

TITLE: Towards a new political economy of public/private in higher education

In addition to individual benefits, HEIs produce a range of outcomes that are consumed jointly, i.e. they are collective in character. For example HEIs lift the skill thresholds of the workforce, reproduce occupations, provide structured opportunity and social mobility, create and distribute codified knowledge with open potentials, sustain a range of intellectual conversations and cultural activities, contribute to government and policy, and carry a growing traffic in cross-border relations. They spread social and scientific literacy. They foster cosmopolitan tolerance and ecological awareness, and help to build cities and regions. But the collective outcomes of higher education are either ignored, marginalised as incidental spillovers, or redefined as commodity-like benefits. The only exception is policy on social equity.

Here the problem of the 'public' in higher education is not only a problem of lowered state aspirations. Whereas private rates of return are tracked empirically, we lack plausible definitions and measures of most of the public and private benefits of higher education, especially collective social outcomes. These include not just national but also global public goods (Kaul, Grunberg and Stern 1999). This paper explores a new framework for 'public' and 'private' in higher education that combines economic and political definitions. It draws on Paul Samuelson (1954) in economics and John Dewey (1927) in political philosophy. Both prepared works on the public/private distinction.

In Samuelson (1954) public goods are defined not by state purview or ownership, but by the economic character of the goods in question. Public goods are one or both of non-rivalrous and non-excludable. Goods are non-rivalrous when consumed by any number of people without being depleted, for example knowledge of a mathematical theorem, which sustains its use value everywhere, indefinitely, on the basis of free access. Goods are non-excludable when the benefits cannot be confined to individual buyers, such as clean air regulation. Private goods are neither non-rivalrous nor non-excludable and can be produced, sold and bought as individualised commodities in economic markets. Public goods and part-public goods tend to be unproduced or under-produced in markets and normally require state funding or philanthropic support

In higher education the most important collective good is knowledge (Stiglitz 1999). New knowledge is exclusive to its creator, enabling first mover advantage. But to be used, it must be communicated, and once communicated, it retains its value no matter how often it is used. It is non rivalrous. Student places are different. They constitute a mix of

public and private goods. The public goods include individual non-market benefits such as the better health outcomes of graduates, and knowledge. As in research, the knowledge contents of teaching are public goods, non-excludable and non-rivalrous. The private goods include consumption benefits, degree power in the labour market, the status power of the institutional brand, and networking. Samuelson's distinction between public and private goods explains the economic basis of a tuition-based-market in student places with positional value. It also explains why some aspects of higher education have to be funded on a non-market basis. However, Samuelson's approach is poorly equipped to deal with collective goods, which are difficult to define, border, observe, measure and value. There is a strong element of the normative in the definition of collective goods and there Samuelson's formula is not very helpful.

In *The Public and its Problems* (1927) John Dewey notes that while most social transactions and relations fall within the private sphere, some are 'public' in the sense that they are matters of broad interest ('public interest'). A social relationship or social action becomes 'public' when it has indirect consequences for others, persons beyond those immediately involved. The public is the body of persons who are indirectly affected, or potentially so (p. 39), whether the consequences are positive or negative. It becomes the business of the state to manage those consequences (pp. 15-16). Dewey's definition of 'public' is apposite in democratic polities in which public opinion coheres in semi-participatory media, political parties and public meetings. However, his notion of public can apply also when states anticipate the relational consequences of social phenomena, prior to being sensitivised by popular politics, and even in the absence of democratic forums. However, in the neo-liberal era Dewey's chain from public effects to public interest to politics and to state policy is partly severed. In public choice theory (Buchanan and Tullock 1962) state and market are both governed by individual utility maximization. This assumption weakens the idea of a public interest distinct from private interests. Nevertheless, the political form of 'public' still has power.

This for Samuelson higher education is public unless it can be produced in a market outside the state. For Dewey any or all aspects of higher education can be defined as 'public', or as 'private'. Higher education is public when it matters to enough people, and especially when the state considers it public, regardless of the economic forms. This creates open scope for policy norms and political choices, providing a more effective

basis for tackling collective goods. The continuing policy focus on equity indicates the survival of the democratic political notion of a common 'public interest'.

Arguably, both the economic and political perspectives can contribute to understandings of what constitutes 'public' in higher education and research. While Dewey provides a straightforward basis for voluntarily identifying 'public', his notion is usefully supplemented by Samuelson's notion of a necessary and efficient 'public'. The paper will present a diagram that combines the two definitions and situates various activities in higher education and research according to the extent they are 'public' in Samuelson's sense, and the extent they are defined as 'public' in the political sense, that is, recognized as a matter of broad common interest and made the subject of state policy. The diagram consists of four quadrants that display contrasting forms of higher education. The compares and discusses activities in the four quadrants and suggests examples in which this analytical framework is used as an explanatory tool.

References

Buchanan, J. and Tullock, G. (1962). *The Calculus of Consent*. Anna Arbor: University of Michigan Press.

Dewey, J. (1927). *The Public and its Problems*. New York: H. Holt. Reprinted by Ohio University Press.

Kaul, I., Grunberg, I., and Stern, M. (eds.) (1999). *Global Public Goods*. New York: Oxford University Press.

Samuelson, P. (1954). The pure theory of public expenditure. *Review of Economics and Statistics*, 36 (4), pp. 387–9.

Stiglitz, J. (1999). Knowledge as a global public good. In I. Kaul, I. Grunberg and M. Stern (eds.), *Global Public Goods: International cooperation in the 21st century* (pp. 308-325). New York: Oxford University Press.