LOVE CHILD OF MILTON FRIEDMAN AND VLADIMIR LENIN

If we are to have an open market, then universities must be able to compete on price

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COMPETITION, like hanging, is a marvellous thing. It concentrates the mind. So with the start of demand-driven student funding for the nation’s universities, there are suddenly a lot of very focused universities. Some are doing nicely. Some face challenges.

All, like polar bears in global warming, face a changed world. You cannot go from Stalinist quotas to a buoyantly free market without rattling the sherry glasses.

The market brings a department store of advantages. But it raises more implications than a night out you can’t remember, and these need to be worked through.

On the positive side, the market in student places means more people will go to university, and every statistic on offer tells us that as a result they will lead more fulfilled and productive lives, creating a better and more productive country. And in choosing their education, these students will have a range of opportunities fit to test even the legendary pickiness of gen Y.

For institutions, there will be the chance to concentrate on strengths, not cover weaknesses. No more propping up psycho-ceramics when your real forte is fiscal ballet.

Put cleverly together, this should lead to the nirvana of higher education, diversity: widely different universities doing widely different things, and doing them brilliantly: the indispensable condition for innovation, excellence and discovery.

Thus far, diversity has had its limits among Australian universities. We do differ from each other, but we remain more alike than distinctive. Certainly, we are nothing like the US, with its great mega-fauna Ivy League and state universities, surrounded by herds of liberal arts colleges, private institutions and religious colleges.

Partly this is because decades of government regulation have promoted a predictable and proletarian norm. But it also has been our own fault.

Too often, diversity has been feared as code for a new hierarchy: a few great universities, research and teaching excellent students, while lesser cousins worry about keeping lesser students chained to the chalkboard.

What a genuinely diverse university system demands is not diversity of, but diversity within, quality. Of course, institutions will vary in research intensity and width of focus, but Australia deserves nothing less than an excellent university system composed of excellent universities, each with a distinct mission and recognised brilliance in its chosen fields.

So far, so good. But in this new Jerusalem built by Denise Bradley and Julia Gillard, there are still a few dark alleys in higher education. These must be negotiated carefully. It is fine to talk of playing to our strengths, but what of the university that is genuinely good and useful but serves a regional or outer suburban area or a niche market just too small or too exposed to competition to provide a solid base?

Economists would say such institutions have no place in the robust world of Bradley. But economists do not face election and are not responsible for regional communities. Politicians and community leaders must appreciate that an open market will inevitably bring pain as well as profit, and devise solutions that are sensitive, creative and realistic.

How do we deal with the disciplines that, like car manufacturing, are worthy but unprofitable? Should institutions be allowed to shed philosophy, archeology and physics in favour of accountancy (downright lucrative)? Surely no institution will teach Latin for profit.

What raises the filthy subject of money. Universities do have a slight reputation as the street beggars of public finance, but there are two unavoidable points here.

One is that we have just experienced a massive expansion in the number of university students, but with no massive increase in capital funding. Suburbs need sewers and houses, and students need sewers and classrooms. Even with Australia’s worrying shortage of maths teachers, the problem is obvious.

The other problem is that we have created an open market in student numbers but kept a fixed price in student contributions. This outcome would be the love child of Milton Friedman and Vladimir Lenin.

If we are to have an open market, then universities must be able to compete, at least to a reasonable extent, on price. By all means constrain them by ceilings, equity and sensible regulation. Accept that some will be uninterested or incapable. But if there is a way of getting more funding into a genuinely diverse, cash-hungry and expanding system, do it.

And while doing it, deregulate the system overall so diversity is more than a risible can label proclaming eco-friendly whale-meat. Universities operate under a regime of red tape that would strangle a Treasury bureaucrat. If you love this system, and want genuine diversity, set it free.

This will require more than mere legislation. A policy psychology is required to drive, not permit diversity. It requires intelligent market design. We have the Tertiary Education Quality and Standards Agency to regulate, but what do we have to promote and foster? This is a role not for a department or a regulator but for a wise-thinking public engine charged with driving the new higher education market as an innovative and productive force.

Diversity, like spontaneity, does not just happen.

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