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# The state and public goods in higher education

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- What are 'private goods' and 'public goods' in higher education?
- Economic and political definitions of 'public'
- Who provides public goods in higher education?
- State and public goods in the post-Soviet zone
- Global public goods in education and research

**What are private goods in higher education? *Examples?***

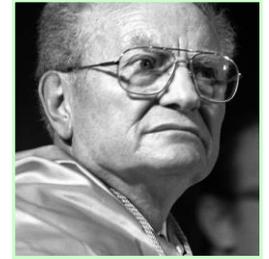
**What are public goods in higher education? *Examples?***

# The problem of collective goods

- Higher education institutions lift the skill thresholds of the workforce, reproduce occupations, structure opportunity and social mobility, create, codify and distribute knowledge with open potentials, sustain intellectual conversations and cultural activities, contribute to government, carry a growing traffic in cross-border relations, spread social and scientific literacy, foster cosmopolitan tolerance and ecological awareness, and help to build cities, regions and local human societies. etc
- These outcomes are mostly not captured as benefits for individuals or companies but are consumed jointly
- Collective goods in higher education are mostly difficult to observe, measure and monitor. They are under-

# Economic public goods

## *Paul Samuelson's definition*

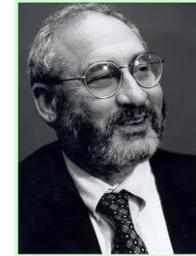


- Public goods are non-rivalrous and/or non excludable, under-produced or unproduced in markets
- Research knowledge and student places
- Here is an enduring fiscal principle for limited liberal states: state funds public goods, family/individual funds private goods
- Samulelson naturalises the public/private distinction, but some 'public goods' in his terms are shaped by state policy
- Some are individual goods but many are collective goods. In Samuelson's framework, the value of externalities is essentially norm-driven

# Public goods are 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 benefits cannot be confined to individuals, eg clean air regulation, national defence
- Private goods are neither non-rivalrous nor non-excludable. Private goods can be produced, sold and bought as individualised commodities in economic markets
- ‘Club goods’, such as subsidised elite higher education, are part-public goods: excludable, non-rivalrous within the club

# Knowledge



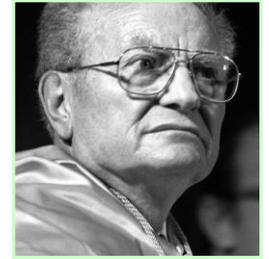
- Knowledge is intrinsically a public good (Joseph Stiglitz). There is a moment of excludability, which enables first mover advantages, owned patents etc. Once disseminated knowledge has no subtractibility (non-rivalrous), it can be used simultaneously everywhere (eg the mathematical theorem), and it can be rendered partly excludable only through artificial means such as copyright, which break down in practice
- Basic research is subject to market failure, and is funded by governments and philanthropy, or universities themselves

# Teaching/learning

- Teaching/learning are associated with both private and public goods. Private goods included social status, earnings, social and cultural capital, better health, cultural sensibility, etc. Public goods include knowledge in curricula, common literacy, social equity in opportunity, the contribution to democracy and collective liberation (Paulo Friere), etc
- Teaching is policy sensitive; eg the private good aspect is enhanced when the scarcity of places rises; equal resourcing of universities tends to flatten differentials in private value.
- States finance private as well as public goods in teaching. Private institutions produce some public goods through teaching programs, e.g. free courseware at MIT

# Economic public goods

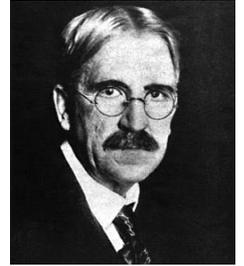
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# Political public goods

## *John Dewey's definition*



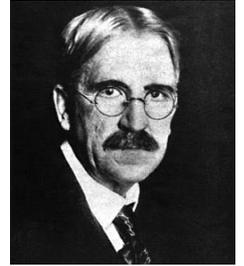
- Most social transactions/relations are in the private sphere.
- Some become matters of broad 'public' interest, when there are consequences for others not involved in direct transaction
- Hence the role of the state—whether in single-party or multi-party politics—in providing for the 'public', either responding to public opinion or acting on its behalf (eg expansion of educational participation).
- For Samuelson higher education is public unless it can be produced in a market outside the state. For Dewey any or all aspects of HE can be defined as 'public', or as 'private

# The political line between public and private

- ‘The line between public and private is to be drawn on the basis of the extent and scope of the consequences of acts which are so important as to need control, whether by inhibition or by promotion... The public consists of all those who are affected by the indirect consequences of transactions to such an extent that it is deemed necessary to have these consequences systematically cared for’ (John Dewey, *The Public and its Problems*, 1927, pp. 15-16)
- Matters that have ‘consequences’ for others can include market transactions, the social power of private universities and research, the organisation of whole systems, etc

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- Hence the role of the state in providing for the 'public', either responding to public opinion or acting on its behalf (e.g. expansion of educational participation). Both multi-party and single-party polities can sustain this kind of state
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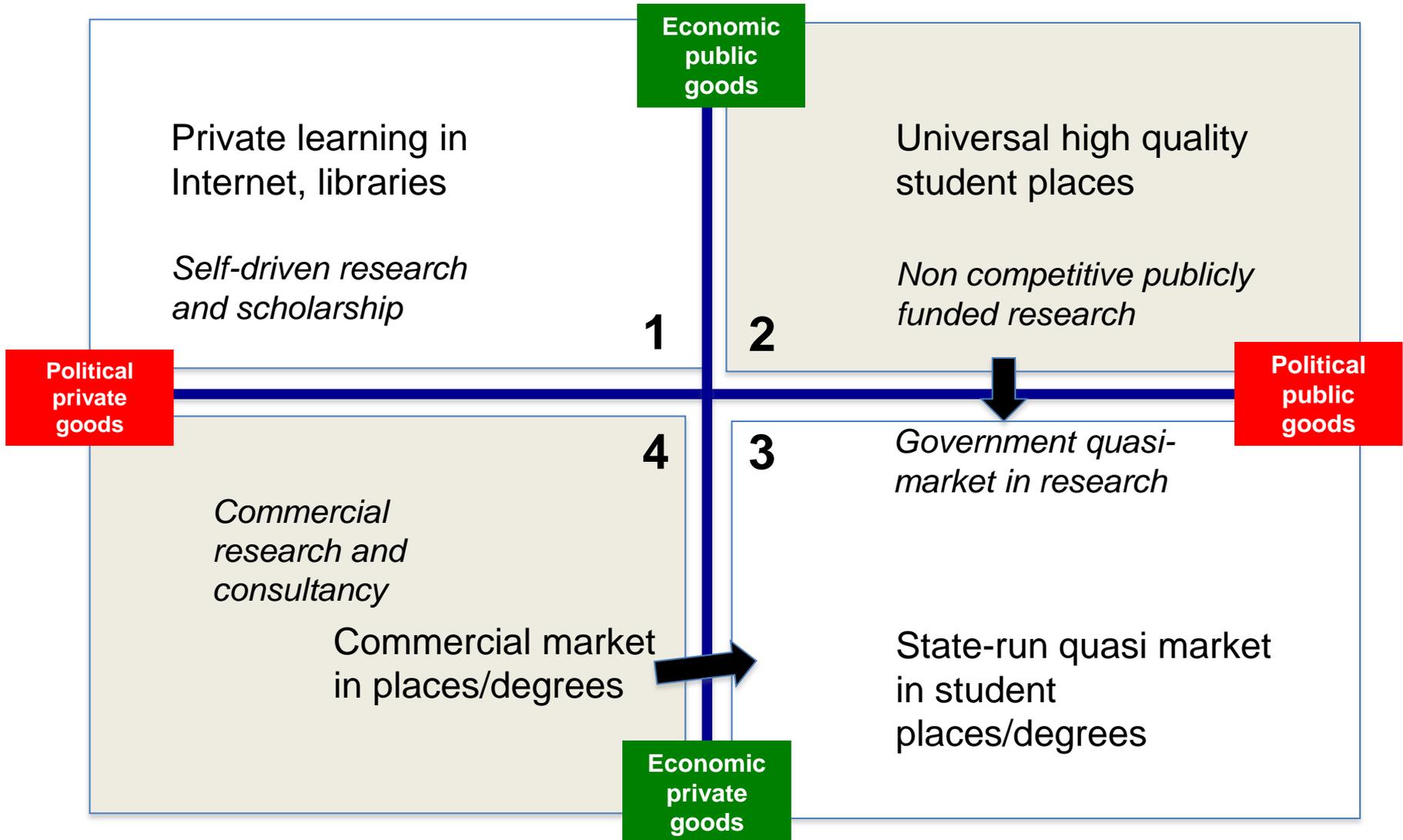
# ***Whose political public goods, and who decides?***

- Democratically distributed public goods (common goods), vs. public goods subject to elite capture. Common public goods meet needs of all persons. Elite public goods are confined to core groups (citizens only, particular groups, rich people, etc)
- Mostly, government acting ‘on behalf’ of the people, providing for the general interest (prosperity, security, opportunity, freedom), and providing specific benefits and transfers
- Which tradition of ‘state’ and ‘public’—Anglo-American, Nordic, German social market, Chinese, Latin American, etc? Is there a generic/worldwide ‘public good’ in higher education?

# Importance of social compact on taxation

‘Taxation is not a technical matter. It is pre-eminently a political and philosophical issue, perhaps the most important of all political issues. Without taxes, society has no common destiny, and collective action is impossible’  
(Thomas Piketty, *Capital in the Twentyfirst Century*, 2014, p. 493)

# A political economy of 'public'



# Nature of state and political culture shapes public goods

## *The example of Post-communist countries*

Alexei Izyumov (2010). Human Costs of Post-communist Transition: Public policies and private response. *Review of Social Economy*, 68 (1), pp. 93-125

‘Prior to transition, poverty in the transition economies (TEs) region was largely a non-problem... In the 1990s, eastern Europe and the former USSR experienced a drastic decline in living standards. Before the start of reforms in 1987–1988, the number of poor in the region living below the international poverty line of \$2.15 a day was 14 million, or 3.1 percent of the population. By the end of the 1990s, 88 million people or almost 20 percent of the population lived here below the international poverty line’ (p. 100, pp. 93-94)

*But over time the transition had implications for public goods differing by*

# Izyumov: three groups of nations

Group of countries	State regime & public good	Outcomes
<b>CENTRAL EASTERN EUROPE &amp; BALTIC (CEB)</b> Czech Rep, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Rep, Slovenia	Democratic regime with open market economy. Broad social interests affect transition. Benefits of privatisation spread	Late 1990s: 12% poverty. Income inequality restrained. Social protections maintained, public goods largely sustained.
<b>SOUTH-EASTERN EUROPE (SEE)</b> Albania, Bulgaria, Croatia, Macedonia, Romania	State and privatisation controlled by former bureaucrats and special interests	Late 1990s: 30% poverty. Social protections largely maintained, some loss of public goods, reduced role of government
<b>COMMONWEALTH OF INDEPENDENT STATES (CIS)</b> Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Rep, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine	Corrupt oligarchic capitalism. State and privatisation controlled by former bureaucrats and special interests. Reduced government responsibility for living standards	Late 1990s: 60% poverty. Large jump in inequality. Accelerated inflation with weak protections. Dramatic lessening of government role and public goods, decline of higher education & research

# The global dimension

*The picture gets more complicated*

- There is no global state and no global political public goods
- But there can be global economic public goods (non-rivalrous and non-excludable etc)
- Communications companies ('global public makers'): market sensitive but not obliged to respond to diffuse opinion
- Global knowledge, especially in open source forms
- Development of global quasi-politics, in the absence of a global state—NGOs, media-shaped opinion, social networking etc

# Global public goods

- ‘Global public goods are goods that have a significant element of non-rivalry and/or non-excludability and made broadly available across populations on a global scale. They affect more than one group of countries, are broadly available within countries, and are inter-generational; that is, they meet needs in the present generation without jeopardizing future generations.’  
~ Inge Kaul, I. Grunberg and Marc Stern (Eds.), *Global Public Goods: International cooperation in the 21<sup>st</sup> century*, New York, Oxford University Press, 1999, pp. 2–3

- Much knowledge constitutes global public goods – the mathematical theorem retains its value all over the world no matter how many times it is used
- Brain drain is a ‘global public bad’ (negative externality)

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