

## The Higher Education a Private or a Public Good?

PhD. Elena Kocaqi (Levanti)

Lecturer, at "Aleksander Moisiu" University, Faculty of Political Sciences and Law  
Department of Public Administration, Durres, Albania; Email: kocaqielena@yahoo.com

Doi:10.5901/ajis.2015.v4n3s1p432

### Abstract

*This paper aims to treat the views that see the higher education as private or a public good. 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 subject that buys it. This view is criticized by other, which think higher education is a public good because all society benefits for it. Questions that arise are; Does the public benefits from higher education? Is it the education more expensive than the benefit? Is the high education a profitable business as other business or not? Must the states continuous to subsidize the higher education or not? What can happen if the state will treat the high education as business? Those are some of the question that will take answer in this paper. The method of work is based in analyses of theories and practices that are known in higher education.*

**Keywords:** higher education, private good, public good.

### 1. Introduction

The right of education is a fundamental Human Right that is known internationally and nationally. The article 26 of Declaration of Human Rights, approved by United Nation in 1948 provided that *"everyone has the right of education"* (Article 26 of UN, The universal Declaration of Human Rights, Paris 1948). In the International Convent on Economics, Social and Cultural Rights, education is divided in three categories as primary, secondary and higher. This Convention considers the primary education as *"compulsory and available free to all"*. While secondary education was considered as *"available and accessible to all by every appropriate means"*. The access on higher education is considered by this Convent as *"equally accessible to all, on the basis of capacity"* (Article 13-2 of International Convent on Economics, Social and Cultural Rights, United Nation 1966). The definition of this Convent makes the higher education an opportunity for all but limited from criteria of merit that is a primary condition for having it.

The ministers of European Union at Summit of Prague for Higher Education in 2001, made a common declaration considering the higher education *"a public good"* and *"a public responsibility"*. (Toward the European higher education Area, Communiqué of the meeting of European ministers in charge for the Higher Education, Prague 19 May 2001). Politically, European Union considers high Education as public good and responsibility of state and United Nations, based it in criteria of merit, but scholars are divided in two parts, one that see the higher education as public good and the other that see it as private good. "On the one hand, we have those who look upon higher education as a social institution with specific cultural and social functions. On the other hand, there is the perspective that views higher education as an industry and a part of the economic system". (Pedro Teixeira, The torturous ways of the Market; Looking at the European Integration of Higher Education from economic perspective. LEQS Paper No. 56, 2013, p.8). Let see this different views for higher education.

### 2. The Business Views for Higher Education

Education and especially the higher education is considered to be, one of the most important public good until now, a necessity and responsibility of state. In fact *"In a democratic society education of the populous could appear to be an unspoken priority. Unfortunately, the opposite appear to be the path most often taken"* (Rodney K Hopson, Carol Camp Yeake, Francis Musa Boakari; Power, Voice and the Public Good. Schooling and Education in Global Societies; In "Advances in Education in diverse communities. Research Policies and Praxis, volume 6; Emerald Group Publishing

Limited, 2008 f. 139). Almost all scholars agree that elementary and secondary education is public good but for the higher education the views are different. Many scholars do not consider it as public good but as a private one.

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 and the subsidy of this personal education must be made by private money not by public money. According to Schoenenberger, *"The existence of private benefits, supports the view that education is a private responsibility"*. (Alain M. Schoenenberger, Are higher education and academic research a public good or a public responsibility? In The public responsibility for higher education and research; Council of Europe Publishing 2005, p.55). According to Blaug *"education is not a pure public good because at least some of the economic benefits of education are personal to the educated"* (Schoenenberger 2005, p.56). Teixeira thinks that *"whoever enjoys the benefit of higher education should pay for it"* (Yasmine Kooij; European Higher education policy and the social dimension. A comparative study of Bologna process, Palgrave Macmillan 2015, p.96)

Morgan argues the reason why higher education is been considered as a private good. He writes that, *"Under the influence of neo-liberalism, educational institutions have been undergoing re-organization, with the private sector assuming an increasingly important role. This trend has also been driven by pressures on public finances and an accompanying economic austerity. This has been accentuated by the 2008 global financial crisis, through the rising costs of public goods to the state, while the tendency towards lower tax regimes has been a long-term trend."* (W. John Morgan and Jan White. The value of higher education. Public or Private good. In Grud Fragen und Trends, International, Weiterbildung 2014, p. 40)

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 B. G. Tilak; Higher education a public good or a commodity for trade. 2005, p. 2-3.)

Human capital theory, considers education as "optimal investment decisions of rational individuals" (Schoenenberger, 2005, p.57). In fact investment in education is a kind investment in economy. Investing in human resources is a huge investing that guarantees the gains. The human capital in economy is much more important than any other capital because it puts in circulation every capital that exists. The educated people with multiple the benefits in economy and if we do not educate them the economy will not have gains in future. Cutting the spending of public money for education will cause a major damage in macro economy.

So the economist see the problem of education only in the logic of personal business and they do not see others factors. The business is focused in investing and profiting and it is not seen the public benefit from people that have received the higher education with public money. The universities are seen as sellers of knowledge and students as buyers of it. So according to this logic the investment must be personal as long as they see the benefit only as personal. The business view thinks only to commercialize the higher education for the profiting of the businesses and do not see the benefit that take society from it. The interests of some businesses come before everything and before the logic in economy. The quick gains of some businesses will cause a major loss in near future for economy because of the lack of efficiency that will come from lack of qualified people that have the capacity but would not be able to qualify themselves because of lack of money.

### 3. The Higher Education as Public Good

A public good, needs to fulfill some criteria to be considered as such; Scholars think that public good has this characteristics.

- 1- The existence of a beneficial consumption.
- 2- No exclusion of this good.
- 3- Externalities - public goods impose costs or benefits on others.

Richard Musgrave considered as public those goods that "are satisfied by the market within effective demand. They become public wants if considered so meritorious that their satisfaction is provided for through the public budget, over and above what is provided by private buyers. The discussion on public goods is based on the assumption that the goods should be supplied in line with individual preferences". (Schoenenberger, 2005, p.48)

No rivalry in consumption implies that my consumption of a good does not prevent others consuming it too..Non excludability implies that is difficult if not impossible to limit access in certain goods. The production of knowledge may serve primary example of a good that is not excludable because it is difficult to make such knowledge exclusive or to control it privately. The consequence is that such product cannot be left to the market because the market is primarily interested in selling for exclusive use to consumers who pay for the privilege. In theory we may these conclude that the central product of higher education and research has characteristics of a pure public good.( B.W.A. Jongbloed, Public – private dynamic in higher education. Expectation, Developments and Outcomes. Verlag Bielefeld 2007, p.12).

All 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 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 business view is anti-merit. It give education to people that do not deserve it but have money to pay for it. This is also a monopole in the market of education, monopole that is caught by money, which does not guarantee a good product for the market of goods.

The benefit in consumption comes for all society through the investment that they have made in human capital that will turn this investment back. Paying for the people that deserve it the higher education is a big investment with maximum of efficiency. The investment in education is cheaper than gains we take, so it is a very profitable investment. As we said only people that fulfill the criteria of merit can take this right, despite that all society pays for it. 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, because we can have the potentiality to have it in any time and for this we must contribute for it. The same is for higher education that is very important because from it is depended the human resources of public and private sector.

Today in some countries the responsibility of higher education is made personal. The states instead to rise the percentage of GDP to higher education tend to cut the public spending for it. The young and talented people that have the will to study will be limited and conditioned by moneys. Education cannot be considered as a category of goods that enter to luxury because it is a necessity, an investment from which will profit not only the people that take the education but all society. Making education expensive, for profiting private businesses it is against economic development of all society. Treating the high education as private good, makes education a thing that has value only because of money and excludes merit from having it. This kind of education will create fake educated elite and will cause a lot of damages to progress in science and economy and as consequence will cause damages in general wellbeing of people.

#### 4. Conclusions

The debate about higher education is very actual today. There are different views for higher education, some considered as a private good and others as public good. It is a debate, if the higher education has to be personal or a public investment. The business view sees it merely as private investment and the public good view, sees it as a public investment and as responsibility of state. Human capital theory sees the subsidizing of higher education as investment. To see it from the logic of economy it is a big investment that some time produces more than natural resources of a country. When in the weight of economy the human resources are more important than the investment in natural resources, than we have as conclusion that we do not spend so much money for a successful investment that produces more than billions invested directly in economy. If the higher education will be considered as a good that can be taken by people that have the opportunity to pay the fee than this will bring the lack of merit and an investment in economy that its destination is fail. The people that have ability to produce will stay out of market because of monetary incapacity. So the business will suffer for investments in the human resources that are the most important capital in economy.

The authors that see education as business, point out that many people do not get the high education and for that reason they must not pay money for educating other people. The business view sees only personal profiting and does not see the public benefit or the economical benefit of the private sector of economy. In one way all society profits from educated people because they serve to society not only to themselves. The higher educated people are profiting from this

investment from public good because of merit and capacities they have that will be turned as benefit to all people that are paying for them.

So seeing the education as private good is against the logic in economy. Education is business only for the output but never for the input. The state must continue to subsidize the higher education and also must do and the private businesses. Investment in higher education is investment in economy and in private sector that will profit directly from it because will have educated people that will increase the incomes of private businesses. So the private sectors must subsidize higher education for its benefit too, together with state.

## References

- Alain M. Schoenenberger, Are higher education and academic research a public good or a public responsibility? In The public responsibility for higher education and research; Council of Europe Publishing 2005
- Article 26 of United Nation, The Universal Declaration of Human Rights, Paris 1948
- Article 13-2 of International Convent on Economics, Social and Cultural Rights, United Nation 1966
- B.W.A. Jongbloed, Public – private dynamic in higher education. Expectation, Developments and Outcomes. Verlag Bielefeld 2007
- Jane. S. Shaw, Education a Bad Public Good, In the Independent Review, vole 15, Fall 2010,
- Janidhyala B G Tilak; Higher education a public good or a commodity for trade. 2005
- Pedro Teixeira , The torturous ways of the Market; Looking at the European Integration of Higher Education from economic perspective, LEQS Paper No. 56, 2013
- Rodney K Hopson, Carol Camp Yeake, Francis Musa Boakari; Power, Voice and the Public Good. Schooling and Education in Global Societies; In "Advances in Education in diverse communities. Research policies and Praxis, volume 6; Emerald Group Publishing Limited, 2008
- Toward the European higher education Area, Communiqué of the meeting of European ministers in charge for the Higher Education, Prague 19 May 2001
- Yasmine Kooij; European Higher education policy and the social dimension. A comparative study of Bologna process, Palgrave Macmillan 2015
- W. John Morgan and Jan White. The value of higher education. Public or Private good . In Grud Fragen und Trends, International, Weiterbildung 2014.