

## 5. Higher Education ‘Markets’ and University Governance

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It was one theme of my recent critical essay on managerialism in the universities that much loose policy talk about the market and universities has a superficial plausibility only because the conditions required for a genuinely *competitive* market are not explicitly acknowledged (Aspromourgos 2012). It is only some notion of the applicability of the benefits of competition to higher education and university research that can favour a market model for universities. To the extent that standard economic theory justifies ‘the market’ as a superior way of allocating resources relative to other modes of allocation, it is not the market *as such* that is thereby endorsed; it is the competitive market in particular. Some further implications of this, particularly in relation to the character of university governance, are considered here.

My argument, in part, may be conceived of as complementary to that of Geoffrey Brennan in this volume (chapter 4). His point of departure is that the institutional and policy changes with respect to Australian universities in recent decades have not, in fact, been a move towards greater market organisation of the sector: our position is that, for the educational dimension of universities’ activities in particular, a genuinely competitive market is not possible. This is due to two inescapable and unalterable facts about university degree provision: 1) acquiring any particular kind of degree is a one-off act of consumption, per person per lifetime; and 2) it is intrinsic to the situation of a knowledge- or

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<sup>1</sup> The author is indebted to participants in the ASSA ‘Markets and the Modern University’ Workshop (The Australian National University, May 2013), without thereby implicating them in the final product.

information-intensive consumption item, like a degree, that the consumer lacks substantial knowledge of the product. The latter condition is not an unfortunate contingent circumstance that could be overcome; it is *essential* to the situation.<sup>2</sup>

## Academic markets and competition

Without aspiring here to absolute comprehensiveness in constituting the notion of a competitive market, the conditions notably include: a) multiple agents, or at least multiple potential agents, on both the demand side and the supply side; b) substitutable alternatives to the commodity or commodities being traded in the market under consideration; c) that there be available in common to all potential market participants, a body of information concerning the economically relevant characteristics of the commodities; and d) similarly available common knowledge of the prices at which the various market makers (typically, suppliers) are willing to transact the commodities with known economically relevant characteristics.

In relation to university degree provision, an obstacle to the second condition is the widespread belief (sound or otherwise) that there are no ‘competing’ alternative employments that are preferable to those requiring a university degree. To overstate the point, ‘everyone’ wants their children to go to university, if possible. To that extent, the pressure of competition is diminished, from the degree-demand side. In relation to the academic labour market and the second condition, to the extent that suppliers of academic labour are deeply wedded to perceived non-pecuniary benefits of academic life, and therefore discount more remunerative alternatives, competition is enhanced on the supply side of the academic labour market.

But it is the third condition that is particularly violated in the case of the educational dimension of universities’ activities, and this is the one that I focused upon in the earlier article. Hence follows from the third condition Adam Smith’s (1976 [1776], 77) seminal point, that ‘secrets’ obstruct the tendency of competition to push market prices toward equality with minimum cost of production (notably, due to a technical innovation known and available to only one producer of a particular commodity). For competition to work its benefits, ideally there should be no economically relevant private information. But in selling degrees, the universities have ‘secrets’; that is to say, information about the character of the education and achievements that enable acquisition of their degrees, not available to the consumers.

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2 To give an intuitive example from another knowledge-intensive consumption domain, when one attends a medical doctor with an ailment, one asks this supplier of medical services, ‘what do I need to purchase (or demand)?’

What can result from information asymmetry between potential buyers and potential sellers in a market is explained in a seminal economics article, 'The Market for "Lemons"' (Akerlof 1970). By analogy from the market for used cars (the 'lemons' of the title), it shows how information asymmetry can drive good-quality products (or good used cars) out of the supply side of the market, leaving only bad-quality products (or bad used cars) – in the jargon, 'adverse selection'. This is so even if there is a demand for high-quality product that is feasibly suppliable. The crucial characteristic of the situation – the information asymmetry – is that potential consumers cannot distinguish (ex ante) between good and bad used cars (whereas the potential sellers can). As a result, the potential consumers' offer-prices are so low that potential suppliers of good used cars withdraw from the market.

Along these lines, low-quality university education might well drive out high-quality education, even if there is a demand for high-quality education that could be met. The difference with respect to the used cars parable is that in the case of degree provision, rather than high-quality providers exiting the market, they are induced to transform themselves into low-quality degree providers. This dynamic is reinforced by an information asymmetry at the other end of university education: in relation to potential employees and employers in general, if the latter (ex ante) have difficulty ascertaining the quality of the former, educational credentials can be used by the former as a quality signalling device, increasing the demand for university degrees for an *extrinsic* reason (see three paragraphs above).

With regard to the market for academic labour, the main obstruction in the way of this market producing the desirable outcomes commonly associated with a competitive market is that the supply of recruits to academic life is constrained by its dependence upon a scarce natural human resource: the limited number of highly intelligent human beings suitable to undertake high-quality university research and teaching. This cohort also has potential alternative careers open to it. So, given the pecuniary alternatives available in other careers, one could say that the resource constraint on the supply side of the academic labour market in the long run is the limited number of highly intelligent human beings *who place a sufficiently high value on the non-pecuniary benefits of academic life*, relative to those of other careers.

There has been competition unleashed in at least some segments of the academic labour market by the universities' embrace of a key-performance-indicator (KPI) approach to academic performance and management. But what has this competition achieved? Implementation of research-publications-based KPIs has led to universities' competitive pursuit of some academics – or perhaps, rather, pursuit of some academic CVs – leading to differentiated, supplemented salaries for some, who are regarded as 'star' performers in terms of these KPIs. But

this competition does not increase the total quantity of quality research in the world. It simply reallocates academic labour across the global university system (and turns some 'star' researchers into mercenary, academic gypsies). Hence, apart from the reallocation effect, the competition merely delivers economic 'rents' to the academics who are prized by the KPIs – remunerations in excess of those required for their academic labour to be supplied – due to the limited supply of such human talent to academic work. That supply limitation in turn is a result of the natural human resource scarcity, together with the limited number of people of the required intelligence who have also a sufficiently strong preference for the non-pecuniary benefits of academic life. In fact, university managerialism, with its bureaucratisation, and consequent infantilisation, of academic life (in particular, the audit culture), is also diminishing the non-pecuniary benefits of the vocation. This will – sooner or later (there are lags) – reduce the supply of first-rate human beings to the industry.

In fact, in relation to the Australian universities system, in the face of tight revenue constraints that are unlikely to ease, the current world rankings for the top half-dozen of the Australian universities seem only likely to be preserved by shifting those universities further toward a two-class academic model. This would entail a class of relatively well-remunerated 'star' research academics, employed to maintain rankings in relation to the standard research KPIs; and an underclass of low-paid, 'teaching-focused' academics, who will be considerably fixed-term or casual, and who will do what research they can with the residual time available to them. The question, for the viability of this two-class system, is whether – as well as attracting sufficient research stars – a supply of suitable persons to fill the academic-underclass positions will continue to be forthcoming. It *might* be, via what may be called the 'Hollywood' model of labour supply: every year 100 equally beautiful young women go to Hollywood with a view to becoming 'stars'; one or two become stars and the rest become casually-employed bit-players combined with waitressing work or something worse; and so the system is able to continue. The lure of academic stardom might suffice to sustain a two-class university system along similar lines.

The spread of discretionary salary supplementation – selective, and at the discretion of the academic managers – is a consequence of university managerialism, only *partly* due to the associated quasi-competition between universities. It serves also to reinforce managerialism and to reinforce the undermining of collegial governance. There was a time when one could expect or hope that at least senior academic staff, who had no more promotion hurdles ahead of them, would provide forthright and independent counsel in the collective deliberations of faculties, schools, departments and so on. Salary supplementation makes the remuneration of many academics now beholden to

the academic managers, and on a regular basis, via annual, biennial or triennial reviews. Under these conditions, to put the point politely, the courage of people's convictions is not always forthcoming.

Of course, salary supplementation is not evenly distributed across disciplines. But for obvious reasons, it tends to be relatively concentrated in those academic areas with the highest revenues per academic; and in an era in which revenue is a pressing concern, these will tend to be the most powerful parts of universities. Hence, the corrupting influence of salary supplementation is relatively concentrated in those parts of the universities that are likely to be most influential in the overall conduct of these institutions. Furthermore, however unevenly distributed salary supplementation is with regard to working academics, it is much more generally distributed among university managers as a whole. This works powerfully to make each layer of the university managerial class beholden to the next level up the hierarchy, further undermining collegial governance.

It was also virtually inevitable that the shift towards managerialism would sooner or later collide with traditional academic tenure. The exercise of unqualified power by the academic manager – unqualified, except by the constraints of external law – is incompatible with such security of tenure of the managed, or at least of the most substantial number of them. Only self-restraint on the part of the managers could stand in the way of that collision. Experience teaches that when human beings are offered power over others, few decline to exercise it. It is true, of course, that, unlike in some other national jurisdictions, academic tenure has no standing in Australian law. But it has always been and remains open to Australian universities' governors to accept a self-denying ordinance of respecting academic tenure as a *convention*, a vital convention, of academic life – and a convention essential to the preservation of academic quality. This is not the place to offer a comprehensive justification for traditional tenure. But one may mention its function in supporting the fearless pursuit of intellectual innovation and, from a more cynical viewpoint, in facilitating academics' appointing other academics more able than themselves. The shift towards top-down governance and line management tends naturally to unbridle power from any self-restraint by way of academic and other conventions and norms – nothing beyond the strict requirements of law.

This is not to say that the previous historical norm in Australian universities, of making continuing academic appointments ('tenure') relatively easy to gain, is desirable. Probably, Australian universities should have been, or should be, moving towards something resembling the US tenure regime. But, to take the example of the 2012–13 termination of a substantial number of continuing

academic staff, instigated by University of Sydney management, what has instead happened is a transition from too easy 'tenure' to no tenure at all, for anybody. This is potentially a tectonic shift in the power of the managerial class.

## Research key performance indicators

Some further comments may be added concerning KPIs, with particular reference to research. The recourse to quantity of research publications as an indicator of academic performance obviously militates against quality. Recourse, then, also to journal rankings is supposed to overcome that limitation. The rise of these indicators in research evaluation is an expression of the wider embrace by academic managers of supposedly 'transparent', but therefore also inevitably mechanical, KPIs as governance tools for auditing performance. The motivation and behaviour of universities' senior management in turn have no doubt been governed by various formal and informal KPIs, with global university rankings the biggest and most aggregated KPI of them all – due to prestige rewards to the managers from performance on these 'metrics' and their remuneration being linked to these outcomes. Under these behavioural conditions, the managers' timeframes for 'outcomes', achievements or performance are likely to be just the three, five or 10 years that they intend to occupy their positions, irrespective of the consequences for research, education and the quality of university life beyond those horizons. And in any case, within or beyond these timeframes, damage must be *visible and evident* before blame can be aimed at them or anyone else. As I have argued earlier (Aspromourgos 2012), with respect to education at least, there are substantial reasons why quality decline can be difficult to demonstrate. The issue is always debatable.

But the attempt to incorporate quality into research metrics by way of journal rankings is by no means unproblematic either. Journal rankings appear to be particularly adversely regarded by academics in the social sciences and the humanities – presumably due to the greater scope for subjectivity in these areas – but this is probably an issue upon which sentiment differs across disciplines. In economics, with a relatively monolithic and highly dominant theoretical mainstream compared to the other social sciences, journal rankings are less controversial. But this monolithic mainstream makes the journal-rankings mentality severely prejudicial to survival within the academy of heterodox traditions of theory and policy in economics, and tends also to reinforce conservatism with respect to theoretical innovation. In relation to the question of how much the rise of university managerialism is due to external imposition by government, and how much it is self-inflicted by the universities themselves, it is noteworthy that the Commonwealth Government abandonment of journal rankings in research assessment evidently has not diminished their use by

university managers, deans, heads of schools, promotion committees and so on, for judging both academic units and individuals. For a globally peripheral nation like Australia, in the social sciences the conventional journal rankings, being globally oriented, also imply adverse quality judgements with respect to applied and policy-related research on Australia.

When these sorts of research KPIs were first introduced, both in Australia and other countries, they were confronted by the entirely sound charge that there is inevitably an element of arbitrariness in reliance upon such reductionist and mechanical rules for arriving at judgements of quality. Rules do not comprehend exceptions. The KPIs approach was commonly defended against this charge on the basis that it would be used to form judgments about academic *groups* (disciplines, departments, schools and so on), not individuals. And up to a point, that is a reasonable position: in the application of these mechanical rules to comparisons or rankings of groups of individuals, the judgment errors that would occur at the level of individual academics will tend to wash out in the aggregation – the more so, the larger the academic units being appraised.

But in very short time, the journal-rankings KPI, for example, in application to individuals, was happily embraced and internalised by university decision-makers, all the way down the food chain, from vice-chancellors to promotions committees – even, with a perhaps short-sighted opportunism, by large numbers of individual academics (in their promotion and research grant applications). The frailty of journal rankings has been exposed by some serious analysis, but with apparently little effect (Joint Committee on Quantitative Assessment of Research 2008; Frey and Rost 2008; Wall 2009). Recourse to citations – the citation counts of *individuals'* publications, not the citation counts for entire journals – would add robustness to rankings. But even these counts should be handled with caution. What is being cited is by no means necessarily a sound proxy for what is actually being read. Download numbers would provide additional information about what is being at least accessed, and more likely read, and would therefore be a useful addition to the suite of quantitative indicators.

It may be added, with regard to the arts and the humanities in particular, that no cultural dynamism is likely to come from institutions governed by KPIs; cultural innovation will have to come from elsewhere. One is reminded of Robert Crawford's (2013, 30) comment, reflecting on the life and poetry of Les Murray, that, for writers who take employment in it, the contemporary university proves to be 'both patron and padded cell'. Crawford there also quotes Murray's comment, *not* intended as a compliment, that '[a]n academic-led literature is a gentrified suburb'. One may expect the kind of intellectual blandness implied by this comment to be amplified, and across all the arts, humanities and social sciences, in the managerialist university.

## Managerialism and academic ethics

In my earlier article I also argued that the managerialist model – seeking to reduce the conduct of academic life to an exchange process in which rewards and punishments are traded for ‘outcomes’ at the individual level – is not a substitute for professional ethics and norms of academic collegial life and conduct (Aspromourgos 2012, 48–9). Indeed, the managerialist approach to governance inevitably undermines ethical conduct; it tears away at the civic fabric of collective academic life, eroding the ethical sensibilities of individuals. One may wonder whether, in relation to this, the academic managers have overlooked the fact that the individual-contracting approach may feed back upon, and compromise, the ethical fabric of academic life – as if ethical behaviours could be treated as a given that would be unaffected by the overlay of individualised transacting.

Some might respond that ethical commitments by academic staff are an insufficiently robust basis upon which to ground the conduct of academic life and of universities; the strength of such commitments cannot be relied upon. That of course is true. Other sanctions are also required. But one need not doubt a certain ‘frailty’ in the conformity of people to ethical principles in order to recognise that the affirmation of ethical codes and embodying them in collegial practices is necessary to the good governance of academic life. Ethical codes are symptomatic, not of naïvety about human beings, but realism. It is the notion that contractual exchange relations could replace ethics in informing conduct in the academy that is naïve.

Some might further respond that if academics, generally, were governed by high ethical standards, then they would not succumb to such temptation to an erosion of civic sensibility. But this is to construe ethics in an overly simple manner. There is reciprocity in ethical behaviour, which is something more than and different from mere self-interested exchange relationships. There is ethical behaviour that is less than unconditional altruism – a realm of ethical life between unconditional selfishness and unconditional altruism. If the leadership of universities makes evident, explicitly or implicitly, that what it really values is performance tables and the KPIs that enter into them – both in research and teaching – then it would be asking a great deal to expect the average academic to accept a more expansive standard of conduct. In the words of an old proverb, a fish rots from the head.

With the embrace of the mores of Management 101 comes also other, perhaps merely irritating but also mildly indecent behaviours, such as the debasement of language that results from the devaluation of superlatives, as each individual academic becomes her or his own marketing consultant. If one had a dollar

for every time one is exposed, in the contemporary university, to the terms 'excellent', 'outstanding' and so on (including derivatives), early retirement from all this would be more feasible. Academics are also now commonly being asked to fulfil sets of objectives that are simply impossible. Consequently, in relation to those multiple demands, they must either accept failure or engage in deceit. The latter course might keep them in the game – but at the price of corroding values fundamental to academic life, notably, truth-telling in some sense or other.

## Some concluding thoughts

In the preceding commentary, some adverse consequences of the managerialist model of university governance have been indicated; but this does not address *why* the rise of university managerialism has occurred. This is a more complex issue to resolve than its consequences. It may be suggested that the rise of university managerialism needs to be understood partly in a larger context, as a lagged effect of the conservative shift in social, political and economic culture from the end of the 1970s, initially in Britain and the US. This led to the public sector and public policy being more geared towards the purposes and methods of private enterprise. On another level, but not unconnected, the greater accountability and audit demands placed upon universities can be seen as a lagged consequence of the dramatic enlargement of university enrolments since the 1960s. It could have been expected, sooner or later, that there would be demands to account for the 'return' on the expanding investment in higher education by governments – and by students, as private fees became significant.

At the same time, the shift to mass university education inevitably was going to drive higher education in a more vocationally-oriented direction. This was reinforced as the student population itself became more vocationally oriented, as the era of full employment came to an end in the 1970s. This in turn connects back to the abovementioned conservative cultural shift: the full employment of the postwar quarter-century to the mid-1970s undoubtedly played a substantial part in enabling the social upheavals of the 1960s, to which the conservative political revival from the 1970s was at least partly a response – a response to '1968', to put the point symbolically. In truth, the modern university of recent centuries has not been much at all guided by the notion of 'knowledge for its own sake'. If there is a single principle that captures the spirit of the modern university it is, for good or ill, the Enlightenment notion of knowledge aimed at the material improvement of the human condition – as Francis Bacon (1605 [1951], 41–3) put it, the advancement of learning for 'the relief of man's estate'; or, in the maxim commonly associated with Bacon and his sometime amanuensis Thomas Hobbes, 'knowledge is power'.

The decline in the quality of universities is a global, though perhaps not a universal, phenomenon. In relation to this, what is alarming is not that Australia's best universities – e.g. Queensland or Sydney – might be outside various proposed rankings of the world's 50 or 100 best universities, rankings that are generally derivative from various supposed performance metrics. What is alarming is that they might be *in* those best 50 or 100. Is this as good as can be expected of the best 50 or 100 in the world? To the extent that the quality and the character of Australian universities are being degraded, this does not necessarily entail any *relative* decline in their global standing on conventional measures. This is not offered as a comforting thought.

In these circumstances some solace might be taken from recalling a self-description used in 17th-century England by one group of the pioneers of the Scientific Revolution, calling itself 'the invisible college'. The intent of this metaphor, I think, was to say that the true university or 'college' was not the visible Oxbridge colleges, but rather, the 'college' of those committed to genuine learning (*partly* a subset of the visible university), appealing to a Christian distinction between the visible church and the true, 'invisible church'. Without inviting fatalism, the moral to be drawn from this might be that the corruption of learning is always with us, throughout the ages, the only change over time being the ebb and flow of its tide.

This text is taken from *Through a Glass Darkly: The Social Sciences  
Look at the Neoliberal University*, edited by Margaret Thornton,  
first published 2014, this version 2015 by ANU Press,  
The Australian National University, Canberra, Australia.