

Speech

The knowledge economy and the market

By Lauchlan Chipman

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"...think of the knowledge economy as a way of bringing together new knowledge and new applications of knowledge in ways that re-enable old economy activities. When it's all boiled down, we still need to eat things, we still need to move around, we still need to wear things, and always will, and we need to make, sell and distribute them in ways which give us new competitive and comparative advantages ... we can think of the knowledge economy, not as a competitor with other claims on our economy or other priorities, but as a way of transforming and reinvigorating those parts of our economy which are marginal, ...We can thus seek ways of reinvesting in those to make them more productive and more effective."

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I retired last year as Vice-Chancellor of Central Queensland University after having been in universities in four countries and three Australian states for 44 years. I thought, I really have to decide what I'm going to be when I grow up. It was just going on too long. One of the things I learnt as a Vice-Chancellor, which I was for the last five years of my career, is that at occasions like this when you're the only person who is standing between the audience and the next drink it behoves you to get to the point quickly. The second thing I learnt is that you never actually speak on the topic that is advertised.

T Although I stopped being a Vice-Chancellor 13 months ago, I have been active in the higher education sector since then including, for the first time in my life directly, the private sector. My former Chancellor, the Honourable Justice Jones of the Queensland Supreme Court, refers to my subsequent work as my methadone programme after 44 years of addiction to higher education.

I actually began in higher education back in the 1950s as a student at the University of Melbourne, studying law. One option was economics and, as there are a number of economists here tonight, you may have heard of the person who lectured me in Economics A, the late Professor Wilfred Prest. Professor Prest was not famous for his inspirational form at the undergraduate level. He gave his mandatory two

lectures a week in a highly tiered theatre, very steeply raked, and the level of discomfort of students was not just expressed by the occasional paper dart floating towards the front. It was

folded double-page spreads from *The Age*, to which students had set fire, that tended to wander down. Then there were the inevitable jaffas that were rolled down the aisle.

His response was one of the first things I learnt as a future academic, one of the most important lessons I learnt. He said, "That's nothing. When I was a student we rolled a cannon ball down the steps." Sure enough, next lecture, thud, thud, thud. I learnt then you never try to one-up the students, especially when he said that if there continued to be misbehaviour at the next lecture he would walk out and there would be a compulsory question on the topic he would have covered. The next lecture duly arrived. The students continued to play up and he proceeded in a very, very grand way to make his way to the exit which the students had locked from the other side. The indignity that is associated with being unable to execute a walkout in front of 400 hostile people gives you another lesson in how to become a good academic.

I also studied some psychology with the late Dr Frank Knopflemacher. He taught me about the cynicism that academics have towards Vice-Chancellors. The Vice-Chancellor of Melbourne University in those days was a man named Sir George Paton. This was in the 1950s. There had been, believe it or not, complaints that university academics were not actually very good at teaching. Sir George decided that he was going to do something about this, so he wrote to all the academics and said it's very important that you find out whether the students actually understand what you're doing in your classes. The response to this radical proposal by Frank Knopflemacher was to read it in his Czech-cum-Viennese accent and then to say, "So, at the direction of my Vice-Chancellor, I am going to get some feedback. How many of you did not understand what I was talking about last time?" About 25 percent of the hands went up. And he said, "Ah, yes, that is the statistically normal fail rate. I shall continue." So I saw that for

any future Vice-Chancellor there were practical limits to one's authority.

I then extended my degree to include philosophy and to cover arts as well as law, and this was because I won a lucky dip. My birthday was drawn out of the national service ballot and I did national service in the Royal Australian Armoured Corps at a place called Puckapunyal in Central Victoria. We were trained on redundant British Centurion tanks which were very good for fighting wars in Holland but just couldn't go uphill, over railway lines or through dust. We were trained as though we were going to be fighting the Indonesians. The conclusion we came to was that provided the Indonesians invaded Australia by dropping tanks by parachute into Puckapunyal we would have a good chance of defeating them. In any other circumstance our chances were somewhat limited.

During national service in any country there is inevitably time when you're doing nothing. You're standing around with other young men late at night on guard duty, or something similarly challenging, and there's a limit to the amount of time you can spend pretending to be interested in sport or lying about sex, so eventually you get onto questions like whether there's a God, whether there's a purpose to life, and so on. It was only then that I discovered that there was a discipline at university that considered this, which was called philosophy, and I decided to add that to my programme on my return, which I enjoyed very much and profited from to the extent that I got a scholarship to Oxford to do postgraduate work.

There I learnt something else about academics. There were three philosophy dons at my college which was University College. There was Alasdair MacIntyre who, at that stage, was going through a radical Marxist phase. There was Herbert Hart who was also Professor of Jurisprudence – a lawyer as well as a philosopher and a very formal man. And there was (now) Sir Peter Strawson, a logician and a very learned man in literary matters as well as mathematical logic and the history of ideas. The Oxford Vice-Chancellor, who at that time was an Australian, Sir Kenneth Wheare, surveyed all Oxford dons requesting them to indicate the amount of time each week they spent on research;

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the amount of time they spent on teaching; and the amount of time they spent on preparation for teaching and associated teaching-related tasks.

This caused a certain amount of consternation among the dons at Oxford to the point where the radical Alasdair MacIntyre tore it up and wrote an indignant 'how dare you' letter to the Vice-Chancellor. The very scrupulous Herbert Hart spent about a week going through old diaries calculating to three decimal places the amount of time he had devoted to each and Strawson, who

was always the most elegant, just put 33 and a third, 33 and a third, 33 and a third. I learnt from all of these the limitations of any Vice-Chancellor's power.

My subsequent career took me to a number of universities. One that I was fortunate to go to in the mid-80s was Harvard University Law School where I was on the faculty for a short time as Liberal Arts Fellow in Law and Philosophy. That was at the time that there was a radical movement known as Critical Legal Studies which had been, I believe, spawned in Harvard a few years earlier and flowed to many places, certainly including Macquarie University and some other universities in Australia and no doubt had some impact in New Zealand. It was a cocktail that consisted of pickings from Marxism, Freudianism, poststructuralism, deconstruction, postmodern feminism, and so on, all in a blanc mange whipped up in a way that I didn't really understand.

One of the professors, Duncan Kennedy, who was known – not always respectfully – as Duncan the doughnut, informed everything he did with Critical Legal Studies, including his view as to how the faculty should be organised. He gained considerable support for a radical rearrangement of labour in the faculty – job-sharing without any privilege or hierarchy to the point where academics, indeed full professors, would be expected to do what had been regarded as the menial tasks such as sweeping the corridors and cleaning the toilets. The cleaners had the opportunity to undertake the privileged tasks, including lecturing. Asked by *The Boston Globe* what he thought about this, Dean Vorenberg said, "I am not really worried about the quality of lectures but I'm very concerned about the quality of hygiene."

My general knowledge of knowledge indicated discipline boundaries are actually, and arguably increasingly, very porous, and we didn't have porous structures.

After Harvard, I came back to Australia. I spent some time at the University of Sydney as Visiting Professor of Jurisprudence, having previously been a Senior Lecturer in Philosophy at the University of Melbourne and then Foundation Professor of Philosophy at the University of Wollongong. Eventually, I became a Deputy Vice-Chancellor at Monash University and from there went to Central Queensland University (CQU).

It was at CQU that I really became interested in the role of the private sector to which I'd never been hostile but with which I'd had very little contact, certainly in a university context.

When I came to Central Queensland University in 1995 it looked in reasonable shape. It was a new university built on what was originally an Institute of Technology in Rockhampton dating back to 1967. It was certainly well managed by my predecessor in the sense that there'd been some significant innovations, particularly in the research area. It looked to be not rich by any means, and certainly not wealthy, but it appeared to be in reasonable financial shape and had never, as a university, ever had a deficit.

As many of you more experienced in financial matters than me would know, when you look more closely at these things you can sometimes discover that all it not as it appears. This need not be because of any falsification or irregularity in the accounts. It soon became clear to me that the books balanced each year, and each year the budget target of coming in with a balanced outcome was achieved, while somehow spending \$A1m a year more than they were earning. This was accomplished because there was a highly disaggregated set of reserves squirreled away all over the place which was being run down in order to meet routine operating costs, but this didn't show up in any problematic way. What you were actually looking at when you looked at the accounts was a map of a journey from comfort to insolvency in about three years. It was quite clear that the internal disciplines necessary to turn that around would take too long and would not be sufficient, and would be too difficult to execute in any way as a new Vice-Chancellor without some other major changes.

So I did what every new Vice-Chancellor did, I restructured the faculties – not just because that distracts people from anything

else for a time; but because there were too many faculties, with half the salary budget going on back office functions. More importantly from a strategic point of view, my goal, in terms of the future of knowledge, was to recognise that the university had too sharply defined its structure in terms of specific disciplines.

My general knowledge of knowledge indicated discipline boundaries are actually, and arguably increasingly, very porous, and we didn't have porous structures. We needed to make the walls within the university more porous to enable academic staff to migrate, as their discipline changed, into other areas without having to apply for a job in another department or faculty. So I loosened up the structure.

With an eye to where things seemed to be going in the IT area, and for the first time in Australia, we created a Faculty of Informatics and Communication. This put in the one faculty, quite deliberately, people whose primary business was the underpinning technologies of communication – including the harder mathematical parts of computing – with the journalists, the media people, the people who were concerned with content.

We put them in the same corridors, and made them responsible for the same programmes, with the idea of developing a capacity in communications technology that was empathetic with what was evolving among people whose business was the content of communication. I made a couple of other changes of that sort, like combining engineering with physics and building with architecture to create a Faculty of Engineering and Physical Systems – changes that would enable the migration of ideas more easily in directions that one, in a sense, has to guess at. There's a certain amount of gut feeling you have based on experience.

So, while from one cynical, operational perspective it was a distraction – and you can only do that very early, or when you're about to go to another job, as happens in this country also – you've got to do it at one point or the other. You also have to, if you do it early, live with the result and be held accountable for it. So it's not without the risk of a high institutional and personal price.

The second thing I did – and this, I think, was the most important change I made internally – was to change the position

of faculty Dean from senior manager of a cost centre to that of a senior manager responsible for a profit centre; to turn the faculties from entities that competed with each other for a share of the pie which the Vice-Chancellor had handed to him or her on a plate from Canberra to saying – you, as Deans, determine what the objectives of the faculty are and get the academic board to approve them and then it's your job to get the resources that you need. When you can't get them from anywhere else then I might be able to help you out.

But that is now your accountability – to get the money – you are accountable for that. OK, if you don't want that job, don't apply, and some didn't.

We put in new Deans (including some successful applicants who had already been Deans) and the decanal position became a non-tenurable position with no reversionary tenure. They were all for fixed terms and, if they didn't succeed as Deans, there was no fallback position for them, which was like the position of Vice-Chancellor. In other words, they were put on the same sort of structure as the rest of the most senior management. We had no difficulty in filling those positions, with mixed results, but certainly some good ones. Out of five I think we got most right. We had one disaster and one not so good. But we got most right and they've now fixed up, before I left, the one disaster.

Then it was still clear that that cultural change would take a while to work through. The hardest thing for the Deans was to get buy-in from our academic staff. The other that was quite clear was that we had to find a way of earning more money.

There was no question of going to the government and asking for it – which I tended to regard as an admission of defeat anyway. I've never been comfortable with special pleading for higher education as a charity. That's maybe psychological vanity. I take no credit for that; it's just a confession of discomfort which may be a character fault rather than a virtue.

It was through that realisation and through some contacts that I'd been making that I formed, for the first time in my life, the idea of a joint venture with the private sector.

To cut a long story short, we created, in conjunction with a for-profit business, a company in which we had a fifty percent

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shareholding and they had a fifty percent shareholding, but we determined that the Chair of the four-member board, who was me, had a casting as well as a deliberative vote. It was a company we controlled. We controlled the revenue side, in that all of the revenue that came in had to be paid in to the company through Central Queensland University bank accounts. The idea was to create barriers to insulate the operation of this company from any misfortune that happened to our joint venture.

So many of these joint ventures between public sector and private sector agencies, certainly in Australia, have failed because the structure enabled the private sector's problems in other parts of the business to be sucked into the public sector's accounts and ended up as liabilities. There was one celebrated case involving, if I recall correctly, the University of Ballarat which ended up with responsibility for students recruited by their partner but with no income from them, because their partner – into whose accounts the students paid their fees – had gone belly-up and they were not, in any way, protected.

So we put firewalls of that sort in and had a major accounting company do that while taking strong legal advice. It was quite a costly set up. And we opened a new campus in Sydney which now has 3,500 students, all of whom pay full fees, a new campus in Melbourne which is the second largest of this group, one in the Gold Coast, one in Brisbane and one in Fiji in Suva. All are trading profitably, some very profitably I think it's fair to say. The profits are split on a formula that varies from location to location that is agreed by the board.

The interesting thing is that in these other campuses, the ones outside our five in Central Queensland which are traditional campuses, we did not put in certain things. We did not put in a research capacity. We did not put in what a senior bureaucrat in Canberra calls 'those elaborate theme parks called university campuses'. For our model, we used the cinema chains like Hoyts and Greater Union who've moved away from owning downtown picture palaces to rented premises in suburban shopping centres with low walk-away costs if the local business fails.

And we concentrated on three things that our research had indicated the students valued more than anything else: we

concentrated on favourable student/teacher ratios – more favourable than our competitors. When they were abandoning small group teaching under cost pressure we were strengthening it. The second thing we had was a very favourable student to computer ratios so there was a minimum of queueing. There were some public sector universities where the queues were over an hour long to get access to a computer. The third thing was all-year-round teaching, so that you could do a three-year degree in two or a four-year degree in three. They were the three things the students voted for, plus a convenient location.

We didn't put any cafeteria in because there was a food hall in each of the buildings we used. We didn't put in a gymnasium; we simply negotiated a concession to use the commercial gymnasium next door. The practical facilities were provided by other for-profit businesses. In any case, these were students who tended not to value them highly, otherwise they wouldn't have paid the same fees to come to us as they were being asked to pay at universities that offered all that. So we stripped the costs back, but the most important thing was that the company was the employer of the staff.

The company asked Central Queensland University to set the minimum academic qualifications for the staff and, indeed, to form the selection committees to use the standard criteria to control the curriculum, to set the assessment, to monitor the assessment, and so on. It had to be identical throughout the whole network of campuses. But the employer of the staff was the company. The company was not a university, therefore none of the industrial conditions that governed university employment applied automatically. So we were able to cut through the relationship with the union and develop a relationship with the staff that allowed that the majority of the staff were part-time. None of the staff were employed to be engaged in research. None of them were tenured. They were conditions that would not have been achievable in a traditional university. The result was that the margins that we were operating with were about 40 percent. So it was a very, very significant business.

It worried me for a time that it would be quickly copied by other people, but it wasn't. There was no commercial in-confidence. Everything we knew was either known or could have

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been found out fairly easily. And yet people tried to copy it, but they didn't succeed.

This puzzled me until someone told me the anecdote of the young man who lived in a small country town and had discovered, through radio and CDs, violin music. He enjoyed classical violin performances with a passion. Then he learnt that the person who was at the time reputed to be world's

leading violinist was going to play in the local town hall. So he saved his money and bought a ticket to see the great violinist, and he was more impressed than ever. And he determined then and there to be a violinist and to get to the top. But what did he do next? He went out and bought a dinner suit.

That's pretty much what tended to happen when people copied us. What they copied was not the essence of the operation – not because the essence was hidden, but because they'd seen it but not seen it. They'd seen it as something that could be dealt with in another way. And, to this day, I don't think it has been effectively copied. That's something that still surprises me.

In a lot of this, the aim has been to come to terms with the idea that higher education is a very profitable industry. The fastest growing sector in American higher education is the for-profit sector.

A lot of people say there's something distasteful about a for-profit approach to education. It's something you shouldn't do for profit. My response, because I once held that view so it's not as if I'm unsympathetic to it, is to say I'd be more sympathetic to an academic who said that this was wrong if they had taken a vow of poverty when they became an academic. I'd have more respect for an academic who said this was wrong if they didn't cash the royalty cheque they received from their publications or supplied their manuscript to a for-profit publisher, which most do.

I think this is really something that has to be thought through – what is wrong with making a profit? In fact, I think it's like anything else, it depends on how you make the profit and what the quality of the profitable activity is in the end that determines the rightness or wrongness of it.

In discussions of the knowledge economy I've never forgotten those philosophical lessons that I had right back in the 50s – not the ones I had in the army – along the lines that knowledge

doesn't have itself for its object, except for the arcane discipline of epistemology. Knowledge is always informational, knowing that this or that; or it's operational, knowing how to do something, whether it's a calculational skill or a practical skill of a physical manipulative sort. Sometimes people tend to talk as if the knowledge economy is disjoint from traditional areas of the economy.

One of the reasons why the Australian economy is travelling so well is that we did not make the huge investments in so-called new economy start-ups that many wise commentators were urging us to do a few years ago. So we were not badly hit by a home-grown dot com bust. And we can now import the new generation of chips and related products at a fraction of the cost compared to when we were urged to invest in a local version of the industry and we can apply this technology in revolutionising productivity in so-called old economy industries.

To finish up, I'll give one illustration of something that brought this home to me and also illustrated to me the value of a porous approach to disciplinary boundaries.

When I was Deputy Vice-Chancellor of Monash University in Victoria, I was responsible for a campus in Gippsland which had previously been a College of Advanced Education. The campus had no agriculture school and, as you would know, the Gippsland region is a very strong dairying area of Australia.

The dairy farmers said to me, "What a pity, Lauchlan, that you don't have an agricultural school because we've got real problems with the productivity of our milk harvesting." It happened that the local head of Engineering was there and said, "I'm interested in this, can I have a look at it?" I said "Yes, but are you an agriculturalist?" and he said, "No," but what he concluded, and the farmers were very happy at the end of it, was that they had a scheduling problem with the way the milk harvest was organised.

Using computer engineering skills from the Engineering School they were able to work out an optimal way of scheduling which increased productivity by something like 28 percent.

If you look at much of what is going on in the one discipline of scheduling – all of the new railway tracks, of which there are now several in Queensland, are single tracks. Why? Because

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computer applications, for signaling and timetabling, and communication have become so effective, and rerouting so exacting, that it's possible to schedule fast trains, 160km an hour or more, going at each other in opposite directions, to pass at loops. This cuts out the maintenance costs of another track, basically halving the permanent costs. And this simple example of scheduling has made an old economy industry operate with unprecedented efficiency.

At Central Queensland University, we used these skills to redo the entire bus systems of some towns and the taxi systems of another, at great savings to the commercial proprietors and with greater efficiency for the commuter. Is that the knowledge economy? Yes, it is, because the things that were being used were information technology and computing engineering. But what were the applications? Not something you'd think of as the knowledge economy. It was transportation. It was harvesting a primary resource.

So, to finish, my message is don't think of the knowledge economy, and the excitement associated with it, in a way that is disjoint from making things, providing services, distributing materials, and transformation of materials in what otherwise is a traditional manufacturing, primary, or service industry.

Rather, think of the knowledge economy as a way of bringing together new knowledge and new applications of knowledge in ways that re-enable old economy activities. When it's all boiled down, we still need to eat things, we still need to move around, we still need to wear things, and always will, and we need to make, sell and distribute them in ways which give us new competitive and comparative advantages. And of course we can sell the knowledge as well. That's important.

That is where the real novelty of value is added. And that is how we can think of the knowledge economy, not as a competitor with other claims on our economy or other priorities, but as a way of transforming and reinvigorating those parts of our economy which are marginal, or those parts of what used to be our economy which are now done elsewhere. We can thus seek ways of reinvesting in those to make them more productive and more effective without in any way displacing the people who are working in those economies at the front level.

I'd like to finish with that. I'm sure you're all well and truly thirsty by now and would like, finally, to express my appreciation to you for giving me some time and to congratulate you on the new website.

Question

You talked about the economy. What role do the types of institutions like the ones you worked at play in actually taking a chance and turning out skills and knowledge that eventually might create an industry or do they always have to follow demand?

Answer

I think there is a potential to take risks and that's one of the reasons why universities need some liquidity. That's one of the values of academic freedom. I tend to think of academic freedom in terms of the political. Being able to abuse the Vice-Chancellor publicly seems to some academics to be the essence of academic freedom. But academic freedom is about being able to develop an idea which is not obviously commercial, which may violate prevailing scientific, social or cultural orthodoxies, and which might even make you a bit of a laughing stock. The downside risk is pretty significant, but the upside if it comes off is really very high. I think if a university isn't in a position to be able to support that, then it really has to reorganise its resources. Or it has to find out why it hasn't got confidence in its academics, or some of them.

Question

The next logical question is how we resource that risk. Who will carry that risk?

Answer

I think there's two ways in which it can be resourced. I haven't talked about government investment in research. I think one of the roles for government is investment in research that is not of a type that has an obvious application. In other words, blue sky or basic research. It doesn't have to do that with every university or in every discipline. But I think that is a way in which it can make an investment with the expectation that it would get, if it does come up trumps, some sort of return on that investment.

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In other words it gets a bit of an equity, and that can always be recognised in the research that's done.

The second, and this is the way I approached it for local reasons and the fact that the chances of this happening from government given our early stage of development, we didn't yet have breadth and depth of reputation, and we didn't have enough scholars of reputation. There was a tendency for economically successful parts of universities to reinvest their profits in lifestyle, so that everyone suddenly starts travelling business class, or going to every conference that is on. There's been a lot of

that and there's been an absence of policy.

Question

I'm interested in what subjects you actually taught in CQU's satellite campuses, and secondly one of the key issues around for-profit activity has been the clash of incentives between the notion that it's the graduates who actually monitor and are the main controller of what goes on in a university versus the standard monitoring activities. I wonder whether that ever actively arose.

Answer

That's a very good question and I've never actually considered it. It's a very important question and it becomes another one of the areas in which we're still very much in new territory. In the case of our development this was a difficulty with our joint venturer. Like a lot of small businesses they had difficulties for a while and we got through these and now it's okay. They tried to manage the growth through cash flow. Microeconomics I textbook tells you that it won't work but people still do it. One of the reasons was that banks couldn't understand the business. It was just impossible. They think "that's a bit like a taxi plate isn't it", with the model they had. They couldn't see an asset in the business. There was nothing owned, except some leases which were nothing. I don't know enough about banking and finance to know whether that was the banks giving us the bum's rush or whether it really is what the banks told us, that they just didn't understand the business. We thought we put it pretty

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clearly. They were forced to keep going through cash flow and we, because of our public sector status, could not advance the money. One of the issues for public sector universities, and I guess it's true here, is the extent to which some of these well-intended policies actually operate as encumbrances on the enterprising university. It's not to say that the sort of protections which are intended aren't important, but whether there's other ways of doing it that don't just put barriers that are perhaps more appropriate for another climate.

Question

I'm interested in how you were able to work with your academics to buy into the profit model and support the managers. Also, to what extent did you reduce their research capacity?

Answer

The answer to the second question is we actually increased the research capacity of the university because we'd made a number of activities viable through the subsidy that came from the for-profit operations which were carried out by people who didn't want to do research and who weren't paid to do it. So there was actually a transfer of the profits. The revenue was equivalent to those faculties of an increased dollar per student for the ones who were not on those campuses. It was then up to the Dean to set aside the amount they needed for research. So we increased the research capacity as well as increasing the mechanisms for recognising it.

The second thing, what was the buy-in of the academics? Mixed. And to my knowledge, still is. The ones who were hardest to persuade and never really accepted the idea – and I think this is true in a number of universities of Deans conceived as heads of profit centres – were the scientists who tended to be the most conservative. The quickest to grasp it were the information and communications people, the business people, and we constantly got from the scientists “people won't pay to do science”. We constantly produced evidence that they would. But there was a disbelief about it. They, of course, were very research oriented but could not get money except from government and just regarded it as everybody else's fault that they weren't getting the money they needed for research. We did have a good Dean.

He was one of our better performing Deans and he really tried hard to turn that culture around. But particularly the chemists were the ones who were the most conservative and yet they were among some of the best researchers in the place. It was quite curious. These people were not losers and failures making excuses for losing or failing, they were people who had the capacity, who we tried to support, but just couldn't make that

transition. Maybe they've made it now. My colleagues told me it was difficult in other institutions with some of those disciplines, too. Biologists made it very quickly and also the biochemists and the botanists, but not chemists and physicists.

Question

Thanks for a most entertaining speech. But – Roger Kerr cover your ears – you mentioned when you were in the army and you suddenly found time on your hands that you started asking the old eternal questions, “Why”, “Where are we going”, and this sort of thing, and subsequently became, if I have got that right, a Professor of Liberal Philosophy. Then you told us about how you got rid of the campus and you hired a picture theatre and this sort of stuff. I don't wish to sound unduly romantic, but isn't there some value in a tangible way in being a student, in having those discussions you had when you were in the army with time on your hands? Isn't that part of it all that you're removing with what you're advocating, what you're promoting? Do you place much value on that?

Answer

That's true. That was very much part of my formation but at the very university I went to I was one of many students who enjoyed it, profited from it, and would not have traded it in for anything. At that same university, 50 percent of the students were part-time, who got the same degree, who didn't want it, who didn't make use of it, and who would certainly not have wished to pay for it if they had a choice. So what this does is simply cater for a group of people who could go to a traditional university campus but don't want to. It is true, and you're quite right if you're thinking, “but some of them might have got the inspiration, they might have gone there intending to drop into a class, drop out and disappear off and go the pub or go home or whatever”.

If you can take a year off a degree, that's a year less in residential costs for them and that's a very considerable saving.

Some would have. A percentage would have. And that's just the trade-off. What we created were opportunities for students who would not have existed at all, and of course they could transfer to one of the campuses at which these opportunities were provided for the same price. It would have been inconvenient because it was a different location.

Question

There's degrees and degrees.

Answer

Yes. Well no, it's the same degree. If you're looking at a credential, and I think it's true of the universities in New Zealand, it doesn't actually tell you whether the students studied part-time or full-time, whether they studied on campus or off campus. It's the same credential. It's a different experience and I think the omission of something that was extraordinarily valuable to me and many people who have been lifelong friends and people I admire very much. But it isn't one that they all want. Or that they all take when it's offered. The question is whether you just lament it, which is fine – it is lamentable in many ways – or whether you say well can we do something that does meet their aspirations. And remember many of these students are people who are in their 20s and late 20s, 30s, rather than people who are 17 and 18. Very few of them are coming straight from school. Most of them have been in the workforce, or are focused on a job in their homeland. That's the answer I suppose. It's not a satisfying answer, but it's the best I can do.

Question

You mentioned the tradition of student/tutor more favourable ratios. You mentioned the provision of access to computers and suchlike resources. Were those part of how you attracted people to the institution? And I wondered also, were there other things? Were students also looking for outcomes more? Were they looking for an outcome for them at the end? Were they looking for employment? Were there goals that they had there as well?

Answer

They certainly were looking for employment and now in Australia the graduate placement rate of all of the universities is publicly available, by field and institution. So they knew that this university

had a very high rate of graduate placement in the disciplines that they chose. They're certainly looking for that. That's the end, and then they want the means. Remember, these were campuses at which more than 90 percent of the students were

international. People are sometimes shocked

because there's a formula that says that about 16 percent is the optimum. I disagree with that because we turned that into an educational positive. No nationality was in a majority. Every student had to work in a co-national class and no nationality got to 40 percent of the total student cohort. We actually said, "This is the experience you get at this campus." The Australians were in a minority, too. That's what you get, because the world is such that you're going to have to work professionally with people from different cultures but you're going to be working on the same business plan or the same strategy or whatever. If you can take a year off a degree, that's a year less in residential costs for them and that's a very considerable saving. As they're limited in the amount that they can legally work under their student visas, having a long recess at the end of the year is not very valuable. Many of them just went home at great expense. It was a mixture of all of those things, but the ones they gave were the ones I mentioned. The all-year-round teaching is in a way a surrogate for lower overall costs and the fact that they really couldn't be occupied for the whole year otherwise.

Question

Thank you very much indeed for your most insightful comments. Given your insights into this, shall we call it entrepreneurial approach to tertiary education, one could be left wondering is there any role for the state at all in the funding regulation of tertiary education? Would you care to comment on that?

Answer

I have great doubts about whether there is a role in the end for the state beyond the following three. One, the supporting of equitable access for students so that students with potential are not excluded. The second role is consumer protection if you like; quality assurance. That what the university says it's offering is what its students and investors are actually getting – in other words, being held to the same sort of public and legal accountability as other people.

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If I can just digress on that for a second. There was a recent newspaper report – it may not have been reported here – of an analysis of risk of the public universities in New South Wales, and all nine public in New South Wales. The Auditor General and the Deputy Ombudsman of New South Wales were scathing in their analysis of the universities and it probably would have been the same at mine if I'd been round and they'd done a similar analysis of risk management at my former institution. They recognised about five tiers where the standard of risk management was substandard. But the one that really bristled them was this: if you put out butter knowing that 10 percent of it was contaminated, but not knowing which 10 percent, and just said so be it, it's the best we can do, what would happen to the reputation of your product if you didn't end up in jail? And for the first time the Vice-Chancellors realised that their acknowledgement that in some courses more than 50 percent of the students, the evidence suggests, may have submitted some part of their work in a way that involved plagiarism or cheating, was a damning confession and self-indictment of the low priority given to product defect risk management. They'd never really grasped that they are putting defective products into the marketplace and they can't tell you which ones are defective. They just say, well we do our best and we trust people. It didn't really occur to them until then how outrageous this was to an Auditor General or an Ombudsman who deals professionally with the fag end of the process. I think that shock has been very salutary and that universities are really going to have to take responsibility for that. You can say well that's a legitimate state role to see whether the product warranty that they're giving with a credential really is justified by what they do to support it. So I think there's that role.

The third, I think, is the investment, not just for universities, but the investment in research that is not necessarily specific outcome generated where I think there is a public good aspect to it, but there ought to be some sort of return back to the investor in the case of success so that the subsidy is the subsidy of the failure, the write-off of the failure. I think they're legitimate roles.

It was very interesting to talk to – I won't mention his name publicly – a senior bureaucrat in Australia whose hue is probably more a Labour Party hue than a Conservative Party hue but he's a consummate public servant and quite senior, and being a consummate public servant it's only through the most intimate private knowledge that you actually know what his personal political inclinations are. He believes that the full privatisation of the higher education sector is inevitable but that it will probably take three more waves of reform to get there, but that the logic of the steps are making the next step towards it more attractive. It would just not be acceptable to the community, to the politicians, or anyone

at this stage. It wouldn't be credible. But, bit by bit, and in Australia the step of tying student fee loans to students rather than institutions, which has just been taken at the postgraduate level and is proposed at the undergraduate level, will be an important step in that.

This article does not necessarily reflect the views of the Education Forum.

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