

## **ECONOMIC CHALLENGES IN HIGHER EDUCATION AND THE PUBLIC GOOD-PRIVATE GOOD DEBATE**

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### **ABSTRACT**

Higher education is increasingly viewed as a major engine of economic development. Finding ways to sustain quality provision of higher education, with appropriate access for qualified students, will require careful planning that attends to both short and long-term needs. Government tax revenues are not keeping pace with rapidly rising costs of higher education. The expansion of student numbers has presented a major challenge for systems where the tradition has been to provide access to free or highly subsidized tertiary education. In financial terms, this has become an unsustainable model, placing pressure on systems to fundamentally restructure the "social contract" between higher education and society at large. The study was carried out with the aim of examining the problems of public goods in higher education. The paper will explore possible approach to the problem, which uses a comparative method, and consider global public goods.

**Key words:** *higher education, private good, public good*

### **INTRODUCTION**

Many countries based in liberal and neoliberal theories have started to see the higher education as private good. They see the higher education as market of a capitalist kind when demand and supply arrange each other. The supply is the high education, offered from universities and the demand has to do with people that want to take this education. This relation is treated as business where the consumer pays for the product. The education has a price that is paid by the people that buy it (Kocaqi, 2015). This view is criticized by other, which think higher education is a public good because all society benefits from it.

There are various valuations of public and common goods in higher education, governed by differing disciplinary frameworks and policy assumptions. None produce wholly satisfactory results. Economics focuses on "public goods", "club goods", or "toll goods", and recognizes "common-pool-resources". But economists vary according to where they position education on private-to-public goods continuum. Notions of public goods also vary between national systems on a worldwide scale, being shaped by different notions of society and the mission of higher education. Knowledge of public goods in higher education normally images institutions as operating solely as part of a national system. The public goods are understood solely at the national political level. (Marginson, 2012).

The lack of definition, the gaps and the conflicting ideas about public goods are not just issues for scholars. The conceptual weaknesses feed into conflicting and unstable policies on managing and funding public and private objectives in higher education (Marginson, 2012). Questions that arise are: "How can higher education be opened up so as to generate more and better public goods?" This invokes a prior conceptual problem. Does the public benefit from higher education? What are the public and common goods produced in higher education? Is the higher education a profitable business as other business or not? We need new answers to that question. The study was carried out with the aim of reviewing existing approaches to public goods in higher education. The paper also examines the problems of public goods in higher education and will explore possible approach to the problem, which uses a comparative method, and consider global public goods.

### **FRAMEWORKS FOR IDENTIFYING PUBLIC GOODS**

In economics, a public good is a good that is both non-excludable and non-rivalrous in that individuals cannot be effectively excluded from use; and where use by one individual does not reduce availability to others. Gravelle and Rees: "The defining characteristic of a public good is that consumption of it by one individual does not actually or potentially reduce the amount available to be consumed by another individual". It also can be described as something that is useful for the entire population as is education and infrastructure. This is in contrast to a common good which is non-excludable but is rivalrous to a certain degree.

Public goods include fresh air, knowledge, public infrastructure, national security, education, common language(s), high public literacy levels, flood control systems, lighthouses, and street lighting. Public goods that are available everywhere are sometimes referred to as global public goods. (Cowen, Tyler (December 2007). David R. Henderson, ed. *The Concise Encyclopedia of Economics*. Public Goods (The Library of Economics and Liberty). Many public goods may at times be subject to excessive use resulting in negative externalities affecting all users; for example air pollution and traffic congestion. Public goods problems are often closely related to the "free-rider" problem, in which people not paying for the good may continue to access it. Thus, the good may be under-produced, overused or degraded (Rittenberg & Tregarthen, 2012). Public goods may also become subject to restrictions on access and may then be considered to be club goods or private goods; exclusion mechanisms include copyright, patents, congestion pricing, and pay television.

Paul A. Samuelson is usually credited as the first economist to develop the theory of public goods. In his classic 1954 paper *The Pure Theory of Public Expenditure*, he defined a public good, or as he called it in the paper a "collective consumption good", as follows:

[goods] which all enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good...

This is the property that has become known as non-rivalry. In addition a pure public good exhibits a second property called non-excludability: that is, it is impossible to exclude any individuals from consuming the good.

The opposite of a public good is a private good. A loaf of bread, for example, is a private good; its owner can exclude others from using it, and once it has been consumed, it cannot be used again.

A good that is rivalrous but non-excludable is sometimes called a common-pool resource. Such goods raise similar issues to public goods: the mirror to the public goods problem for this case is sometimes called the "tragedy of the commons". For example, it is so difficult to enforce restrictions on deep sea fishing that the world's fish stocks can be seen as a non-excludable resource, but one which is finite and diminishing.

Figure1. Definition matrix

		LOW	HIGH
Difficulty of excluding beneficiaries	LOW	<i>Common-pool resources:</i> groundwater, lakes, irrigation systems, fisheries, forest, etc.	Private goods: peace and security, national defense, fire protection, weather forecast, etc.
	HIGH	Private goods: food, clothing, automobiles etc.	Toll goods: theaters, private clubs, daycare centers.

Source: (Ostrom, 2010. p.645)

### THE BUSINESS VIEW FOR HIGHER EDUCATION

When considering the outputs of higher education institutions, private goods might seem more straightforward than public goods. In popular discussion the private goods are often equated simply with graduate earnings. More sophisticated approaches focus on income differential between graduates from higher education and from secondary school; and distinguish between the effects on income due to higher education, and effects due to other factors such as ability or social origin (e.g. Chapman & Lounkaew, 2011). There are also non-market benefits such as health outcomes and better personal financial management, and on pecuniary private benefits like enhanced aesthetic sensibility (McMahon, 2009).

The business view see higher education as a private business linked with the personal benefits of people that want to be educated. As long as the benefit is personal the subsidy of this personal education must be made by private money not by public money.

Although the element of competition is strong in higher education, this industry differs from a typical private marketplace. (Jane. S. Shaw, Education a Bad Public Good, In the Independent Review, vole 15, Fall 2010, p.249). Tilak thinks that the "Commoditization of higher education for trade is considered as a very lucrative avenue of making huge monetary gains in national and international markets in the shortest possible time. Higher education is seen by these groups primarily as a private good, as a tradable commodity that can be subjected to the vagaries of national and international markets. 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". According to him, "instead of serving public interests, higher education become an instrument of serving individual interests" and "the whole higher education scene would be eclipsed by private sector". He thinks that "even if there are some gains in commoditization of higher education for trade, the gains will be few and short-lived, and the losses would be immense and may produce very serious irreversible long term dangers. (Janidhyala & Tilak, 2005, p. 2-3.).

### **THE HIGHER EDUCATION AS PUBLIC GOOD**

The concept of public goods is central to economic analysis of the role of government in the allocation of resources. Public goods are defined by two characteristics:

- 1) Non-excludability: It is not possible to exclude non-payers from consuming the good.
- 2) Non-rivalry in consumption: Additional people consuming the good do not diminish the benefit to others.

The public is able to consume the higher education based on merit and capacity. Nobody is excluded from this good. As long as this good is linked with merit that give the opportunity to all people to show merit but in the end the people that have capacity for it will be financed by public money. The people are not excluded from it with a negative discrimination but are excluded from it because they do not deserve it. Business view excludes merit and capacity in education. The people can take education if they have money not if they deserve it according to merit and capacity. So from a business view it is anti-merit. It gives education to people that do not deserve it but have money to pay for it. This is also a monopoly in the market of education, monopoly that is driven by money, which does not guarantee a good product for the market of goods.

The benefit in the investment that they have made in human capital that will generate a great return for the society. Paying for the people that deserve the higher education is a big investment with maximum efficiency. As indicated only people that fulfill the criteria of merit should have the right for higher education. People pay for health but not all of them take medical treatment, in this case this medical treatment is taken by people

that need it and deserve it. That does not mean that as long as we do not need it or deserve it, we do not have obligation to pay for it. We have the right to use it in any time and for this we must contribute to it. The same is for higher education that is very important because from it is dependent on the human resources of public and private sector.

### **THE DEBATE**

The traditional societal mission of higher education has been under pressure for the last half century. Universities, traditionally seen as key cultural institutions responsible for public enlightenment, are increasingly obliged to respond to the many new pressures described in this report. The "commercialization" of higher education has placed considerable strain on its social mission. The debate concerning the primary mission and priorities of higher education will continue in many parts of the world, with a possible hindering of protecting activities that serve the public good in the face of growing financial constraints and market influence. Individual countries will be challenged to balance local needs and priorities with standards, practices, and expectations articulated at the international level. Will research focus on local needs or be more inclined to pursue issues more attractive to international journals and funders? How will countries ensure that foreign providers and partners will address local educational needs and priorities?. (UNESCO 2009 World Conference on Higher Education Philip G. Altbach Liz Reisberg Laura E. Rumbley).

Post-secondary education has been seen as a public good, contributing to society through educating citizens, improving human capital, encouraging civil involvement and boosting economic development. In the past several decades, higher education has increasingly been seen as private good, largely benefiting individuals, with the implication that academic institutions, and their students, should pay a significant part of the cost of postsecondary education. Funding shortages due to funding cuts have also meant that higher education systems and institutions are increasingly responsible for generating larger percentages of their own revenue. This debate has intensified due not only to the financial challenges of funding cuts but also to a more widespread political inclination toward greater privatization of services once provided by the state. The growing emphasis on cost recovery, higher tuition and university-industry links distracts from the traditional social role and service function of higher education that are central to contemporary society. Some universities sponsor publishing houses, journals, house theater groups, non-commercial radio and television stations, and serve as key intellectual centers. These roles are particularly important in countries with weak social and cultural outlets and few institutions fostering free debate and dialogue. (UNESCO 2009 World Conference on Higher Education Philip G. Altbach Liz Reisberg Laura E. Rumbley).

The terms “public” and “good,” as they relate to the purposes of higher education systems or institutions, represent important constructs that institutional leaders and supporters, as well as critics and opponents, use to frame the discourse about the role of higher education in a democratic society. Knowing the possible meanings of these powerful constructs should assist institutional leaders, supporters, and public decision makers in setting an informed course of action for institutions and the broader system of higher education, as they relate to social improvement, or the public good. In this article, the voices of higher education leaders, scholars, and supporters provided a framework through which we can begin to make sense of this multi-dimensional concept. Others have attempted to express their sense of the notion of higher education for the public good; however, again, there has been no systematic examination of what is meant by “public good” as it refers to higher education. Longanecker (2005) presented the public good as a dialectical tension between the “betterment” of individuals and of society.

Shifts in the debate about whether post-secondary education is more a public good or a private good have altered some stakeholder relationships with higher education around the world. In recent years the responsibility for financing higher education has, in many places, shifted largely to individual students and their families. This trend reflects a growing sense that the personal benefits of obtaining a degree may be as important as (or even more so than) the societal benefits of an educated population. With increasing number of students paying more money for their education (in both cash-strapped public institutions and in the growing private higher education sector), students have higher expectations of the education supplier and the “product” they receive (Campbell, 2008). The complex side effects for education include the fact that universities, if they are to survive in an increasingly competitive “knowledge market,” must look at the quality and relevance of their teaching activities in ways they never have before.

### **GLOBALIZATION AND INTERNATIONALIZATION**

While private/public are treated as zero-sum and public goods are largely marginalized or diffused; thought can be given to renovating the mission of higher education in terms of more understanding of public goods, and creating a more potent relationship between public goods and funding that delivers enhanced benefits. In this setting present public funding is under-utilized and little effect is made to concentrate the energies of university personnel in public goods production, except in the few areas where active policy goals are pursued: equity, engagement and internalization (Marginson, 2012).

When national-level conversation is frozen, one way to generate new thinking and change the agenda is to move the comparative and global dimension. Global university ranking since 2003 has created distortions, but it has demonstrated the growing weight of global perspectives and

activities in higher education (Hazelkorn, 2011). Comparative and global analysis can be used to identify and classify the different definitions and practices of national public goods in higher education, as used in a range of national systems, distinguish the common approaches to public goods from the nation-context bound approaches, and also inquire into the global public goods constituted in cross-border flows and systems. (Marginson, 2012).

The historically international nature of universities is playing out in new and dynamic ways, while the trend is extending broadly and rapidly across the higher education sector. Pushed and pulled along by the forces of globalization, internationalization presents many exciting opportunities to higher education institutions and systems. At the same time, real risks and challenges are inherent in this complex and fluid environment. At stake are issues of competitiveness and relevance, requiring new kinds of strategic thinking and providers with regard to the international dimension by all types of higher education providers.

Although closely related and frequently used interchangeably, the terms globalization and internationalization in higher education refer to two distinct phenomena. Globalization typically makes reference to "the broad economic, technological, and scientific trends that directly affect higher education and are largely inevitable in the contemporary world." Internationalization, on the other hand, has more to do with the "specific policies and programs undertaken by governments, academic systems and institutions, and even individual departments to deal with globalization" (Altbach, 2006, p. 123).

Global public good raise new questions about regulation and financing. What governance mechanisms should be created to identify, regulate and finance global public goods in higher education and knowledge? (Kaul, et al. 2003). When researches in one country generate benefits elsewhere, should the cost of that research be shared? Negative global externalities ("global public bads") such as brain drain suggest cross-border compensation. However, in the absence of a global state or regulatory framework, global public goods are little acknowledged. The outcome is less than the optimal configurations of those goods, including their underproduction. As with national public goods, if we are to lift the common contributions of higher education and research at the global level, we must make the necessary conceptual advances, and on the basis of new concepts, develop the metrics that will enable us to advance empirically as well.

The forces of globalization have exerted an enormous influence over higher education in the last decade, and internationalization has emerged as the primary response to this phenomenon. Barring major unforeseen developments that would derail current trends, the international dimension in higher education appears to be here to stay and will likely continue to

rise in prominence on the agendas of individual institutions and national and regional systems of tertiary education around the world. Internationalization presents many new and exciting opportunities for cooperation within the academic enterprise and can be a powerful tool for the enhancement of quality and the insertion of innovation across many dimensions. At the same time, many significant risks and challenges must be faced in a costly, fast-paced, competitive global higher education environment. As with many other aspects of higher education, the phenomenon is playing out against a backdrop of inherent inequity around the world. The need to understand and harness the benefits of internationalization, while minimizing the risks and costs, is of central importance moving forward (UNESCO 2009 World Conference on Higher Education Philip G. Altbach Liz Reisberg Laura E. Rumbley).

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