



**Public/private in higher education: A synthesis of economic and political approaches**

Journal:	<i>Studies in Higher Education</i>
Manuscript ID	CSHE-2015-0711.R1
Manuscript Type:	Article
Keywords:	Role of Higher Education, equality, neoliberalism, public policy, education market

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# Public/private in higher education: A synthesis of economic and political approaches

## Abstract

The public/private distinction is central to higher education but there is no consensus on 'public'. In neo classical economic theory Samuelson distinguishes non market goods (public) that cannot be produced for profit, from market-based activity (private). This provides a basis for identifying the minimum necessary public expenditure, but does not effectively encompass collective goods, or normative elements. In political theory 'public' is often understood as state ownership and/or control. Dewey regards social transactions as 'public' when they have relational consequences for persons other than those directly engaged, and so become matters of state concern. This is more inclusive than Samuelson but without limit on costs. Neither definition is wholly satisfactory, each offers something, and each can be used to critically interrogate the other. The article synthesizes the two approaches, applying the resulting analytical framework with four quadrants (civil society, social democracy, state quasi-market, commercial market) to higher education and research.

## Keywords

Role of higher education, equality, neoliberalism, public policy, education market

## Introduction

It is widely agreed that higher education contributes to the relational or public dimension of human society but there is little clarity on what this means and how it relates to the private benefits for students and graduates. Many claims are made by university leaders and ministers of education about the contributions of higher education institutions (HEIs) to the ‘common good’, ‘public interest’, ‘public good’, or ‘public goods’. Higher education institutions are said to provide opportunity for all on the basis of merit; widen the scope for upward social mobility; enhance the careers and lives of those they educate; contribute to productivity and prosperity by preparing graduates for occupations, and supplying innovations for industry; provide employment for cities and regions; create and distribute knowledge and ideas, and advance free expression; foster scientific literacy, and sustain intellectual conversations and artistic work; contribute to policy and government, and prepare citizens for democratic decision-making. HEIs are said to sustain a cosmopolitan outlook and growing cross-border traffic. They encourage ecological awareness, and find solutions to global problems. However, statements about the public benefits of higher education lack intellectual cut-through. They tend to read as solely normative and assumption driven. In contrast with private rates of return and employment, public benefits are rarely associated with plausible measures (Marginson, 2013a). Nor is the public dimension understood as a unified field with one definition of ‘public’ across the range of identified activities and effects.

### *Obstacles to clarification of ‘public’ higher education*

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3 There are at least four reasons for the lack of clarity about the public/private distinction in  
4 higher education and elsewhere. First, public/private terminology is variously applied to  
5 the location of activity (state sector versus outside), the source of funding (government  
6 versus household or private organisation) and the nature of the activity. Though the present  
7 article will distinguish public/private in terms of the social nature of educational activity,  
8 understandings of 'public' as state sector or government are encompassed in the approach.  
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Second, the public/private distinction varies across the world according to political culture. Consider the differing understandings and practices of 'public', 'private', 'society' and 'state' in the Nordic realms, the German social market, Anglo-American societies with their limited liberal states, and the Chinese civilizational tradition with its strong family and comprehensive practice of state order. The public/private balance of costs differs in national systems often similar in other respects (OECD, 2014, 260-276), reflecting varied assumptions about the responsibilities of governments, families and students. Differences between national jurisdictions are not explored in the article, but it develops a framework that can be tested in differing contexts. The conclusion will return to this point.

Third, public/private is understood variously in social science, from economics to differing strands in political and communications theory (Marginson, 2007; 2011; 2013a).

Fourth, in the last half century in Anglo-American social science there has been a sustained and influential assault on notions of the public good or public interest, which has partly obscured the public dimension in higher education and other sectors. The origins of this critique of the public good lie in the Cold War-era argument developed by Arrow (1951) and the public choice theorists (Buchanan and Tullock, 1962) that it is impossible to have a common public interest that transcends individual preferences. Buchanan pitched his work against what he called the 'normative delusion, stemming from Hegelian idealism: the state was, somehow, a benevolent entity and those who made decisions on

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3 behalf of the state were guided by considerations of the general or “public interest” (133).  
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5 As he saw it individuals used politics to seek forms of justice and social organisation that  
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7 upheld their personal interests. Political leaders might claim to be responsible to persons or  
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9 causes other than themselves, but were not. Politics was essentially another market, and  
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11 group decisions were the sum of individual decisions combined through a decision-making  
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13 rule (Buchanan and Tullock, 1962, 12, 35, 95, 132, 284, 305-306, 314-315). While this  
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15 position is by no means universally shared in social science it has left its mark in the  
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17 neoliberal reduction of state policy agendas (Marginson, forthcoming). Thus in higher  
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19 education, Anglo-American policy focuses on the private benefits for students/graduates,  
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21 principally higher earnings, and on their individual choices and customer satisfaction. The  
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23 emphasis on private benefits, consistent with the marketing ethos that has gripped many  
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25 HEIs, is used to justify tuition regimes. The public dimension is defined narrowly in terms  
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27 of a market economy in which individual benefits are paramount. Thus the master public  
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29 role of HEIs is seen as their contribution to profitability, industry innovation and economic  
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31 growth—even though government, more than industry, shapes notions of economic utility  
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33 in higher education (Geiger and Sa, 2009, 209). Neoliberal governments have little appetite  
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35 for defining, monitoring, measuring (where possible) and regulating jointly-consumed  
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37 collective outcomes of education such as social literacy. Such outcomes are under-  
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39 recognised, under-funded and under-produced, reproducing their marginalisation.  
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45 In the policy mainstream, just one collective social goal is widely maintained (albeit  
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47 highly variable in application): the contribution of HEIs to social equity. Other public  
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49 contributions are often seen as incidental spillovers from the provision of benefits for  
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51 graduates rather than as policy objectives; part of higher education’s case for support,  
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53 perhaps, but its own responsibility. This reduces the fiscal burdens of government but also  
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55 reduces the scope for public agency and enhances the risk of non provision of public  
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3 goods. With the public role of higher education thus partly devolved downwards from  
4 system to institution, some HEIs maintain surprisingly strong public missions. In  
5 California in 2012-13, the University of California (UC) campuses at Berkeley and Los  
6 Angeles between them enrolled over 20,000 Pell grant students from families with incomes  
7 of less than \$50,000 per year—more Pell grant students than the top sixteen United States  
8 (US) private universities combined (Dirks, 2015). In more than a quarter of those families  
9 neither parent had attended higher education (Rothblatt, 2012, 272). Not all universities  
10 can do this. They cannot substitute for states. They must look to their own sustainability,  
11 and unlike states cannot reorder whole systems to enhance joint benefits. They are less  
12 transparent and are not joined to the full public through democratic mechanisms.  
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### 27 *Sequence of argument*

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32 How then can social science bring the public dimension more effectively into view? This  
33 article focuses on two widely used disciplinary approaches to the public/private distinction,  
34 drawn from foundational economic theory and political theory respectively. The economic  
35 definition, exemplified here by Paul Samuelson (1954), distinguishes between non-market  
36 and market activities. The political definition, exemplified here by John Dewey (1927),  
37 distinguishes between state and non-state owned or controlled activities.  
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45 After outlining both approaches to the public/private distinction the article combines  
46 them into an analytical framework for research and policy analysis in relation to higher  
47 education. It briefly reviews examples and applications, including global public goods.  
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### 56 **Samuelson's non market/market distinction in economics**

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5 In 'The pure theory of public expenditure' Paul Samuelson (1954) established the notion of  
6 public/private now dominant in economic policy. Public goods are defined as one or both  
7 of non-rivalrous and non-excludable. Goods are non-rivalrous when they can be consumed  
8 by any number of people without being depleted, for example knowledge of a  
9 mathematical theorem, which sustains its use value indefinitely on the basis of free access.  
10 Goods are non-excludable when the benefits cannot be confined to individual buyers, such  
11 as clean air regulation. Private goods are neither non-rivalrous nor non-excludable. They  
12 can be produced, packaged and sold as individualised commodities in markets. Public  
13 goods and part-public goods cannot be produced on a profitable basis, and require  
14 government funding or philanthropic support. They do not necessarily require full  
15 government financing, and can be produced in either state or private institutions.

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17 Samuelson's notion of public/private goods has led to variations, including common-  
18 pool goods, rivalrous but non-excludable, such as a fishing zone; Buchanan's (1965) 'club  
19 goods', excludable but non-rivalrous until congestion occurs; and Ostrom's (2010) 'toll  
20 goods', whereby all but a specific population are excluded and the good is non-rivalrous  
21 within the group. Merit goods are goods produced in either the private or public sectors,  
22 that are rivalrous and excludable, but subsidized by government at point of use because it  
23 believes that otherwise the goods will under-consumed, for example because the private  
24 benefits are diffuse and long term. All these concepts have potential applications in higher  
25 education but discussion here will focus on the core public/private goods distinction.

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Though couched in generic terms, Samuelson's definition is not universal, applying to  
all human societies. It embodies the norms of a capitalist society, consistent with the idea  
of an 'institutional world' divided between 'private property exchanges in a market setting  
and government-owned property organized by a public hierarchy' (Ostrom, 2010, 642). It

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3 is not applicable to a gift economy (Mauss, 1954/1990), or an economy grounded in  
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5 communal or state-controlled property and production. Among capitalist societies, it is  
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7 most appropriate to Anglo-American nations that nurture the John Locke/Adam Smith  
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9 notion of limited liberal states and a zero-sum opposition between private and public. In  
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11 these nations the economic departments of state, like Samuelson, see private business as  
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13 the default producer, except in cases of market failure of essential goods. This policy  
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15 approach maximizes the scope for trade and capital accumulation, while providing a  
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17 simple zero-sum basis for the private/ public split in financing goods such as higher  
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19 education and research. Government funds the good to the extent of market failure, at  
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21 which point the market takes over. Using the Samuelson framework, McMahon's (2009)  
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23 comprehensive survey of the research literature values the public contributions of  
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25 universities at about 50 per cent of total expenditure.  
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29 Samuelson's definition of public/private correctly identifies market failure as the basis  
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31 for fixing a minimum necessary level of public spending on education and research.  
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33 However, his definition is a simplification that generates lacunae. First, the definition is  
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35 ahistorical. It naturalises the definition of public/private. Whether a good is 'public' or  
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37 'private' is seen as intrinsic to the nature of that good, universal, unchanging and unrelated  
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39 to context. This is sometimes but not always right. It is right in relation to sunlight which is  
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41 always a public good. It is wrong when the character of the good is shaped by politics or  
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43 social arrangements, and can be either public or private, as happens in higher education.  
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47 A second problem is the assumption of zero-sum, the idea that if a good is not public  
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49 it must be private, and vice versa. Under some circumstances, public goods and private  
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51 goods are not alternatives but additive. For example, basic research in universities, together  
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53 with its connections to commercial and non-profit organisations, directly and indirectly  
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55 generates both public and private goods in complex feedback loops (Hughes and Kitson,  
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3 2012). Likewise, graduates in medicine augment both their own earnings and the public  
4 welfare, and both kinds of benefit expand together. Politics differ on whether they finance  
5 HEIs on the basis of the zero-sum split between public and private costs and benefits  
6 suggested by Samuelson's distinction, as in the United Kingdom (UK); or finance HEIs  
7 from taxation as a universal service, with private benefits seen as contained in the public  
8 benefit, as in Nordic systems. Whether zero-sum or positive-sum is a political choice.  
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16 A third problem is that Samuelson's definition is poorly equipped to deal with larger  
17 collective goods, which tend to fall outside economics, being difficult to border, observe,  
18 measure and value in terms of shadow prices. There is a strong element of the normative in  
19 many collective goods—for example, universities contribute to academic freedom because  
20 all believe it essential to universities. Samuelson's naturalist formula cannot explicitly deal  
21 with normative aspects. However, the normative questions do not disappear. Economic  
22 identification of Samuelson public goods differs according to the normative assumptions of  
23 the economist. Neoliberal economists tend to downplay market failure and the scope for  
24 collective goods, or assume that private investment will generate the necessary public  
25 benefits as spillovers. Social democrats and endogenous growth theorists talk up the  
26 potentials of public goods and state investment (e.g. Romer, 1990). With the normative  
27 differences implicit rather than explicit, the conclusions are presented as the outcome of  
28 dispassionate science. This is unhelpful. It is better to make the policy choices explicit.  
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45 The three problems are related. Despite Samuelson, market-produced goods and non-  
46 market goods are not two sides of the same coin. They do not have the same ontology.  
47 Market-based private goods must be viable in current market transactions. Non-market  
48 public goods must be politically viable, are generated by many factors in addition to  
49 market failure, and often have a different temporality to market-based goods. Yet while  
50 Samuelson's definition is too minimalist—especially by excluding positive-sum relations  
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3 between public and private—its narrow economic interest in scarcity and cost can be  
4 helpful. As well as establishing the minimum necessary public provision it provides a  
5 reflexive formula for interrogating the cost of any public provision beyond that boundary.  
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7 You can have a more ‘public’ approach than minimally necessary, Samuelson implies, but  
8 there are opportunity costs. The same scarce resources could be allocated elsewhere.  
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### 13 *Economic public/private goods in higher education*

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21 What public/private goods are produced in HEIs, in Samuelson’s terms?

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23 The most important non-market public good is knowledge. Since Adam Smith most  
24 economists have treated knowledge as a form or function of capital (Prendergast, 2010),  
25 but Stiglitz (1999) demonstrates that knowledge, as in the mathematical theorem, is a  
26 classic Samuelson public good. New knowledge is exclusive to its creator and provides a  
27 first mover advantage. Patents prolong that advantage. However, to be used knowledge  
28 must be communicated. Once communicated, essential knowledge retains its value no  
29 matter how often it is used. It is non rivalrous and non-excludable. Thus basic research is  
30 subject to market failure and is everywhere funded by government or philanthropy. It is  
31 true that the excludability of particular embodiments of knowledge, such as texts or  
32 artefacts, can be artificially maintained by property-based devices such journal pay-walls.  
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34 However, privatisation is never fully successful because of ease of illegal reproduction.  
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47 Education is more ambiguous. Student places in higher education can constitute either  
48 Samuelson private or public goods. Mostly, they are a (variable) mix of both. The public  
49 goods include individualised non-market benefits such as the better health outcomes and  
50 higher financial acumen of graduates (McMahon, 2009); and learned knowledge which is  
51 non-excludable and non-rivalrous. However, whenever university places confer value in  
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3 comparison with non participation, there is rivalry; and in HEIs with a surplus of  
4 applications over places, participation is excludable. A market in tuition becomes possible.  
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6 The value of such private goods is maximized in programmes offering students positional  
7 opportunities to enter scarce careers of high value, such as elite preparation in Law and  
8 Medicine. These positional goods are zero-sum (Hirsch, 1976). If one person occupies a  
9 place in Harvard Law, others cannot have it. Yet the Ivy League also create public goods.  
10 For example MIT, Harvard and Stanford offer free public access to online course contents,  
11 without impairing the private vocational value of their face-to-face degrees and the  
12 associated status and networking benefits.  
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23 Much depends on how higher education is organised. In highly stratified systems with  
24 tuition barriers, as in the US, the private good element is strong. In more universal and less  
25 competitive Nordic-style education, most graduates have similar standing, and places are  
26 less rivalrous and excludable (Valimaa, 2011). Nevertheless, all Nordic graduates still  
27 enjoy positional advantages over non-graduates, and there are scarce private goods of  
28 higher value in certain fields of training. The fact that their production is not formalised in  
29 a market reduces but does not wholly abolish value differentials.  
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### 43 **Political definitions of public/private**

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47 Some social goods, such as national defence, are intrinsically collective. They cannot be  
48 produced and consumed individually. Other collective goods, such as public health or  
49 elementary education, are collective because societies want them to be. Either way,  
50 collective goods often become matters for combined decision-making and government  
51 regulation. Potentially the ambit of political determination is still broader than this.  
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3 Samuelson's naturalistic distinction does not adequately acknowledge the role of political  
4 norms, political processes and policy choices in deciding what is private, what is public,  
5 and the balance between them. This extends beyond the terrain of non market goods to  
6 include all goods subject to a political logic rather than, or as well as, an economic logic. It  
7 includes the regulation and over-determination of economic markets.  
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14 There are many notions of 'public' in political theory and the larger field of political  
15 discourse. One strand models 'the public good' as comprehensive and universal, though it  
16 is difficult to make that work in empirical terms. Another concept is that of 'the commons',  
17 a resource shared by all and not subject to scarcity (Mansbridge, 1998), though most open  
18 social resources are vulnerable to congestion. A third concept, the 'public sphere' adjacent  
19 to the state, is discussed below. However, the arguably central idea of public in political  
20 theory derives from the state/non-state distinction. Though this is subject to many readings,  
21 John Dewey (1927) provides an influential definition of public/private as state/non-state.  
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### 34 ***Dewey's state/non-state distinction***

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38 In *The Public and its Problems* (1927) Dewey notes that while most social transactions fall  
39 within the private sphere, some relational matters are understood as 'public', matters of  
40 broad 'public interest', and addressed by a community of persons (a 'public'). A social  
41 transaction can become 'public' when it has indirect consequences for others, persons  
42 outside the group immediately involved in the transaction. 'The public' is all persons  
43 indirectly or potentially affected (p. 39), whether the consequences of the transaction are  
44 positive or negative. For example, if an epidemic breaks out in one city, persons across the  
45 country are potentially affected. It becomes a matter of public health and common action:  
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3 The line between public and private is ... drawn on the basis of the extent and scope  
4 of the consequences of acts which are so important as to need control, whether by  
5 inhibition or by promotion... The public consists of all those who are affected by the  
6 indirect consequences of transactions to such an extent that it is deemed necessary to  
7 have these consequences systematically cared for (Dewey, 1927, 15-16).  
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16 Dewey's democratic idea of 'public', which was pitched against fascism and  
17 Stalinism emerged from the American participatory civic tradition. His antidote for  
18 coercive authority was 'a social process of open-minded collective deliberation' and  
19 rational decision-making within a shared culture (Amadae, 2003, 130), in which public  
20 opinion cohered in semi-participatory media, political parties and public meetings. The  
21 relational consequences of matters deemed 'public' then become 'cared for' by specific  
22 measures and agencies. This, he argues, is the basis for the state. However, a matter only  
23 becomes fully public, subject to government policy and regulation, if two successive  
24 decisions are made—(a) to treat it as a public relational matter, (b) to address it through  
25 government. Not all relational matters with consequences are regulated (e.g. growth of the  
26 Internet). Some identifiably public relational matters are managed by organisations other  
27 than state agencies (e.g. religious bodies, media firms, private universities). Dewey also  
28 notes that 'public' is not an unambiguous good. Not all matters sanctioned by public  
29 opinion and addressed by government contribute to sociability, or equity, or common  
30 benefits. Majorities are not always right. For example, states may wage aggressive wars  
31 with broad-based support (Dewey, 1927, 14, 26 and 216). Public goods—and for that  
32 matter private goods—must still be judged in terms of their substantive contents.  
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54 How generic is Dewey's idea of 'public'? Is his notion of government plausible? In  
55 contrast with the public choice theory that followed, Dewey argued that while some state  
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3 officials seek power or rewards, people in public life are not necessarily driven by  
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5 individual self-interest, as they are in economic markets (Dewey, 1927, 15, 21 and 30). In  
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7 the US Buchanan's idea of politics as just another market has legitimated the plutocratic  
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9 capture of government (Stiglitz, 2013). Politicians are owned by corporations who finance  
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11 their campaigns, public servants exchange favours for cash, and in the 'House of Cards' it  
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13 all seems normal. But are these inevitable attributes of states? Worldwide observation of  
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15 overnment suggests that Dewey rather than Buchanan is right. A range of behaviours are  
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17 on show. Government is neither intrinsically high-minded nor intrinsically corrupted. Even  
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19 in the US the neo-liberal displacement should not be overstated. Government is at least  
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21 intermittently accountable from below. With concerted effort an organised public can  
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23 make higher education a matter of common public interest and state intervention. The  
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25 political form of 'public, regulated by the state/non-state distinction, still has power.  
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30 How well does Dewey's argument apply in states that are not formally contestable in  
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32 political terms? Not all HEIs are nested in American/European electoral democracies. In  
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34 China and Singapore public opinion does not develop in the open civic forums imagined  
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36 by Dewey, but both states are sensitive to society, especially middle class opinion, and  
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38 tailor their educational and labour market opportunities accordingly (Goodman, 2014). In  
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40 the 3000-year old Chinese civilizational tradition the state is responsible for social  
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42 prosperity and order. When it falters in that task the state loses popular consent. More  
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44 generally, Dewey's idea of public can be stretched to include the many cases, in all  
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46 societies, when government anticipates the relational consequences of social phenomena,  
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48 prior to being sensitivised by active popular politics and participatory forums. Dewey's  
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50 idea wholly falls down only in regimes where government is chronically indifferent to  
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52 popular opinion. Few political regimes survive long-term on that basis.  
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### *The public interest in higher education*

What then is the public/private character of higher education, using Dewey's political definition of 'public'? For Samuelson higher education is public in nature only if it cannot operate in a market. For Dewey any or all aspects of higher education can be public or private. Potentially, education or research are matters of public consequence when they affect enough people. Even private higher education operating on a commercial basis is a matter of public interest if people and government determine that it should be.

In nearly all higher education systems—the US and UK are partial exceptions—HEIs are seen as public agencies. The political definition creates open scope for policy norms and political choices. It is more effective than Samuelson's economic definition in identifying and regulating collective goods such as social equity in universities. This does not mean that all public aspects of higher education should be state driven. In most higher education systems, government formally devolves many matters to HEIs themselves. As noted, what varies is the extent to which devolution is nested in system-level policy goals.

### *The university as public sphere*

Habermas (1989) identifies a 'public sphere' located between civil society and the state. His example is late seventeenth century London with its salons, coffee houses and broadsheets that together constituted public opinion and provided a critical reflexivity for the government of the day. Building on Habermas, Calhoun (1992) finds that universities operate in analogous fashion as semi-independent adjuncts of government, providing constructive criticism and strategic options, and expert information that helps state and public to reach considered opinions. Pusser (2006) models the university as a zone of

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3 reasoned argument and contending values, noting that US higher education has been a  
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5 medium for successive political and socio-cultural transformations, such as the 1960s civil  
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7 rights movement. These notions of public, that rest on the state/non-state distinction while  
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9 complexifying 'state', have resonance in China, There the leading national universities  
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11 perform a corresponding role inside the party-state, as a space of criticism connected to  
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13 power (Yang, 2009; Zha, 2011). Peking University was the starting point for most  
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15 twentieth century Chinese political movements, including Tiananmen in 1989.  
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19 Because of its advanced capacity to form self-altering agents and engender critical  
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21 intellectual reflexivities (Castoriadis, 1987, 372); and also because of the way it facilitates  
22  
23 movement across boundaries; at times, in both East and West, higher education has  
24  
25 incubated advanced democratic forms. This suggests that one test of a 'public' university is  
26  
27 the extent to which it provides space for criticism, challenge and new public formations.  
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30  
31 Habermas's public sphere is communication based; and some theorists define 'public'  
32  
33 as a network of public and private organisations that constitute a common communicative  
34  
35 space (e.g. Castells, 2000; Drache, 2008; Cunningham, 2012). Like Dewey's democratic  
36  
37 public, or Habermas's public sphere such 'quasi-publics' are mediums for identifiable  
38  
39 communities in which opinion is exchanged—higher education and especially research  
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41 nurtures many such networked communities—but unlike the Dewey and Habermas notions  
42  
43 the 'quasi-publics' not defined by reference to a state. This overlaps with the more diffuse  
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45 and ambiguous notion of civil society (Alexander, 2006), where the public/private  
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47 boundary dissolves and the market is sometimes included, sometimes not.  
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#### 54 **Combining the economic and political approaches**

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3 Each of the principal definitions of public/private has virtues and also lacunae. The  
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5 economic approach to 'public', focusing on the non-market/market distinction, is stronger  
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7 with individual level goods than collective goods. The political approach, focusing on the  
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9 state/non-state distinction, is stronger in handling collective public goods, normative  
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11 aspects and the public good (singular). The economic definition identifies the minimum  
12  
13 necessary public goods, but posits a zero-sum relation between public and private, and  
14  
15 constrains the policy choices. The political definition makes the public/private relation a  
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17 political choice, not a natural event, enabling zero-sumism to be set aside. It is more  
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19 comfortable in the normative domain—the public is what the public says it is. But it tends  
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21 to lack precision and has no limits. Dewey's understanding of public is usefully subjected  
22  
23 to the discipline of the economic approach based on scarcity and costs.  
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28 The non-market/market dual, and the state/non-state dual, are heterogeneous. Hitherto  
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30 they have been seen as separated (or in the imperial imagining of master-disciplines, one  
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32 approach has been seen as superstructure of the other). Arguably, however, the two notions  
33  
34 of public/private are intertwined in the practice; and each contributes to understanding the  
35  
36 dynamics of public and private, each fills a gap in the other, and each provides a critical  
37  
38 reflexivity for interrogating the other. All of this suggests that the public dimension of  
39  
40 higher education is clarified by drawing the two definitions together, while giving each  
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42 definition equal weight, and maintaining the distinction between them. Figure 1 does this.  
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50 [FIGURE 1 ABOUT HERE]  
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53 Source: author  
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3 *A framework for analysing higher education and research*  
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7 Figure 1 is arranged on two axes, based on the state/non-state distinction (vertical axis) and  
8 the non-market/market distinction (horizontal axis). This naturally produces four  
9 quadrants, which represent four different political economies of higher education.  
10

11 Educational or research activity can be positioned on this diagram, according to the extent  
12 it is public (non-market) in Samuelson's economic sense and thus positioned in Quadrants  
13 1 or 2; and the extent it is public in Dewey's political sense (recognised as a matter of  
14 common interest and state control) and thus positioned in Quadrants 2 or 3. Education and  
15 research that is publicly funded (an economic public good) may be closely state controlled  
16 in Quadrant 2, or government funded into civil society in Quadrant 1. Activity that is state  
17 controlled (a political public good) may be produced on a non-market basis in Quadrant 2  
18 or run on a market basis with competition and mixed funding in Quadrant 3. The 'pure'  
19 public quadrant, combining the economic and political approaches, is Quadrant 2.  
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34 Two ambiguous categories of public and private have now been replaced by four  
35 unambiguous categories. In both research and policy, the four distinctive political  
36 economies allow the comparison and contrast between different kinds of education and  
37 research to emerge clearly, facilitating identification of the relevant political economic  
38 dynamics, and empirical observation and measurement. Figure 1 makes explicit the  
39 political choices associated with economic provision, for example whether to produce and  
40 distribute higher education as a universal non market good; or on a competitive market  
41 basis, and if so whether to use state-controlled quasi markets, the most common approach,  
42 in Quadrant 3 or fully commercial markets in Quadrant 4. It also highlights the question of  
43 who should pay, whether the state through taxation or the individual beneficiaries. In  
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3 matters defined as public in the political sense, it poses the question ‘how public can we  
4 afford to be?’ in economic terms.  
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7 Each quadrant includes examples of educational and research activity typical of that  
8 quadrant. If the test of an analytical framework is the extent to which it brings real world  
9 activity into view, Figure 1 does well. It provides comprehensive coverage of higher  
10 education. Inevitably, however, some activities are positioned on boundaries between  
11 quadrants, moving between quadrants over time, or located in more than one quadrant.  
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18 Real life higher education systems, and individual HEIs, are not solely located in one  
19 quadrant, Some have activity in all four quadrants. The balance varies. For example much  
20 Nordic system activity falls in the social democratic Quadrant 2, combining non-market  
21 and state-organised approaches, though there are some competitive mechanisms of  
22 Quadrant 3 type. The more marketised American system is strong in Quadrants 3 and 4,  
23 but mixes this with economic and political public goods in Quadrant 2, and like other  
24 systems includes some production in Quadrant 1. Habermasian public sphere activity is in  
25 Quadrants 1 and 2. This includes collective student activism in Quadrant 1.  
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#### *Quadrant 1 (civil society)*

43 Quadrant 1 identifies non-market goods produced outside state control. As also in  
44 Quadrant 2, research and education are non-rivalrous and non-excludable, Samuelson  
45 public goods. The naming of this quadrant is controversial because in contrast with some  
46 other analyses, here ‘civil society’ is demarcated from both state and economic market.  
47  
48 However, while Quadrant 1 is a private domain it is not an individual or family domain  
49 separate from society. It is a relational and communicative domain that includes social  
50 networks (social capital) sustained through universities (Bourdieu, 1986). The distinction  
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3 between private and public is not equivalent to the distinction between individual and  
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5 society (Dewey, 1927, 69, 186). Any relationship between two or more people is 'social'.  
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7 Most social association is in the private realm.  
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10 Faculty and students pursue unpaid and unregulated activities in Quadrant 1 between  
11  
12 more formal agendas elsewhere. Open research knowledge has multiple relational  
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14 consequences, it flows like water across all four quadrants, and is not politically public  
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16 unless it is specifically publicly funded, and/or regulated, for example research evaluation.  
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21 *Quadrant 2 (social democracy)*  
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25 In Quadrant 2, the social democratic quadrant, Samuelson's framework aligns with  
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27 Dewey—public in the sense of state or government coincides with public in the sense of  
28  
29 not-market. Quadrant 2 combines non-market economic public goods with political public  
30  
31 goods, shaped and largely financed by public processes and government. Government  
32  
33 manages teaching/learning on the basis of universal quality rather than market-induced  
34  
35 stratification of quality as in Quadrants 3 and 4. In the most egalitarian version of Quadrant  
36  
37 2, tuition is free, all quality high, all degrees have significant value, and selectivity has a  
38  
39 modest role. Quadrant 2 research is supported from general university funding. Projects are  
40  
41 determined by curiosity and merit, not competitive acumen or university status. In non-  
42  
43 market production in universities there is no natural limit to the volume and quality of  
44  
45 output except absolute labour time. There are merely opportunity costs, when one action is  
46  
47 chosen over another. However, governments may direct or influence production.  
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52 The border between Quadrants 1 and 2 is active. Some educational functions are  
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54 'public' in the sense of public consensus (Quadrant 2) but carried out by civil organisations  
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56 (Quadrant 1) rather than public agencies. For example, German vocational education is a  
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3 ‘system of semipublic self-government’ in which the ‘social partners’, business and labour  
4 unions, ‘assign public responsibilities to private training firms’ (Hansen, 2011, p. 34).  
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10 *Quadrant 3 (state quasi-market)*  
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14 In the neoliberal policy era a growing proportion of higher education activity is moved  
15 from Quadrants 1 and 2 to Quadrant 3. Quasi-markets combine market goods characterised  
16 by excludability and some rivalry, with the public functions of government. The common  
17 element across all Quadrant 3 is government-driven competition. However, very few  
18 quasi-markets are fully profit-driven (Marginson, 2013b). Education is subject to tuition  
19 fees, policy makers emphasise the private benefits, but student places are partly subsidised.  
20 Research projects follow commodity-like product formats yet they remain government  
21 funded as well as controlled. Research grant programmes often sit on the border of  
22 Quadrants 2 and 3. At its highest tuition rates state education moves close to Quadrant 4.  
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34 In the neoliberal era economic and political definitions of public/private have diverged  
35 because of the shift to quasi-markets in Quadrant 3, economically private but politically  
36 public. Thus there is a permanent state of tension in Quadrant 3. Under government  
37 control, it never fully satisfies the advocates of full-blown market reform, yet the  
38 expectations created by its politically public character (its proximity to Quadrant 2) are  
39 continually undermined by the market dynamic. If HEIs were fully commercialised they  
40 would be in Quadrant 4 and Samuelson and Dewey would again align, evaporating the  
41 tension. However, this is impossible, because of the natural public good character of  
42 knowledge. It is also impossible politically. Too much is at stake for public and  
43 government, including social equity, to let higher education go (Marginson, 2013b).  
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3 *Quadrant 4 (commercial market)*  
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8 In Quadrant 4 private market goods are also non-state controlled. The state is not entirely  
9 absent, as commercial transactions are regulated by commercial law, just as civil society in  
10 Quadrant 1 is regulated by civil and criminal law. Quadrant 4 houses commercial research  
11 and consultancy, and for-profit degrees including international education in non-profit UK  
12 and Australian universities. Some commercial activity is closely regulated or subsidised,  
13 falling on the Quadrant 3/4 border. For example, US for-profit colleges are more than 80  
14 per cent subsidised by federal student loans (Mettler, 2014).  
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25 *Social equality as public good*  
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29 The policy focus on equity in higher education, which is heterogeneous to economic  
30 policy, indicates the continuing importance of the democratic political notion of a common  
31 'public interest' in which all are seen to have a stake. Much rests on how equity is  
32 understood and practiced. In the English-speaking nations, educational equity in  
33 universities is mostly seen in terms of individual access to private economic benefits  
34 within stratified systems. However, equity also goes to questions of system organisation,  
35 which affect how socially inclusive are HEIs, how socially stratified, entry and patterns of  
36 completion by social group, and the extent to which HEIs facilitate upward social mobility  
37 (Corak, 2012). Social equity in higher education is a keystone collective benefit of  
38 Quadrant 2 type that underpins the potential for many other public and private goods.  
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52 All else being equal, a move from Quadrants 2 to 3 enhances institutional  
53 stratification, financial barriers and social inequality in patterns of use, unless government  
54 compensates for the unequalising effects of starting disadvantage and its reproduction  
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3 through systemic and financial stratification (Marginson, 2016). Across all countries,  
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5 places that offer significant positional advantage tend to be captured by students from  
6  
7 affluent families best able to compete (Shavit, Arum and Gamoran, 2007). HEIs can  
8  
9 reinforce starting social inequalities through a process of ‘cumulative advantage’ (DiPrete  
10  
11 and Eirich, 2006). Note, however, that economic public goods in Quadrant 2 can be  
12  
13 captured by privileged social groups, just like economic private goods in Quadrants 3 or 4.  
14  
15 Even in systems where tuition is free and the ethos is inclusive and egalitarian, leading  
16  
17 families with the best cultural resources for academic competition may dominate access to  
18  
19 high demand programmes. It is always necessary to ask the question ‘*whose public*  
20  
21 *goods?*’ Democratic political processes should optimise the egalitarian distribution of  
22  
23 economic public goods, but there are no guarantees.  
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28       Positional goods are never solely private goods in the political sense, especially high  
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30 value places that are limited relative to demand—even if they are private goods in the  
31  
32 economic sense, provided in private universities. When one person gains access to these  
33  
34 goods and others are denied access, this shapes the pattern of social power and economic  
35  
36 rewards, affecting all students and families. Intense economic competition for status goods  
37  
38 with a ceiling on distribution also generates waste (Cooper, et al., 2001). These matters of  
39  
40 relational public ‘consequences’, in Dewey’s sense, lend themselves to politicisation and  
41  
42 state regulation. Ironically, the same relational qualities that enable high value education to  
43  
44 be produced as Samuelson private goods also open it to public political intervention. This  
45  
46 is one of the reasons why educational politics are perpetually contested and unstable.  
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### 51 ***Global public goods***

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3 A range of multilateral political processes operate in the global space, and global policy  
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5 organisations such as the World Bank, OECD and agencies of the United Nations can  
6  
7 affect many nations. These organisations respond to groups and interests from many  
8  
9 countries. However, global public production is limited by the absence of a global state  
10  
11 capable of the Dewey-an resolution of cross-border matters with relational consequences.  
12  
13 No doubt this leads to under-recognition of the contribution of higher education-produced  
14  
15 global public goods, and under-provision (Marginson, Murphy and Peters, 2010).  
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19 In the global sphere only one public/private distinction is relevant, Samuelson's  
20  
21 economic distinction. In this respect gobal public goods are 'goods that have a significant  
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23 element of non-rivalry and/or non-excludability and are made broadly available across  
24  
25 populations on a global scale. They affect more than one group of countries' (Kaul,  
26  
27 Grunberg and Stern, 1999, 2-3). Nations differ in the extent to which they contribute to and  
28  
29 benefit from global public goods that are carried by cross-border flows of knowledge,  
30  
31 ideas and people and generated in education and research. For example, the content of  
32  
33 global knowledge flows is linguistically and culturally dominated by certain countries,  
34  
35 especially the United States. This again raises a question of 'whose public goods?' For  
36  
37 faculty who speak, say, Spanish, then English as the single common global language is a  
38  
39 public good in the sense that it facilitates the relational environment, but a public bad (a  
40  
41 negative global externality) to the extent that it maginalises knowledge in the Spanish  
42  
43 language at global level. It can devalue that knowledge even in Spanish speaking settings,  
44  
45 for example in local science communities. Developing countries may experience net brain  
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47 drain of research personnel to the global metropolis, another global public bad.  
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52 At the same time there are many informal global communicative publics that span  
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54 borders, including a plethora of such relations in the university sector. Global 'quasi-  
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56 publics' include the communicative networks of Google and Facebook and others, sitting  
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3 on the border between Quadrants 1 and 4 but with nascent political potential. However,  
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5 inclusions in global community are relatively weak—ties are not as strong as in a national  
6  
7 polity—and ‘public’ matters in this sense do not necessarily translate into concerted action.  
8  
9 A communications company is not a state. It is not obliged to respond to opinion, though it  
10  
11 will be commercially sensitive to it. Yet these non-state publics, which freely cross the  
12  
13 borders between national polities, also influence nation-states. Likewise, cross-border  
14  
15 relations between universities have moved out ahead of nation-to-nation relations. It is not  
16  
17 clear whether and how that the political shaping of global public goods will catch up.  
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### 20 21 22 23 24 25 **Conclusions and next steps** 26

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29 The economic definition of public/private in higher education, based on the non-  
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31 market/market distinction, subjects politically-defined public goods to tests of limited  
32  
33 resources and costs. ‘How publicly generous should higher education provision be?’ it  
34  
35 asks. The political definition of public/private in higher education, based on the state/non-  
36  
37 state distinction, subjects economically-defined public and private goods to tests of values,  
38  
39 norms, social relations and system design. ‘Public and collective forms of provision can  
40  
41 change the nature of the goods, for example their social equity’, it says. ‘What kind of  
42  
43 society do you want?’ The response is: ‘To the extent your preferred social arrangement is  
44  
45 subject to market failure, government finances it. Is it affordable?’ Public and private  
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47 goods are heterogeneous in use values, yet can be combined within one system of  
48  
49 monetary value. Together, the economic and political modes constitute a more explanatory  
50  
51 and more instrumental framework for operationalising the public/private distinction in  
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53 higher education, than either the economic or political mode can provide alone.  
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3 In sum, the political economic nature of higher education and research are determined  
4 by whether market competition is used for coordination, *and/or* whether activity is located  
5 or closely controlled in the state sector. Here the 'state sector' includes both legally owned  
6 state agencies and those nominally private agencies that are so controlled by the state as to  
7 be equivalent to state-owned agencies. The latter include regulated and government-funded  
8 private higher education sectors or institutions in some countries, such as the UK  
9 universities, now nominally private in the legal sense but in continuity with their erstwhile  
10 public forebears. The question of funding is secondary to public/private character. High  
11 fee-charging is symptomatic of market relationships (Quadrants 3 or 4) but low fees that  
12 do not signify competition or access barriers are compatible with lower Quadrant 2. While  
13 government funding is essential in Quadrant 2, it is normally present, on a variable basis,  
14 in Quadrant 3, and there can be public subsidies for commercial activity in Quadrant 4.

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30 At the same time, these issues look different from country to country. Systems vary in  
31 the extent to which they produce education or research as private goods in the economic  
32 sense of market goods. Nations also vary in which aspects of higher education  
33 receive political attention and state regulation; in the collective goods they expect from  
34 HEIs; and in their philosophical understanding of the relational 'public'. By comparing  
35 different approaches to both non-market and politically public activity in higher education,  
36 on an empirical basis, it may be possible to develop a multi-positional (Sen, 1992) generic  
37 language of public/private that is grounded in unity-in-diversity. This in turn could  
38 facilitate recognition of, and production of, not just national but global public goods in  
39 university education and research. These are the next steps in the present inquiry.  
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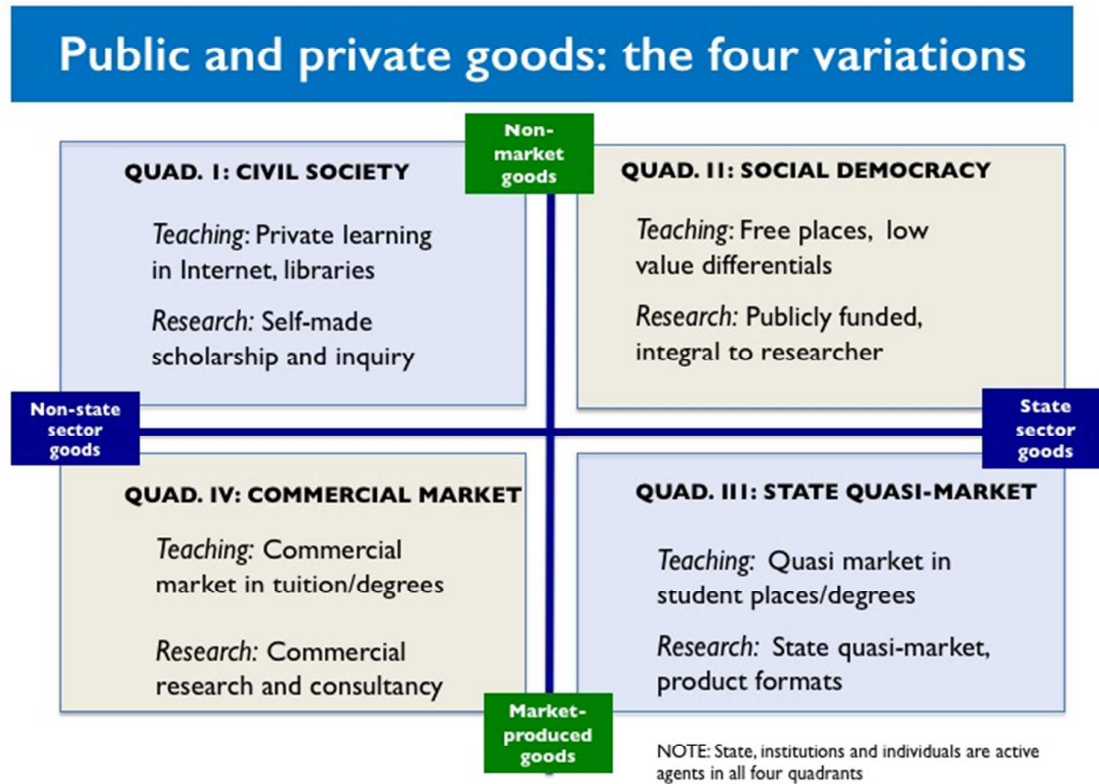
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Figure 1. Combining the economic and political definitions of public/private goods in higher education: Four Quadrants, four political economies of higher education



Source: author