

Higher education: a public good or a commodity for trade?

Commitment to higher education or commitment of higher education to trade

Jandhyala B. G. Tilak

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Abstract Conventionally, higher education is regarded as a public good, benefiting not only the individuals but also the whole society by producing a wide variety of externalities or social benefits. Of late, however, the chronic shortage of public funds for higher education, the widespread introduction of neo-liberal economic policies and globalization in every country and in every sector, and the heralding of the international law on trade in services by the World Trade Organization and the General Agreement on Trade and Services—all tend to challenge the long-cherished, well-established view of many that higher education is a public good, and to propose and legitimize the sale and purchase of higher education, as if it is a normal commodity meant for trade. The very shift in perception on the nature of higher education from a public good to a private good—a commodity that can be traded—will have serious implications. The paper describes the nature of the shift from viewing higher education as a public good to a private, tradable commodity and its dangerous implications.

Keywords Higher education · Globalization · Public good · WTO/GATS

Introduction

Conventionally, education has for a long period been regarded as a public good, producing a huge set of externalities (mainly positive externalities), benefiting not only the

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J. B. G. Tilak (✉)
National University of Educational Planning and Administration, 17-B Sri Aurobindo Marg,
New Delhi 110016, India
e-mail: jtilak@vsnl.com

individuals but also the whole society. In case of higher education too, not only educationists, but also other social scientists and thinkers including economists, have recognized the public good nature: higher education constitutes a public good in itself, and also it produces public goods, benefiting simultaneously the individuals and the larger society. This view has been almost universally prevalent for a long period, influencing public policies on higher education.

In recent years, however, the growth in market forces and more importantly international law on trade in services tend to question or simply gloss over the long-cherished, well-established view of many that higher education is a public good and to propose and legitimize the sale and purchase of education, as if it is a commodity meant for trade. Higher education tends to be not regarded as a public good or a social service, and it appears as if we have “lost the ‘public’ in higher education” (Zemsky 2003). Even in the earlier decades, while there were some who questioned the concept of higher education as a public good, the heralding of the neo-liberal and globalization policies, and later the advent of international trade in educational services accentuated such thinking. Public good and similar principles are viewed as too naive to be relevant in the rapidly changing, increasingly privatised and liberalised modern context.¹ The conventional wisdom is becoming rapidly invaded by the strong, powerful forces of national and international mercantilists, represented in the World Trade Organization (WTO) and the General Agreement on Trade and Services (GATS), the institutions that were set up outside the United Nations system. Higher education is seen primarily as a private good, as a tradable commodity that can be subjected to the vagaries of national and international markets. As Knight (1999) summed up:

With the massification of higher education, increasing at an exponential rate, there is strong interest on the part of large and small countries to make the export of education products and services a major part of their foreign policy. In fact, we see major shifts in foreign policies where education was primarily seen as a development assistance activity or cultural programme to one where education is an export commodity.

In short, higher education is subject to severe pressures from domestic and international markets. The divide between public policy and commercial activities is at stake. In a sense, at the centre of the current debate is a fundamental clash of values between traditional versus modern, state versus market, national versus global, and educational versus commercial. This article reviews the arguments on both sides: higher education as a public good and higher education as a tradable commodity, and argues how important it is to recognize and resurrect the public good nature of higher education.

What is a *public good*?

Let us start with the basic question: what is a public good? Among the several beautiful concepts that economists have contributed to development studies, the concept of public good is an important one.² What is a public good? Economists (see Samuelson 1954; also Musgrave 1959) define public goods as those that are non-excludable and non-rivalrous,

¹ See Tilak (2008) for a review of Indian experience in this context.

² Hence, it is not proper to blame, as some (e.g., Grace 1994) do, economic science for the neglect of public good nature of education.

i.e., such goods cannot be provided exclusively to some; others cannot be excluded from consuming them; secondly, non-rivalrous means their consumption by some does not diminish other people's consumption levels of the same goods. Public goods generate a large quantum of externalities, simply known as social or public benefits. Public goods are available to all equally; marginal utility is equal, and the marginal cost of producing public goods is zero. They are also collective consumption goods.³ Economists consider all public goods that strictly satisfy all the above conditions as *pure* public goods; alternatively, other public goods that do not necessarily fully satisfy all the conditions are seen as *semi-* or *quasi-*public goods. Further, if the benefits of public goods are limited geographically, they are called *local* public goods (Tiebout 1956); and the public goods whose benefits accrue to the whole world are called *global* or *international* public goods (Stiglitz 1999).⁴ By contrast, private goods are altogether different; they do not satisfy any of these conditions.

An important implication of public goods is: production of public goods has to be financed by the state out of general revenues, without necessarily relying on prices or any user charges like student fees, and markets, as individuals do not completely reveal their preferences and will not be ready to meet the full costs. Therefore, the personal or market provision of public goods is not feasible, and even if feasible is inefficient.⁵ Even if some public goods are excludable, market mechanisms cannot provide public goods efficiently and cannot ensure optimum levels of production. Public goods are typically characterized by underproduction in a market situation, because private demand would fall severely short of socially optimal levels. Besides, public goods are generally made accessible to all and they are not subject to competition. That the provision of such goods is subject to market failures, and that economies of scale also operate in case of many of the public goods, further support their public provision. In fact, public goods that are subject to economies of scale are better provided by the state as a monopolist, than by many, as the economies of scale enjoyed by the single supplier far outweigh any efficiency gains from competition. To prevent the abuse of the monopoly power, and to ensure that any producer surplus is returned to the society, it is only natural that it is produced and supplied by the state. On the other hand, private goods are not available to all and they are subject to principles and laws of markets.

Some view that the distinction between public and private goods is “technical” and “ideological” and that classification of public goods is not an absolute one; it depends upon government policies, market conditions, level of development and political realities. After all, public goods have been provided since the Middle Ages, and hence they need to be redefined time and again in consideration of changing political realities (Desai 2003). Sadmo (1998) argues that normative theory serves better than the positive theory in recognizing and classifying the public goods.⁶ The concept of public goods needs to be interpreted, considering all aspects—the intrinsic nature of the given good, the public

³ But not all collective consumption goods are public goods. Some of them are “price-excludable” goods, i.e., some can be excluded using the price mechanism (e.g., clubs), some are “congestible” goods, i.e., the more the consumers, the more congestion there is (e.g., a public road, or a music programme in an auditorium).

⁴ Stiglitz (1999) has identified five such global public goods, viz., international economic stability, international security (political stability), international environment, international humanitarian assistance, and knowledge. See also several papers in Kaul et al. (1999) and Kaul et al. (2003).

⁵ For example, each one cannot have a school; or each cannot and should not be allowed to have a pistol for safety.

⁶ See Besley and Ghatak (2006) for a discussion of different types of public goods, including market-supporting and market-augmenting public goods, and on spontaneous provision of public goods.

goods it produces, the social purpose it serves, and the limitations of markets or what is widely known as market failures in the production of such goods.

Is higher education a public good?

Some argue that higher education cannot be treated as a public good as it does not satisfy either of the first two features, viz., non-excludability and non-rivalrousness. Entry into education institutions, it is argued, can be restricted to some, and others can be excluded; and since the places of admission are generally given, admission to or consumption by some necessarily means reduction in the consumption levels of others. Similarly it is argued that there are additional costs in providing access to higher education to additional members of the society. This, in my view, is a very narrow interpretation of the technical attributes of public goods and of consumption of education. As Stiglitz (1999) has argued, knowledge, thereby higher education and research, does satisfy all these conditions. As an illustration he has given the example of a mathematical theorem, which is non-excludable (once it is published no one can be excluded from reading and enjoying the theorem), and non-rivalrous (one's enjoyment of the theorem will not affect other's enjoyment of the same). It is equally available to all, all may have same utility. There is zero marginal cost for making it available to an additional person.⁷ For the same reason higher education is also regarded as a collective good, as the cost of excluding an additional person from benefiting from higher education can be infinite, while the cost of an additional person can be nil (Johansson 1991, pp. 63–64).

Few deny the existence of externalities in case of higher education. So if the consumption is interpreted as consumption of benefits from education, not consumption of a good per se (admission to a university in the present case), education satisfies both the essential features: the spread of benefits from an educated citizenry cannot be restricted to a small population, nor is the quantum of benefits received by some affected by the level of benefits others receive. As Stiglitz (1986) noted, there are two critical properties of public goods: it is not feasible to ration public goods, nor it is desirable to do so. While it may be feasible to ration admissions to higher education it is not feasible to ration the distribution of benefits that flow from higher education; nor is it desirable to ration admissions to higher education (Weisbrod 1988). Exclusion of the poor from the consumption of education will result in a loss of overall equity as well as efficiency in the economy. Thus education, specifically higher education, satisfies all the three essential features of public goods: they are non-excludable, non-rivalrous and they produce externalities. Other associated features of public goods, like “free-riders,” are also applicable to education.

Education is also a merit good, a good with special merit, “deserving public support to a level of supply beyond that which consumer sovereignty would imply” (Colclough 1997, p. 10). Higher education is also an “experience good” (McPherson and Winston 1993), whose product characteristics such as quality and price and even the benefits are difficult to observe in advance, but can be ascertained only upon consumption. Higher education is also associated with asymmetric information including imperfect quality information (Dill and Soo 2004; Stiglitz 2000). Consumer choice has no much meaning in case of merit goods (see Arcelus and Levine 1986), as consumer behaviour is critically dependent upon information consumer receives (Nelson 1970), which in case of education is imperfect,

⁷ The additional person may, however, have to incur a small cost of accessing it, say in the form of purchasing the book.

incomplete and highly inadequate. Further, higher education institutions have multiple objectives and they are not just economic. They also produce multiple, varied types of outputs, some tangible and many not.

Because of these special features, public goods like higher education cannot be provided by markets in a manner that satisfies social demand. Optimum levels cannot be produced and supplied by markets, as profits cannot be a criterion in the production of the public goods; private producers cannot profit from producing public goods.

Obviously, since public goods yield both private and public benefits, there are also private benefits from higher education (Bloom et al. 2006). After all, while the benefits associated with private goods are exclusive to the private individuals, those associated with public goods are not exclusive: public goods benefit the society and private individuals too. But the public benefits outweigh the personal benefits by several times, and hence higher education cannot be treated as a private good, or as a “public *and* private good” (Levin 1987), or as a “mixed good” one that is both public and private, as some (e.g., Hufner 2003 p. 339) argue.⁸ In short, higher education is a public good beyond any doubt and the current controversy is ill-motivated and unwarranted.

The public good nature of higher education is well understood when one recognizes the traditional functions of higher education and the social benefits that it produces, many of which constitute public goods in themselves.

Functions of higher education

Traditionally, the functions of higher education are recognized as noble and lying at the core of the very sustenance of societies. From the society’s point of view, the core functions higher education performs can be listed as follows (see also UNESCO 1998).

First and most important, higher education helps in the creation, advancement, absorption and dissemination of knowledge through research and teaching. After all, it is well established that universities are nurseries of ideas, innovations and development and gradually they become reservoirs of knowledge.

Secondly, higher education helps in the rapid industrialization of the economy, by providing manpower with professional, technical and managerial skills. In the present context of transformation of societies into knowledge societies, higher education provides not just educated workers, but knowledge workers who are essential for rapid growth of the knowledge economies. It also helps in reaping the gains from globalization.

Thirdly, universities are institutions that assist in building the character and morals of the individuals; they inculcate ethical and moral values, orderly habits and create attitudes, and make possible attitudinal changes necessary for the socialization of the individuals and the modernization and overall transformation of the societies, by protecting and enhancing societal values.

Fourthly, higher education also helps in the formation of a strong nation-state, contributes to the deepening of democracy by producing a better citizenry which actively participates in the civil, political, social, cultural and economic activities of the society, with members who understand, interpret, preserve, enhance and promote national, regional, international and historical cultures, in a context of cultural pluralism and diversity. It also has the potential to produce social and political leaders of high calibre and vision.

⁸ Given the quantum and nature of externalities, and the individual benefits, some prefer to treat school or more specifically basic education as a “pure” public good, and higher education as a *quasi*-public good (Blaug 1970; Levin 1987; Tomlinson 1986), but a public good nevertheless.

The nation-building role of higher education is one, that is considered as one of the most important functions by many.

Further, higher education contributes to the development and improvement of education at all levels and allows people to enjoy an enhanced “life of the mind”, offering the wider society both cultural and political benefits (TFHES 2000, p. 37).

Since all these are in the public interest, higher education thus serves the public interest. Because of the nobility involved in the multiple functions—social, economic, political, and cultural—higher education is also regarded as a noble public service and higher education institutions as temples of learning.

The Task Force on Higher Education and Society (TFHES) (2000) highlighted higher education’s ability to serve public interest, by: unlocking the potential at all levels of society, helping talented people to gain advanced training whatever their background; creating a pool of highly trained individuals that attains a critical size and becomes a key national resource; addressing issues for study whose long term value to society is thought to exceed their current value to students and employers; and by providing a space for the free and open discussion of ideas and values.

An important ingredient in the public interest in higher education is its role in creating a meritocratic society that is able to secure the best political leaders, civil servants, doctors, teachers, lawyers, engineers and business and civil leaders, while at the same time being inclusive.

Many of these social functions that higher education performs also constitute social benefits.

Social benefits of higher education

Higher education confers a broad array of benefits on the individuals, and also on the whole society. These are well recognized by all, including economists, starting with Adam Smith, who also pleaded for the same reason for public financing of education. Such benefits are numerous and diverse: some are individual or private and many are public and social. Both individual and public benefits are economic, social, political, cultural and demographic in nature. They may even flow across generations and across borders. The social benefits of higher education are immense. In fact, as stated earlier, many social benefits also constitute public goods in themselves. Since the benefits flow across borders, higher education is also considered as an international public good (Naert 2004).

As the Carnegie Commission on Higher Education (1973, p. vii) clearly stated, “benefits from higher education flow to all, or nearly all, persons ... directly or indirectly.”⁹ Many have documented the several types of benefits that accrue to the individuals and to the society (e.g., Weisbrod 1964; Bowen 1988; Merisotis 1998; Baum and Payea 2004; Institute for Higher Education Policy 2005). The public benefits include economic benefits and social benefits. Public economic benefits are those that have broad economic, fiscal and labour market effects. These benefits result in the overall improvement of the national economy, as a result of citizen’s participation in higher education. At the macro level, one can note that societies with increasing numbers of the higher educated in their population are dynamic, competitive in global markets and successful in terms of higher levels of economic development (TFHES, 2000). An important public economic benefit is greater productivity of the labour force. The presence of an educated labour force increases the productivity of

⁹ In fact the Commission goes further, adding that for the same reason, “the costs of higher education are assessed against all, or nearly all, adults directly or indirectly.”

the less well-educated, too (Johnson 1984; Lucas 1988), which is an important externality. Other specific public economic benefits include: increased tax revenues, higher levels of savings which are necessary for investment that result in higher levels of growth, growth in overall consumption levels, increased supply of educated labour force, decreased reliance on government support for welfare programmes and so on, many of which are well documented in the literature on human capital. Further, the benefits of education as a socializing force are realized in a variety of ways. Instilling common core virtues through public education is not only important; it can later reduce the cost of enforcing desirable social norms. Gradstein and Justman (2002, p. 1192) highlight the role of public education in producing a major externality, viz., the shrinking of the “social distance” between individuals of different distinct ethnic, religious and social groups, and thereby in reducing the associated transaction costs, and in reducing the potential for conflict over rent-seeking activities between competing groups in the population. In addition to these “normal” externalities, in case of higher education in particular, “technological” and “dynamic” externalities may be very important.¹⁰ For the same reason, Krueger and Lindahl 2001, p. 1120) argue that the existence of quite large externalities can cause “an enormous return to investment in schooling, equal to three or four times the private return to schooling estimated within most countries.”

Public social benefits are those benefits that accrue to the society, but are not directly related to economic aspects. Such public social benefits include reduced crime rate, social cohesion and appreciation of diversity, increase in the age of marriage, thus resulting in decrease in fertility rate among women, improved health conditions, etc. The political and civil benefits of higher education are also immense. Public higher education systems are generally regarded as the single most important instruments in the maintenance of a democratic system, as it produces better, well-informed citizenry, enabling more sensitive and wider public participation and debate on national issues.¹¹ They also help in building strong nation-state philosophy, at the same time offering resistance to social and political ideas that threaten the broader social interests. Institutions of higher education are custodians of liberty, freedom and an unfettered search for truth; they are considered as civilizing forces, inculcating good character and values, producing leaders (Lawrence 2004). Their contribution to increased quality of civic life, better elected governments and democracy is very substantial. Higher education is also viewed as a major instrument of equity, serving as an important means of access and social mobility to disenfranchised segments of population. Public education has an intrinsic equity content.

Thus the typology of benefits indicates a broad range—economic, social, cultural, political etc., often overlapping, short term and long term, having a significant positive impact on the people’s well-being. They are indeed diverse. As Snower (1993, p. 706) noted, “the uncompensated benefits from education are legion.” Very few (e.g., Arrow 1993) believe that externalities in higher education are negligible.

Externalities or public benefits are generally believed to be non-measurable. But even if externalities cannot be quantified, it is clear that they do exist (Summers 1987), so one should refrain from being dogmatic (Hope and Miller 1988, p. 40). Large quantitative

¹⁰ On dynamic externalities, see Schultz (1988), Romer (1986, 1990), Lucas (1988) and Stewart and Ghani (1992). See Azariadis and Drazen (1990) and Behrman (1990) for a discussion on “technological” externalities. See also Schultz (1990) and Birdsall (1996) on the externalities produced by research and higher education.

¹¹ For example, the Indian university system is found to have played a very significant part in education for democratic citizenship (Béteille 2005). See also Patnaik (2007).

evidence does exist on the effects of education on economic growth, income distribution, infant mortality, life expectancy, health conditions, fertility rates, population control, etc.¹² McMahon (1999) has indeed measured several social benefits of education, such as benefits relating to health, population growth, democracy, human rights, political stability, poverty, inequality, environment and crime, apart from the direct benefits of education relating to economic growth in a cross section of countries. Thus, higher education is not only a public good, it also shapes, produces and helps realize other public goods. In this sense it can be regarded as a very special public good of a high order.

Thus there is a huge accumulated stock of conventional wisdom on the versatile and critical contribution of higher education to various development facets of society. Further, higher education is not only a means for development, it itself constitutes development, a higher standard of quality of life, as higher educated people acquire the ability to read, write, understand and enjoy serious writings, develop critical thinking and become involved in scholarly debates on academic as well as sociopolitical issues of national and global importance and become socially and politically engaged (Helliwel and Putnam 1999). The abilities of the people to get engaged in critical writings, thinking and in social and political activities constitute a non-excludable public good, since “they allow a more complex organization of social life” (Checchi 2006, pp. 15–16). In this sense, education is development; it is freedom, and the creation of capabilities among the people is an important function of higher education (see Sen 1999).

Why is the conventional wisdom changing?

Despite overall awareness of the public good nature and role of higher education in society, a rapid shift in the development paradigm of higher education is taking place. Two essential factors explain the new trends that treat education as a marketable commodity and not as a public good. Both factors are also related to each other.

First, higher education systems, even in economically prosperous countries, are under severe financial strain, with growing student numbers on the one hand, and a chronic shortage of public funds on the other. In recent years, most countries have inflicted serious cuts in state grants to higher education institutions. The resultant fall in public expenditures can be noticed in many countries in any or all of the following: total public expenditure on higher education, per student expenditures, share of public expenditure on higher education in the corresponding country’s national income, or in the total government budget expenditure, allocations in absolute and relative terms to important programmes that include research, scholarships, etc.

Some of the available evidence presented in Table 1 on the extent of decline in public expenditure on higher education per student as a percentage of gross domestic product per capita during the last decade and a half in a select few countries shows very clearly that: (a) the decline is not confined to the developing countries, though a larger number of developing countries experienced the decline than the number of high-income countries; there has been a very significant fall even in advanced countries such as the United Kingdom, Australia and New Zealand, and in the group of the high-income countries as a whole; and (b) the fall in the ratio is very steep in some of the countries, developed as well as developing.

¹² Weale (1993, p. 736) argues that these externalities are particularly important in developing countries. See Bowen (1988) and Leslie (1990) for elaborate descriptions of externalities in education.

Table 1 Decline in public expenditure on higher education per student (% of GDP per capita)

	1990–91	2006	Change
UK	40.9	27.6	-13.3
Australia	50.7	22.5 ^a	-28.2
New Zealand	67.8	25.2	-42.6
Chile	27.1	11.6	-15.5
Czech	45.9	30.4	-15.5
Nepal	90.8	71.1 ^a	-19.7
Malaysia	116.6	71.0	-45.6
India	92.0	61.0	-31.0
Estonia	55.9	18.2	-37.7
South Africa	90.9	50.1	-40.8
Hungary	81.3	24.3	-57.0
Jamaica	132.3	40.7 ^a	-91.6
<i>Regions</i>			
High income countries	47.1	29.0	-18.1
South Asia	90.8	68.6 ^a	-22.0
Upper middle income countries	61.8	23.3	-38.5

^a Refers to 2005

Note: Data for two points of time are not available on all countries; data on some select countries only are presented here.

Source: *World Development Indicators* 2004 and 2008 (Washington, DC: World Bank)

The second important factor that contributed to the radical shift in the thinking on the nature and role of higher education is the introduction of neo-liberal economic policies in the name of stabilization, structural adjustment and globalization, associated with the International Monetary Fund and the World Bank. Neo-liberalism and also liberal neutralism are untenable in theory and are highly inadequate in guiding social practice, more so in case of higher education (Jonathan 1997a, b). These policies question the role of the state and involve withdrawal of the state from, and liberalization and privatization of several social and economic sectors including higher education and even the welfare programmes. These policies also clearly favour and promote an increase in the role of the markets. The case for treating higher education as a marketable commodity received great support from these policies and these organizations. Such policies have been introduced in almost all developing countries, and even many developed countries found it convenient to adopt such policies as an easy escape from the problem of public funding of higher education.

Further, inclusion of education in the negotiations under GATS and WTO, which is an obvious extension of the neo-liberal economic policies, is also found to be highly attractive to many universities and the governments (Tilak 2007). Higher education as an internationally traded service is believed to be capable of producing an immense amount of profit to the exporters of education. After all, the international market in higher education was valued at US\$ 30 billion, or 3% of global services exports in 1998 (OECD 2004). For example, of the US\$ 30 billion, USA and UK accounted for US\$ 11.4 billion each in 2001. Third in rank comes Australia with over US\$ 2 billion (OECD 2004, p. 32). The total value of exports of the five largest exporting countries (USA, UK, Australia, New Zealand, and Canada) itself was estimated to be nearly US\$ 30 billion in 2005 (Bashir 2007).

Many governments of the “exporting” countries encouraged the negotiations on higher education under GATS and WTO, as trade in higher education is essentially viewed as an important source of revenues for the universities, thus reducing the need for the governments to allocate higher proportions of their budgetary resources. For example, even some of the best universities in the world, such as Oxford and Cambridge, which were seen as

“gold standard” in higher education until 10 years ago, are entering into the business of trading their degrees to overseas students, essentially constrained by state grants (Suror 2005). As Knight (2007) reported, more than 50 large transnational companies which are active in providing international education programmes on a for-profit basis are publicly traded on stock exchanges.

It is generally argued that international trade in higher education benefits both the “exporting” countries as well as the “importing” ones; importing countries gain access to high quality higher education systems, and exporting countries make economic gains, besides reaping academic pay-offs in terms of diversity etc. While the accrual of economic gains to the exporting countries seem to be real, gains on the academic front to the importing countries or to the exporting countries are elusive. It is widely noted that: (a) only substandard institutions in advanced countries participate in the trade in higher education in developing countries; and (b) the institutions in advanced countries also adopt dual standards and procedures—tough and high quality ensuring mechanisms and strong regulatory procedures and methods for education in their own countries and questionable mechanisms and methods for export of education to the developing countries. As a result of all this, developing countries suffer both economic as well as academic losses, and rich countries might get only economic benefits, but few benefit in academic and intellectual spheres; and all countries lose the public good nature of higher education (Tilak 2007).

Unfortunately, those who patronize the cause of higher education as a marketable commodity recognize only the individual economic benefits conferred by higher education, and refuse to recognize the vast magnitude of social benefits higher education produces, and the inability of the markets to produce a sufficient quantum of public goods. They (e.g., Tooley 1994, 2001, 2004) find that markets are capable of solving all educational problems. For them the individual interests should take precedence over social interests. They also stress the superficial principle of individual choice in this regard. The principle is superficial, as it matters only for those who can pay for higher education. They also believe that markets serve the social interests and that “unfettered market is always superior” (Schultze 1977). But most such claims are open to question; some empirical studies have indeed proved them to be wrong.¹³

One of the strong arguments neo-liberals have made against the public provision of higher education and clearly in favour of private education and/or high fees and user charges in higher education is: public provision of higher education benefits the upper middle and upper income groups of the population more than the low income groups and thereby accentuates unequal distribution (World Bank 1995; Jimenez 1987). Though this argument is true to some extent, the situation in developing countries is changing rapidly; access to higher education is no longer confined to upper middle and high income groups; the participation rates of the low socioeconomic strata are rising, albeit slowly. For example, in India, about 40–50% of the enrolments in higher education are accounted for by socioeconomically weaker sections of society (scheduled castes/tribes and other backward castes in 2004–2005 (NSSO 2006). Secondly and more importantly, it is to be noted that acceptance of the neo-liberal arguments on public financing of higher education and withdrawal of the state from higher education would reduce the rates of participation of socioeconomically weaker sections of society in higher education and further accentuate inequalities in higher education (see Tilak 1997). Further, higher education is also regarded by some as a “positional good”—an economic good which has a relative or social value,

¹³ See Tilak (2006, 2009) for a critique of some of the assumptions and claims of advocates of private higher education.

but not an absolute one, and earns economic rents or quasi-rents for being scarce (Hirsch 1976). The traditional function of higher education as a positional good serving mainly as a status symbol is important, but limited, because positional goods, strictly speaking, are inherently scarce, and they do not produce absolute value, which are not strong features of higher education. More importantly, it can be argued that public provision of education to larger numbers of the population, or what is known as “massification of higher education” will reduce the undesirable nature of higher education as a positional good, while the treatment of higher education as a private commodity, on the other hand, will only fortify it as a positional good, meant for the privileged.

Thus one notices only practical economic compulsions and vested interests in making quick money, and no theoretical base for the arguments to treat education as a commodity rather than as a public good. But the pace of change in the conventional wisdom is rapid. The idea of the university as a place of scholarship and as a community of scholars and students drawn from all corners of society, seeking truth and engaging in the task of pursuing scientific research etc., and not as a confederacy of self-seekers, is treated as an old fashioned idea. These neo-liberals view higher education institutions neither as centres of learning nor as important social institutions. For them there is no distinction between higher education and the production of cars and soaps. They treat universities as knowledge factories. For them investment in higher education is not human capital, but venture capital¹⁴; and equity in higher education means not socioeconomic equity, but “equity” in share markets relating to investment in universities.

Costs of treating higher education as a commodity

Treating higher education as a commodity is much more complex and dangerous than it appears on the face of it. It might affect higher education in a variety of ways.

First and foremost, by treating higher education as a commodity that can be bought and sold in the domestic and international markets, the public good character of higher education may disappear altogether. Instead of serving public interests, higher education might become disengaged from the public interest and might become an instrument that serves individual narrow interests. As the TFHES (2000, p. 45) warned, reliance on market forces reduces the public benefits that higher education produces. This, in my view, could be the most serious casualty of commoditization of higher education. As Altbach (2001) observed, “if higher education worldwide were subject to the strictures of the WTO, academe would be significantly altered. The idea that the university serves a broad public good would be weakened, and the universities would be subject to all of the commercial pressures of the marketplace—a marketplace enforced by international treaties and legal requirements. The goal of having the university contribute to national development and the strengthening of civil society in developing countries would be impossible to fulfill.” University education might be designed independently of academic and social responsibilities.

Second, the commoditization of higher education would terribly weaken governments’ commitment to and public funding of higher education, and promote a rapid growth in the privatization of higher education. Privatization, specifically profit-seeking private institutions of higher education, might become the order of the day with all its ramifications, converting an institution that is basically a non-profit institution into a profit

¹⁴ See, for example, www.ifc.org/edinvest, which produces a monthly electronic newsletter, championing the cause of facilitating investment in the global education market.

seeking institution. Eventually, the whole higher education scene might get eclipsed by the private sector, and the public sector might become invisible. I have described elsewhere (Tilak 1991, 2005, 2009) the several problems associated with the growth of private higher education in terms of quality and quantity of higher education and equity, in addition to the problems it creates in developing a balanced system of higher education with a necessary focus on all areas of study that are important to society in the long run. Marketization of higher education will result in a rapid extinction of some of the important disciplines of study that serve as a basic foundation for the development of any humane society. Only the marketable and revenue generating courses of study will survive. This is already being experienced in countries like India, with an increase in demand for engineering education, management education and areas like fashion technology, and with a falling demand for the natural and physical sciences, social sciences, humanities, languages etc. And then societies have to struggle to highlight the importance of and revive the social sciences and humanities.

Third, treating higher education as a marketable product may severely affect knowledge production and will lead to “knowledge capitalism” (see Olssen and Peters 2005). The reduction in the role of the state, and a corresponding increase in the role of the markets—domestic and international—in higher education would generally severely restrict access to higher education, and widen education inequalities within and between nations. In the WTO framework, Trade Related Aspects of Intellectual Property Rights (TRIPS) include legal means in both domestic and international law for excluding and restricting access to knowledge. Knowledge capitalism makes higher education beyond the reach of large numbers of youth belonging to middle and lower socioeconomic strata. This is not good for those populations nor is it good for the higher education system itself. Similarly, knowledge capitalism keeps many economically poor countries away from good quality higher education. This too is not good for those poor countries, nor is it good for other countries in this rapidly growing, interdependent world. This too will not help build strong, vibrant higher education systems in the developed countries.

Fourthly, knowledge is a public good. The TFHES (2000) has also noted the public interest value of higher education in terms of creation of research and knowledge. Higher education adds to society’s stock of knowledge, which is an important externality. If research and knowledge are treated as private goods, and access to them is restricted, new knowledge creation becomes impossible as new knowledge is necessarily built on old knowledge. The noble tradition that universities are centres of creation and dissemination of knowledge in a spirit of academic freedom with special stress on independent research may become an idea of the past. The quality and content of higher education and research might become severely dampened. Even if research is conducted in private or public universities, the integrity of research could be at stake, with the interests of the corporate sector determining research priorities and outcomes. Further, research supported by the corporate sector may satisfy the perceived present demands, but may fail to look at society’s long term needs. Basic and fundamental research that forms the humanistic foundation and helps in understanding the universal context, in which humanity lives, may get traded off in favour of current applications. The core academic values would get traded off in favour of commercial gains (Bok 2003). The GATS and related developments such as TRIPS could raise fundamental roadblocks to the provision of global and national public goods.

Fifthly, progress in higher education depends on the time-tested “social contract” system, a contract between the older generation, the younger generation and the education system (Martin 2005). The principle of the contract is simple: the present generation of

adults finances the education of the future. The principle refers to the bonds between the present and future generations, and between society and its collective children, which constitute the bedrock upon which every successful civilization rests. The responsibility one generation feels towards those that follow is a valuable public asset. The mechanism works through the method of taxation: the present generation of taxpayers pays for the education of the future generations. If higher education is regarded as a private good, as an individual responsibility that one has to finance oneself, through tuition and student loans, for example, one finances one's own higher education out of one's own future income, the principle of social contract is in great trouble. Jeopardizing the principle of the social contract may lead not only to impeding the progress of education system, but also to straining of the entire social fabric throughout.

Lastly and quite importantly, it is important to realize that trade in higher education might actually jeopardize existing human rights agreements, as the several provisions in WTO and GATS conflict with the United Nations conventions (see Tomasevski 2006). The provisions in the trade agreements are indeed subversive of and contradictory to the true meaning of higher education. After all, the *United Nations Declaration on Human Rights* (1948) has clearly stated:

Everyone has the right to education...and higher education shall be equally accessible to all on the basis of merit.

The *United Nations Covenant on Economic, Social and Cultural Rights* (Article 13) further states:

Higher education shall be made equally accessible to all, on the basis of capacity, by every appropriate means, and in particular by the *progressive introduction of free education* (emphasis added).

The *Bologna Declaration* has also ratified the UN Covenant. Treatment of higher education as a commodity and trade in higher education may make realization of these conventions not just difficult, but impossible.

Conclusion

Basically higher education is a public good; it is also recognized as a merit good. Besides being a public good in itself, it produces several public goods. The public goods that higher education produces, shapes and nurtures are also diverse. The social purpose it serves, the nation-building role it performs, the public good nature and the human right nature of higher education—all these dimensions are very closely related, and they need to be considered as fundamental and non-compromizable principles in the formulation of public policies relating to higher education.

But higher education as a public good is now at risk, as higher education comes to the centre stage of the WTO (Altbach 2004). The financial pressures and broader changes in economic thinking—specifically the emergence of neo-liberal thinking—play an important role here. The role and definition of higher education and other public goods is contested and embattled. The neo-liberals see the role of higher education differently; they view it as a commodity that can be traded in domestic as well as international markets. The neo-liberal economic policies introduced almost everywhere—every society and every sector, the chronic shortage of funds for higher education, and the advent of WTO and GATS in higher education—all dramatically changed the public thinking on higher education and

weakened the social commitment to higher education all over the world. GATS is basically hostile to public goods and social services, including specifically higher education. As a result, the wave of commoditization of higher education is on and the “higher education bazaar” (Kirp 2003) is growing rapidly. Increasingly, all components of higher education and research, including good ideas and policy concepts, are traded in the international marketplace (Newman and Couturier 2002). “Commitment to higher education” has given way to “commitment of higher education” to WTO under GATS. But though a majority of the countries have not made “commitments” to liberalize their higher education systems under WTO,¹⁵ a “progressively higher level of liberalisation in higher education is taking place” (Tomasevski 2005, p. 12), with an increase in quantum and types of pressures to “seek” and to “offer” commitments on higher education (Knight 2006).

The very shift in the perception of the nature of higher education from a public good to a private one, a commodity that can be traded, and the reforms being attempted in higher education in this direction that do not recognize the principle of the social contract, may have dangerous implications, replacing academic values by commercial considerations, social concerns and purposes by individual interests, and long term needs by short term demands. Even if there are some gains to be had from the commoditization of higher education for trade, they may be few and short-lived, while the losses could be immense and may produce very serious, irreversible long term dangers to the whole society. The core academic values and social purposes are so important that they cannot be traded off in favour of markets (e.g., Kirp 2003).

At the bottom-line, it is important to realize that higher education institutions are not commercial production firms (Winston 1999; see also Clotfelter 1996) and hence higher education is not a business commodity that can be subject to liberalization, privatization and commercialization and be bought and sold in markets. Higher education is related to the national culture and the values of a society. It protects culture, intellectual independence and the values of a civilized society. Higher education institutions act as bastions of rich traditional values, at the same time as providing the setting for a new kind of social imagination and experience. They are not only centres of learning, continuously creating and disseminating knowledge, and inculcating the skills and attitudes necessary for the modernization of societies, but are also important social institutions that provide the setting for a very distinct kind of interaction among young men and women, between the generations and the nations (Béteille 2005, p. 3377). All this makes higher education very different from other goods and services covered by GATS.

Therefore it is necessary to make special efforts to protect the integrity of research, to preserve the much cherished educational and social values and, in brief, to resurrect the public good nature of higher education, so that it serves the public interests that it is expected to do. As Altbach (2001) cautioned,

Universities are indeed special institutions with a long history and a societal mission that deserve support. Subjecting academe to the rigors of a WTO-enforced marketplace would destroy one of the most valuable institutions in any society.

¹⁵ Only 52 countries (including the European Union, which is counted as one country) made commitments with respect to education sector as of March 2006. Of these countries, 36 have agreed to liberalize access to higher education (Education International 2006; Knight 2006). Further, it is important to note that the public higher education sector is in principle not covered by the GATS negotiations and no member country has expressed an interest in including it. But the situation seems to be changing rapidly.

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Author Biography

Jandhyala B. G. Tilak (India), a Gold medalist from Andhra University with MA Economics and Doctorate from the Delhi School of Economics, is currently Professor at the National University of Educational Planning and Administration, New Delhi. He has taught at the Indian Institute of Education and the University of Delhi, and was a Visiting Professor at the University of Virginia, Hiroshima University, and continues to serve the Sri Sathya Sai University as a Visiting Professor. An economist by education, he has also worked for the World Bank. Editor of the *Journal of Educational Planning and Administration*, he is on the editorial board of several professional journals on education and development. His publications include ten books and more than 250 research papers. He is also a member of several official committees on education, constituted by Government of India.