “to be relevant and respond to national priorities” - an expression that could be manipulated to mean almost anything. Far too often it reflected the views of the Labour party, its social engineering agenda, the shifting coalitions within the government, and the continual background of meddling media punditry.

Another aspect of this intrusiveness were persistent attempts to impose on the universities a rigid hierarchical administrative structure that severely reduced academic independence. Many senior NBEET (and its parent DEET) bureaucrats treated academics as glorified high school teachers who were employed by a bureaucracy to fulfil undergraduate “graduation quotas”. They had little understanding or sympathy for traditional university concerns of education, scholarship or serious research. They regarded much research, apart from research designed specifically for commercial purposes (“exporting clever machines”), as nonsense and a waste of tax-payer’s money. The bureaucratic solution was to impose, or encourage, a

rigid managerial system of controls and incentive mechanisms with quotas and “output” measures.

Universities had imposed on them notions of managerial controls and centralisation that would be familiar to a Stalinist of the 1930’s.

Needless to say funding per capita for teaching continued to fall as student numbers rose and faculty numbers fell. DEET congratulated itself on improving the efficiency and effectiveness of the universities. Australia now had a “responsive, efficient tertiary education system that was ready for the brave new world of “global competition”.

#### **4. The Howard Government: 1995 to the Present:**

In 1995 the Labour party lost power to the Liberal (Conservative) government of John Howard. This new government had an agenda of limited deregulation coupled with intervention to promote the interests of its constituency. It was clear that the government was suspicious of the universities, and was as equally anti-intellectual as the previous government. It continued the centralised policies introduced by the Labour Party, but reduced the government per capita support for students and increased HECS liabilities for students. Research funding per capita fell and there was more emphasis on exploiting private sector research funding. These moves were rationalised as making the universities more responsive to market pressures. The overall effect was to increase the funding squeeze on the universities. Academic morale continued to fall and there were obvious signs of continuing falling quality in the major universities. There were increasing shortages of academics in high demand disciplines, and an increasing net outflow of quality academics leaving for Europe and North America. (Much of this evidence is fragmentary and anecdotal as the Labour and Liberal governments and their bureaucracies have avoided any serious attempt to try and measure quality in any sensible direct or indirect manner.)

Realising that their changes to the system were not working, the government proposed a modest agenda of deregulatory policies. Most of these attempts became bogged down in a hostile Senate, where the government did not have a majority. University reform did not rank high on government priorities. The

Education Minister attempted some sensible reforms to the HECS scheme<sup>12</sup>, and some minor provisions for full-fees for Australian students beyond the level approved for government funding. But the government continued to view academics with suspicion, cautious in allowing very much deregulation of the university system. There was an academic strike motivated by poor salaries and under funding. In response, the Minister made a series of aggressive speeches criticizing academics and their motivations. As far as academics were concerned, one set of Labour Party populists has been replaced by a set of Conservative populists: acrimony and distrust was as prevalent as ever.

After two years, a new Minister of Education David Kemp (an ex academic) was appointed. Realising that the universities were in serious trouble, he attempted to promote a debate on tertiary education and the perceived failures in public policy. Unfortunately he was opposed by various vested interests within and outside the university system. First, there was a serious and growing divide between the smaller, newer universities and the older research intensive universities. The two groups served different student populations and had markedly different research responsibilities. Deregulation was opposed by the smaller universities as they perceived that they would lose funding and prestige to the older, more established universities. Second, the Federal bureaucracy saw a possible reduction in its power and status in controlling the system, fought a delaying and spoiling action against serious deregulation and decentralisation, and continued to obscure the real issues and their central role in the mess. Third, members of the Federal cabinet and government are hostile to universities and academics, viewing them as narrow training and technical institutions. Similar views surface frequently in the media. A number of high profile media commentators and their employers see academics as direct competitors in policy advice and social influence, and have used their media power to condemn academics as ignorant teachers with little to contribute in policy debates.

Given this background of vested interests, I will give a quick summary of the recent policy debate and the resulting stalemate.

A first step to improve the policy debate was to commission the Review Committee on Higher Education Financing and Policy. The Review was chaired by Roderick West, a private secondary school principal: the resulting report is referred to as the West Report (1998). The Report acknowledged that the tertiary education system had major problems in funding and perverse incentives in dealing with students. It advocated a more deregulated system with increased freedom for universities to set fees, and government funding to be student based and transferable between institutions. It advocated a sensible system of research support, consistent with the existing research funding agencies. The Report created a storm from the various vested interests: it had advocated an implicit voucher system. The protests panicked the Prime Minister and Cabinet, the government retreated with the Prime Minister promising not to introduce any of the major recommendations.

Since then, the minister has allowed the universities to charge full fees for a maximum quota of 25% undergraduates, assuming that they fulfill the other government student quota schemes. He has introduced largely meaningless quality evaluations for universities. These evaluations provide such garbled results that they are useless for serious quality evaluations. (For a major critique of a similar scheme in Ontario see Smith (2000a).) The government has awarded a small number of national prizes for undergraduate teaching. These prizes pay lip service to quality in university teaching, but provide negligible incentives for good teaching for academics.

This tinkering with the system is part of a long term, slow, policy drift toward a more deregulated system. But it is apparent that the government, opposition and bureaucracy have no clear idea where they are heading or have any coherent plan, agenda or serious research on policy alternatives. Any policy statements issued are so vague and hedged about with so many caveats, that they provide no coherent guidelines for detailed implementation. It is difficult for universities to make detailed long term strategic decisions concerning changing student demands and faculty shortages, given the current or foreseeable funding system, and the inconsistent incentive systems imposed upon them.

The major universities and the small number of academics who undertake policy advice on tertiary education, have become far more outspoken in criticising the policy malaise and the growing perception of a declining system. (see Karmel (1996) (1999) (2000) , Group of Eight (2000), AVCC (2000) for a sample). The major universities want increasing freedom to set fees within a coherent, predictable framework of government subsidies to students and research. It is clear that government support per capita for students, or as a percentage of GDP, has fallen significantly below that of other major Western countries, and that private sources available to the universities under the existing regulatory framework, are inadequate to compensate for ageing infrastructure, and the increasing salaries and support for internationally mobile faculty. Academic morale is low and there is a continual stream of quality academics leaving the country. The national media is beginning to worry about a serious intellectual brain drain. Major disciplines in high demand areas are in trouble with increasing faculty shortages and declining quality. Policy makers are oblivious to the major changes occurring in the US tertiary education sector, its complexities and subtle differentiation, or the rapid growth in undergraduate numbers and the rapidly emerging faculty shortages fueled by faculty retirements and higher participation rates. Much of the Australian policy debate in the media is parochial, with only token references to North America and the UK. International influence is largely focussed on the market for fee paying Asian students. Although there is a small, serious academic literature (for a sample see Borland et al (2000) ) which draws on the international academic, largely US, literature, it appears to have little impact on political or bureaucratic decision-makers. The great majority of these decision-makers have limited relevant professional training and little, or no international university experience. To a large extent, those who should have the most to contribute in serious policy debates are either ignored or patronised.

## **5. Policy Evaluations and Lessons for Canada:**

### **5.1 Do Australian Universities Have a Future? Does Australia Have a Future?**

The best informed about the Australian university system, and its comparative decline, are those senior academics who have had extensive experience in the Australian and other major systems. It is my

experience that few Australian academic expatriates want to return, and many of that small group who do so - largely for family reasons - become disenchanted, and leave after a few years. There is a widespread belief among expatriates that the Australian universities are seriously underfunded by North American and even British standards; they are slowly deteriorating in quality; that there is inadequate infrastructure funding for research in many technical fields; that the major universities are, at very best, mediocre by North American standards; that quality graduate training has been run down in many fields; that the government and the society has no appreciation or serious interest in academic quality; that there has been inadequate monitoring of quality for incoming foreign students – they are seen as cash cows for an underfunded system; and there are common complaints that many academic administrators who have prospered under the existing system, are overly concerned with revenue generation and bureaucratic empire building – academic quality concerns are restricted to glossy brochures and absurd bureaucratic indices and league ladder reports. A decade and a half of policy blundering has left deep marks on the universities, impacting on their culture, internal operating systems and standards, and their ability to rejuvenate themselves. It is clear to those who observe the best universities in the world that it takes a very long time to build a quality department or university; but it takes only a short period of poor decision-making to destroy many years of hard work.

I find it difficult to be optimistic about the future of Australian universities, or for the future of the country. I am concerned that the situation will continue to deteriorate. The society is basically anti-intellectual and parochial. These attitudes feed through the electoral system into the political parties and permeates much of the private and public sector debates. The brain drain is not restricted to academics, but has been spreading over recent years to other high demand professions. With the attrition at the quality end of academia and the professions, there is a continual downward pressure on professional and bureaucratic quality, and this impacts adversely on the economic and cultural systems, rippling through the whole society. Given the projected demands for academics and professional training in North America over the next decade (see Smith (2000)), it is highly likely that there will be a continuing and growing academic brain drain, unless Australian policy makers take dramatic and uncharacteristically intelligent action.

Because I am doubtful that any such action will be forthcoming, then I predict a continuing deterioration in academic quality that will feed into an increasingly backward and parochial society.

### **5.2 Implications for Canada:**

There is a strong sense in which Canada has little to learn in a constructive way from Australia's tertiary education policy debacle. The lessons are mainly negative: avoid centralisation and micromanagement of the system; you cannot get academic quality cheaply – any such claim is a fraud; good academics are in high demand, highly mobile internationally and will flee any attempt to squeeze them; once a system is run down it is difficult to reform, or change entrenched bureaucratic structures and vested interests. All this is straightforward: but what constructive advice can we give Canadian policy makers?

Canada is closely linked economically and socially with the US. It is widely acknowledged that US culture and institutions have a powerful influence on Canadian policy decisions. This is true especially in the Canadian university system. The US has a highly diverse university system that extends from its excellent top private and state research universities, all the way through Liberal Arts colleges to commercial training colleges. As we know, the system is a subtle blend of market forces, Federal and state government subsidies and regulation. Any serious discussion of Canadian universities should consider the US system very seriously because it provides a diverse set of data, institutional behaviour and detailed academic research on tertiary education. This data and experience, with interesting regional and state differences, is readily available to those who are willing to explore it for Canadian policy debates that grapple with serious issues of student aid, loan systems, research support and methods for reinforcing academic quality and diversity.

It seems to me that looking to Australia, and other non US systems for policy enlightenment, and ignoring the US, is a prescription for a Canadian university policy disaster.

Canada's universities, particularly its top research universities, are in direct competition with US universities for faculty, students and research. Canadian tertiary education policy makers should consider

themselves as part of the North American tertiary education system, much as Michigan, Ohio, Illinois and other US state education policy makers must consider the actions and systems of competing state systems within their Federal structure. If Canadian policy makers wish to diverge in significant ways from observed US private or state systems, then it should be with full knowledge and shrewd calculation. The severe penalties for ill-considered policy adventures are only too obvious to those who have observed the declining Australian university system at close range.

#### **FOOTNOTES**

1. For a more detailed discussion of the history of the Australian tertiary education system see Karmel (1992)

2. For example see Milne (1984), Harper and Milne (1986).

3. Harper and Milne (1986) provide a brief summary of the debate and a flavour of the arguments and rhetoric. The reader should note that I have included a number of quotations in the body of the text that follows. These are not exact quotations, but representative of much of the rhetoric of the time and its aggressive, anti-intellectual nature.

4. I argued this at a conference of senior university administrators and education bureaucrats from CTEC in discussing the report. I pointed out the report's inability to come to grips with the real problem: poor incentives, under funding and rigid bureaucratic controls. The real solution was deregulation with carefully crafted subsidies for poorer students, and well-run research funding agencies. At the time I was aware of the attempt by elements in the Federal bureaucracy to take control of the universities, and semi-deregulation was the only safe route to avoid that disaster. CTEC academic leadership was unwilling to accept my arguments as they judged it would weaken their defence against the threat from the bureaucracy. As it turned out, they were out-witted by the bureaucracy in the Dawkins' Revolution.

5. In the period from 1987-1996, the undergraduate population rose from 394,000 to 634,000. See Karmel (1996).

6. This policy was a blatant copy of the old British system mocked in an early "Yes Minister" episode, where the master of an Oxford college explains to Sir Humphrey Appleby why he is obsessed with raising funds from high foreign student fees, and is not interested in poorly-funded home students.

7. In the economics faculties there were never more than 3-4 pure theorists in the whole country during this period. The annual Australian Economic Theory Conference, which includes any papers with a competent theoretical basis, seldom had more than 12 papers and 40 participants (less than 10% of the university economics profession). Yet media critics and politicians often attacked Australian academic economists as being too "theoretical" and not sufficiently "applied". As well, there were numerous aggressive attacks on academic economists on ideological grounds.

8. The list contained many prominent scholars, including the Federal Ombudsman.

9. This experience, plus the impact of other reforms, and attacks on economists in general, were major factors in the emigration of the most distinguished half of the ANU economics faculty - easily the best economics group in the country. The department languished for several years with no full professors, until the appointment of two professors in mid 1996.

10. For example, in 1990 there was a proposal for a Ph.D program in Economics, Accounting and Finance at the University of New South Wales that was to be run in cooperation with the University of Melbourne. The plan was to introduce a full North American style program with two years of course work, including a terminating MA. The program would be very similar to the Queen's or University of Toronto Economics'

graduate program. Until then no such program had existed in Australia, with the result that Australian Ph.D's in Economics, Accounting and Finance were inadequately prepared for research and uncompetitive on the international academic market. The program was never initiated: the chairman of the relevant committee (an ex-communist trade union leader with no tertiary education) said it was not relevant! To my knowledge, no such program has been introduced since then.

11. See Karmel (1992).

12. A differential HECs was introduced with three levels of fees according to course cost and future earning capacity (\$3,300, \$4,700 and \$5,500). – Australian Government (1996).

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