

Cameron Murray and Paul Frijters, *Rigged: How Networks of Powerful Mates Rip Off Everyday Australians* (Sydney: Allen and Unwin, 2022). 296 pp. RRP \$34.66 Paperback.

Cameron Murray and Paul Frijters are among the decreasing number of economists who are both academically rigorous and write about things that matter. The reasons for this sad decrease are a mixture of the incentives for economists in contemporary universities, changes in public service culture, and the lack of independence of the growing number of economists working for consulting firms and corporations.

This particular book is an updated version of their 2016 self-published work *Game of Mates: How Favours Bleed the Nation*. It tells the story of how the powerful and well-connected (represented by their character James) fleece ordinary people (represented by the character Sam). In one sector after another, real estate, transport, financial services, they show how James and his mates operate and the huge costs they impose on others. It is not just what James walks away with but the efficiency reducing effects of James actions that cost the Sam's of this world dearly. At one point they comment on their fear of the book being a manual for aspiring Jameses for they are very specific about how it is done – typically legally, often without explicit collusion, but nevertheless highly effectively.

Two welcome features distinguish the book from long-standing economists complaints about rent seeking behaviour. Firstly they go to some lengths to estimate, sector by sector, the dollar value of lost income and increased costs for ordinary Australians. The results are frighteningly large and if they are even close to correct it should be a call to action for Australians. Secondly, they critically evaluate proposals for fixing the problem. They are not particularly hopeful that transparency will make a lot of difference. Additional regulation to try to curb rent seeking behaviour they suggest might even make things worse because more complexity is just what rent seekers want to exclude ordinary people from markets and entrench their monopoly position. Murray and Frijters reckon the most effective strategy would be to reduce the rents (or as they call them grey gifts) from things like real estate and public-private partnerships that are available for appropriation. This sometimes means greater government involvement, for instance an effective and zero-fee government superannuation fund. Elsewhere, such as in real estate zoning, it means reducing government discretion. A mechanism that they push in a few cases is citizen juries—where randomly selected groups of citizens determine appointments or make decisions where the rent seeking stakes are high.

They consider far too many sectors and proposals for a reviewer to comment on them all, so I would like to focus on their proposals for the university sector. This is a sector that they know personally as academics and is discussed on p185-94. Murray and Frijters describe James's takeover of the university sector in the 2000s. There has been transition from universities as

educational and research institutions, to what another writer has described as property development corporations with an education side-hustle, and even when selling education to be essentially selling Australian visas. It has been a highly lucrative transition for university management, whose numbers and salaries have blown out beyond what anyone could have imagined decades ago.

How did this happen? The story that Murray and Frijters tell is of governments loaded with Jameses who saw profitable opportunities in universities, appointed their mates to councils and then to executive positions, quickly sidelining real academics. After it happened at one university it quickly spread across the system as university managers saw what was in it for them and joined enthusiastically with the Jameses. Academic dissatisfaction of course had to be neutralised, but this was the job of the armies of administrators hired around the Jameses. Endless new administrative burdens, benchmarking and performance management systems, and the occasional disappearing of dissenters were highly effective in suppressing those that could not be bought off by participation in the lucrative managerial game.

Solutions they propose for universities are similar to what they propose to other sectors. There is an obscurely described scheme to separate visa-selling activities from actual teaching by charging universities for the market value of the visas. More work is needed on this. More straightforward and easily supported is the proposal for governments to charge universities for property development activities, essentially clawing back some of the rents on land the universities were given for free by governments. I would have liked to see some attention to the distortions in the local student market as well as the international student markets. At the moment universities get large upfront payments from the government (a mixture of the government subsidy per student, and the student contribution which they repay to the government through an income contingent loan) for inducing marginal local students to enrol, and have strong incentives to keep passing them regardless of performance or employment prospects so to keep the government funding flowing in.

Their radical proposal is to privatise the management of universities by offering foreign universities leases for running Australian universities. They believe that foreign universities could do much better and cheaper job than current Australian university managements. I'm not sure about this because the perverted incentives for the foreign management would be much the same as existing management. A much simpler and probably more effective solution would be to remove some of the barriers to entry for new universities - as detailed for instance in my article on competition policy in higher education. Even if new universities capture only a small portion of the market the competitive pressure they exert on costs and educational quality could be substantial. A limitation is that competitive pressure is likely to be most intense on the lower end of the university system rather than the G08. Greater competition is likely to result in several Australian universities going to the wall, so there would need to be some attention to bankruptcy

provisions, and facilitating the replacement of existing management by a more efficient and less exorbitantly remunerated new management.

Overall, Cameron Murray and Paul Frijters have written an excellent and important book. It will be harder to ignore than their previous self-published volume, and improves on that especially in the estimates of the quantum of the rip-off and more ideas for doing something about the problem. It is a topic where we need much more work from economists and even more importantly public action.

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References

Oslington, P. (2019). "Competition Policy in Higher Education" in *Campus Meltdown: The Deepening Crisis in Australian Universities* edited by W. Coleman. Melbourne, Connor Court.