**Education as a public good**

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Is higher education a private benefit? Of course it is. It forms people, builds their attributes, immerses them in empowering and self-transforming knowledge, expands their horizons of possibility in many respects, augments their employability and their earnings prospects.

Is higher education a public benefit? Of course it is. It forms a great range of common and collective benefits at local, national and global levels, from strengthening the economies and the cultural activities of cities, to providing what should be an equitable framework of opportunity, to tackling worldwide human problems through collaborative research.

It is clear that higher education is both a private benefit and a public benefit. And the two kinds of benefit flow simultaneously, without harming or reducing each other.

Why then do we have to choose between calling higher education or private benefit and call in it a public benefit? Policy has trapped us into the either/or. Either it is a public benefit or a private benefit. Policy frames higher education this way in order to make an argument that public spending on higher education should be replaced by private spending. As if the public/private split of financing has to be exactly the same as the public/private split of benefits. As if governments don’t use taxpayers’ money, in other domains, to both make individuals better off and support the common good. As with the NHS, for example.

This zero-sum trade-off between public good and private good is a key aspect of the present UK policy approach to higher education. It is one of the many things wrong with our system model, with its obsession about austerity in spending, fake economic markets, and controlling education and its users by sending all into competition with all. The great democratic question of the value and purpose of higher education has been hijacked to service a finance capital and Treasury-driven argument about limited public financing.

In reality you cannot read the argument about the public benefits of higher education from its financing. Across the world there is a vast range of tuition arrangements, from high fees like us to no fees, and from commercial loans to income contingent loans, in systems with much the same broad relations with their societies in other respects, for example the level of participation. However, whether policy focuses on private or public benefit does affect the nature of higher education and the extent of the flow on of its benefits throughout society.

**Economic approach and political approach**

There are two contrasting policy approaches to the question of public good in higher education. One is the economic approach taken in the marketized English-speaking systems, with the partial exception of Canada. The other is the political approach taken in most of the European world that we currently seem determined to separate ourselves from.

In neoclassical economic terms, public goods in higher education are those goods that cannot be produced in an economic market because is not profitable to so produce them. The public pays only for those aspects of higher education subject to market failure. This becomes the basis of the financing of higher education. The public/private funding equation is said to be based on the public/private split of benefits—though in reality it works the other way. Higher education is defined as predominantly a private good and this is used to justify a largely private funding system.

This approach immediately creates the zero-sum problem – the more education creates private benefits the less public it is, and vice versa. Because financing is zero-sum, then benefits have to be seen the same way. This is a dangerous nonsense. But the economic approach to private good does have one good feature – it establishes a minimum level of public funding that is needed to overcome market failure in areas such as basic non-commercial research, that would wither immediately without public funding.

The second approach is to use a political definition of public goods. In this approach the ‘public benefit’ of higher education is what we say higher education should do, in the society that provides it with its conditions of existence. The financing arrangements become those which serve our policy definition of the goals and value of higher education. This approach allows us to fully recognise and finance the collective, societal benefits of higher education as well as individual benefits such as augmented economic productivity, employability, cultural and social capital and personal development.

Let’s look more closely at the situation in UK, with its neoclassical economic approach.

According to the most recent comparative OECD data that we have, in 2014, 28 per cent of the nominal financing of all tertiary education in UK was from public sources, with 72 per cent from private sources, mostly from students. The real level of public financing was higher than this – it includes the subsidisation of unpaid debt by government. As you know this calculation is assumption driven but as I see it the real public share of costs is about 45%, with a 55% private share. This is a low level of public subsidy – in the OECD countries only Chile, the United States, Japan and Korea are lower.

The financing and tuition regime in England means

* First, students pay much too much. This and the constant market consumer talk mean that the objective becomes to maximize private individual rates of return – but a high graduate premium is associated with high levels of economic and social inequality, and fosters the idea that higher education serves a high income earning social elite. In a system with very high (rather than moderate) graduate premiums, as in the United States, people who do not access higher education are condemned to a low wage and low status existence. When the purpose of higher education becomes concentrated on private individual rates of return alone, this returns higher education to its old, regressive role as a marker of social distinction. And limits the provision of equity in higher education to a small number of opportunities for low income students to climb into the gentry. If higher education sells itself as a pass-card into the elite (even while failing to deliver on this for most graduates!), no wonder the pushback against elites readily translates into pushback against higher education.

* Second, the public pays too little. Over time this will lead to neglect of the common and collective goods derived from England’s university and college infrastructure – and in the long run this is as important an issue as individual fees.

In the UK the majority of students receive no direct public subsidy at all – according to the logic of the public/private split in UK, this implies that there are no public benefits generated in their programmes. Some direct subsidies survived the 2012 reforms, in science-based disciplines studied by two students in five. However, for 18 per cent of students the direct subsidy is negligible, only £255 a year, and for another 20 per cent it is low at £1,527. Only in clinical medicine and dentistry, at £10,180 a year, is the direct subsidy big enough to change the character of financing but that’s just 2 per cent of students.

In addition, a large part of the public subsidy that has survived market reform is focused not on the common benefits of higher education for the whole society but on financing access to higher education as a private good, through the public subsidization of the tuition loans system. Again, individualised equity, limited opportunities to enter the gentry, rather than an egalitarian and solidaristic society in which everyone should receive the relational benefits of a common education. This principle is not impossible to imagine in UK education. It is the idea that underpins the NHS, whose foundational principle is that everyone should have a shared healthy life. Perhaps England treats education differently because of its long history of vertically stratified provision, with independent schools elevated high above state schools, and the leading universities elevated high above the rest, rather than first among equals. High stratification and exclusion fosters the idea of education as a private good and undermines potential social commitment to a more egalitarian and solidaristic system.

**Collective benefits**

But consider, the neglect of public goods in the current system of financing of higher education means that there is no direct financing for a large range of collective benefits that research shows are firmly associated with higher education:

1. The many contributions of higher education institutions to building society, economy and education in cities and regions, especially disadvantaged regions. This is an important contribution of UK higher education institutions, especially given that the UK is grossly unequal by region.
2. The public cultural contributions of universities through performances and training opportunities in the arts, publishing and so on.
3. Universities’ extra mural education activities in the community.
4. The voluntary contributions of the universities to better public policy and government processes, which require time and other resources. There are also many voluntary contributions in civil society, and in relation to industry.
5. All cross-border international activities in universities that are not covered by research funding or financed from foreign student fees, and contribute to building social learning, a more capable workforce (which may not show in higher wages), better international relations, and global public goods. This includes the cost of study abroad for many students.
6. Last and by no means least, the reproduction and advance of all academic fields of knowledge, not only those fields that lead to professional qualifications generating specific earnings, and not only those in the STEM disciplines. The classic examples are foreign languages and other humanities, which have many public good spin-offs but are low valued as individual investment. Also, some STEM disciplines such as mathematics and the non-professional ‘pure’ scientific disciplines are not adequately subsidised as knowledge, yet are crucial resources for learning, research and social institutions in many other domains.

If higher education institutions follow the logic of the consumer market and the Teaching Excellence Framework, over time, unfinanced public goods will be whittled away. The TEF requires institutions to focus on maximising individual student satisfaction scores and individual employability. This requires England’s universities to target more precisely their spending and activities to maximise performance as measured by the TEF indicators. In other words, the more the university neglects extraneous unfunded public goods such its contributions to the local region, the more ‘effective’ it will become.

Should policy aim for a different balance between public and private funding, based on a calculation of the public/private split of benefits? That is to leave us stuck in a regressive neo-classical economic logic. The question about a normative public/private balance, which could never be agreed, let alone policy stable, is the wrong question. It is better to approach the question in terms of political choices, the second approach. The better question to ask is: ‘what are the funding arrangements that will optimise both the public and private benefits of higher education?’. To optimize both the public and the private benefits we need to:

* + - 1. Directly subsidize the collective goods that we want higher education to produce
			2. Sustain financing arrangements in which there are no financial barriers to individual participation and which foster access to under-represented groups, for example through grants rather than loans
			3. Provide a more evenly valued set of institutions in which all higher education is not only of good quality, but seen to be of good quality.

In Nordic societies, higher education is seen as a common benefit that is provided at a high quality level to everyone, with all institutions well funded and all enjoying social status. This kind of collectively supported higher education system is the basis for many other public and private benefits. Meaningful and well-remunerated graduate work is only one of those many benefits. There is no doubt this is the better approach. To achieve it, we need to build the kind of consensual public support for public higher education that is given to the NHS – and to underpin both public health and public education we need to build a more solidaristic approach to wage fixation, taxation, the role of government and equal rights.