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**Higher education and public goods**

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**Bio**

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**[Introduction slide]**

Ideas about ‘public’ and ‘private’ are central to thought and debate about higher education policy. But in national polities, and the international literature, there is little agreement about three elements. Social science is rarely as exact as we like to pretend it is—especially when its intellectual machinery, especially in quantitative studies, becomes applied to complex and historically changing material. When the language of social theory or social science becomes implicated in the policy and political sphere and takes on normative elements the potential for ambiguity is immediately heightened. Yet we need notions of public and private because they do important work for us.

Let me say at the start that the distinction between private and public is not the same as the distinction between individual and society. Any relationship between two or more people is ‘social’. Many forms of social association remain in the private realm, however defined. The public realm, however defined, includes both individuals and societies. At the same time society and individual can scarcely be pulled apart, they are each inter-dependent and omnipresent, for all individuals are nested in social contexts. The individual only emerges in its materiality through social interaction. As for example Vygotsky showed in his studies of child development, the early individual is formed through communicative interaction with others. It is impossible to imagine either individual or society without the other. We can more readily separate public and private, than we can separate individual and society.

**Three questions about public good**

But I have said there are three problems with our notions of public and private in higher education.

First, there is no agreement about where the public/private line falls, and the implications for funding policy. There are two main concepts of public/private.

* In one approach, which I will call today the economic definition, public/private is understood as a distinction between non-market forms of production and market forms of production.
* In the other approach, which can be called the juridical-political definition, public/private is understood as a distinction between state owned (or perhaps state controlled) higher education, or non-state owned (or non-state controlled) higher education.

Each of these definitions is useful. Each says something important. They overlap but are distinct. However, the economic and political definitions are often muddled up. Thus it is widely assumed that the public/private distinction can be understood as a distinction between state and market. If higher education cannot or should not be produced in a market, the state can or should produce it. Simple. But there is a lurking inconsistency here, because this takes the notion of ‘public’ from the juridical-political definition of public/private, and the notion of ‘market’ from the economic definition.

To define public/private as a state/market distinction is incoherent, it does not work. States use markets to achieve some of their policy goals, so there can be state owned or state controlled market production. In fact, state-owned and or controlled market or market-like activity has been a principal aspect of mainstream policy-driven reform programmes in most countries in the last generation. Further, some higher education is both non-state and non-market in character, such as philanthropically financed education that is privately owned; and scholarship and research that takes place in the sphere of the home and family outside the strictly institutional framework, ‘backyard production’ in the economic sense.

A second problem about public/private notion in higher education is that there is no common understanding of the nature of ‘public goods’, or what might constitute the combined ‘public good’ in higher education. We have a clearer understanding of what might be private goods in higher education, and the potential for economic market activity in which those private goods are produced and sold. Even there the notions are not simple, because higher education is a positional good and education markets do not function like orthodox markets. Nevertheless, at least we can readily detect some of the private goods associated with higher education, such as the association between holding a degree and the additional earnings and better employment rates associated with that degree. It is not always clear whether private rates of return to degrees are driven by the education, or by other factors such as family background or social networks, but we do have definitions and measures of these private goods.

We do not have agreement on definitions and measures of the public goods contributed by higher education. Not only do opinions differ from expert to expert, with the differences often being assumption driven, they differ from country to country according to variations in the policy or political culture. We think we can measure private rates of return so as to compare them from country to country. There is much less agreement on comparing the contribution of higher education to, say, inter-communal relations, or democracy, or even common cultural literacy, notions that vary between countries.

There are special difficulties in dealing with the collective aspect of public goods, those outcomes of higher education which do not consist of individual benefits but are consumed jointly and affect the quality of relational society—for example shared social and scientific literacy, combined productivity at work, the contribution of education to furthering tolerance or the combined capacity to deal with change and modernisation. It is difficult to measure these multiple collective qualities, often there are no money values to speak of, and the simple notion of aggregating the individual benefits and calling that the social benefits does not help when it comes to tracking relational goods. Arguably, because a clear-cut understanding of public goods in higher education is lacking, these public goods are under-provided and under-financed. This includes the public goods created in higher education that are global not national in character, in that they flow readily across borders, including knowledge. We are also unclear on whether the public goods created in universities and colleges are *alternative*s to the private goods—so that higher education produces *either* private goods or public goods, the relationship between them is zero-sum, and we can split the responsibility for funding accordingly—or the public and private goods are additive, positive-sum, both being advanced together, in which case the split of costs between state and household becomes more ambiguous and arbitrary.

A third problem lies in the normative significance of public goods in higher education. If we accept that public goods are under-recognised and probably under-financed and under-produced in higher education, does this matter? Are these goods ‘good’ in themselves and essential to our well being? Is this merely a technical discussion, or is there something important at stake? And alternately, if public goods are essentially about norms and values, doesn’t this mean they have no technical social scientific content? Isn’t this just a discussion about politics, impossibly politicised, isn’t the idea of public good or private goods in higher education just a cloak for clothing the pursuit of our differing and conflicting agendas?

**Today’s paper**

My tentative answer on the last is that it does matter, and it matters for both technical reasons—the public/private distinction if handled correctly can advance our understanding of the world we inhabit, and is something we can agree on technically, regardless of our normative standpoint—and it matters for normative political reasons. As often in social science, we need to better separate the normative and objective elements, if we are to both advance scientifically, clarify the basis of policy choices in this sector, and then make those choices. And I will attempt to separate the normative and objective elements today. From here, I will talk first about the technical aspect, where we might all be able to agree, and then secondly, advance my opinion about the normative aspect, which is more assumption driven. I will close with a third dimension, the comparative and global dimension. There I will briefly discussing the not small problem of looking at public goods in higher education, and in research and knowledge, across countries, as well as just within the polity of one country as we tend to do. For what is ‘public’ in higher education in some countries can be ‘private in others. My own current research lies with the cross-country problem.

I will begin with a new generic analytical approach to the definition of public and private goods and then apply it to higher education, and research in higher education. When I say ‘new’, the article was first published online last year.

**Economic definition of public/private (non-market vs market production)**

Let’s now look at the economic definition of public/private. This can be traced to an influential article by Paul Samuelson is 1954, ‘The pure theory of public expenditure’. Simplifying, Samuelson defined public goods as non-market goods. They are socially necessary but unprofitable for businesses to produce in a market. They cannot be produced in a market because they are non-rivalrous and/or non excludable.

**Economic public goods: non-rivalrous and non-excludable**

Goods are non-rivalrous when they can be consumed by any number of people without being depleted, for example knowledge of a mathematical theorem, which sustains its use value indefinitely on the basis of free access. Goods are non-excludable when the benefits cannot be confined to individual buyers, such as clean air regulation. Private goods are neither non-rivalrous nor non-excludable. They can be produced, packaged and sold as individualised commodities in markets. Public goods and part-public goods require government funding or philanthropic support. They do not necessarily require full government financing, and can be produced in either state or private institutions.

Knowledge is a classic public good. The private property limitations placed on knowledge, in the form of patents and copyrights, are economically inefficient in that at the same cost of production a larger number of users could be satisfied than are satisfied under the patent regime. because knowledge is a natural public good it flows freely, IP-protected knowledge is readily reproduced in illegal forms, and intellectual property restrictions do not work effectively.

**[McMahon 1]**

As well as pure public goods there are also mixed goods, for example when public ‘externalities’ are generated in the process of producing private goods. Teaching has both a public and a private potential. For example, the high fee degree programme at Princeton is associated with private earnings and status benefits but along with other degrees it also contributes to the combined social-cultural literacy and may enhance the economic productivity of those working alongside the graduate as well as the graduate herself or himself. It is hard to think of pure private goods in higher education, private goods that do not create externalities at all.

**[McMahon 2]**

Walter *MacMahon’s book Higher Learning Greater Good* does a good job of summarizing the research on the value of different externalities created in higher education. The economic definition is especially useful in that it identifies the minimum necessary government action and financing to ensure that there is no market failure and the desired public goods are produced. On the other hand, Samuelson’s notion has its drawbacks. It does not work well in identifying the larger collective public goods to which shadow prices cannot be readily applied. And arguably, the definition is ideologically loaded. Many would disagree that it is normal or desirable for goods to be produced in a market unless that is impossible. Markets can change the character of the product, and stratify value and distribution. They generate tendencies to concentration and monopoly, and the growth of consumption inequalities over time.

**[McMahon 3]**

The same bias is present in the language of the useful notion of ‘externalities’. ‘External’ to what? The assumption here is that the core production is market production and the externalities or ‘spillovers’ arise as unintended consequences of the production of private goods. They are ‘external’ to, outside of, the real transaction which is the market transaction. But the so called ‘externalities’ might be a deliberate policy choice and thus really ‘internalities’, at least in the sense the political economy, which is larger than the economy.

While the economic distinction implies that public or private is determined by the nature of the goods—naturally rivalrous and excludable or not—so we can put a neat financial value on the public component of the goods as McMahon has done, the reality is that whether something is public or private is often a matter of deliberate policy choice.

**The economic public/private distinction**

For example, while research, with some caveats, is a natural public good (as in the case of the mathematical theorem), teaching can be either a public or a private good. Student places in higher education can constitute either Samuelson private or public goods. Mostly, they are a (variable) mix of both. The public goods include individualised non-market benefits such as the learned knowledge which is non-excludable and non-rivalrous. Hence MIT took the early decision to place its courseware on the internet free of charge. This reflected the natural public good character of knowledge and the learning function. However, whenever university places confer value in comparison with non participation, there is rivalry; and in universities with a surplus of applications over places, participation is excludable and a market in tuition can be created. The value of such private goods is maximized in programmes offering students valuable positional opportunities to enter high income high status careers as in Law and Medicine in elite universities. Hence MIT’s open courseware decision did not undermine the private good benefits offered by its degree programmes.

There is also strong element of the normative in private and public goods. collective goods. Neoliberal economists tend to downplay market failure and the scope for collective goods. Social democrats and endogenous growth theorists talk up the potentials of public goods and state investment. So the technical economic definition does not eliminate the normative, it conceals it, buries the policy assumptions of the economist inside the reasoning, and that’s a problem.

**Juridical-political definition of public/private (state/non-state)**

The Samuelson definition treats the state as outside the market economy and only brought into the picture when absolutely necessary. However, arguably, this is not a good description of how any society or any higher education system actually works. The state is more important than that. And it is better to bring political norms and assumptions into the picture explicitly, than to leave them buried inside the implicit assumptions of the economist. This brings the political definition of public/private into the picture. This is the distinction between matters seen as public in the sense that they are ultimately shaped by government and the political and policy processes, and matters seen as private and confined to the commercial market, the family or civil society.

John Dewey provides an explanation of the public/private boundary in the political sense, which is the distinction between matters of state, and other matters. Matters of state, political matters, arise when social transactions affect persons other than those directly involved in the transaction. We might call these ‘relational’ effects of the transaction. If enough people want it, these relational matters become taken up in political processes—in a democracy these are democratic processes—and resolved at the level of the state. The state may also act prior to being called upon to do so, by anticipating the relational consequences of a matter which is deemed to be political.

The approach I take here is drawn from political economy rather than economics. The state/non-state boundary is not amenable to a strictly economic analysis. But it matters in the real world. In Samuelson’s economic sense there is no difference between non-profit higher education at Harvard and non-profit higher education the University of California. But the UC campus has about ten times as many Pell grant students, students from low income families, as Harvard. This is because the UC has a public policy remit to advance social mobility and equity in higher education. So the juridical-political boundary makes a difference to what is produced inside the HEI and also to the externalities.

**The political public/private distinction**

It’s important though not to confine the role of the state only to state activity. It extends also to state-controlled activity. The politically ‘public’ element in higher *owned* education is not confined only to institutions or activities that are directly government provided or financed. ‘Public’ in the political sense refers to any matter taken by the state as a deliberative actor with policy goals. Matters that are public in the economic sense are usually public in this political sense too, but so are many other matters. Governments often use private and semi-public agencies to achieve their goals, for example in some systems private schools or colleges are quite closely regulated, almost like public schools and colleges. ‘Public’ includes the kind of state intervention to regulate economic markets and private firms that goes beyond simply providing a stable legal framework. Moreover, higher education does not necessarily stop being ‘public’ in this political sense, when there is competition between institutions, and high tuition fees are charged. Most higher education is subject to at least some regulatory influence, it is politically public or semi-public. The exception is HEIs that are fully market deregulated and belongs in the private political sphere, along with other non-state commerce, the private family, and civil society.

Thus the ‘public’ side of the diagram includes a range of activity, from the free places in social democratic style systems that are largely non competitive, the Nordic model, to quasi-markets with relatively high fees of the UK type, and corporate style research systems I which, bizzarely, knowledge production is modelled as a kind of competitive quasi economy and the pre-capitalist status hierarchy which runs through the collaborative flows of knowledge becomes elevated to the main principle of this quasi-economy game.

**Putting the two definitions together**

So we have two definitions of public/private with different meanings. Both tell us something important. The *economic* definition based on the non-market/market distinction, subjects politically-defined public goods to tests of limited resources and costs. ‘How publicly generous should higher education provision be?’ it asks. The *political* definition of public/private, based on the state/non-state distinction, subjects economically-defined public and private goods to tests of values, norms, social relations and system design. ‘Public and collective forms of provision can change the nature of the goods, for example their social equity’, it says. ‘What kind of society do you want?’ The response from the economic side is: ‘To the extent your preferred social arrangement is subject to market failure, government finances it. Is it affordable?’

**Public and private goods: the four variations**

But two separate definitions creates ambiguity and confusion. How can we adopt a coherent approach to public/private? By combing the two public/private definitions in a matrix (see diagram). This replaces the ambiguous two-way distinction between public and private higher education, with four distinct zones, four different political economies, in which higher education and research are practiced in contrasting ways.

*Quadrant 1 (Civil society)* is a non-market private zone in which free teaching and research are practiced as end in themselves, at home or university, without government supervision or close institutional management. Much learning and discovery takes this form, more than is usually realized, precisely because it is unregulated. The state is not entirely absent in that it regulates civil conduct and the family in the legal sense.

In *Quadrant 2 (Social democracy)* production takes a non-market form—for example the free student places or low fee places in most of Europe—while also being regulated directly by government. Much research activity is concentrated in Quadrant 2.

In *Quadrant 3 (state quasi-market)* government still shapes what happens in higher education, but it uses market-like forms to achieve its objectives, and encourages universities to operate as corporations—with significant tuition fees, systems organised on the basis of students as ‘customers’ not learners, competition between universities for funds, product-style research formats. In Quadrant 3 there is a tension between economic (private) and political (public), but all is ‘public’ in the political sense. This is the higher education sector imagined not only my Milton Friedman but by global rankings—higher education as a managed product market. Marketization reforms in many countries have pushed an increasing part of higher education activity into Quadrant 3, much more so than into the pure commercial market in Quadrant 4. Much of the change in Indian higher education in the last generation has consisted in bringing elements of higher education into this quadrant, with some HEIs more clearly positioned there than others.

In *Quadrant 4*, higher education becomes another commercial industry. Government regulates the market likes it regulates all commerce, by providing a legal framework, but it does not intervene more closely. Courses in higher education that operate on the deregulated basis of full-price fees and an unlimited number of student places are in Quadrant 4, for example the for-profit sector in the USA, international education un UK and Australian higher education, and fee-based programmes introduced in the Post-Soviet countries in the 1990s. However, in most systems pure market forms in Quadrant 4 are overshadowed by the volume of activity in Quadrants 2 and 3. I suspect that in India there is more activity in Quadrant 4 than there is in most other countries.

You can see that teaching, research and other activities in higher education differ in character, according to where they are on the diagram. We can put education and research into any of these quadrants and when we do that decision shapes their character in many ways. Real life higher education systems mix activity in all four Quadrants but the balance varies. Nordic and Central European systems are strong in Quadrant 2. The competitive Anglo-American systems are pulling ever more activity into the quasi-markets in Quadrant 3, and India is split between Quadrants 2,3 and 4 in complex ways. The four Quadrant show there is nothing inevitable about inherited arrangements. To repeat the point, governments and societies can order their systems *as they want*.

The diagram also shows that there is great scope for producing public goods in higher education, through government leadership in Quadrants 2 and 3, civil and community-based organisation in Quadrant 1, or the self-regulating activity of higher education institutions themselves in all three of Quadrants 1, 2 and 3. The ‘pure’ public good Quadrant is Quadrant 2 where production is public in both the sense of non-market and the sense of state control. The pure private Quadrant is Quadrant 4.

**Common goods**

The fact that higher education is ‘public’ does not mean that in some way it is better or more desirable. Both public in the economic sense, and public in the political sense, can be associated with a very wide range of normative projects. Public goods in the economic sense can become captured by the most influential families, as in some highly selective universities in countries where tuition is free. Some public goods in the political sense might benefit powerful interests able to influence the state, or a state may use its power to create public goods to establish a globally aggressive military that creates public bads for the population of other countries, downstream.

However, there are some public goods—in one or both senses—that benefit populations broadly, help to build relational society (sociability), and sustain inclusive and rights-based human relations. I call these goods ‘common goods’. They include higher education to the extent that it fosters an equitable framework of social opportunity, offers good quality mass higher education, strengthens society in regions and provincial centres, and provides relational collective goods such as tolerance, cross-border international understanding and accessible knowledge. Equal social opportunity in and through higher education is the most important of such common goods.

**Higher education and the common good**

Last month I released a new book on *Higher Education and the Common Good*, that discusses the different kinds of public goods, and argues for an increased focus on common goods to counterbalance highly unequal societies.

**The cross-country and global dimension**

Now let’s bring this theorisation of the public/private problem into the worldwide space. And that forces us to acknowledge two realities. First, as I stated earlier, public goods vary in character by country. Second, some private goods and public goods in higher education are produced in the absence of a state, in the global sphere of activity.

**National variations**

Public higher education varies by nation, by political culture and the character of the state; and by what might be called the educational culture, the nested relations between state, society, higher education institution and family. The public/private schemas of each of Samuelson and Dewey evolved within an Anglo-American political culture. Samuelson’s distinction applies to a capitalist society with a limited liberal state, in which state and market are understood as zero-sum components of a national economy. Dewey’s distinction is imagined in terms of a participatory polity, and works best when the state responds readily to democratic pressure and takes full responsibility for associational effects. Both can be applied in other contexts but with diminished purchase, and the risk of occluding key elements. Yet we know that concepts of the roles of government and universities, notions of university-government relations, and the ‘social’, ‘community’, individual/collective, and public good, vary between different traditions of higher education; for example the Nordic, German, Russian, Latin American, Indian, Chinese and Japanese. Meanings of ‘society’, ‘state’, ‘government’, ‘public’ and ‘private’ are not uniform or fixed, but nationally and culturally nested. I think there are common elements, but they are not yet clearly identified.

There is no good reason to treat the Anglo-American approach to public/private as the norm, or a goal for other societies, still less as the sum of all possibility. All national-cultural traditions have the potential to contribute to the common pool of ideas about, and practices of, the relational dimension of higher education.

For example, national systems vary markedly in the extent to which they produce higher education as public or private goods in Samuelson’s sense. The public/ private balance of costs can vary sharply in higher education systems similar in other respects (OECD 2014, pp. 260-276), including similar in the extent of participation, reflecting differing political assumptions and educational cultures. In more than half the OECD countries state-dependent institutions charge domestic students less than USD $1500 per year. In the five Nordic countries, the Czech Republic and Turkey, public students pay no fees. Tuition fees in English-speaking systems are relatively high. The UK norm is £9000 per year. In Japan and Korea private funding outweighs public funding by three to one. China may be heading towards this. In Russia free places sit alongside low fee and high fee places.

By comparing different approaches to non-market activity and common political matters in higher education, more closely studying these national variations this might lead to clear identification of both the common elements and the drivers of variation. This could contribute to development of a common language of ‘public’ not based in one single national template. National comparison can also assist the evolution of a broader-based idea of global public goods in education and research. Currently I am conducting an eight-country study of approaches to ‘public’ and ‘public goods’ in higher education—concepts, definitions, measures. The national studies include interviews in government and two universities. Case studies have been conducted in Russia and Australia, in 2013. The next round of case studies will be UK, USA, France, Finland, China, Japan. It is also possible the work will be extended to Germany and Mexico. The research in the UK, France, China and Japan take place this year

**Global public goods**

In the global sphere only one of the two public/private distinctions is relevant. That is Samuelson’s economic distinction. There is no formal political sphere at global level, no global state. No doubt this leads to under-recognition of the contribution of higher education-in producing global public goods, and under-provision.

According to the UNDP, global public goods are ‘goods that have a significant element of non-rivalry and/or non-excludability and are made broadly available across populations on a global scale. They affect more than one group of countries’. One such global public good is research knowledge. However, nations differ in the extent to which they contribute to and benefit from global public goods that are carried by cross-border flows of knowledge, ideas and people and generated in education and research. For example, the content of global knowledge flows is linguistically and culturally dominated by certain countries, especially the United States.

**Whose public goods? Are there generic public goods in higher education?**

This raises a question of ‘*whose* public goods?’ For faculty whose first language is Spanish, having English as the single common global language is a public good in the sense that it facilitates the relational environment, but a public bad (a negative global public good) to the extent that it maginalises knowledge in the Spanish language at global level, and devalues Spanish at home, for example in local science communities. Net brain drain of research personnel to other countries is another global public bad, a negative cross-border externality. Cross-border mobility is often presented in the Atlantic world as a good thing in itself, but it is not that simple. We should distinguish neo-imperial notions of global public good from notions that are flatter in their normative character, such as the common interest in a sustainable ecology and stable climate.

**Closing**

In closing let me briefly reiterate five main points:

1. When observing, planning and improving the public and social-relational dimension of higher education we need to take both the market/non-market distinction, and the non-state/state distinction, into account. Both are relevant but they need to be arranged in coherent fashion.
2. To the extent that notions of public good are open to normatively-driven variation, so that concepts are attached to more than one set of political baggage; and more bluntly, the great resources of research universities can be captured by one or another powerful interest, or simply over-dominated by upper middle class families, the only mechanism we have for ensuring that those public goods are not so captured is the state. We can produce economic public goods in non-market civil society but non-market civil society is highly unequal. So it is essential to add the juridical-political definition to the economic definition of ‘public’. There is no guarantee that the state will be just and even coherent in distibutional terms, but it is all we have, and at best, on a good day, it does augment the common good.
3. Third, and from a social democratic viewpoint, goods in higher education that advance individual rights and improve social bonds, such as social equality in access, and inter-ethnic or religious tolerance, and the effects of formal learning in building the agency and capability that underpins political democracy—what I have called common goods—have a special importance. Here the Nordic higher education systems perform best. They also have very high participation rates, and good research systems in which no universities dominate in the manner of Oxford and Cambridge but world citation rates are very high. .
4. Fourth, the definition of the state role in higher education is specific to national history and national political cultures. This shapes national variation in recognition of and understandings of public goods, and also frames their practices. Inevitably public goods in Indian higher education are to some extent different to those that are possible and actual in Germany, US or China. Perhaps also there are significant variations within a diverse nation such as India. The extent to which we can devise a generic aspect to public goods in higher education is something than only be assessed on the basis of a larger number of national case studies.
5. Finally, global public goods in higher education are especially under-recognised, ant they are also contested, culturally loaded, varying from on one hand neo-imperial project to on the other hand global common goods. And as in spheres such as ecology, we need global political mechanisms to talk about and regulate those goods in higher education and research, including people flows and knowledge flows.