



2ND NOBEL LAUREATES MEETING IN BARCELONA

Friday, 2 December 2005

HIGHER EDUCATION: A PUBLIC GOOD OR A COMMODITY FOR TRADE?

Commitment to Higher Education or Commitment of Higher Education to Trade

Keynote Address

by

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GLOBAL UNIVERSITY NETWORK FOR INNOVATION &
UNIVERSIDAD POLITÉCNICA DE CATALUÑA

BARCELONA, SPAIN

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Abstract

Conventionally higher education is regarded as a public good, producing a huge set of externalities, benefiting not only the individuals, but also the whole society. Higher education institutions are recognised as important social institutions, performing vital social functions, that are widely acknowledged as noble and core for the very sustenance of societies, besides creating and disseminating knowledge. The externalities or the social benefits the higher education produces are a legion, covering economic, political, cultural, social and technological – almost every aspect of humanity. This view has been prevailing all over for a long period, influencing public policies on higher education.

But of late, the chronic shortage of public funds for higher education, the widespread introduction of neo-liberal economic policies and globalisation in every country and in every sector, and the heralding of the international law on trade in services by the World Trade Organisation (WTO) and the General Agreement on Trade and Services (GATS) – all tend to question the long-cherished and well-established view of many on higher education as a public good, and to propose and legitimise the sale and purchase of higher education, as if it is a commodity meant for trade. Commoditisation 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. As a result, ‘commitment to higher education’ has given way to ‘commitment of higher education to WTO under GATS.’

The very shift in perception on the nature of higher education from a public good to a private good, a commodity that can be traded will have dangerous

implications. 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. First, by treating higher education as a commodity that can be bought and sold in the domestic and international markets, the public good character of higher education would disappear altogether. In stead of serving public interests, higher education becomes an instrument of serving individual interests. This would be the most serious casualty of commoditisation of higher education. Second, this would terribly weaken governments' commitment to and public funding of higher education, and promote rapid growth of privatisation of higher education. Privatisation, specifically profit-seeking private institutions of higher education would become the order of the day with all its ramifications. Eventually, the whole higher education scene would be eclipsed by private sector. Third, the reduction in the role of the state, and corresponding increase in the role of the markets – domestic and international, in higher education would severely restrict access to higher education, and widen education inequalities within and between nations. Fourthly, treating higher education as a marketable product will severely affect knowledge production and will lead to 'knowledge capitalism.' If research and knowledge are treated as private goods, and their access is restricted, new knowledge creation becomes impossible, as new knowledge is necessarily built upon old knowledge. Lastly, trade in higher education might jeopardise existing human rights agreements, as the several provisions in WTO and GATS conflict with the United Nations conventions. The provisions in the trade agreements are indeed subversive of and contradictory to the true meaning of higher education.

It is argued here that the social purpose the higher education serves, the nation building role it performs, the public good nature and the human right nature of higher education -- all these dimensions are very closely related, and they need to be considered as fundamental and non-compromisable principles in formulation of any public policies relating to higher education, and that even if there are some gains in commoditisation 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.

HIGHER EDUCATION: A PUBLIC GOOD OR A COMMODITY FOR TRADE? **Commitment to Higher Education or Commitment of Higher Education to Trade**

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Introduction

Conventionally education is regarded for a long period as a public good, producing a huge set of externalities (mainly positive externalities), benefiting not only the individuals, but also the whole society. In case of higher education too, not only educationists, but also other social scientists and thinkers including economists recognised the public good nature: higher education constitutes a public good in itself, and also it produces public goods, benefiting simultaneously the individuals and the larger society. This view has been prevailing all over for a long period, influencing public policies on higher education.

But in recent years, growth in market forces and more importantly international law on trade in services tend to question or simply gloss over the long-cherished and well-established view of many on higher education as a public good and to propose and legitimise the sale and purchase of education, as if it is a commodity meant for trade. Higher education is not regarded as a public good or a social service. Even in the earlier decades while there were

some who questioned the concept of higher education as a public good, the heralding of the neo-liberal and globalisation policies, and later the advent of international trade in educational services accentuated such thinking. Public good and similar principles are viewed as too naïve to be relevant in the rapidly changing modern context. The conventional wisdom is being invaded rapidly by the strong and powerful forces of national and international mercantilists, represented in the World Trade Organisation (WTO) and the General Agreement on Trade and Services (GATS), the institutions that were set up outside the United Nations system. Higher education is seen primarily as a private good, as a tradable commodity that can be subjected to the vagaries of national and international markets. As Knight (1999) summed up,

With the massification of higher education, increasing at an exponential rate, there is strong interest on the part of large and small countries to make the export of education produces and services a major part of their foreign policy. In fact, we see major shifts in foreign policies where education was primarily seen as a development assistance activity or cultural programme to one where education is an export commodity.

In short, higher education sector is subject to severe pressures from domestic and international markets. The divide between public policy and commercial activities is at stake. In a sense, at the centre of the current debate is a fundamental clash of values. This short article reviews the arguments of both sides: higher education as a public good and higher education as a tradable commodity, and argues how important it is to recognise and resurrect the public good nature of higher education.

What is a *Public Good*?

Let us start with the basic question: what is a public good? Among the several beautiful concepts that economists contributed to development studies, the concept of public good is an important one. What is a public

good? Economists (see Samuelson, 1954; also Musgrave, 1959) define public goods as those that are non-excludable and non-rivalrous, i.e., such goods cannot be provided exclusively to some: others cannot be excluded from consuming them; secondly, non-rivalrous means their consumption by some does not diminish the consumption levels of other people of the same goods. Public goods generate large quantum of externalities, or simply known as social or public benefits. Public goods are available to all equally; marginal utility is equal, and the marginal cost of producing public goods is zero. They are also collective consumption goods.¹ Economists consider all public goods that strictly satisfy all the above conditions as *pure* public goods; alternatively other public goods that do not necessarily satisfy fully all the conditions as *semi-* or *quasi-*public goods. On the other hand, private goods are altogether different; they do not satisfy any of these conditions. Further, if the benefits of public goods are limited geographically, they are called *local* public goods (Tiebout, 1956); and the public goods whose benefits accrue to the whole world are called *global* or *international* public goods (Stiglitz, 1999).²

An important implication of public goods is: production of public goods has to be financed by the state out of general revenues, without necessarily relying on prices or any user charges like student fees, and markets, as individuals do not completely reveal their preferences and will not be ready to meet the full costs. Therefore, personal or market provision of public goods is inefficient.³ Even if some public goods are excludable, market mechanisms cannot provide public goods efficiently and cannot ensure optimum levels of

¹ But not all collective consumption goods are public goods. Some of them are 'price-excludable' goods, i.e., some can be excluded by using price mechanism (e.g., clubs), some are 'congestible' goods, i.e., more the consumers, more is the congestion (e.g., a public road, or a music programme in an auditorium).

² Stiglitz (1999) has identified five such global public goods, viz., international economic stability, international security (political stability), international environment, international humanitarian assistance and knowledge. See also several papers in Kaul *et al* (1999) and Kaul *et al* (2003).

³ For example, each one cannot have a school; or each cannot have a pistol for safety.

production. Besides, public goods are generally made accessible to all; and they are not subject to competition. That provision of such goods is subject to market failures, and that economies of scale also operate in case of many of the public goods, further support their public provision. In fact, public goods that are subject to economies of scale are better provided by state as a monopolist, than by many, as the economies of scale enjoyed by the single supplier far outweigh any efficiency gains from competition. To prevent the abuse of the monopoly power, and to ensure that any producer surplus is returned to the society, it is only natural that it is produced and supplied by the state. On the other hand, private goods are not available to all and they are subject to principles and laws of markets.

Some view that the distinction between public and private goods is 'technical' and 'ideological' and that classification of public goods is not an absolute one; it depends upon government policies, market conditions, level of development and political realities. After all, public goods are provided since middle ages, and hence they need to be redefined time and again considering changing political realities (Desai, 2003). Sadmo (1988) argues that normative theory serves better than the positive theory in recognising and classifying the public goods. The concept of public goods needs to be interpreted, considering all aspects – the intrinsic nature of the given good, the public goods it produces, the social purpose it serves, and the limitations of markets or widely known as market failures in the production of such goods.

Is Higher Education a Public Good?

Some argue that higher education cannot be treated as a public good, as it does not satisfy either of the first two features, viz., non-excludability and non-rivalrousness. Entry into education institutions, it is argued, can be restricted to some, and others can be excluded; and since the places of admission are generally given, admission to or consumption by some

necessarily means reduction in the consumption levels of others. This in my view is a very narrow interpretation of the technical attributes of public goods and of consumption of education. As Joseph Stiglitz (1999) has argued, knowledge, thereby higher education and research, does satisfy both the conditions. As an illustration, he has given the example of a mathematical theorem, which is non-excludable (once it is published, no one can be excluded from reading and enjoying the theorem), and non-rivalrous (one's enjoyment of the theorem will not affect other's enjoyment of the same). It is equally available to all, all may have same utility. There is zero marginal cost for making it available to an additional person.⁴

Few deny the existence of externalities in case of higher education. So if the consumption is interpreted as consumption of benefits from education, not consumption of good *per se* (admission in college in the present case), education satisfies both the essential features: the spread of benefits from an educated citizenry cannot be restricted to a small population, nor the quantum of benefits received by some is affected by the level of benefits others receive. As Stiglitz (1986) noted, there are two critical properties of public goods: it is neither feasible to ration public goods, nor it is desirable to do so. While it may be feasible to ration the admissions in higher education, it is not feasible to ration the distribution of benefits that flow from higher education; it is also not desirable to ration admissions in higher education either (Weisbrod, 1988) or the benefits. Exclusion of the poor in the consumption of education will result in loss in overall equity as well as efficiency in the economy. Thus education, specifically higher education, satisfies all the three essential features of public goods: they are non-excludable, non-rivalrous and they produce externalities. Other associated features of public goods like 'free-rider' are also applicable to education.

Because of these special features, public goods like higher education cannot be provided by markets in a manner that satisfies social demand.

⁴ The additional person may, however, have to incur a small cost of accessing it, say in the form of purchase of the book.

Optimal levels cannot be produced and supplied by markets, as profits cannot be a criterion in the production of public goods. Private producers cannot profit from producing public goods.

Obviously since public goods yield both private and public benefits, there are private benefits too from higher education. After all, while private goods are exclusive to the private individuals, public goods are not exclusive: they benefit private individuals also. But the public benefits outweigh the personal benefits by several times, and hence higher education cannot be treated as a private good, or as a 'public *and* private good' (Levin, 1987).⁵ It can be argued that higher education is a public good beyond any doubt and the current controversy is ill-motivated and unwarranted.

The public good nature of higher education is well understood when one recognises the traditional functions of higher education, and the social benefits that it produces, many of which constitute public goods in themselves.

Functions of Higher Education

Traditionally, the functions of higher education are recognised as noble and core for the very sustenance of societies. From the society's point of view, the core functions higher education performs can be listed as follows:⁶

- Firstly and most importantly, higher education helps, through teaching and research, in the creation, advancement, absorption and dissemination of knowledge through research and teaching. After all, it is well established that universities are nurseries of ideas, innovations and development.

⁵ Given the quantum and nature of externalities, some prefer to treat school or more specifically basic education as a 'pure' public good, and higher education as a *quasi*-public good (Blaug, 1970; Levin, 1987; Tomlinson, 1986), nevertheless a public good.

⁶ See also UNESCO (1998).

- Secondly, higher education helps in the rapid industrialisation of the economy, by providing manpower with professional, technical and managerial skills. In the present context of transformation into knowledge societies, higher education provides not just educated workers, but knowledge workers essential for rapid growth of the economies.
- Thirdly, universities are institutions of character and moral building of the individuals; they inculcate orderly habits and creates attitudes, and make possible attitudinal changes necessary for the socialisation of the individuals and the modernisation and overall transformation of the societies, by protecting and enhancing societal values.
- Fourthly, higher education also helps in the formation of a strong nation-state, by producing a better citizenry who actively participate in the civil, political, social, cultural and economic activities of the society, and to help understand, interpret, preserve, enhance, promote and disseminate national and regional, international and historical cultures, in a context of cultural pluralism and diversity; and at the same time helps in reaping the gains from globalisation. It also produces social and political leaders of high caliber and vision.
- Further, higher education contributes to the development and improvement of education at all levels and allows people to enjoy an enhanced 'life of mind' offering the wider society both cultural and political benefits (TFHES, 2000, p. 37).

Since all these are in public interest, higher education, thus, serves the public interest. Because of the nobility involved in the multiple functions – social, economic, political, and cultural, higher education is also regarded as a noble public service and higher education institutions as temples of learning.

The Task Force on Higher Education and Society (TFHES) (2000) highlighted higher education's ability to serve public interest, by

- unlocking the potential at all levels of society, helping talented people to gain advanced training whatever their background
- creating a pool of highly trained individuals that attains a critical size and becomes a key national resource;
- addressing issues for study whose long term value to society is thought to exceed their current value to students and employers; and by
- providing a space for the free and open discussion of ideas and values.

An important ingredient in the public interest in higher education is its role in creating a meritocratic society that is able to secure the best political leaders, civil servants, doctors, teachers, lawyers, engineers and business and civil leaders.

Many of these social functions higher education performs also constitute social benefits.

Social Benefits of Higher Education

Higher education confers a broad array of benefits on the individuals, and also on the whole society. These are well recognised by all, including economists starting with Adam Smith, who also pleaded for the same reason for public financing of education. Such benefits are numerous and diverse: some are individual or private and many or social or public. Both individual and public benefits are economic, social, political, cultural and demographic in nature. They may even flow across generations and across borders. The social benefits of higher education are also immense. In fact, many social benefits also constitute public goods in themselves.

As the Carnegie Commission on Higher Education (1973, p. vii) has clearly stated, “benefits from higher education flow to all, or nearly all, persons ... directly or indirectly.”⁷ Many have documented the several types of benefits that accrue to the individuals and to the society (Weisbrod, 1964; Bowen, 1988; Merisotis, 1998; Baum and Payea, 2004; Institute of Higher Education Policy, 2005). The public benefits include economic benefits and social benefits. Public economic benefits are those that have broad economic, fiscal and labour market effects. These benefits result in the overall improvement of the national economy, as a result of citizen’s participation in higher education. At the macro level, one can note that societies with more and more higher educated population are dynamic, competitive in global markets and are successful in terms of higher levels of economic development (TFHES, 2000). An important public economic benefit is greater productivity of the labour force. The presence of educated labour force increases the productivity of the less educated as well (Johnson, 1984; Lucas, 1988), which is an important externality. Other specific public economic benefits include: increased tax revenues, higher levels of savings which are necessary for investment that result in higher levels of growth, growth in overall consumption levels, increased supply of educated labour force, decreased reliance on government support for welfare programmes and so on. In addition to these ‘normal’ externalities, in case of higher education in particular, ‘technological’ and ‘dynamic’ externalities may be very important.⁸

Public social benefits are those benefits that accrue to the society, but are not directly related to economic aspects. Such public social benefits include reduced crime rate, social cohesion and appreciation of diversity, increase in the age of marriage, thus resulting in decrease in fertility rate

⁷ In fact, the Commission goes further, and adds that for the same reason, “the costs of higher education are assessed against all, or nearly all, adults directly or indirectly.”

⁸ On dynamic externalities, see Schultz (1988), Romer (1986 and 1990), Lucas (1988) and Stewart and Ghani (1992). See Azariadis and Drazen (1990) and Behrman (1990) for a discussion on ‘technological’ externalities. See also Schultz (1990) and Birdsall (1988) on the externalities of research and higher education.

among women, improved health conditions, etc. The political and civil benefits of higher education are also immense. Public higher education systems are generally regarded as the single most important instruments in the maintenance of a democratic system, as it produces better, well-informed citizenry, enabling more sensitive and wider public participation and debate on national issues.⁹ They also help in building strong nation-state philosophy, at the same time offering resistance to social and political ideas that threaten the broader social interests. Institutions of higher education are custodians of liberty, freedom and unfettered search for truth; they are considered as civilising forces, inculcating good character and values, producing leaders (Lawrence, 2004). Their contribution to increased quality of civic life, better elected governments and democracy is very substantial. Higher education is also viewed as a major instrument of equity, serving as an important means of access and social mobility to disenfranchised segments of population.

Thus the typology of benefits indicates a broad range – economic, social, cultural, political etc., short term and long term, having a significant positive impact on the people's well-being. They are indeed diverse. As Snower (1993, p. 706) noted, "the uncompensated benefits from education are legion."¹⁰

Externalities or public benefits are generally believed to be non-measurable. But even if externalities cannot be quantified, it is clear that they do exist (Summers, 1987), and so one should refrain from being dogmatic (Hope and Miller, 1988, p. 40). Large quantitative evidence does exist on the effects of education on economic growth, income distribution, infant mortality, life expectancy, health conditions, fertility rates, population control, etc.¹¹ McMahon (1999) has indeed measured several social benefits of education,

⁹ For example, Indian university system is found to have played a very significant part in the education for democratic citizenship (Béteille, 2005).

¹⁰ Very few (e.g., Arrow, 1993) believe that externalities in higher education are negligible.

¹¹ Weale (1993, p. 736) argues that these externalities are particularly important in developing countries. See Bowen (1988) and Leslie (1990) for recent elaborate descriptions of externalities in education.

such as benefits relating to health, population growth, democracy, human rights, political stability, poverty, inequality, environment and crime, apart from the direct benefits of education relating to economic growth in a cross section of countries. Thus, higher education is not only a public good, but it also shapes, produces and helps in realising other public goods. In this sense, it can be regarded as a very special public good of a high order.

Thus there is a huge accumulated stock of conventional wisdom on the versatile and critical contribution of higher education to various development facets of the society. Further, higher education is not only a means for development, it itself constitutes development, a higher standard of quality of life, as higher educated people acquire ability to read, write, understand and enjoy serious writings, develop critical thinking and get involved in scholarly debates on academic as well as sociopolitical issues of national and global importance.

Why is the Conventional Wisdom Changing?

Despite overall awareness of the public good nature and role of higher education in society, a rapid shift in the development paradigm of higher education is taking place. In my view, two essential factors explain the new trends in treating education as a marketable commodity, and not as a public good.

First, higher education systems even in economically prosperous countries are under severe financial strain, with growing student numbers on the one hand, and the chronic shortage of public funds on the other. In the recent years, most countries have inflicted serious cuts in state grants to higher education institutions. The resultant fall in public expenditures can be noticed in many countries in any or all of the following: total public expenditure on higher education, per student expenditures, share of public expenditure on higher education in the corresponding country's national income, or total government budget expenditure, allocations in absolute and

relative terms to important programmes that include research, scholarships, etc.

Some of the available evidence presented in Table 1 on the extent of decline in public expenditure on higher education per student as a percent proportion of gross domestic product per capita during the last decade in a select few countries shows very clearly that (a) the decline is not confined to the developing countries, though a larger number of developing countries experienced the decline than the number of developed countries; there has been a very significant fall even in advanced countries such as United Kingdom, Australia and New Zealand; and (b) the fall in the ratio is very steep in some of the countries, developed and developing.

	1990-91	2001-02	Change
UK	40.9	25.7	-15.2
Australia	50.7	23.5	-27.2
New Zealand	67.8	25.1	-42.7
India	92.0	85.8	-6.2
Chile	27.1	19.2	-7.9
Nepal	90.8	82.3	-8.5
Czech	45.9	32.8	-13.1
Estonia	55.9	31.8	-24.1
Malaysia	116.6	83.5	-33.1
South Africa	90.9	56.8	-34.1
Hungary	81.3	31.4	-49.9
Jamaica	132.3	70.5	-61.8
Botswana	161.5	88.6	-72.9
<i>Regions</i>			
South Asia	90.8	60.4	-30.4
Upper Middle Income Countries	61.8	30.6	-31.2
High Income Countries	47.1	66.5	19.4
Note: Data for two points of time are not available on all countries; data on only some select countries are presented here.			
Source: <i>World Development Indicators 2004</i> (Washington DC: World Bank).			

The second important factor that contributed to the radical shift in the thinking on the nature and role of higher education is the introduction of neo-liberal economic policies in the name of stabilisation, structural adjustment

and globalisation policies, associated with the International Monetary Fund and the World Bank. The policies question the role of the State and involve withdrawal of the state from, and liberalisation and privatisation of several social and economic sectors including higher education and even the welfare programmes. These policies also clearly favour and promote increase in the role of the markets. The case for treating higher education as a marketable commodity got much support from these policies. Such policies have been introduced in almost all developing countries, and even many developed countries found it convenient to adopt such policies as an easy escape route to the problem of public funding of higher education.

Further, inclusion of education in the negotiations under GATS and WTO, which is an obvious extension of the neo-liberal economic policies, is also found to be highly attractive to many universities and the governments. Higher education as an internationally traded service is believed to be capable of producing an immense magnitude of profits to the exporters of education. After all, international market in higher education was valued at US\$ 30 billion, or three per cent of global services exports in 1998 (OECD, 2004).¹² Many governments of the exporting countries encouraged the negotiations on higher education under GATS and WTO, as trade in higher education is essentially viewed as an important source of revenues for the universities, thus reducing the need for the governments to allocate higher proportions of their budgetary resources. For example, even some of the best universities in the world, such as Oxford and Cambridge, which were seen as 'gold standard' in higher education until ten years ago, are entering into the business of trading their degrees to overseas students, essentially constrained by public grants (Suror, 2005).

Unfortunately those who patronise the cause of higher education as a marketable commodity recognise only the individual economic benefits conferred by higher education, and refuse to recognise the vast magnitude of

¹² For example, of the US\$ 30 billion, USA and UK accounted for US\$ 11.4 billion each in 2001. Third in rank order comes Australia with over US\$ 2 billion (OECD, 2004, p. 32).

social benefits higher education produces, and the inability of the markets to produce sufficient quantum of public goods. They (e.g., Tooley, 1994, 2001, 2004) find markets capable of solving all educational problems. For them the individual interests should take precedence over social interests. They also stress the superficial principle of individual choice in this regard. The principle is superficial, as it matters only for those who can pay for higher education. They also believe that markets serve the social interests and that “unfettered market is always superior” (Schultze, 1977). The idea of university as a place of scholarships, and as a community of scholars and students coming from all corners of the society seeking truth and to engage in the task of pursuing scientific research etc., and not as a confederacy of self-seekers, is treated as an old fashioned idea. These neo-liberals view higher education institutions neither as centres of learning, nor as important social institutions. For them there is no distinction between higher education and production of cars and soaps. They treat universities as knowledge factories. For them investment in higher education is a venture capital;¹³ and equity in higher education means ‘equity’ in share markets relating to investment in higher education.

Thus one notices only practical economic compulsions and vested interests of making quick money, and no theoretical base for the arguments to treat education as a commodity, and not as a public good.

Costs of Treating Higher Education as a Commodity

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.

First and foremost, by treating higher education as a commodity that can be bought and sold in the domestic and international markets, the public

¹³ See, for example, the www.ifc.org/edinvest that brings a monthly electronic newsletter, championing the cause of facilitating investment in the global education market.

good character of higher education would disappear altogether. In stead of serving public interests, higher education gets disengaged from public interest and becomes an instrument of serving individual interests. This, in my view, would be the most serious casualty of commoditisation of higher education. As Altbach (2001) observed, "if higher education worldwide were subject to the strictures of the WTO, academe would be significantly altered. The idea that the university serves a broad public good would be weakened, and the universities would be subject to all of the commercial pressures of the marketplace -- a marketplace enforced by international treaties and legal requirements. The goal of having the university contribute to national development and the strengthening of civil society in developing countries would be impossible to fulfill." University education would be designed independent of academic and social responsibilities.

Second, this would terribly weaken governments' commitment to and public funding of higher education, and promote rapid growth of privatisation of higher education. Privatisation, specifically profit-seeking private institutions of higher education would become the order of the day with all its ramifications, converting an institution, which is basically a non-profit institution into a profit seeking institution. Eventually, the whole higher education scene would be eclipsed by private sector, and the public sector might become invisible. I have described elsewhere (Tilak, 1991, 2005b) the several problems associated with growth of private higher education in terms of quality and quantity of higher education and equity, in addition to the problems it creates in developing a balanced system of higher education with necessary focus on all areas of study that are important to the society in the long run. Marketisation of higher education will result in slow, in fact, a rapid extinction of some of the important disciplines of study which serve as a basic foundation for the development of any humane society. Only the marketable and revenue generating courses of study will survive. As the TFHES (2000, p. 45) warned, reliance on market forces reduces public benefits that higher education produces.

Third, treating higher education as a marketable product will severely affect knowledge production and will lead to 'knowledge capitalism' (see Olssen and Peters, 2005). The reduction in the role of the state, and corresponding increase in the role of the markets – domestic and international, in higher education would severely restrict access to higher education, and widen education inequalities within and between nations. In the WTO, Trade Related Aspects of Intellectual Property Rights (TRIPS) include legal means in both domestic and internal law for excluding and restricting access to knowledge. Knowledge capitalism makes higher education beyond the reach of large numbers of youth belonging to lower socioeconomic strata. This is not good for those populations nor is it good for the higher education system itself. Similarly, knowledge capitalism keeps many economically poor countries away from good quality higher education. This is also not good for those countries, nor is it good for other countries in this rapidly growing inter-dependent world. This also will not help in building strong and vibrant higher education systems in the developed countries.

Fourthly, knowledge is a public good. The TFHES (2000) has also noted the public interest value of higher education in terms of research and knowledge creation. Higher education adds to the stock of knowledge of the society, which is an important externality. If research and knowledge are treated as private goods, and their access is restricted, new knowledge creation becomes impossible, as new knowledge is necessarily built upon old knowledge. The noble tradition that universities are centres of creation and dissemination of knowledge in a spirit of academic freedom with special stress on independent research would become an idea of the past. Even if research is conducted in private or public universities, the integrity of research would be at stake, with the interests of the corporate sector determining research priorities and outcomes. Further, research supported by corporate sector may satisfy the perceived present demands, but fails to look at long term needs of the society. Basic and fundamental research that forms humanistic foundation and helps in understanding the universal context in

which humanity lives, gets traded off in favour of current applications. The core academic values would get traded off in favour of commercial gains (Bok, 2003). In short, the quality of higher education and research would get severely dampened. GATS and related developments such as TRIPS could raise fundamental roadblocks for the provision of global and national public goods.

Fifthly, progress in higher education depends on the time-tested 'social contract' system, a contract between older generation, the younger generation and the education system (Martin, 2005). The principle of the contract is simple: the present generation of adults finances the education of the future. The principle refers to the bonds between the present and future generations, and between society and its collective children, which constitute the bedrock upon which every successful civilisation rests. The responsibility one generation feels towards those that follow is a valuable public asset. The mechanism works through the method of taxation: the present generation of tax payers pays for the education of the future generations. If higher education is regarded as a private good, as an individual responsibility that one has to finance oneself, through tuition and student loans, i.e., one finances one's own higher education out of his/her own future incomes, the principle of social contract is in great trouble. The jeopardizing of the principle of social contract leads to not only hampering of the progress of education system, but also straining the whole social fabric.

Lastly and quite importantly, it is important to realise that trade in higher education might actually jeopardise existing human rights agreements, as the several provisions in WTO and GATS conflict with the United Nations conventions (see Tomasevski, 2005). The provisions in the trade agreements are indeed subversive of and contradictory to the true meaning of higher education. After all, the *United Nations Declaration on Human Rights* (1948) has clearly stated:

Everyone has the right to education...and higher education shall be equally accessible to all on the basis of merit.

The *United Nations Covenant on Economic, Social and Cultural Rights* (Article 13) further states:

Higher education shall be made equally accessible to all, on the basis of capacity, by every appropriate means, and in particular by the *progressive introduction of free education* (emphasis added).

The *Bologna Declaration* has also ratified the UN Covenant. Treating higher education as a commodity and trade in higher education would make realisation of these conventions not just difficult, but impossible.

Conclusion

Basically higher education is a public good; it is also recognised as a merit good. Besides being a public good in itself, it produces several public goods. The public goods that higher education produces, shapes and nurtures are also diverse. The social purpose it serves, the nation-building role it performs, the public good nature and the human right nature of higher education -- all these dimensions are very closely related, and they need to be considered as fundamental and non-compromisable principles in the formulation of any public policies relating to higher education.

But higher education as a public good is now at risk. The role and definition of and higher education and other public goods is contested and embattled. The neo-liberal economic policies introduced almost everywhere – every society and every sector, the chronic shortage of funds for higher education, and the advent of WTO and GATS in higher education – all changed dramatically the public thinking on higher education. GATS is basically hostile to public goods and social services, including specifically higher education. Accordingly, the neo-liberals see the role of higher education differently; they view it as a commodity that can be traded in

domestic as well as international markets. As a result, the wave of commoditisation of higher education is on and the 'higher education bazaar' (Kirp, 2003) is growing rapidly. 'Commitment to higher education' has given way to 'commitment of higher education to WTO under GATS.' But though a majority of the countries have not made 'commitments' to liberalise their higher education systems under WTO,¹⁴ "progressively higher level of liberalisation in higher education is taking place" (Tomasevski, 2005, p. 12).

The very shift in the perception on the nature of higher education from a public good to a private good, a commodity that can be traded and the reforms being attempted in higher education that do not recognise the principle of social contract, will have dangerous implications, replacing academic values by commercial considerations, social concerns and purposes by individual interests, and long term needs by short term demands. Even if there are some gains in commoditisation of higher education for trade, the gains will be few and short-lived; and the losses would be immense and may produce very serious long term dangers. The core academic values and social purposes are so important that they cannot be traded off in favour of markets (e.g., Kirp, 2003).

At the bottom-line, it is important to realise that higher education institutions are not commercial production firms (Winston, 1999; see also Clotfelter, 1996) and hence higher education is not a business commodity which can be subject to liberalisation, privatisation and commercialisation and be bought and sold in markets. Higher education is related to the national culture and the values of a society. It protects culture, intellectual independence and the values of a civilised society. Higher education institutions act as bastions of rich traditional values, at the same time providing the setting for a new kind of social imagination and experience.

¹⁴ Only 44 countries made commitments with respect to education, of which commitments were made relating to higher education by only 21 in the Uruguay Round. Further, it is important to note that public higher education sector is in principle not covered by the GATS negotiations and no member country has expressed interest in including it. But the situation may rapidly change.

They are not only centres of learning, continuously creating and disseminating knowledge, and inculcating skills and attitudes necessary for modernisation of societies, but are also important social institutions that provide the setting for a very distinct kind of interaction among young men and women, between the generations and the nations (Béteille, 2005, p. 3377). All this makes higher education very different from other goods and services, covered by GATS.

Therefore it is necessary to make special efforts to protect the integrity of research, to preserve the much cherished educational and social values, and in brief, to resurrect the public good nature of higher education, so that it serves the public interests that it is expected to do. As Altbach (2001) cautioned,

Universities are indeed special institutions with a long history and a societal mission that deserve support. Subjecting academe to the rigors of a WTO-enforced marketplace would destroy one of the most valuable institutions in any society.

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[Tilak/Higher Education as a Public Good II Nobel Meeting Barcelona/Dec 2005]
