

The public/private divide in higher education: A global revision¹

SIMON MARGINSON

Monash Centre for Research in International Education, Faculty of Education, Monash University, Victoria 3800, Australia (Phone: +613-99052834; Fax: 613-99059197; E-mail: simon.marginson@education.monash.edu.au)

Abstract. Our common understandings of the public/private distinction in higher education are drawn from neo-classical economics and/or statist political philosophy. However, the development of competition and markets at the national level, and the new potentials for private and public goods created by globalisation in higher education, have exposed weaknesses in the traditional notions of public/private. For example, (1) the statist notion that higher education is always/already a public good blinds us to its role in producing scarce positional private goods, even in free systems; (2) because there is no global state, both statist and neo-liberals model the global higher education environment simply as a trading environment without grasping the potential for global public goods in education – goods that are subject to non-rivalry or non-excludability, and broadly available across populations, on a global scale. Yet higher education in one nation has the potential to create positive and negative externalities in another; and all higher education systems and institutions can benefit from collective systems e.g. that facilitate cross-border recognition and mobility. The paper sets out to revise public/private in higher education. Rather than defining public/private in terms of legal ownership, it focuses on the social character of the goods. It argues that public/private goods are not always zero sum and under certain conditions provide conditions of possibility for each other. It proposes (a) units in national government that focus specifically on cross-border effects; (b) global policy spaces – taking in state agencies, individual universities, NGOs and commercial agents – to consider the augmentation, distribution of and payment for global public goods.

Keywords: developing nations, globalisation, Higher education, markets, public goods, tuition fees

Introduction

‘Public’ and ‘private’ are longstanding concepts from liberal political philosophy and political economy, making a famous and powerful distinction. But the world has not stood still since Locke and Adam Smith, Rousseau and Mill, or Keynes and Hayek. Government, civil society and higher education are continually changing; rendering understandings of ‘public’ and ‘private’ in education and other sectors

unstable, ambiguous and unclear. Scholars are often loose in the way they use the public/private divide; and policy makers and policy activists more so, compounding the ambiguities.

In the national dimension, where in most nations higher education is first of all understood as 'public' – the principal exception is the USA, where the prior concept is that of a higher education market – 'private' aspects of higher education have become increasingly important in recent years. At the same time, in the cross-national and global dimensions, new private and public aspects of higher education are impacting national systems, including the relationship between public and private sector institutions within those systems. The liquid metaphor of 'global flows' (Marginson and Sawir 2005) captures a sense of this shifting environment, and the leaking of the traditional categories. Global, meta-regional, national and local changes blend in unfamiliar ways. This does not mean that the new public/private landscape cannot be identified conclusively, only that this has yet to be done. This paper suggests that if the terms 'public' and 'private' are not to be abandoned, the way they are used might need to be revised.

A revision of public/private can be approached either conceptually or empirically, or both. This paper is conceptual, though it has been informed by engagement with the empirical (e.g. Marginson and Considine 2000); and it is concerned to develop concepts useful to policy analysts and policy makers as well as researcher-scholars focused on higher education. The paper begins with its assumptions and method. It then critiques traditional readings of 'public' and 'private', and notes the limitations of two of these readings: the neo-classical economic approach, and the statist approach. It then develops a working definition of public/private; and applies it in relation to three sites: higher education in general, national higher education systems, and global relations in higher education. The paper summarises its reasoning in four propositions for the revision of orthodox thinking about public/private in higher education.

Assumptions and methods

Much depends on *how* public/private in higher education are analysed. This section of the paper outlines its starting points, which shape the rest of the argument:

First, the purpose of this inquiry is primarily explanatory, rather than normative. On this ground, the test of concepts is how useful they are in

illuminating realities, not whether they confirm a theory or a pre-given teleological narrative. Likewise, the conceptual tools used in policy analysis should be determined by the purpose of the inquiry, which is to understand higher education. We should shape our tools to the practical empirical terrain, not distort the inquiry to fit it into the tools. Theories, methods and policy values are not the final horizon; they are merely three inputs into the process of explanation. That explanation might then become joined to policy objectives. If so it is better to recognise policy values explicitly, rather than bury them in the method so as to surreptitiously prejudge the explanation.

Second, the public/private distinction is often confused with three other distinctions: between state/non-state ownership, between state and market, between market activity and non-market activity. In public debate, and sometimes in the scholarly literature as well:

public = government = state-owned = non-market, and
 private = business (or civil society, or family/home)
 = privately-owned = market

This over-simplification is unhelpful and often confusing. In the politically contested area of public/private, tendencies to simplification and ambiguity are unsurprising. The conventional language of public/private is more designed for persuasion and symbolic politicking, than for explanation and analysis. But if we are to move forward, we need to deconstruct and revise this conventional language of public/private.

The core distinction in liberal theory is the dualism between state and market (for a classical statement of this position see Hayek 1960). The other duals, including public/private, have been mapped onto this core state/market distinction. But the state/market distinction, applied essentially, creates serious analytical and empirical weaknesses. For example, governments and state agencies can set up markets, manage markets, own and conduct business activity and generate profits. But if the universe is divided into separate zones of 'state' and 'market', then what are such activities, and how can they happen? Strictly, the state/non-state distinction is only about ownership. Legal ownership does matter: for example, state-owned institutions are more directly accessible to public policy makers, and under some circumstances more open to a democratic politics such as community control from below. However, in terms of the requirements of explanation and of policy making, more important than the formal legal title of ownership, is the *social and cultural character of the outcome or 'goods' produced by higher*

education institutions: the effects of these institutions in teaching/learning, research, certification of graduates, community and national service. It will be argued in this paper that such outcomes or goods can be either 'private' or 'public'. In the paper these different outcomes are separated, and explored in the context of higher education. In this context, as will be discussed below, while state-owned institutions are often the site where the provision of public goods receives explicit attention, it is possible for state-owned institutions to produce private goods. Conversely, it is possible for privately owned institutions – even, from time to time, for-profit institutions – to produce public goods.

Third, it is unhelpful to treat public and private as if they are fixed or natural attributes. The work of higher education can be public and/or private; and manifest either as individual or collective benefits. Whether higher education is public or private is policy sensitive, nested in culture (Calhoun 1998), and varies in time and place. History shows that activities such as education are often shifted between private and public, and vice versa. Similarly, it is unhelpful to treat public and private as universal or essential attributes, so that whole higher education systems, or institutions, are seen as universally 'public' or 'private'. This blinds us to the complex mixing of public and private qualities that takes place in actual institutions, and higher education systems. Yet these complexities are readily identified empirically. We occlude them theoretically only by violating our processes of observation.

Fourth, public and private do not constitute a single, homogenous logical set. In a dualistic framework it becomes a conceptual given that the more higher education is private the less it is public, and vice versa. But in the real world, the public and private elements are not necessarily zero sum. Dualism is a handicap in analysing the complex middle ground that lies between ideologically drawn extremes (Dow 1990, 1996). It is more useful to understand public and private as heterogeneous qualities, rather than as two sides of the same coin. The relationship between public and private is potentially either zero-sum or positive sum, depending on circumstances. Public and private goods are often inter-dependent, in that the production of one kind of good provides conditions necessary to the other. Examples are discussed below. Similarly, the public goods produced in higher education (or its 'public good') are not reducible to the aggregation of all private goods received by individuals; as if the individual is prior to the social, and the whole just the sum of the parts. For example, public goods include collective goods that cannot be individualised, such as the benefits of an environment of peaceful association and exchange. Here there are no

individual benefits to aggregate, the public goods are entirely comprised by contextual and relational elements.

Fifth, and most importantly, we are poorly served by a notion of public/private that means one thing in the national dimension, another at the global dimension. As is explained below, traditional usages of public/private have just that problem, despite the fact the national and global dimensions in higher education are no longer quarantined, and flow into each other. What is needed is a public/private conception that works consistently across all dimensions: the local, national, meta-national regional (e.g. the European Union), and the global.

Traditional conceptions of public/private

Traditional meanings of public/private are drawn on one hand from liberal economics, on the other from liberal political philosophy.

The conception in neo-classical economics

The neo-classical economic definition of ‘public’ goods, outlined by Samuelson (1954), refers to goods (or services)² that are non-rivalrous and non-excludable. These goods are non-rivalrous, because they can be consumed by any number of people without being depleted, for example knowledge of a mathematical theorem. They are non-excludable, because the benefits cannot be confined to individual buyers, such as social tolerance, or law and order. Few goods have both of these qualities in full. Many goods have one or the other quality in part, and can be designated ‘part-public’ goods. For example, the concept of ‘club goods’ has been developed for products that are rivalrous but non-excludable (Sandler 1999, pp. 40–42). In Samuelson’s framework, ‘private’ goods are goods that are both rivalrous and excludable.

Samuelson did something else as well – he tried to naturalise the boundary between public and private. For him a good is *intrinsically* either public or private. It is determined by the nature of the product. Products are naturally non-rivalrous and/or non-excludable, or they are naturally private goods. Samuelson assumes that the market is the norm; that the market realm is both non-state and private (reflecting the orthodox liberal duality); and therefore for reasons of allocative efficiency, private goods should be produced in markets. In this argument public or part-public goods are the exception to the norm. These goods

tend to be under-provided in economic markets: e.g. it is unprofitable to pay for goods that could be acquired free as the result of someone else's purchase because the goods concerned are non-excludable. Hence, there is a case for state financing and/or provision of such public goods. Samuelson's approach has become the dominant position in neo-classical economics, and from there has been absorbed into mainstream neo-liberal thinking in public policy.

Another concept from economics is that of 'externalities' or 'spillover' effects. In education, externalities are benefits not fully captured by the individual producer or consumer who pays for the costs of education. For example, the training of a manager may render not only her or his own work more profitable and productive, but render more profitable and productive the work of others. Likewise, when a consumer becomes literate through education, she or he becomes receptive to the print-based marketing of a range of products provided by companies that did not pay for the costs of the education.

These notions from economics of excludability, rivalry, the under-production of public goods in markets, and externalities, are helpful to us. They can take forward our understanding of higher education. On the other hand, neo-classical economics does not have all of the answers to the public/private problem. It is poorly equipped to analyse and place a value on collective goods; that is, those benefits of higher education with no individualisable component at all, such as the codification of knowledge or language; or to the contribution of education to the formation of common literacy in the population, in contrast with the individual benefits conferred by each single degree certificate. Also unhelpful is the notion of some economists that education is 'naturally' a club good, a good that is non-rivalrous in consumption but excludable because its benefits can be confined to individuals. Clearly some forms of education are rivalrous (places in Harvard University) and not all of the benefits are excludable. The claim about education as intrinsically a club good does not do justice to the variable character of higher education. Not only are some aspects of education more readily excludable or rivalrous than others, production can be configured in both public and private ways. For example, basic research published freely in the public domain is not excludable, or at least not for very long; while secretive commercial research is more readily subject to both rivalry and excludability.

It is more helpful to consider education is potentially rivalrous or non-rivalrous, and potentially excludable or non-excludable. In other words, far from the public or private character being determined by the

'intrinsic nature' of the good, the public or private character of education is a policy choice.

The conception in political philosophy

In political philosophy, public/private can take on wider meanings than economics suggests. For example, the term 'public' can cover such factors as how the good is produced and by whom, who controls it, how and how widely it is distributed, who benefits from it. Here 'public' can refer to goods that are collectively produced and/or consumed. In terms of a democratic philosophical argument, 'public' might refer to broadly accessible goods, and/or goods produced in transparent fashion, or goods whose production is subject to common decision-making within a community.

More simply however, in liberal political philosophy the term 'public' is often associated with government or state, using the ownership-based definition discussed above. Here 'private' variously refers to any non-state production; i.e. production subject to legal alienation/private ownership: 'the market' as a whole, individual markets in particular sectors, the home and family, the inner self, etc. Again it is apparent that usage is loose and eclectic; suggesting the need for consistent definitions. But as will be discussed, the legal distinction between government and non-government ownership does not comprehend the necessary range of meanings.

Problems in the traditional conceptions

In the traditional approaches to public/private, two notions are dominant. Both are dualistic, in that they treat public and private as mutually exclusive. One is the economic notion of public/private, which associates 'public' with not-a-natural market. The other is the statist notion of public/private, which associates 'public' with government or state. These two views reflect the respective political claims of economic liberalism, which are centred on the market (the private side of the dual); and social democracy, which are centred on state institutions (the public side of the dual). Both notions are flawed.

Public/private as defined by neo-classical economics is ahistorical, in that it treats public and private as natural and universal qualities. It contains an implicit bias in favour of high individualism and market

forms of social organisation. For economics, allocative efficiency is primary and this predisposes us to market solutions. Hence, the neo-liberal policy maker concludes that for the most part, higher education is a natural private good and should be marketised (Marginson 1997). Because of its instinctive predisposition to market solutions, neo-classical economics tends to downplay or obscure the potential for externalities and collective goods in higher education (Pusser 2002). For example, analyses of the rates of return to investment in higher education tend to downplay or ignore those outcomes of higher education not reducible to individualised benefits with a monetary value. Economics acknowledges the existence of individualised externalities, but shows a modest interest in the implications; and it rarely attempts to measure collective benefits. In giving policy advice, the neo-classical economist focuses attention on options that extent or alter market competition in higher education, but tends to ignore or obscure options that enhance the production of most public goods.

Private/public as defined in statist terms is equally unhelpful. First, the conception of 'public' as necessarily government or state, underestimates the independent capacity of leading individual universities to shape their own economic and social personalities through non-market activity, such as global research collaboration. Second, it neglects the capacity of universities that are formally state-owned to sell degrees to international students on a commercial basis, behaving in the manner of a private firm. Third, it neglects the potential for collective goods and externalities generated not in government but in civil association, and from time to time in markets as well. Fourth, and momentarily, statism neglects the possibility of global public goods. This is because in a philosophical framework in which public = government, 'in the international sphere, where there is no government, how are public goods produced?' (Kaul et al. 1999, p. 12).

De facto, statism treats higher education within the nation as a public and state terrain, but cross-border higher education as a private and market terrain. The nation is public, the global is a market. National higher education is public, global higher education is private. Here statism's construction of the global environment agrees with neo-classical economics. Though they disagree sharply about the national environment, both the market economist and the statist imagine the global environment as essentially a trading realm. But as I shall argue, this is an impoverished view of the global, and unhelpful to understanding higher education.

A preferred approach to public/private

In developing a preferred approach to public/private, we need to draw what is useful from both economics and political philosophy. We need a non-dualistic and non-formalistic approach. We need an approach, which gives us purchase on the realities of the higher education sector, by assisting our empirical investigations, and one that provides the potential for coherent policy thinking. We need to incorporate scope for historical relativity and policy choice, without trying to incorporate one comprehensive democratic theory or economic model. The approach should be robust in relation to a range of political and economic theorisations.

In this paper public goods are defined as follows:

Public goods are goods that (1) have a significant element of non-rivalry and/or non-excludability, *and* (2) goods that are made broadly available across populations. Goods without attributes (1) or (2) are private goods.

As suggested, it is possible for state-owned entities to produce private goods, not just public goods. And technically, it is possible to produce at least some public goods in markets, as Milton Friedman (1962) pointed out in relation to education. For example, whether vocational education is produced and accessed on the basis of market exchange or free public distribution, it is capable of creating externalities whereby the education of one person augments the productivity of others. Likewise, the sale of international education on a commercial basis may be associated with cross-border relationships that augment tolerance and cultural sharing. Generally, however, public goods are under-produced in economic markets, in which producer and consumer are explicitly focused on the private benefits for themselves, and public goods are implicit by-products of the 'invisible hand' and are not produced by design.

As suggested, sectors such as higher education are intrinsically neither public nor private. They can go either way. They can produce predominantly private goods, or predominantly public goods, or achieve an (unstable) balance between them. The mix of public and private goods is determined by public policy, institutional manager-leaders, and the day-to-day practices of personnel. As noted, whether the emphasis is on private or public goods is not determined by the 'intrinsic nature' of the good (including services) but is a prior policy decision. Whether this good is produced and distributed via competitive eco-

conomic markets is also a prior policy decision. Here, it is important to keep in mind the capacity of policy makers not just to augment market competition, but to take the counter-actions, to expand the elements of non-rivalry and non-excludability in production and distribution – for example in higher education, by more broadly distributing the benefits of degree programs and the findings of research.

Non-rivalry and non-excludability do not in themselves provide neat and simple solutions to all policy problems. Rather, they are helpful starting points for addressing complex questions that are resolved through policy and political processes. The same policy problem can pose questions of both public and private goods; and the various public and private goods can have differential impacts within a population. For example, the protection of the environment is a non-excludable and non-rivalrous public good that benefits everyone in common. At the same time this public good disadvantages some members of the community, those that benefit from environmentally damaging activities. When the environment is protected, those persons gain a non-exclusive and non-rivalrous public good (a pristine environment); lose part of another public good that is non-exclusive but under some circumstances is rivalrous (economic freedom); and experience a ‘private bad’ heterogenous to the first public good (loss of income). This example shows that public goods are not an unambiguous virtue; and that methodologically, public goods are not the simple sum of the private goods. It also reminds us that policy actions to augment public goods can involve political conflicts and often complex tradeoffs between one public good and another, as well as tradeoffs between public goods and private goods.

The question of public/private is usefully discussed in two collections prepared under the aegis of the UNDP: *Global Public Goods* (Kaul et al. 1999), and *Providing Global Public Goods* (Kaul et al. 2003). The work of this group is particularly helpful in drawing attention to the distributive aspect of ‘public’ in various sectors, and in exploring the potential policy mechanisms for augmenting and regulating global public goods, including mechanisms for negotiating cross-border costings.

Applying this to public/private in higher education

The ownership of higher education can be exclusively public, or mixed, or exclusively private. But almost everywhere in the world, what is produced is a variable mix of public and private goods. To the extent that public/private are positive sum, one can augment the other. Thus,

free state-controlled universities produce certain private goods; while at the same time even the most expensive Ivy League private universities contribute to public goods, collective goods and externalities. Though the public goods and private goods are heterogenous to each other, they are also produced in the same higher education institutions, committed to a broad range of teaching/learning, research, community and national service activities.

This is not to say that the public/private mix is always the same everywhere. In fact the different public/private balances are one of the key elements that differentiate institutions, and national policies, in higher education. Some institutions and some national systems, those in which higher education is organised as a market, place greater emphasis on private goods than do other institutions and systems. To the extent that public/private are zero sum, this reduces the potential for public goods.

Private goods produced in higher education

The main private goods produced in higher education are individualised status benefits, or positional goods (Hirsch 1976; Marginson 1997, 2004), that are obtained by students. Higher education institutions allocate scarce places that provide students with opportunities to secure superior incomes and social standing. These opportunities are arranged in a hierarchy of value. Prestige universities allocate the highest value status goods. For universities, especially elite universities, the production of these status goods is central to their social meaning. Though individual academics might have a different motivation – they might focus on the creation of knowledge, or the pastoral care of students – for elite universities as institutions, and their leaders, the drive for status is stronger than any other drive, even the drive for revenues. The ‘bottom line’ of these universities is their capacity as a status producer and status-holding attractor. Their core objectives are to advance their research reputations, which are integral to their status and attractiveness, to attract high scoring students, to produce high status graduates, to sustain the social support of the leading families and the business establishment. Revenues are important for prestige institutions, but as a means to the more fundamental purpose. In turn, their standing as a producer of high status goods helps the prestige institutions to generate the revenues that reproduce their academic leadership and social power.

It is essential to recognise that higher education plays this role in social selection, distributing individual benefits, private goods, of unequal

value that are in large part are subject to both rivalry and exclusion (though some externalities are always generated) – *even when* that higher education is entirely state-owned and free of tuition charges. Free universities can be associated with the broadening of access to private benefits and even the flattening of status distinctions, enhancing the elements of non-rivalry and non-excludability and reducing the role of private goods: herein lies the political case for free education. Nevertheless, even in an egalitarian regime, in which the role and value of private goods is diminished, those private goods as such do not disappear – unless everyone receives a degree, and all degrees have the same standing, which has yet to happen anywhere. And because the private goods provided in higher education are subject to economic scarcity, and both their production and consumption are subject to competition – students compete for access to status goods, universities compete with each other for the best students and for status leadership – the production of these private goods is readily turned into an economic market. This can be either a near-pure commercial market as in the education of foreign students in the UK and Australia, or a subsidised semi-market as in the higher education of domestic students in the USA, where the overall ratio of tuition price to cost is about 0.4 (Winston 2003).

Marketisation is attractive to governments because it defrays the fiscal cost. In policy discourses, both public spending on higher education, *and* reductions in public spending, are variously understood as public goods – depending on whether public spending is defined as a benefit-creating public investment, or as a cost to those taxpayers that receive zero private goods from higher education.

Public goods produced in higher education

Higher education produces certain public goods whether it is marketised or not. The classic public goods are knowledge, collective literacy and common culture. As Stiglitz (1999, p. 308) notes, knowledge is almost as close as we can get to a natural public good. The mathematical theorem retains its value no matter how many times or how many people use it. Nor can its benefits long be confined to particular individuals. Knowledge itself (as distinct from its expression in particular artefacts such as texts) can only ever be a temporary private good. ‘Know-how’ can be codified in intellectual property regimes and thus subject to alienated private ownership, but once it is used it can no longer be confined, especially in a networked environment. It is non-rivalrous and

only temporarily excludable. It is more a collective than an individual good, and is always under-produced in markets.

Literacy and cultural formation are both individualised and collectivised. Like knowledge, they have many unforeseeable externalities, short-term and long-term. Aside from specialised idioms, literacy is non-rival and largely non-excludable. Cultural formation can be rivalrous and exclusive. Bourdieu (1986) argues that cultural capital is deployed as a means of segmenting society in a vertical hierarchy and establishing exclusive networks. However, cultural formation can also be democratised; and a universal bedrock of collective common culture provided for everyone in education: this tends to be under-provided in markets.

Another public good is the structure of social opportunity provided by higher education. Equitable access tends to be underprovided in markets because the effects of private capacity to pay and exclusive behaviour by producers are to create absolute barriers to entry, and/or to stratify opportunity between high cost high value and low cost low value institutions. The provision of an equitable structure of opportunity is one of the principal drivers of government regulation, financing and provision of higher education throughout the world. Nevertheless, it invokes often complex distributional issues and political tradeoffs. For example, by improving the access of under-represented groups, affirmative action creates a more equitable system, which is a public good. At the same time programs that create more places for some students subtract places from other students. Affirmative action is ambiguous: it has both a common public good aspect (it contributes to fairness) and a private good aspect subject to rivalry and excludability (access to scarce university places). It also invokes a contest about which aspect of the public good, fairness, is more important: the principle that higher education should be representative of the population, which favours affirmative action; versus the principle that all applicants should be subject to identical treatment. The distinction between public and private goods does not in itself solve distributional issues. However, it contributes to policy frameworks in which the core issues can be identified, negotiated and resolved.

Implications of state ownership and of markets

In democratic regimes, demands for enhanced public benefits and/or diminished private benefits are more readily brought to bear on government agencies, because these are normally subject to democratic

accountability. (This is not necessarily true in other kinds of state, for example when one family, kinship group or fraction of business or the military captures the state machine and utilises it to produce private benefits exclusively for the dominant group, while excluding all other potential beneficiaries). There is no guarantee that state-controlled production will be non-rivalrous and non-exclusive. Whether this happens is a matter of practical politics and policy.

What is decisive in determining the public/private character of the goods produced is not ownership as such, but the purposes of the institution or unit. Commercial research centres, in either state or private universities, want to maximise the length of time knowledge remains excludable, confined to private ownership and accessible to exploitation by its owners, before entering the public domain. Likewise, if the purpose of teaching is exclusivist – the reproduction of an elite profession, or the interpolation of cultural capital into the heads of a few – this enhances the private character of the goods. As noted, marketisation is associated with the creation of some public goods; in fact there are circumstances where market exchange creates new networked relationships, which have public goods spin-offs that might not otherwise have existed. Nevertheless, marketisation tends to change the purpose of erstwhile public production, for example from generating collective public benefits to generating individualised, saleable private benefits. It may increase the value of superior status goods by driving up cost and exclusivity, and it may diminish access to those goods; that is, diminish equal educational opportunity to acquire those goods. As noted, equal educational opportunity is a public good readily lost in the transition from state-run systems to markets.

In sum: public/private in higher education

Higher education is potentially rivalrous or non-rivalrous, excludable or non-excludable. It produces a complex and variable mix of public and private goods. These different goods are often inter-dependant and related in positive-sum fashion. For example, growth in the number of individualised private benefits produced in higher education can lead to more spill-overs and collective benefits; so that an expansion in private benefits, far from constituting a simple subtraction from public goods, in some respects increases those public goods. Nevertheless, a move to markets is normally associated with enhancement of the role of private goods relative to public goods, i.e. in the context of functioning economic markets the relationship has a zero-sum element. For example high tuition regimes can undermine equality of opportunity. In general,

market forces tend to augment rivalry and exclusion, and under-provide goods characterised by non-rivalry and non-exclusion. Pro-market ideologies and policies tend to conceal the possibility and actuality of public goods from view. However, under-recognition and under-production do not eliminate public goods altogether. Markets in higher education suggest the need to policies designed to enhance those public goods that markets create, and to compensate for those public goods that markets tend to suppress from view and in effect.

Changing public/private boundaries: (1) the national dimension

Recognising private goods within national systems

There is a worldwide (though not quite universal) trend in higher education to enhance the production of private goods, especially through the installation of market mechanisms. In systems where economic market forces have been largely absent, these are beginning to appear. In systems where inter-institutional competition and tuition charges have been the norm for some time, these factors are becoming more productive, more shaping of the social character of higher education. The trend has several aspects: increase in the incidence and size of tuition charges, the re-organisation of national systems as competitive quasi-markets, an increase in competition from private institutions, a partial shift from basic to commercialisable research, the sale of other university services as private goods, etc. In many nations, state administration has become less pastoral and more reliant on mechanisms for steering from a distance, in relation to self-managed institutions. In some nations universities are treated increasingly as semi-independent corporations. The tendencies to corporate independence and revenue-raising via private goods are enhanced by globalisation, which provides a new global sphere of operation for institutions and valorises the sale of courses. The upsurge in full-price international student places, as in the UK and Australia, cuts across older national policy frameworks that regulated opportunities politically not economically.

These tendencies have different manifestations depending on which national system we are in. Because the empirical and conceptual starting points vary by nation, the global trend to marketisation has varying meanings. In Western European nations, and parts of Asia, traditional analysis is statist. Reading off the formal juridical structure of higher education, it sees the goods produced as necessarily public. This

obscures the role of private institutions, and neglects the character of the actual goods produced. It is important that the character of these private goods is grasped, whatever the policy purpose: whether to expand the number of private goods, or enhance their value, or distribute them more equitably, or narrow the value differentials, or diminish the role of private goods altogether: This suggests that in relation to the higher education systems of Western European and some Asian nations, we need to reconsider the conventions of public/private. Hence Revision 1:

Revision 1: In national higher education systems, higher education is not overwhelmingly public in character. Regardless of formal ownership or fee systems, a substantial part of the goods produced in higher education are private goods.

Recognising public goods within national systems

In the English-speaking countries the starting position is different. The concept (in fact ideology) of higher education as a producer of private benefits has become entrenched in policy and in economic studies of higher education, one of the outcomes of the neo-liberal era in education policy. In the UK, Australia and New Zealand, Revision 1 took place in the 1980s. In the USA, it was not required – the notion of higher education as a market of institutional producers of private goods is long-standing. In those nations the conceptual weakness is the opposite one to that of Western Europe. In the English-speaking nations, instead of private goods being downplayed, most of the emphasis is routinely placed on the private benefits of higher education, in part to provide rhetorical support for a shift from taxpayer financing to student fees (so that the claim that the benefits of higher education are predominantly private becomes self-fulfilling). Following Friedman (1962) on public/private this approach focuses on the public cost to the taxpayer – the so-called ‘distributional equity’ argument – with little acknowledgement of the public benefits received by the taxpayer, via collective goods and externalities. It neglects public goods such as the long-term contributions made by basic research infrastructure and the spread of advanced literacy and scientific competence. This suggests that in those nations at least, what is required is Revision 2.

Revision 2: In national higher education systems, higher education is not overwhelmingly private in character. Regardless of formal

ownership or fee systems, a substantial part of the goods produced in higher education are public goods.

In sum: public/private in the national dimension

National higher education produces a mix of public and private goods, whatever the tuition or ownership regime. The mix is highly variable and policy sensitive. In some nations, private goods are under-recognised; in other nations public goods are under-recognised.

Changing public/private boundaries: (2) the global dimension

Globalisation is expanding the potentials for both global private goods and global public goods in higher education. By globalisation I mean ‘the widening, deepening and speeding up of world wide interconnectedness’ (Held et al. 1999, p. 2). Globalisation is often associated with the production of increased private goods, through cross-border production and trade liberalisation within the global financial system. But globalisation also augments the scale of and scope for public goods. Global interdependence increases the extent of cross-border externalities, whereby actions in one nation create benefits or costs for the people in another. Likewise, the development of global systems enhances the potential for collective goods, in the double sense of the collective population (e.g. the spread of knowledge about problems of public health) and the collective of nations (e.g. the coordination of banking systems).

Global private goods in higher education

The main global private goods produced in higher education are the degrees obtained by cross-border foreign (international) students, individualised status goods produced by higher education institutions in the exporter nations. Foreign education is largely self-financed (OECD 2004). Educational capitalism plays a larger role in the markets in global mobility in and through education, than in the national markets in status goods. The UK and Australia lead the commercial vanguard (Marginson 2004). Foreign degrees are global goods in two senses: the degrees are obtained in border-crossing, and the degree credentials can be utilised in more than one nation. The main growth of global private goods is in credentials providing entry to globalised fields of employ-

ment such as Business Studies, Information Technology and scientific research. When obtained in reputable universities, these degrees have the potential to open individual career opportunities in many nations.

The commercial education of foreign students also constitutes global public goods, in importer nations where offshore places constitute a significant extension of national educational capacity and individual student choice. However, the high private costs normally inherent in foreign education tend to reduce this distributional 'publicness' by narrowing the size of the population that can gain access to the public goods. For example, the average annual cost of higher education in the UK or the US state universities, including both tuition and average living costs, is about ten times average per capita income in China. Cross-border markets are associated with other public goods such as cross-cultural communication and understanding; and fee-based teaching that involves collaboration between universities across borders can lead to enhanced cross-border research collaboration, and recognition systems.

Global public goods in higher education

Global public goods can be defined as follows:

Global public goods are (1) goods that have a significant element of non-rivalry and/or non-excludability *and* (2) good that are made broadly available across populations on a global scale. They affect more than one group of countries, they are broadly available within countries, and they are inter-generational; that is, they meet needs in the present generation without jeopardising future generations (Kaul et al. 1999, pp. 2–3).

Global externalities include not just public 'goods'; there are also negative externalities, 'public bads' such as cross-border pollution. Global public goods are under-provided in markets, while global public bads tend to be over-provided in markets. Global externalities arise both in cross border relationships and flows between nations; and in meta-national regional and worldwide regulation, systems and protocols; e.g. the Washington Accords in engineering, and the Bologna Declaration of a European higher education space. Multilateral forums can directly create global public goods, particularly collective goods. Higher education is extensively and intensively networked on an international scale, for example through research collaborations, e-mail, and

institution-to-institution negotiations. This enhances the potential for global public goods, including both externalities and collective goods. It also enhances the potential for global public bads.

Global public goods include knowledge in the different fields; the effects flowing from the passage of academic ideas and knowledge, and cross-border research collaborations. There is cross-cultural exchange, and the augmentation of international understanding and tolerance. There are the systems and processes for facilitating cross-border recognition of universities, qualifications and individuals, etc. Higher education is a particularly fecund site for global association, in that like business transactions, it creates 'bridging' type networks not just with kinship, locality and other natural affinity groups, but also with erst-while strangers. Global public bads include brain drain from particular nations, and the downside of cultural homogenisation which creates negative externalities in many nations.

Intermediate and final global goods

It is useful to distinguish between intermediate global public goods and final global public goods (Kaul et al. 1999, p. 13). In higher education, final global public goods include such outcomes as the spread of knowledge; cultural exchange and understanding; and the expansion of national capacity in higher education via foreign education. Intermediate global public goods are mechanisms making these outcomes possible; such as the systems for transmission, publication and codification of academic ideas and knowledge; and practices sustaining global people mobility such as protocols for cross-border recognition. Along with finance and communications, the knowledge system is one of the primary global systems.

Final global public goods can be produced by intermediate goods, both public and private. For example, as noted the global commercial market in degrees rests on the production of private goods, but at the same time it contributes to international understanding. Likewise intermediate global public goods can facilitate the production of global private goods. For example, recognition protocols, transport systems and the global financial system are essential to global markets in higher education. This again underlines the point that far from being always zero sum, public and private goods are often inter-dependent.

Whose global public goods?

While most nations experience two-way flows of personnel in the global higher education environment, and personnel who migrate abroad often continue to relate to higher education in their country of origin, the flows can be unequal as they impact on particular nations. An increase in overall 'brain circulation' overall constitutes global collective goods, like an increase in the volume of research knowledge that moves across borders. But the same process can create both global collective goods overall, and global public bads in the form of negative externalities in particular nations. In extreme cases, such as poor developing nations, the flows of personnel are one-way: globalisation simply subtracts from the capacity to create public and private goods at the national level.

There is a similar ambiguity in higher education networks. Networking in general (like people mobility and research links) is a public good because it is associated with an enhanced potential for data flow, diverse perspectives and joint production. On the other hand networks can exclude as well as include. They might create public benefits among some but not all nations, violating the tests of 'broad availability' or 'global scale'. In some cases they take the form of collusion or monopoly.

Like national public goods, many global public goods involve distributional issues and these require cross-border negotiation. The same phenomenon can be a collective global public good, a global good in particular nations, and a global public bad in other nations. The key question is *whose* global public good? Like communications the research and knowledge system is culturally asymmetrical, dominated by the English language. By tending to displace non-English language academic conversations, the global spread of English-language knowledge creates negative externalities in many nations³, despite the public goods obtained by access to broad-based global knowledge. In nations whose traditional academic literatures are in, say Spanish or Chinese, these literatures are devalued even at home, because of the prestige of global knowledge systems. In other words, in the context of globalisation as homogenisation, there is the potential for rivalry and excludability between nations, within the production and distribution of global public goods. A more culturally and linguistically diverse global research conversation would enhance global public goods in those nations; and arguably would also enhance the collective global good.

In general, developed nations have a superior capacity to access both global private and global public goods in higher education. They con-

tain more people with the ability to pay for global private goods, and they contain more developed infrastructures and trained personnel able to access research knowledge and turn it into technology transfer within the nation. Overall, though, less developed nations stand to benefit more from national and global public goods, than from global private goods. Access to educational places in foreign nations is often associated with brain drain, and is less valuable than growth in the number of higher education places at home, in institutional infrastructures that have multiple long-term potentials to create both public and private goods at home and abroad.

Under-recognition of global public goods (actual and potential)

Despite the role of global knowledge and recognition systems, and the global 'brain flows' at doctoral level that are having increasing impact in individual nations, global public goods in higher education and elsewhere are not well understood, and are under-recognised.

As noted, public goods involve non-rivalry, non-exclusivity and democratic distribution, and are under-provided by markets. Public goods can only be effectively considered and regulated in a policy space. But there is no global policy space in higher education. It is an interdependent world, characterised by cross-border flows, but it is also a Hobbesian world of autarkic and contesting nation-states defined by a zero-sum geographical alignment. Government and policy practices are mostly confined to the separated national units. With the important but limited exception of Europeanisation, international agencies and protocols play a minor role. The problem has been defined as a 'jurisdictional gap'. There is a 'discrepancy between a globalised world and national, separate units of policy-making' (Kaul et al. 1999, p. xxvi). In the absence of a global policy space where global public goods can be effectively considered, international higher education becomes treated as predominantly as a trading and market environment, in which only the production of global private goods is recognised. It becomes treated exactly as both neo-liberalism and statism imply.

The principal global forum in higher education is the WTO/GATS negotiating framework, which is focused on higher education as a tradeable good. In the WTO/GATS process there is little consideration of the value of free flows of knowledge, or of the need to align national recognition protocols except to the extent these structures may augment or inhibit global trade. There is no consideration of such 'public bads' as

the gross unevenness between national education systems, in capacity, resources, cultural power and opportunities for individual citizens; and how these global inequalities inhibit human development. In WTO/GATS terms, universities that operate as public non-profit institutions at the national level become categorised as private providers when operating in another nation's space. They are often seen as indistinguishable from for-profit providers⁴.

Putting the nation-state into the global dimension

Thus in the global dimension we find ourselves handicapped by an impoverished framework for analysis and policy-making. Again, orthodoxy needs to be revised. First, it is necessary to factor back in the global role of the nation-state. There are two reasons for this. One reason is that whereas the notion of the global environment as fundamentally a trading environment suggests that the market constitute the main development path for emerging national systems, development driven by governmental provision remains a viable strategic alternative. In some circumstances non-market state provision is superior, particularly in the poorer economies. 'Whether – and how – global public goods are provided determines whether globalisation is an opportunity or a threat' (Kaul et al. 2003, p. 2), especially in the smaller nations and emerging higher education systems. We provide higher education as public goods either because there is market failure, because markets cannot do the job; or we opt for public rather than private goods to increase the elements of non-rivalry and non-excludability; and/or to evade the opportunity costs and direct costs of the baggage that comes with marketing and competition. As Pusser notes:

The fundamental arguments for public supply [i.e. non-market production by government agencies] are that it offers the most direct utilisation of public subsidies, and that it is the organisational type best suited to the rapid expansion of higher education... there is no diversion of the public subsidy to profit, hence more of the subsidy goes to the production of preferred goods' (Pusser 2002).

This argument is stronger if the 'preferred goods' are externalities or collective goods.

The second reason why the nation-state should be brought back into the picture is that 'governments must assume full responsibility for the

cross-border effects that their citizens generate' (Kaul et al 1999, p. xxvii), including the effects generated by their higher education institutions. Global externalities affect national systems; and global collective goods have a substantial potential to facilitate both global flows, and local/national higher education. This suggests the need for an inter-governmental global space focused specifically on higher education, where (1) the costs and benefits of externalities can be defined and managed, enabling national governments to incorporate consideration of cross-border externalities into their routine national decision-making; and (2) collective goods can be negotiated and developed, e.g. cross-country recognition and quality assurance systems; and the removal of barriers to people movement. This suggests the need for Revision 3, which puts the nation-state sector and public goods into this ostensibly marketised, private goods producing, global sphere.

Revision 3: In the global environment, higher education involves not just production of private goods in a trading environment, but the production of significant public goods. We need an inter-governmental space, in which global educational public goods are recognised, measured where possible, and facilitated.

Implicating private agents in the global public space

The second necessary revision is to broaden the genesis of global public goods, beyond governments. We live in a world of plural identities, and many non-government associations have claims on our loyalties. These associations are often meta-national and global in form. We also live in a world of institutions, and many of these institutions operate across borders (Sen 1999, pp. 116–125). For example, higher education institutions are increasingly important global actors in their own right, particularly research-intensive universities. Research including scholarship is the quintessentially global aspect of university life; and the free flow of knowledge and communications depends crucially on the exercise of self-restraint by governments. Like higher education, public goods are not state bound. Governments are not the only source of public goods; and they should not block other sources of public goods. Given that inter-governmental cooperation is not the only form of global cooperation, this suggests the need for Revision 4.

Revision 4: In addition to national governments and international agencies, global negotiations concerning global public goods in

higher education should also take in civil agents, including autonomous higher education institutions, disciplinary communities, and professions, and also the relevant market actors given that their production of private goods can also create public goods.

In sum: public/private in the global dimension

In the global dimension higher education produces a mix of private and public goods. Globalisation enhances the potential for both kinds of goods. The mix is policy sensitive, but there are no adequate forums for global policy making. Global private goods are broadly understood. Global public goods – and the potential contribution of inter-governmental forums, and non-government agents, to those goods – are not.

Conclusions

We become all too easily trapped in understanding higher education in terms of a dualistic public/private ideology, and a policy horizon still bounded by the nation-state despite the obvious fecundity of globalisation. A revised approach is needed. This paper suggests that:

- In one respect we should follow the neo-classical economists, who apply the categories of public/private to the *outcomes* of higher education (public/private goods), rather than ownership (state sector/non state sector). In another respect we should *not* follow the neo-classical economists, who privilege higher education markets at the national level, and fail to grasp public goods at the global level. We should not follow the statist, who ignore the potential for private goods and the role of markets in national higher education, confine policy to the national sphere, and fail to grasp public goods at the global level.
- In determining the nature of the goods, public or private, whether or not the goods are market-produced is much more important than whether or not they are state or non-state sector produced. Though state institutions are – arguably – more open to policy making than are privately owned institutions, both state and private sector institutions produce public and private goods, and both sectors are accessible to policy. Ownership and policy are only two of the inputs that determine higher education⁵.

- Public and private goods are particular rather than universal attributes. Goods produced in higher education can shift from public to private and vice versa, but their location is historically determined and policy sensitive. Public and private goods are heterogeneous. Their dynamics are different. In certain circumstances they can augment each other, while in other circumstances the relationship is either/or, creating the challenge of determining optimality.
- Public goods often involve complex distributional issues, whereby one agent's public good is another agent's public bad or private bad. These issues can only be resolved through policy and political processes. They are not determined by definitions, though better definitions of public/private help.
- Given globalisation, from both analytical and policy viewpoints, we need tools that enable us to fully grasp private and public goods at the global level, and relate this to national systems and local higher education. Global public goods in higher education are *the* key to a more balanced, globally friendly, 'win-win' worldwide higher education environment, in which the contribution of higher education to the developing world is enhanced. At the same time, one nation's global public good (and even the collective public good) can be another nation's negative externality, its global public bad. Again, there are distributional issues to consider.
- From an analytical viewpoint, we need to develop tools for logging cross-border externalities, such as 'brain circulation'. We need a combination of quantitative tools for measuring that which can be measured, and qualitative tools that enable complex synthetic judgments to be made. We need to define more precisely the potential of global collective goods in higher education, such as an integrated world-wide system for recognition of institutions and qualifications.
- From a policy viewpoint, at the national level we need units within government focused specifically on global externalities. Such units could develop financial techniques enabling the internalisation of externalities, identifying national optimal cross-border knowledge flows, etc. We also need an inter-governmental global space focused on higher education. When the benefits of global public goods are identified we can talk seriously about costs, cost-sharing, and the negotiation of inter-governmental

agreements. International agencies have a pivotal role, providing they have the confidence of the sector across both developed and developing nations.

- We need to enhance access to the global public goods already available, particularly research. Building national capacity in higher education in the developing world (an intermediate global public good) is a condition for the broader circulation, reception and production of knowledge (an intermediate and final good), which in turn establishes better global balance (a final good). The democratisation of both planning and production, of national and global public goods, renders them more transparent and encourages a broader distribution. It enhances their 'publicness'. Democratisation is achieved by making public goods explicit, encouraging policy discussion, and involving the range of non-state agencies and actors.

Notes

1. This paper has been adapted from a keynote address to the Conference of Higher Education Researchers (CHER), University of Twente, Enschede, 19 September 2004. The CHER conference was focused on the public/private question. Warm thanks to Erik Beerkens, Jurgen Enders, Marijk van Wende, Ben Jongbloed, Guy Neave, other colleagues who took part in discussion at the CHER conference, and the reviewers for *Higher Education*.
2. In this paper the term 'goods' is used in a generic sense to refer to all forms of production including those industries conventionally characterised as 'services' such as education. 'Goods' refers to benefits obtained, which includes benefits that are intangible/non-corporeal, as well as those manifest in corporeal commodities.
3. Here I am indebted to my colleague Imanol Ordorika from the Universidad Autonoma de Mexico (UNAM).
4. When abroad public universities may operate via university-controlled private companies; but often this is a symptom of the discursive construction of global higher education as global trade, rather than the cause. Even when foreign universities operate in their normal guise they are treated as private providers, and mostly, their contribution to public goods in the nation of operation is ignored.
5. Other relevant inputs include legal structures and regulation, economic and financial flows and systems, democratic relations with localities and nations, knowledge economy relations with business and industry, disciplinary networks, interface with the learned professions, internal cultures, organisation and management, technologies, and last but not least, international networks.

References

- Bourdieu, P. (1986). *Distinction: A social critique of the judgment of taste*, translated by R. Nice. London: Routledge and Kegan Paul.
- Dow, S. (1990). Beyond dualism, *Cambridge Journal of Economics* 14, 143–157.
- Dow, S. (1996). *The Methodology of Macroeconomic Thought*. Cheltenham: Edward Elgar.
- Calhoun, C. (1998). The public good as a social and cultural project, in Powell, W. and Clemens, E. (eds.), *Private Action and the Public Good*. New Haven: Yale, pp. 20–35.
- Friedman, M. (1962). 'The role of government in education', in *Capitalism and Freedom*, pp. 85–107. Chicago: University of Chicago Press.
- Hayek, F. (1960). *The Constitution of Liberty*. London: Routledge and Kegan Paul.
- Held, D., McGrew, A., Goldblatt, D. and Perraton, J. (1999), *Global Transformations: Politics, Economics and Culture*. Stanford: Stanford University Press.
- Hirsch, F. (1976). *Social Limits to Growth*. Cambridge, Mass: Harvard University Press.
- Kaul, I., Grunberg, I. and Stern, M. (1999). *Global Public Goods: International Cooperation in the 21st Century*. New York: Oxford University Press.
- Kaul, I., Conceicao, P., Goulven, K. and Mendoza, R. (2003). *Providing Global Public Goods: Managing Globalisation*. New York: Oxford University Press.
- Marginson, S. (1997). *Markets in Education*. Sydney: Allen and Unwin.
- Marginson, S. (2004). Competition and markets in higher education: a 'glonacal' analysis, *Policy Futures in Education* 2(2), 175–245.
- Marginson, S. and Considine, M. (2000). *The Enterprise University: Power, governance and reinvention in Australia*. Cambridge: Cambridge University Press.
- Marginson, S. and Sawir E. (2005) Interrogating global flows in higher education, *Globalisation, Societies and Education* 3(2) [in press].
- Organisation for Economic Cooperation and Development (OECD) (2004). *Internationalisation and Trade in Higher Education: Opportunities and challenges*. Paris: OECD.
- Pusser, B. (2002). Higher education, the emerging market and the public good, in Graham, P. and Stacey, N. (eds.), *The Knowledge Economy and Postsecondary Education*, Washington D.C: National Academy Press.
- Samuelson, P. (1954). The pure theory of public expenditure, *Review of Economics and Statistics* 36(4), 387–389.
- Sandler, T. (1999). Intergenerational public goods: Strategies, efficiency and institutions, in Kaul, I., Grunberg, I. and Stern, M. (eds.), *Global Public Goods: International cooperation in the 21st century*. New York: Oxford University Press, pp. 20–50.
- Sen, A. (1999). Global justice: beyond international equity, in Kaul, I., Grunberg, I. and Stern, M. (eds.), *Global Public Goods: International cooperation in the 21st century*. New York: Oxford University Press, pp. 116–125.
- Stiglitz, J. (1999). Knowledge as a global public good, in Kaul, I., Grunberg, I. and Stern, M. (eds.), *Global Public Goods: International cooperation in the 21st century*. New York: Oxford University Press, pp. 308–325.
- Winston, G. (2003). *Towards a Theory of Tuition: Prices, Peer Wages, and Competition in Higher Education*, Discussion Paper Number 65, Williams Project on the Economics of Higher Education. Williamstown: Williams College.