Abstract. This article aims to make a blueprint of higher education, starting from the distinction between public good and public service and based on capital and market theories, particularly those focused on human capital. Thus, I raised two questions related to the internationalization of higher education and to the need of transforming it into a service, questions that I sought to answer. The conclusions include opinions about the current state of affairs.

Keywords: GATS, higher education market, internationalization, public good.

HIGHER EDUCATION: PUBLIC GOOD OR PUBLIC SERVICE? ANALYSIS FROM THE PERSPECTIVE OF INTERNATIONALIZATION OF EDUCATION

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1. Introduction

In the context of the Eighth Round of negotiations held under the umbrella of the World Trade Organization, in Punta del Este, Uruguay, between 1986-1993, there were some new daring elements – as some authors called them – because in this phase the extension of the negotiations in the area of services (including here the services of higher education), intellectual property, textiles and agriculture was approved (see Note). The new document, called the General Agreement on Trade in Services (GATS) is the result of negotiations conducted by representatives of 123 countries and entered into force since 1995 (Varghese, 2007; Lim and Honeck, 2009).

25 years after the start of these negotiations, known as the Uruguay Round, and more than 15 years after the entry into force of this international agreement, perhaps it is worth reflecting on two aspects:

(i) Why was it necessary for higher education services to be considered as part of the services category?

(ii) Why was this issue brought about in an international context, while it is well known that, education, in general, and higher education, in particular, had been viewed, until then, as an exclusive attribute of each state, without becoming the subject of a multilateral agreement?

The objective of the present article is to examine the two issues raised above and to see how the Uruguay Round contributed to the dynamics of the academic environment in the last twenty years. The analysis will be conducted from an economic perspective, starting from the distinction between public good/public service and based on capital and market theories, particularly those focused on human capital.

2. The concept of “public good”

It seems that the term “public good” was first used in the late 14th century and comes from a translation of the phrase “publicum bonum” in Latin. Later, in 1776, Adam Smith, analyzing the cause of prosperity of nations, establishes the differences between public and private property. According to this author, public goods are goods that although they may be in the highest degree advantageous to society, however, have such a nature that the profit could never repay the expenses of an individual or a small number of individuals, so they can never be expected to achieve them (Adam Smith, 1776/2005, p. 590).

In this context, Smith makes clear that, despite the liberal ideas which he claims, however, these goods must be produced by the state, through the efforts of all its citizens. In 1954, Paul Samuelson also distinguishes these goods, which he calls “common property”. Thus, Samuelson believes that there are ordinary private consumption goods, which can be shared among different individuals and collective consumption goods which all enjoy in common, meaning that an individual's consumption of such property does not entail any loss for any other individual that will make use of that good (Paul Samuelson, 1954, p. 387).
During 1945-1975, a period called the “golden age of Keynesianism”, there was a most spectacular economic growth, accompanied by wage increases and population explosion, changes that have led to substantial changes in the public sector. Some public goods and services that were already provided by the state, such as health, education, pension, and different types of subsidies, meant particularly to support those who were in disadvantaged positions in society, have expanded their scope. All these changes, present in one form or another in most of the developed or developing countries, have subsumed the concept of welfare state, a concept emerged in the economic theories of the left, immediately after the World War II, which led to massive changes in the philosophy of public policies, especially in Europe (Miller, 1987/2000; Hoover, 2007).

The recession triggered by the world oil crisis of 1973, culminates with the neoconservative revolution, characterized by lower public offering of goods and services provided by the state (Tanzi and Schuknecht, 2000). After this moment (the oil crisis) the return of the state in the position of provider of public goods has often been associated with political and electoral interests. Thus, the maximal state, which provides education, health, pensions, etc., is praised by politicians in pre-election times and criticized during post-election. This was shown by several authors who have analyzed over time the issue of allocation of public goods within the state. Relevant in this respect is the position of Meghnad Desai, who stated that it was finally understood that far from being a simple process of summation of individual preferences and identification of optimal decisions by calculating the social welfare function, the provision of public goods is a political process – one influenced by elections and mediated by political parties (Meghnad Desai, 2003, p. 69).

And yet, the analysis also does not sufficiently clarify the distinction between public and private property. Thus, in a recent paper, Simon Marginson (2007), describes in a simple, but suggestive way this aspect. The author uses a clear example: a technician in an enterprise receiving training. Is this a private or a public good? Obviously the arguments for the first category have the technician come to attain a higher skill level, which will allow him/her to occupy a more important position in the hierarchy of economic experts in the organization. Therefore private benefits are clear. On the other hand, Marginson wonders if, in this case, there also public goods. The technician, once qualified, will help other workers to specialize, leading to an increase in the level of specialization and of the latter. Also, all these cumulative effects may lead to an increase in the productivity of that entity, resulting in a positive effect on much larger groups (other workers, the local community which benefits the economic development of the area, and finally, the whole country).

This example leads us to seek a more detailed description of what we mean by “public good”. The same author (Marginson, 2007 a, b), based on contributions made by other famous authors (Samuelson, 1954; Kaul, Grunberg and Stern, 1999; Sandler, 2004), believes that, when we analyze the term "public good" we must consider two dimensions (economic and social) and two features (non-rivalry and non-exclusivity). Thus, from an economic perspective the two features can be explained as follows:
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- Non-rivalry: once a good has been provided, the cost of additional resources for another person who uses that object is zero or, in other words, the consumption of a good by one person does not diminish the amount available for another person;
- Non-exclusivity: once the property is provided, preventing someone to consume it is either very expensive or impossible.

From a social perspective:
- Non-rivalry: for any goods, the consumption by one individual does not reduce availability for other individuals, i.e. it does not deplete as it is consumed;
- Non-exclusivity: from its production, no individual can be restricted from consuming the good.

Another way to analyze the property is defined by Vincent Ostrom and Nobel Prize laureate, Elinor Ostrom, in Public Goods and Public Choices (1999). Considering the above features, the two authors grouped the goods into four categories:
1. private goods, characterized by exclusion, while the use or consumption in common is alternative;
2. taxable property – exclusion is feasible, and the use or consumption in common is possible;
3. common property/resources – the exclusion is impossible, and the use or consumption in common is alternative;
4. public goods – the exclusion is impossible, while the sharing the use or consumption is possible.

These different perspectives are to be used for the further analysis on the status of public good of higher education.

3. Education as a “public good”

Today it seems natural to treat education as a public good and we expect that in every corner of the world to find different forms of state involvement in the education of young. This was not always the case, and a closer analysis shows that even today the previous statement is not entirely true, especially considering that the latest UNESCO report on the state of education – Reaching the marginalized. Education For All – Global Monitoring Report 2010 – shows us that more than 75 million children worldwide are outside any system of training/education. Let’s see, however, briefly, which is the moment when education became an area of interest for the state being declared public good, what the reasons that motivated such an approach were, and what the latest trends are, at this time.

The first forms of institutionalization of the education took place in ancient Greece and were subsequently imported in the Roman Empire (Chambliss, 2002; Franken, 2002). Historical developments have broken this tradition and institutionalized forms of education are found in the Catholic Church throughout the Second Millennium, as a tool to perpetuate the Word of God (Walch, 2002,
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Cummings, 2003/2007). The state gets involved in education much later, mainly in the 18th and 19th centuries; its participation being clearly associated with modernity. As William K. Cummings (2003/2007) stated, Prussia is the first state (still in the process of creation, at the time) which understood that modernization is not possible without investment in education. In 1763, the Prussian Government adopted the General Rules on Schools in Counties, the first global legal instrument which provides that the state shall guarantee the rights of children in relation with their parents, and that the parents had a responsibility to send their children to school (Cummings, 2003/2007, p. 21). This example is followed later by other countries, especially in moments of historic restructuring. Napoleon follows this example, education reform in France is one of the first reforms undertaken to strengthen its power. In England and the U.S., education reform begins somewhere after 1820, while in Japan the reform discussion begins with the openness to the West (1868) and with the posting of the traditional system of government, where the samurai played an important role. In Europe, the revolutions of 1848 have reframed the idea of the nation-state, the proclamation of independence being in all cases associated with education reform, by committing the state to this process. Romania is no exception to this course of history. The first laws on education are provided in the Organic Regulation, adopted in 1831 in the two principalities, with other important developments waiting to take place after the unification of Moldova with Wallachia in 1859 (Berindei, 2003).

The universities were also part of this pattern. But there is a peculiarity. Universities have existed as independent structures, private, long before the formation of nation-states. On one hand, we can say that universities have contributed to these processes of modernization. On the other hand, at least in Europe, we can talk about the nationalization of universities, after the 19th century, meaning that older universities such as Bologna, the Sorbonne, Montpelier, Padua, etc., founded soon after 1000 as independent structures, reached the end of the 19th Century to be assimilated by the State, particularly through funding mechanisms (Rüegg, 1992; Charles and Verger, 1994/2001). A similar approach can be seen in Anglo-Saxon areas where, although the private universities have retained their identity, financial support mechanisms (grants for students, research grants, etc.) they came to be heavily dependent by the state.

Therefore, in retrospect, one can say that the arguments that brought education under the state umbrella, respectively in the category of public goods, are two. The first is a political argument associated with the idea of the nation state, and its founding and strengthening. The second argument is the nation’s development, understanding here economic, social, cultural, political, etc. development. There are also a number of other elements that come in equal measure, to strengthen both arguments. For example, education is viewed and treated as a public good and as a result of how it contributes to the conservation processes, to analysis and dissemination of culture, to tradition and identity of a nation.
4. Analysis of characteristics of higher education in terms of “public good”

We talked about the willingness of governments to invest in the public sector during periods of growth and/or political interest (pre-election periods) and the haste with which the same governments reduce public spending during periods of economic recession and/or post-election periods. The first distinction that should be done here would be the difference among the public sectors considered of public interest (education, health, pensions, etc.). A second distinction is within the framework of education, mainly among different levels of the area: primary, secondary, tertiary. Thus, it appears that during the most difficult economic times, the education sector is at risk because of at least two reasons: the first is related to the size of the national budget, while the second is related to political unwillingness to affect other sectors. Thus, for the first argument, it is noted that in international practice, the budgets of the education sector are consistently the highest in the country's total budget. Therefore, any reduction in the education budget, which is usually between 4-6% of GDP, cannot be compared with reductions achieved in another public sectors – culture, for example, which stands somewhere around 1-2% of GDP, on average. Therefore, the temptation to adjust the budget deficits by reducing the expenditure within the largest budget sector – education – is high, especially when Ministries of Finance are involved. The second argument that comes to strengthen the risk situation of education is related to the fact that here, any reduction has lower short term political effects than the budgetary cuts in pensions or health care. Therefore, in critical moments, the temptation of politicians to reduce the costs in education, more than in the other sectors, is quite high.

From the same perspective, if we take a look, at the types of expenditures within the education sector, we see that all, higher education is generally the most affected. The explanation is simple and proven by economists who study the correlation between different types of political and economic development. With a limited budget, investment priorities should be in the following order: primary, secondary, vocational education and only then, higher education. The explanation is that the private benefit rate is much bigger for higher education than in other forms of education. Therefore, a number of leading economists (Jimenez and Patrinos, 2008; Johnstone et al., 2008) recommended that investments in higher education should be made from private sources (tuition fees, usually) and not only from budgetary resources.
Let us see now to what extent higher education fits the model of “public good”, as defined at the end of the second chapter of this article. Thus, if we use Marginson's matrix (2007 a, b), it is clear that higher education can be characterized by non-rivalry to a certain point, where the number of students is manageable. If the ratio student/professor increases, then consumption of educational services per student will decrease. And yes, education is non-exclusive if it is free, but if the government imposes taxes, then it loses this feature. If we now use the matrix of Ostrom and Ostrom (1999), in this case we can state that the model 4, where exclusivity is impossible, while the consumption share is possible, applies for higher education only in certain situations, i.e. when the number of places in universities is high enough to cover all applicants, and education costs are covered by the state. However, we know that such a model is easier to apply to primary and secondary education, where every student is entitled to a place in school (at least in developed countries) and less to higher education where, even when the state finances full costs (see the communist model), the number of applicants is higher than of those who will be admitted, in the end, to study at the university. The Model 2 provided by Ostrom and Ostrom (1999) (taxable goods) would correspond to the situation where the voucher and tax systems are operational. In this case, the economic implications would be different. Thus, higher education, as a public good (model 4) is perceived as a free good and therefore the individual costs are not disproportionate to the benefits, while for higher education seen as a taxable good (model 2), involves market mechanisms, a situation where costs are incurred, at least partly, by the beneficiary.
5. Comments

The first comment concerns the models of Marginson (2007 a, b) and Ostrom & Ostrom's (1999). Of course, like any theory, both models have their limits. These models help us reflect more deeply at the term public good and to the available alternatives. So far, the application of this construct in the field shows that the definitions of the term public good are idealistic; their retrieval is more difficult in reality. In other words, as stated by the famous American economist James Buchanan, Nobel Laureate in Economics in 1986, there is no pure public goods, to be perfectly indivisible among consumers, which would mean that the entire quantity of a good accessed by a group of consumers would be available for each user (Buchanan, 1968).

The second comment is related to the fact that there is a certain dynamic of each public good, depending on the historical, political and economic context to which we refer. Thus, if we go back to the evolution of higher education in historical perspective, we would find that it has undergone several stages: first, medieval when officials were not interested in it, education being driven only by the students’ thirst of knowledge; second, associated to the process of founding the nation-state, in which higher education was seen as a political tool to strengthen the new political institutions and, therefore, entered the area of interest of the state as a public good; the third, industrial and postindustrial, where higher education was regarded as an agent of economic development, therefore being supported by the state; the fourth, the information and communication technologies (ICT) era, when higher education appears both as of state interest, and also as of the individual's interest, as a form of personal achievement. This final stage – known as the massification (Sadlak et al., 2009) – corresponds to the moment when the state recognizes its limits, respectively the inability to be generous to all who wish to pursue higher education courses. It is the moment when alternative forms of financing appear, such as tuition fees in public universities, private sector development, the emergence of mechanisms for student loans, etc.

The third comment is related to the fact that in the 4th stage is the first time when one can actually speak of a higher education market. Of course, there were state and private universities and offers – for a fee – to study in higher education in these institutions before massification. However, if we refer to private institutions from the early 20th century, for example, were either designed for local communities or they had a particular, exclusivist public, i.e. those students who could afford to pay very high taxes. In both cases, the recruitment pool of students was limited. The higher education market was born in full-shape in the last decades of the second millennium, when the number of students has increased significantly, along with their mobility. Higher demand led to a relatively strong reaction both from the state, which since the early '50s founded new universities, and from the private sector – which, in the same period, has grown considerably throughout the world. In this regard, significant data is provided by Harold Perkin Britain (2006) according to which 75% of the European universities were founded after 1945.
The fourth comment relates to the effectiveness of investments in higher education. Throughout this article I talked about capabilities and willingness, i.e. the capacity of governments to support the expenses associated with higher education and the willingness of the same governments, which are in a position to distribute budgetary resources, to allocate more or less money to education than to other budgetary sectors. Economists, however, point out that there is another side to this debate – the efficiency of investment, especially when talking about public investment in higher education, associated with the idea of public good. Economists tell us plainly: the word “free” does not exist! Therefore, every time we look at the public nature of higher education and to the costs associated with it, we must analyze how and whether that investment is appreciated by the student and efficient for the government. If we add to this discussion that increasingly more young people from underdeveloped countries or developing countries, having studied “for free” in their home country, choose to emigrate (Altbach and Knight, 2006; Knight, 2007), then the economists’ question about the efficiency of investments, in the context of a transfer of human capital abroad, seems justified.

The fifth comment relates to how the newly created market for higher education has self-regulated. The market works in general on relatively simple principles: there is a demand to be satisfied with the offer. In higher education, however, although this principle works, there is a matter of time, or, rather, the speed of system response. To build new universities and to have the necessary facilities and academics requires large and long-term investments, including the ones in human capital. However, this was done differently in developed countries in comparison with developing countries or the underdeveloped ones. These differences have led to large gaps between needs/desires for superior training and the ability to accommodate those needs, nationally. Therefore, especially in less developed countries, this need could not be answered fully at the national level, which led to a massive wave migration of smart and wealthy young people, to the more developed countries, to study. This is how the market for international students is consolidating, a market that has existed for centuries in Europe, but has experienced a real boom since the ‘60s and ‘70s. The OECD figures show that between 1975 and 2005 the total number of foreign students worldwide grew from about 0.6 to 2.7 million, and the estimates for 2025 reach over 8 million international students worldwide (Santiago et al., 2008). Of course, we can not fully base the dynamics of foreign students from certain countries only on the lack of capacity from poorer states. However, if we look at data we see that India and China together, sent abroad annually over 20% of all foreign students in the world (UNESCO, 2009). Therefore, it is possible to estimate that between those two elements – the higher education infrastructure and the option of studying abroad – there is a strong correlation.

Comment sixth – and last in the series – is the fact that in the latest three or four decades the higher education picture has changed significantly. Factors that have contributed to this change are multiple, but by far the first two are massification and globalization. Both factors have contributed to the development of national and
international higher education and, implicitly, what it is now called differentiation of universities. We talk today about the *World Class University*, a term that means that the traditional university, that met the training needs of a community, or a national university that satisfied the needs of training for specialists in one country, were outclassed by a new type of university, one which has international coverage. Obviously, the first question one should ask in this case, if we consider the topic of this article, would be: “Who shall provide (financially) for the public good status of higher education for this new kind of university?”.

### 6. Conclusions

I started this article talking about the Eighth Round of negotiations held under the umbrella of the World Trade Organization, in Punta del Este, Uruguay, between 1986-1993, and the new document signed during these negotiations, the General Agreement on Trade in Services (GATS). In this context, I addressed two questions, namely:

(i) Why was it necessary for higher education services to be considered as part of the services category?

(ii) Why was this issue brought about in an international context, while it is well known that education, in general, and higher education, in particular, had been viewed, until then, as exclusive attributes of each state, without becoming the subject of a multilateral agreement?

Throughout this article I presented a series of data that enables the shaping of possible answers to the questions above.

The first element would be that the term public good, although supported by the theory, can be easily dismounted in practice, as it may exist only in certain cases.

The second element is that higher education was not born as a public good. It was treated as such only in a historical context, that relating to strengthening of the state and the forms of recognition of this status were different from providing free academic education – particularly in Europe – to massive investments in the system, including research or grants for disadvantaged students – for example, in the USA. Massified higher education has changed the whole plan, developing the state limits in supporting the higher education. Therefore, if during a certain historical period, higher education was perfectly framed by the definition of public good, nowadays because of the increasing number of those who access this “good” and the private benefits that higher education brings to graduates, it is increasingly difficult to relate to higher education as a “public good”.

The third factor to be taken into account when talking about higher education as a “public good” is that this framework will differ from country to country, depending on the country's level of development. Thus, countries that have a low inclusion rate of high-school graduates in universities, perhaps the term “public good” is still fully associated with higher education. For countries with an inclusion rate of
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over 50% (U.S., Japan, South Korea, etc.) the public good nature of higher education is less striking.

The fourth element is related to the existence, in recent decades of a market for higher education, both nationally and internationally, which obviously erodes the idea of “public good”.

I would now outline some answers.

For the first question my answer would be that what was done in the GATS negotiations was merely a confirmation of an already existing reality in the field. In 1986, when negotiations started, in many places in the world higher education was already being treated as a public service in which the state was directly interested, but did not support (financially) in its entirety.

To the second question, namely why this subject was treated in an international context, one possible answer would be that by the time the negotiations started, higher education had long broken the national borders through its scope and effects. Again, GATS is based on a tangible reality, seen on the ground. The market of international students in the early ’90s was already booming, a trend that also manifests today.

What GATS brought new, however, is exactly the blueprint of higher education worldwide and a formalization of this state of affairs.

Note

There were 12 categories of services considered: business, communication, construction and engineering, delivery, education, environment, finance, health, tourism, sport & culture, transport and others.

References


