

Public-private substitution in UK higher education: Has cost-sharing gone too far? (0175)

This paper seeks to explore the historical relationship between higher education funding and long economic cycles in the UK, USA and France. This cyclical analysis offers a historical lens to the development the cost sharing policies which have been implemented to counter the slower growth of public funding since the 1980s. The paper identifies a movement of public-private substitution of funding in HE and explores some of its implications on resources, equity and quality. The paper then extends the substitution framework to emerging trends such as the shift from private funding to private provision. It also explores some of the challenges and prospects in considering global HE beyond the public-private substitution agenda.

Public spending on HE and economic cycles

This paper interprets the historical changes in the level and structure of HE funding through the lens of the theory of systemic regulation. Within this framework, changes in HE funding can be understood as part of a wider trend which links the State and the transformations of the socio-economic system expressed by the Kondratiev cycle (Fontvieille, 1976). The cyclical economic upturns and downturns of the economy would be the results of the long-term interactions and tensions between the development of social activities contributing to human development (and indirectly to economic performance) and the economic structure (Carpentier, 2010).

The analysis of historical statistics on HE (based on the methods of quantitative history) indicates a strong correspondence between public spending on HE and long economic cycles (Kondratiev cycles or Long waves) in France, the UK and the USA (Carpentier, 2006). In all three countries, the growth of public funding in HE accelerated during the period of post-war prosperity, only to go into relative decline following the early 1970s economic downturn. The following proposes to explore some of the implications of this trend.

Public-private substitution of funding in HE

This cyclical analysis is used to offer a historical lens to the cost sharing policies (Johnstone, 2004; Barr, 2003) which have been implemented since the 1980s in order to counter the historical slowdown of public funding. The key question is whether the resurgence of fees (and other private resources) acted as additional or substitutive income for the sector. In other words, it is important to consider whether the rise of private resources filled the gap left by the retreating state funding and the effects in terms of overall resources available, access and quality (Carpentier, 2010). The data shows that in France, and especially in the UK, the rise of private funding (including fees) tends to substitute for slower growth of public funding rather than taking the form of additional resources. The substitution was less

important in the USA where total income relied on a greater balance between public and private resources. These differences explain the higher spending per student in the US. It also shows that extra private resources do not necessarily lead to a substantial overall rise in the income of universities. A public–private substitution of funding rather than a substantial increase of resources might be a paradoxical outcome of reforms which seek to introduce private funding. This also suggests that further increase of fees without adequate public or private financial support to student may have implications for access and participation (Callender and Jackson 2005). The paper discusses how the analysis of the impact of substitution can lead to two diametrically opposed views on the ways in which underfunding can be solved in the context of the post 2008 crisis. One interpretation considers that the substitution of funding should be pushed further and that an increase in private resources is the solution to underfunding. Another interpretation points at insufficient levels of public funding and questions whether the cost sharing strategy went too far and turned into a public/private substitution of funding.

Towards a public-private substitution of provision?

Most political debates in Western Europe have focused on private funding rather than private provision. The UK government’s strategy to continue to increase access with a controlled growth of public funding have until recently largely favoured the rise of private resources over the growth of private providers. However, some key documents from the previous (BIS, 2009) and current coalition governments (Browne, 2010; BIS, 2010) suggest that the post 2008 crisis has led to develop policy which will combine extra private resources (fees and others) and private provision. The paper shows that the questions raised by the emergence of private funding and private provision are not dissimilar. It is essential to consider whether private providers represent additional or substitutive HE resources. The paper explores some of the implications of a potential movement of public-private substitution of provision (Carpentier, 2010) on equity and quality issues (McCowan, 2007).

Global HE and the public-private substitution

Public-private substitutions of funding and provision are increasingly connected to global HE. Internationalisation of HE preceded the movement of public-private substitution. However, income generation is becoming a key rationale for the rise of traditional (overseas students) and emerging (mobility of institutions and programme- including distance learning ...) forms of global HE (Altbach and Knight, 2007; Marginson and van der Wende 2007). Global HE is increasingly seen as a solution to financial problems at the national level. This is partly reflected by the strength of a global structure such as GATTs devoted to trade compared to the relative absence of an international structure addressing equity and quality issues. However, one could argue that emerging international (UNESCO), regional (the Bologna Process) and institutional (social charters) initiatives open some possibilities to consider global HE not only as a driver of the public-private substitution agenda but also as a

key resource to address the interrelated challenges of growth, democracy, equity and sustainability (Unterhalter and Carpentier, 2010).

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