**The public role of higher education: A critical review and a new idea**

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**Problems of public/private**

***[Introductory slide]***

Ideas about ‘public’ and ‘private’ are central to thinking about higher education policy. But these terms are used in many contradictory ways to promote conflicting agendas. Meanings have become confused and distorted, in politics and also in social science. There is little agreement about public/private in higher education. There are three problems.

***[Three questions about public good]***

First, there is no agreement on where the public/private line falls. There are two main concepts of public/private. In one approach, which can be called the economic definition, public/private is a distinction between non-market production in higher education, and private production in the sense of market-based education. In the other approach, the political definition, public/private is a distinction between state controlled higher education and higher education that is private in the sense of being not directly controlled by the state.

These definitions are not the same. One source of confusion is that they have become mixed up. For example, many people see the public/private distinction as a contrast or opposition between state and market. This takes ‘state’ from the political definition of public, and ‘market’ from the economic definition of private. But this lead to an incoherent analysis, and breaks down when applied in reality. For example, states often markets to achieve certain of their policy goals, for example in higher education. If we see the public/private distinction simply as a distinction between state and market, then state controlled market production, with tuition and private sector institutions but closely regulated by the state, as happens in Chile, is both ‘public’ and ‘private’. This kind of muddled thinking allows certain private universities in Chile to claim they are also public in some sense and obscures the difference between them and the real public universities—which have different obligations, and costs, are more inclusive, and create a broader range of benefits for the society. The idea that the public/private distinction is a state/market distinction also breaks down in another way. It fails to explain an important kind of private education, philanthropically-financed education, which is both non-state, and non-market. It falls outside a state/market division of the world.

Second, we do not have enough clarity about the ‘public goods’ or ‘public good’ created in higher education. Most people can see the private goods associated with higher education, such as the contribution of degrees to earnings and employment rates. It is not always clear whether earnings are driven by the education, or by other factors such as family background or social networks, but there are commonly understood definitions and measures of these private goods. However, there we lack common definitions and measures of the public goods. Opinions differ from expert to expert and from country to country. Empirical studies are under-developed and in studies where empirical observations are used, the findings about the ‘public’ value of higher education are often shaped by the scholars’ prior assumptions. There are special difficulties in dealing with the collective aspect of public goods, outcomes of higher education which do not consist of individual benefits but affect the quality of relational society—for example the shared social and scientific literacy enabled by higher education, the increase in combined productivity at work, the productivity of the non-graduates working alongside the graduates as well the graduates themselves, the contributions of higher education to social tolerance and international understanding, and the role of higher education in increasing the capacity of a society to deal with change and modernisation. Because a common understanding of these collective public goods in higher education is lacking, these goods tend to be under-provided and under-financed, including public goods that are global not national in character, in that they flow across borders.

Third, ideas and practices of ‘public’ and ‘private’ in higher education are not the same everywhere in the world. The ideas and practices associated with ‘public’ in higher education vary between countries, on the basis of differences in political culture and in the conventions governing the relations between the nation-state and higher education, and the systems of educational financing that are used. While the literature is dominated by the Anglo-American ideas of ‘public’ and ‘private’, there is no reason why these ideas should be seen as more correct than other ideas. I am presently working on an eight-country study of concepts, definitions, measures of ‘public’ and ‘public goods’ in higher education, aimed at finding common ground between the different national traditions and approaches to this problem. The aim is to prepare new generic definitions of ‘public’ and ‘private’ that will be more inclusive than the present definitions, in that they apply everywhere. The eight countries in the study are Russia and Australia, where interviews were conducted in 2013, and UK, USA, France, Finland, China, Japan where interviews take place in 2017 and 2018. We hope to extend the inquiry to Germany, and in collaboration with this University, to Chile.

In advance of that project, I have prepared a new approach to the public/private problem. This is a conceptual innovation, but it may need to be revised when the international comparison has been completed. Meanwhile, I treat this new approach as a ‘working hypothesis’. To explain the conceptual innovation first I’ll need to review in more depth the economic definition of public/private, and the political definition of public/private.

**The economic definition**

***[Economic definition of public/private—based on market vs. non-market production]***

As noted, the economic definition of public/private rests on the distinction between production for profit in a buyer/seller market (private goods) and all other production (public goods). This distinction can be traced to an influential article by Paul Samuelson in 1954 on ‘The pure theory of public expenditure’. For Samuelson production and exchange in a market was the normal form of economic production, except for certain kinds of goods that were socially necessary but could not be produced on a profit-making basis. These goods could not 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, everywhere, on the basis of free access. Goods are non-excludable when the benefits cannot be confined to individual buyers, such as clean air regulation, or national defence. Private goods are neither non-rivalrous nor non-excludable. They are produced and sold as individualised commodities in markets. Public goods and part-public goods require public funding or philanthropic support. They do not necessarily require full public financing, and can be produced in either state or private institutions.

Not all public goods are produced separately from markets. Economists identify ‘spill-over’ public goods, or ‘externalities’, additional to the private goods, such as the contribution of educational courses that create private benefits for individuals to the creation of relational public attributes in those same individuals, public benefits such as tolerance or literacy. The individual capacity to use information and communications technologies can be measured—it is an area where graduates do distinctly better than non-graduates—but arguably, the benefit is not simply for the individual but for collective relations. Communications technologies sustain large active relational networks. This indicates that public and private goods can both advance at the same time. There are also numerous externalities arising from government financed basic research. Arguably, the production of ‘externalities’ from higher education is one objective of government organisation and funding even in marketised systems.

The economic definition is useful because it identifies the minimum necessary government action and financing to ensure the economic public goods are produced. On the other hand, the notion is also ideologically loaded. Many would disagree that it is normal or desirable for goods to be produced in a market, unless that is impossible. Markets often change the character of the product, and stratify value and distribution. They generate tendencies to concentration and monopoly and over time are associated with growing inequalities in incomes and consumption. On the other hand, state modification of market production to enhance externalities can reduce these negative effects. Hence there are two ways to expand economic public goods in higher education by state action—direct non-market production where it is essential to provide the goods concerned, as Samuelson said, and also regulation and subsidy of market production. All else being equal, direct non-market production by the state tends to produce a higher volume of public goods, and is often, not always, associated with broader distribution of those public goods.

Note that Samuelson’s economic distinction is naturalistic. It implies that public or private is determined by the nature of the goods—whether they are naturally rivalrous and excludable or not. This assumption does not always hold in higher education. It applies best to research, which is a natural public good, as in the case of the mathematical theorem. Though newly discovered research can be rendered a temporary private good through patents or copyrights, enabling its creator to secure a financial advantage, once the knowledge is made public it can be freely accessed, copied and used. It reverts to its natural condition as a public good. On the other hand, in relation to student places for teaching purposes, public/private in higher education is a matter of deliberate policy choice. Teaching is naturally associated with both public and private goods. The public goods arising in teaching and learning include learned knowledge, which is non-excludable and non-rivalrous. The private goods associated with teaching are all forms of teaching, learning and credentialing of graduates that provide those graduate with individual advantages when compared to non-graduates. If the degree provides labour market advantages, and places in the teaching program was subject to scarcity, there is rivalry. In universities with a surplus of applications over places, participation is excludable. The potential value of such private goods is high where students nter valuable positional opportunities in elite universities that lead to high income high status careers in, say, Law. Even in public, state-owned universities. When there are potential private goods, a market in tuition can be created, though not all nations do this.

**The political definition**

***[Political definition of public and private—state vs. non-state]***

The Samuelson definition treats the state as essentially outside the market economy and only brought into the picture when absolutely necessary. This is not a good description of how any society, or higher education system, actually works. The state is more important than such a minimalist approach would suggest. This brings the political definition of public/private into the picture. This is the distinction between matters that are seen as public in the sense that they are ultimately shaped by government and the political and policy processes, and matters that are seen as private and confined to the commercial market, the family or civil society.

John Dewey (1927) provides one explanation of the public/private boundary in the political sense. His public/private is the distinction between matters of state, and other matters. In this definition, ‘public’ higher 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.

‘Public’ includes the kind of state intervention to regulate economic markets and private firms that goes beyond simply providing a stable legal framework for markets. Note here the state is closely involved in higher education, in many domains, in all countries. Higher education does not necessarily stop being ‘public’ in this political sense, when there is competition between institutions, and high tuition fees are charged. In this broader, political sense, almost all forms of higher education in Chile, being matters of policy and regulation, are public and a proper matter for democratic debate and political decision-making.

It is true that some market production is fully deregulated and belongs in the private political sphere, such as certain for-profit colleges, and commercial research and consultancy. But most production that involves competition and tuition fees occurs in the public sector or takes place in private institutions that are subject to state regulation and protections.

**Joining the definitions: four quadrants**

***[Putting the two definitions together]***

How then can the economic definition of public/private be reconciled with the political definition of public/private? It is worth trying to reconcile them, rather than doing what most social scientists do, and that is choosing one or the other. This is because both definitions not only contribute to our understanding but also to better policy and practice. For example, each can be used to test practices arising from the other. The economic definition, based on the non-market/market distinction, can be used to subject politically-defined public goods to tests of limited resources and costs. ‘How publicly generous should higher education provision be?’ asks the economist. Conversely, the political definition, based on the state/non-state distinction, subjects economically-defined public and private goods to tests of values, social relations and system design. ‘Public and collective forms of provision change the nature of the goods, for example their social equity’, it says. ‘What kind of society do you want?’

***[Public and private goods: four political economies of education]***

But nevertheless, having two separate definitions without resolution creates ambiguity and confusion. How then can we adopt a more coherent approach to public/private? This is my conceptual innovation. We can combine the two public/private definitions in a matrix. This replaces an ambiguous two-way distinction between public and private elements in higher education and research, with four distinct zones, four different political economies, in which higher education and research are practiced in clearly contrasting ways.

The economic and political definitions derive from philosophically distinct standpoints. The economic definition is *procedural*. Matters are defined as private or public according to assumptions about the proper conduct of, and a division of labour between, market and public activity. What matters is not the end but the means. The more eclectic, open and variable political definition is *consequential*. Matters are defined as private or public according to the outcomes and effects in each case. The end is all that matters, and it justifies the means. Arguably, neither a procedural nor a consequential strategy is sufficient in itself, and both take human affairs to an insupportable extreme. They must be balanced against each other. In the philosophically hybrid form in the matrix, each approach, the procedural and the consequentialist, is mobilised so as to compensate for the limitations of the other.

*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. This is the higher education sector imagined by global rankings, higher education as managed market. Marketization reforms in many countries, including the English speaking nations and Chile, have pushed an increasing part of higher education activity into Quadrant 3, more so than into the pure commercial market in Quadrant 4.

In *Quadrant 4 (commercial market*), higher education is a fully-developed profit-making industry under private ownership. Government regulates the market as it regulates all commerce, via 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 international education and professional training in some countries, and the for-profit sector in Chile. However, in most systems pure market forms in Quadrant 4 are overshadowed by the volume of activity in Quadrants 2 and 3; and some commercial activity is so controlled that it really belongs in Quadrant 3.

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. The four Quadrant show there is nothing inevitable about inherited arrangements. 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 self-regulating 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.

**Global public goods**

***[Global public goods]***

There is one other dimension of activity that also needs to be brought in to the picture: global public goods in higher education and research. Global public goods are produced in the absence of a state, because there is no global state. 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’. For example, research knowledge is subject to extensive cross-border teamwork and exchange and much of it is produced beyond the effective supervision of any national government. Here research universities, working together or simultaneously on common problems of science and society, produce public goods of enormous importance.

Because there is no state in the global sphere, only one public/private distinction can be relevant, the economic distinction of Samuelson. By-passing the state sphere, global goods tend to fall somewhere between or across Quadrants 1 and 4. In the form of the global publics created by Google and Facebook, which constitute a form of cross-border civil society on an enormous scale, they combine Quadrants 1 and 4. No doubt the absence of the state, the political factor, leads to under-recognition of the contribution of higher education-in producing global public goods, and hence their under-funding and under-provision.

However, nations differ in the extent to which they contribute to and benefit from global public goods 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. 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 global communication and sharing, but a ‘public bad’ (a negative global public good) to the extent that it maginalises knowledge in Spanish at global level, and devalues Spanish at home, for example in the humanities where national language is often the essential medium. The brain drain of Chile’s research personnel to other countries is a global public good in the receiving countries and a global public bad in Chile.

**Common goods in higher education**

***[Common goods]***

As this example shows, the fact that an activity is ‘public’ in either the economic or the political sense does not mean that it is ‘better’ or more desirable. The conduct of an aggressive war by the state is technically ‘public’ in both the economic and the political sense but arguably, it is not beneficial. Both public in the economic sense, and public in the political sense, can be associated with a very wide range of normative policy practices. The most important point here is that distribution matters. Some public goods are more broadly beneficial than are others. That is, some public goods are more democratic than others.

For example, elite public universities that provide free education produce public goods in both the economic and political senses. But in many elite public universities that are highly selective in academic terms, such student places become dominated by the most influential families. The same affluent families that control the consumption of private goods can also secure the public goods. At worst, the state is simply an instrument for servicing families that already enjoy the main power in the market and do not need additional help. Likewise, state policy on research may ensure that medical research in public universities is focused largely on the needs of private companies and not public health. There is a constant danger that public goods will become captured by powerful interests. But this is not inevitable and we should not be too pessimistic. The example of the University of California shows this.

Income distribution in the state of California is highly unequal on the world scale. But the University of California campuses make a special contribution to social access and upward mobility. In total, 42 per cent of all UC students receive federal Pell Grants, allocated to families with incomes of $44,000 a year or less. UC Berkeley and UC Los Angeles together enrol more Pell Grant students that the leading *sixteen* private universities in the United States. All UC student aid is needs-based. Under Berkeley’s progressive tuition regime, 40 per cent of students pay no tuition and are financed by tuition from higher income families. Half of Berkeley’s students graduate with no debts. It is impossible to imagine a private university with this level of social equity.

In fact there is a range of public goods produced in higher education that benefit populations on a broad basis. I call these goods ‘common goods’. By this I mean those public programs that help to build relational society (sociability), and sustain inclusive and rights-based human relations. The common goods provided in higher education include the fostering an equitable framework of social opportunity, not only by a progressive admissions policy in the elite public universities but by offering good quality mass higher education that facilitates braod-based learning and enhances social mobility. The provision of equal social opportunity in and through higher education is perhaps the most important of common good provided by universities. These common goods include higher education’s role in providing accessible knowledge, free of charge—it should be free—in the range of academic disciplines. The common goods also include the role of universities and vocational colleges in strengthening society and the economy in regions and provincial centres. Other common goods include relational collective goods such as tolerance and cross-border international understanding. By bringing together students from different social and ethnic backgrounds, higher education can build bridges in society. Where else will students from privileged families mix extensively with those from poor families with the potential for lasting friendships and understanding? Only in the public university. This takes the edge of class stratification and is tremendously valuable.

***[book cover]***

Another common public good in higher education is the university’s role as a conscience and critic of society and state, and the source of alternative and novel ideas—the university as a ‘public sphere’ in the sense of Jurgen Habermas. Many important social and political movements have had their origins in the university, or largely in the university, including the civil rights movement in the United States, the second wave of feminism, and much ecological activism. Nearly every important political movement in twentieth century China, from the May the fourth movement in 1919 to Tiananmen Square in 1989, began at Peking University. Arguably, student movements can be a relational public good in this sense, an important common good of society, though not everything students do takes this form.

**Tuition**

Should tuition be free in order to facilitate the public good of social equity? The public good is not free education, the public good is social equity. This is determined by a number of factors—the total size of the system, whether there are significant financial barriers that socially stratify entry, and system structure—whether there are a large number of good quality institutions and only moderate vertical stratification, or a small number of elite institutions occupied by affluent families and a large number of weak institutions in terms of quality. Highly stratified systems are both unequal in the social pattern of

enrolments, and tend to reproduce and increase inequality in society.

Tuition arrangements vary enormously across the world. They are determined more by national political cultures and the customary balance of responsibility between families and the state, than the laws of political economy or sociology. Similar tuition arrangements are associated with major differences in system structures and social equity. Widely different tuition systems are associate with much the same levels of participation. However, high fee systems are often also to be highly stratified in a vertical sense, with big differences of value, in terms of resources and status, between top and bottom institutions. That encourages social inequality in who goes where.

Tuition is free or nearly free in all of the Nordic and German-speaking countries, France, Turkey and Mexico, though there are pronounced differences between these systems in other respects. It is moderate in the Netherlands, a highly equitable system in terms of structure. Tuition is high in Korea, Japan, the US private sector, Chile, the UK and Australia.

The optimum form of higher education system is one in which participation is high, free of charge and all institutions are of high quality. This is beyond the reach of most countries at this point of time and if we are to support the growth of access into institutions of good quality we are forced to consider mixed forms of financing. However, free tuition is especially important at a certain historical stage, in encouraging families and localities to aspire to higher education, that have not previously participated in it. For poor families, in systems where tuition is paid over the counter at the point of enrolment, free tuition is essential, at any historical stage.

However, when tuition is managed on the basis of income contingent tuition loans the deterrent effects are greatly moderated; and in high participation systems, in which higher education has become normalised across the population, deterrent effects largely disappear. Student pay nothing at the point of enrolment, where higher education is in effect free. They incur a tuition debt but they do not repay this on a time-determined basis in the manner of commercial loans. They do not repay until their graduate income reaches the threshold level that triggers the loans, at which point they pay through the tax system through an increased rate of income tax. Low income earners, and women who step out of the workforce to have children, are not required to repay. The state carries the cost of the unpaid debts. The experience of the UK and Australia indicates that the net loss to the taxpayer is about the same as that incurred by commercial loan default in the United States. At the same time, income contingent loans system serve the common good objective of maintaining social access to higher education. They also provide the basis for a stable social and political consensus on the financing of higher education, helping its other public good objectives to be achieved.

*Figure 1.* **Combining the economic and political definitions**

**of public/private goods in higher education:**

Four Quadrants, four political economies of higher education



Source: author