

# The Market for Tradition

Andrew Norton

Creating markets in higher education would allow both a 'traditionalist' university education and more vocationally-orientated degrees to flourish side by side.

Conferences, books, articles and papers on how Australia's universities fail to live up to the 'idea of the university' are now as much a part of academic life as the mortarboards and gowns of the graduation ceremony. These complaints come from a broad group of people I call the 'traditionalists'. This is not to insult them, or to say they are out-of-date, or even that they represent particularly longstanding 'traditions'. It is because they defend university practices that have existed in Australia, but that they now believe to be extinct or under grave threat. They defend the university as an institution that is not utilitarian, but is instead about inquiry for its own sake. Its core faculties are not Commerce and Engineering, but Arts and Science.

Consider, for example, these expressions of the traditionalist view: The Association for the Public University accuses Vice-Chancellors of debasing the public university by providing 'at best, a limited form of vocational training'.<sup>1</sup> Paul Monk argues, contrary to the aspirations of many students, that 'the intrinsic purpose of higher education is not to increase profits or to ensure students of wealth and personal well-being in their future lives.'<sup>2</sup> Robert Manne, following Pierre Ryckmans, talks of the 'death of the university', attacking Deakin University's training deal with Coles Myer.<sup>3</sup> Tony Coady describes the kind of university experience he wants as 'being among people for whom learning, ideas, clarity, criticism and exploration of significant, difficult thinking really matter'.<sup>4</sup>

## Where the traditionalists are wrong

My disagreement with the traditionalists turns on one little three-letter word—that they are defending *the* idea of the university. That monopoly claim on higher education was always dubious in Australia, where universities have from the beginning been involved in training, albeit for the professions rather than Coles Myer. It has become increasingly less tenable in the postwar period, as advanced education became more important both for economic prosperity and social mobility.

As far back as the Murray report in the late 1950s, we were told that 'the proportion of the population which is called upon to give professional or technical services of one kind or another is increasing every day; and the proportion of such people who have to be graduates is increasing also'.<sup>5</sup> This is a theme reiterated and expanded upon through successive reports into higher education, culminating in the 1998 West review's recommendation that 'all Australians should have access to some form of postsecondary education'.<sup>6</sup>

Whether everyone needs postsecondary education is moot, but there is no doubt that there has been a huge increase, in both absolute and relative terms, in jobs requiring high skill levels. By 2000 there were over 1.6 million professionals in the Australian

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workforce, up 38% in just a decade, and just over a million associate professionals, up 16% in ten years.<sup>7</sup> Projections for the next decade also see strong growth in these occupations.<sup>8</sup>

From economic change flows major social change. From being very much a minority experience when the Murray report was being written in the 1950s, attending university became a common experience by the time the West review was published in 1998, with the lifetime probability of attending university nearing 50%.<sup>9</sup> With this expansion comes a different type of student. Robert Manne, an academic at La Trobe University, evokes the problem well:

Every year, without fail, I encounter a group of first-year students, a sizeable minority, who know why they have arrived at university. They are intellectually curious. They enjoy reading. They relish discussion and rarely miss a tutorial. Frequently they engage in discussions after lectures and tutorials. Many, eventually, often from less privileged backgrounds, complete outstanding degrees.

The remaining first-year students fall into two broad types. One group soon drop out of their studies. They usually attend one or two tutorials and then begin to drift away . . . Between one-third and one-half of our first-year students withdraw in this way from one or all of their subjects.

Another group of students pursue their subjects to the end. They are not really curious about what they are studying . . . Few take pleasure in independent reading. Many of them are very nervous when asked to write an essay. Not without reason. The essays they do submit are often extremely poor. It is not merely, or even mainly, that they involve endless misspellings, bizarre punctuation, idiosyncratic syntax. It is far more that their work is deeply disorganised and conceptually confused. Their essays are genuinely distressing to read . . .

Many of the students who drop out or who persist doggedly, but without real interest or joy, are fine young men and women. They have been deceived by a world that has led to them to believe that university study is appropriate to them.

Many would dearly love to be learning a skill or trade that might eventually lead them to a job. Many, oddly enough, have decided to study at a traditional university—which is of necessity committed to initiating the young into the most abstract and difficult of disciplines, the sciences and mathematics, history and philosophy—only because their secondary school scores were too low to gain them entry to a course in hotel management or physiotherapy. They are compelled to study Plato because they failed to qualify for podiatry. Such compulsion involves an unintended but nevertheless cruel betrayal of the young.<sup>10</sup>

Clearly, the postcompulsory education system needs to adapt to its student base, and the kind of education offered by the traditionalists is, for some students, ludicrously inappropriate. Several ideas of the university are necessary to deal with the variety of purposes the modern higher education system must fulfil.

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#### **Where the traditionalists are right**

While the traditionalists can't claim to have *the* idea of the university, they do have *an* idea of the university that is worthwhile. At their best, traditionalist universities are exciting and stimulating places, enriching in the broadest sense those who attend them, as well as communities from the local to the international. And the traditionalists are right that the

megauniversities of the post-Dawkins era are far from ideal places for their idea of the university to find a niche.

Ideally, the traditionalist university has interested and able students taught by staff with sufficient time to give students individual attention. All of the teaching methods found by researchers to improve critical thinking ability involve staff time, with and without the students' presence—writing assignments, research projects, class presentations, instructor feedback, and essay rather than multiple choice exams.<sup>11</sup> Uninterested students change universities for the worse, at least for those genuinely there to learn. American research suggests that attending a college where students have high levels of critical thinking has a positive 'peer

effect'.<sup>12</sup> Some of the ability rubs off as the students stimulate each other's thinking. Where the typical student is good, academics can provide more stimulating material, rather than teaching to a level that the weaker class members can follow, but that does nothing to develop the others. Australian academics complain that their students have too broad a range of abilities, indicating this is likely to be a problem here.<sup>13</sup>

This ideal of able students, and staff with time to spend on them, is far from the current reality in Arts faculties, to focus on one core traditionalist faculty, today.

While there are some very able students enrolled in Arts faculties, they also enrol some of the least talented students, as the passage from Robert Manne suggests. At his university the entry score for Arts was as low as 51.9 in 2001 (scores refer to the student's percentile rank in the state).<sup>14</sup> Even at the more prestigious universities, Arts is at the lower end of the entry score range. For example, at Monash University in 2001, entry into Arts required a Year 12 result of 79.2. By contrast, Engineering required 86.24, Commerce 87, and Law 98.4.<sup>15</sup>

Apart from low scores meaning less able students, it can also mean less interested students. One survey of university applicants found that a belief that school results would allow comfortable entry influenced 30% of Arts applicants.<sup>16</sup> This group applies for Arts even though it is not necessarily their primary interest. The same second preference attitude is evident in applications and enrolments information published by the Victorian Tertiary Admissions Centre. If the system responded precisely to student demand, we would expect the proportion of first preference applications for Arts degrees to be almost the same as the proportion of final enrolments. Instead the proportion of enrolments is

higher than the proportion of applications. Arts has 16.4% of first preferences but 18.6% of final enrolments, suggesting a group of people being admitted on their second preference. So, from day one, Arts faculties must deal with students who would rather be somewhere else.

Nor are there sufficient staff to deal with these students. In many universities the student to staff ratio in the Arts faculty is over 20 to 1, above the average for university student to staff ratios generally.<sup>17</sup> University-wide student surveys confirm that this ratio contributes to a problem of too little staff attention. The Australian Course Experience Questionnaire (CEQ), sent to all completing students, asks whether they agree that staff

put a lot of time into commenting on their work. Only 9% strongly agree, and a further 25% agree, though less strongly. The remaining two-thirds ranged from a neutral response to strongly disagreeing.<sup>18</sup>

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**A market solution**

I agree with the traditionalists that this is all very unsatisfactory. To teach Arts degrees properly, we need fewer uninterested students, and fewer students per staff member. Where we disagree is over what remedies might

be possible. As I will explain shortly, the traditionalists do not support markets. Before we hear their objections, though, I will set out a market solution to these problems.

The current financing and regulatory system encourages the oversupply of Arts students. Each publicly-funded university receives a quota of undergraduate places from the Commonwealth government. There are penalties for taking too few students, and inadequate compensation for taking too many, so the incentive is to enrol the number the Commonwealth wants. About a decade ago, universities

were funded according to their disciplinary mix, so that if they taught expensive courses, like Engineering, they would be paid more. This system has since broken down. New student places have mostly been funded at an average rate, and allowance has not been made for intra-university switches between disciplines.

Over this time of untargeted subsidies, university costs have risen faster than government subsidies, but they must still fulfil



government quotas. I've argued that this distorts disciplinary allocations within universities, a view now shared by the left of the debate, with a similar point being made in the recent Senate *Universities in Crisis* report.<sup>19</sup> The most cost-effective way to fill the quota is to offer cheap courses like Arts, even if the demand is elsewhere. This helps explain why more people enrol in Arts than apply for it as their first preference.

In a market-based system, the quota and subsidy distortions would be removed. This gives two key flexibilities. First, it lets universities reduce their total student numbers, so that they need only take those students who fit their mission. Uninterested and untalented students would not be needed just to fill out the quota. Second, charging fees allows universities to spend what needs to be spent on the various courses. More money can be invested in Arts to bring down student to staff ratios, and student places can be shifted to meet demand in higher cost fields.

In addition to improving existing universities, the market option would allow entirely new institutions like the American liberal arts college. These institutions are as close as we are ever likely to get to the traditionalists' idea of a university. Most liberal arts colleges have fewer than 1,500 students. These students are often very bright, with the top colleges typically scoring admission scores close to those required for Ivy League universities.<sup>20</sup> More than half the students major in the basic disciplines of liberal education, science, humanities and social sciences.<sup>21</sup> Student-staff ratios are usually around the 10 to 1 mark.<sup>22</sup> It would be very hard to justify full public subsidy for expensive institutions like these, but there would surely be at least a small market for them, existing alongside the big, vocationally oriented institutions serving labour market needs.

#### **Would anyone do Arts?**

Traditionalists like Robert Manne fear the culture has turned against them. Discussing his daughter's future, he says that 'it is simply assumed by the society in which she lives that if she does well at school she will concentrate in her university studies on something with prospects, preferably either medicine or law . . . If she rejects the chance of a place in a faculty offering a

potentially lucrative career, her behaviour will be regarded as both irresponsible and odd.'<sup>23</sup> Since Arts degrees typically do not lead to lucrative careers, would Arts faculties cease to find students if enrolments were turned over to the forces of supply and demand?

Despite society's supposed assumptions, students seem stubbornly insistent on wanting to study what interests them. It is true that the most popular area of the university is business and economics, which scores 21.6% of first preference applications in Victoria. But there is no overwhelming rush to make money. Second on the popularity list, with 17.7%, is the area of 'health, community and welfare services'. Medicine is lucrative and high status, but only a small minority

of the more than 5,000 people who enrolled in these courses in Victorian universities aim to be doctors. More still would have enrolled if they had the choice, as this area has a lower share of enrolments (13.9%) than it does first preferences. Next is the humanities and social sciences, with 16.4%, despite chronic under-employment and poor salaries.<sup>24</sup> It is followed by visual and performing arts on 10.9% of first preferences, even though this field has won the wooden spoon for having the worst graduate underemployment rate every year since 1982.<sup>25</sup> It even just pips

computing and information systems on 10.8%. In the below 10% group are (in descending order) sciences, engineering, education, architecture and agriculture.<sup>26</sup>

These application patterns are consistent with previous studies of applicants. They find that tests of students' interests are reasonably good predictors of the course they will end up doing. People with artistic interests tend to apply for visual arts and music courses; people with social interests apply for child care, community service, and health studies; people with investigative interests apply for engineering, computing, and applied science; and so on.<sup>27</sup> These consistent interests are displayed in the way they fill in their application preferences, with applicants in many fields putting down multiple similar courses rather than applying for a variety of different types of courses.<sup>28</sup> Even allowing for some people adjusting their aspirations to their marks, this measure suggests most people applying to enrol in Arts degrees really want to,

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and if they are not successful in applying to one university they will consider another.

More evidence against Manne's fear that 'society' and its assumptions will influence universities adversely comes from another survey of applicants. It showed, again, that intrinsic interest tends to be more important than extrinsic rewards. Interest in exploring the field of knowledge, in opportunities for interesting and rewarding careers, and personal talents and abilities were all rated as strong or very strong influences by 85% or more of respondents. By contrast, 42%—less than half the lowest intrinsic score—thought employment rates were important, 32% thought prestige of the field was important, and 27% thought starting salaries were important.<sup>29</sup>

The diversity of interests and motivations evident in prospective students' aspirations explains why, over time, there are only small variations in the proportion of applications each broad field of study receives. Of ten broad fields, between 1992 and 1999 only two changed by more than 1%—business courses increasing their share by 2%, and education courses going down 1.8%. Arts went down by 0.4% and Science by 0.3%. Given year-to-year fluctuations these represent no long-term trend.<sup>30</sup> Creating greater educational choice would not, in itself, cause demand for Arts degrees to end.

#### Would fees have a negative effect?

If universities were given the opportunity to set their own charges, average fees would almost certainly rise. All the financial complaints universities make indicate that money needs to be spent. All other things being equal, higher prices reduce demand. So would this kill off Arts? There are a number of reasons to think that the answer to this question is 'no'.

While Arts degrees have lower financial returns than other degrees, on current HECS costs the return is estimated to be an average of 11%.<sup>31</sup> Obviously this rate is sensitive to the cost of the degree, but the costs could increase considerably before the rate of return sank to zero or negative. In other words, even with higher charges an Arts degree could still pay for itself. This also assumes that there are not returns from a greater investment in the degree. In the United States, one recent study found that each \$1,000 increase in tuition

expenditure was associated with increases in male earnings of about 2%.<sup>32</sup> While we cannot say with any certainty that this figure would be replicated in Australia, the improved cognitive ability coming from a better educational environment is likely to be rewarded in the labour market.

Also, Arts degrees are becoming available in increasing numbers of other combinations (Arts/Commerce, Arts/Engineering and so on). These combinations further ameliorate the cost concerns coming from higher fees, since with higher returns (18% for 'Business and Administration', 19.5% for Engineering) there is more room for cost increases before returns sink to uneconomic levels.<sup>33</sup>

Interestingly, Australia's limited experiment with full fee-paying students does not show that non-vocational degrees are abandoned. Among local full fee-paying undergraduates in 2000 there were 381 enrolled in the humanities and social sciences and 295 in the sciences, representing 25.4% of such enrolments.<sup>34</sup> While this is below those disciplines' 37.8% share of the total student body, it gives credence to the view that, even when faced with higher costs, students' underlying disciplinary preferences translate into enrolments.

#### Misunderstanding markets

No traditionalist I am aware of supports the market alternative. Paul Monk remarks that universities 'must be rooted in something other than a merely "market"-oriented approach to learning'.<sup>35</sup> Freya Mathews argues that in markets 'trust is replaced by contract, alliances give way to transient transactions, and social relationships in which individuals view one another as whole, well-rounded persons, or ends in themselves, are given up in favour of functional relationships in which individuals serve as means to another's economic ends'.<sup>36</sup>



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A common assumption among market sceptics and opponents, and evident in the views quoted above, is that markets are simply about making money. Reasoning by analogy, this is an understandable belief, as at least one party to the vast majority of market transactions is trying to make a profit. But this is not the defining feature of a market. The central feature of a market is that it is an exchange agreed upon by the parties. It is possible for *neither* party to be motivated by material gain. It all depends on what they want to get out of it.

A university education can be a case in point. Most universities are non-profit (even when they charge to cover their costs) and some students do degrees because they believe, in Tony Coady's words, that 'learning, ideas, clarity, criticism and exploration of significant, difficult thinking really matter'. This is evident in the analysis of students' motivations presented earlier, and the fact that even full-fee paying students do Arts. And teaching somebody how to immerse themselves in this world of learning and thinking is in no way diminished by the fact that money is taken for it. Indeed, the traditionalists are rarely heard opposing pay rises for academics, even though demands for extra money are presumably motivated by a desire for material gain.

The compatibility of markets and non-monetary motives and goals is perhaps best demonstrated by the United States' higher education system. In the US there is a large private sector, catering to about 20% of students and including many of the world's most outstanding universities and colleges. Free from the constraints of the state, they have been able to create distinctive forms of education and research that meet the traditionalists' 'idea of the university'.

### Conclusion

The traditionalists' strategy so far has been to denounce university administrators and successive governments, demanding that 'the' idea of the university be reinstated. But that is neither desirable nor possible. We should not sacrifice the aspirations of so many people for advanced but vocational education in this way, and no democratic government would even contemplate it. In that respect, John Dawkins has won.

The traditionalists have to find a means of maintaining both the vocational university and the traditional university. And the best way to do that is to create a market system, where the mutual exchange of educators and students drives the system, rather than Canberra with its budgetary and political pressures. This would see fewer Arts students than now, but the large group remaining would be those actually interested in enhancing everyone's learning experience. It is ironic that traditionalists often see the market as their enemy, when in fact it is their only hope.

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### Endnotes

- <sup>1</sup> Their preamble, reported in Paul James, *Burning Down the House: The Bonfire of the Universities*, (Melbourne: Arena Publications, 2000), 14.
- <sup>2</sup> Paul Monk, 'From Trivia to Trivium: Reforming Higher Education', submission to the West review of higher education, <http://www.detya.gov.au/archive/highered/herereview/submissions/submissions/M/monk.htm>, 9.
- <sup>3</sup> Essay in James, *Burning Down the House*, 16.
- <sup>4</sup> Tony Coady, 'University and the ideals of inquiry', in *Why Universities Matter*, ed. Tony Coady (Sydney: Allen & Unwin, 2000), 11.
- <sup>5</sup> Cited in D.S. Anderson and A.E. Vervoorn, *Access to Privilege: Patterns of Participation in Australian Post-Secondary Education* (Canberra: Australian National University Press, 1983), 23.
- <sup>6</sup> Department of Employment, Education, Training and Youth Affairs, *Learning for Life: Review of Higher Education Financing and Policy* (Canberra: DEETYA, 1998), 49.
- <sup>7</sup> Mark Wooden, 'The Changing Skill Composition of Labour Demand', *Australian Bulletin of Labour*, 26:3 (September 2000), 192.
- <sup>8</sup> Centre for Policy Studies/ALP, *Workforce 2010: Securing Your Future* (Canberra: ALP, 2000), 9.
- <sup>9</sup> Tom Karmel, *Financing Higher Education in Australia* (Canberra: DEETYA, 1999), 18.
- <sup>10</sup> Robert Manne, *The Way We Live Now: The Controversies of the 1990s* (Melbourne: Text Publishing, 1998), 259-60.
- <sup>11</sup> Lisa Tsui, 'Courses and Instruction Affecting Critical Thinking', *Research in Higher Education* 40:2 (1999), 197.
- <sup>12</sup> Linda Serra Hagedorn, Ernest Pascarella et al., 'Institutional Context and the Development of Critical Thinking: A Research Note', *The Review of Higher Education* 22:3 (1999), 272.
- <sup>13</sup> Craig McInnis, *The Work Roles of Australian Academics* (Canberra: DEETYA, 1999), 34.
- <sup>14</sup> Dean Ashenden and Sandra Milligan, *The Age Good Universities Guide* (Perth: Hobsons Australia, 2001), 132.

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<sup>15</sup> Ashenden and Milligan, *The Age Good Universities Guide*, 145-147.

<sup>16</sup> Richard James, Gabrielle Baldwin, and Craig McInnis, *Which University?: The Factors Influencing the Choices of Prospective Undergraduates* (Canberra: DETYA, 1999), 47. The response rate was 29%.

<sup>17</sup> Australian Vice-Chancellors' Committee, *Key Statistics 1999* (Canberra: AVCC, 2000). Accessible at: [http://www.avcc.edu.au/policies\\_activities/resource\\_analysis/key\\_stats/kstats.htm](http://www.avcc.edu.au/policies_activities/resource_analysis/key_stats/kstats.htm)

<sup>18</sup> John Ainley, *Course Experience Questionnaire 2000* (Melbourne: Graduate Careers Council of Australia, 2000), 7.

<sup>19</sup> Senate Employment, Workplace Relations, Small Business and Education References Committee, *Universities in Crisis* (Canberra, September 2001), 10.

<sup>20</sup> US News and World Report, *America's Best Colleges 2001* (Washington DC, 2000), compare pages 33 and 39.

<sup>21</sup> C. Robert Pace and Mark Connolly, 'Where Are the Liberal Arts?', *Research in Higher Education* 41:1 (2000), 55.

<sup>22</sup> US News and World Report, *America's Best Colleges 2001*, 33.

<sup>23</sup> Robert Manne, 'Why Arts Degrees Matter', *The Age* (Melbourne, 24 July 2000), 13.

<sup>24</sup> Andrew Norton, 'Degrees of Difficulty: The Labour Market Problems of Arts and Social Science Graduates', *CIS Issues Analysis* No. 12 (Sydney: The Centre for Independent Studies, 6 July 2000), 2-4. Available at [www.cis.org.au](http://www.cis.org.au).

<sup>25</sup> Graduate Careers Council of Australia, *1999 Graduate Destination Survey* (Melbourne: GCCA, 2000), 24.

<sup>26</sup> All figures calculated from: Victorian Tertiary Admissions Centre, *1999-2000 VTAC Annual Statistics*, Table D.1.

<sup>27</sup> Adrian Harvey-Beavis and Gerald R. Elsworth, *Individual Demand for Tertiary Education: Interests and Fields of Study* (Canberra: DETYA, 1998), 79.

<sup>28</sup> *Individual Demand*, 51.

<sup>29</sup> Richard James, Gabrielle Baldwin, and Craig McInnis, *Which University?*, 19.

<sup>30</sup> Jianke Li, Tom Karmel, and Maureen Maclachlan, *Responsiveness: Do Universities Respond to Student Demand?* (Canberra: DETYA, 2001), 13.

<sup>31</sup> Jeff Borland, 'New Estimates of the Private Rate of Return to University Education in Australia', (Melbourne: Department of Economics, University of Melbourne, October 2001). This is the return to 'society and culture'.

<sup>32</sup> Robert A. Fitzgerald and Shelley Burns, *College Quality and the Earnings of Recent College Graduates* (Washington DC: National Center for Education Statistics, 2000), 33.

<sup>33</sup> Borland, 'New Estimates'.

<sup>34</sup> *Students 2000: Selected Higher Education Statistics* (Canberra: DETYA, 2001), Table 63.

<sup>35</sup> Monk, 'From Trivia to Trivium', 8 (see note 2).

<sup>36</sup> Freya Mathews, 'Destroying the Gift: Rationalising Research in the Humanities', *Australian Universities Review* 1&2 (1990), 20.