10 The university and the public and private good

Jürgen Enders

Introduction

In modern societies, universities have flourished as central public institutions. Higher education and research became overwhelmingly a public responsibility and universities were perceived as contributing to the public good. Universities were heavily subsidized by governments, publicly provided by employees of the state, and closely regulated in respect to curriculum, teaching and research staff, infrastructural facilities, and achievement standards. In historical terms this is a recent phenomenon in which the development of a public mandate in higher education and research took the form of establishing publicly controlled, state-funded, state-owned institutions. Certainly, the well-established tradition of direct, extensive public responsibility for elementary and secondary education had created an important precedent for public involvement in higher levels of education. The public role of universities was reinforced by the prominent role that higher education played in building nation-states and their public sectors. Further, the emergence of the research university linked the research function to the educational one bringing science and technology into the public realm.

The ‘publicness’ of universities, including the important role of government responsibility, oversight, and funding, the legal status of the organizational providers and their staff, is not only a recent phenomenon, viewed historically, but is currently being challenged in many ways. We currently observe that traditional boundaries and understandings of the public and private spheres in higher education have become blurred, in a similar way to other sectors of society that were previously under tight public control. This can be seen, among other things, in the delegation of public policy to semi-public organizations, non-governmental, arm’s-length agencies, independent regulatory bodies or public–private policy networks. It also relates to a process by which elements of the fabric of higher education and research are withdrawn from the public sphere, with universities setting up private companies, outsourcing research, teaching or support services, and the emergence of public–private partnerships or new private organizations. The opposite is also observed: the introduction of elements of the private sphere into the public realm of the university. Examples involve the state-induced enforcement of competition, the increasing
role of private funding, and the rise of New Public Management in universities. Here the term ‘private’ relates to market-type coordination mechanisms: price, competition, and managerial decision-making.

The importance of innovative knowledge in modern societies places public universities as knowledge institutions in a central position, which, however, is not uncontested (Weber and Bergan 2005). The attributes traditionally associated with the ‘public’ and the ‘private’ in higher education and research have become unclear and contested, while the ‘private’ aspect is growing in incidence and importance. These developments challenge the traditional public provision of higher education and research and the high confidence placed in public institutions that they will provide education and research efficiently and effectively (Enders 2005). What is at stake as a result is the way higher education and research are governed and managed, financed and provided. Overall, the blurring boundaries and changing contexts thus impact on traditional beliefs and practices of leadership and administration within universities. Notions of a university leader serving as a primus inter pares symbolically representing the academic community seem to become as outdated as traditional bureaucratic practices for organizational administration. Like in other public services, ‘managerialism’ and ‘leaderism’ have become dominant themes in the narrative of change.

In elaborating this changing context of the public–private dynamics in higher education and research, this chapter maps the overall theme and its various manifestations. I address the different meanings of the ‘private, the public, and the good’ that tend to be confused in the often heavily politicized discussion around the transformation of the modern university. First, I will have a closer look on the issue of ‘the public good’ in higher education and research. Second, issues of governance and leadership (Who decides?), financing (Who pays?), and ownership (Who provides?) will be discussed, followed by a reflection on the contributions of higher education and research (Who benefits?). The conclusion summarizes major arguments and elaborates on some promising avenues for future research.

The public, the private and the good

An important issue for contemporary higher education and research is that of the ‘public good’, or better, the conflict around the ‘public good’. The various tasks that a university performs and its various outputs are currently scrutinized with respect to their value for the ‘public’ as well as the ‘private’. In such a situation, a clear definition may be helpful, such as that provided by classical economic thinking. According to economic theory, a good (or service) is ‘public’ if it is ‘non-rival’ and ‘non-excludable’ (Samuelson 1954). Non-rivalry in consumption implies that my consumption of a good does not prevent others consuming it too. My reading of a scientific article, for example, does not necessarily prevent others from reading the same article. Knowledge, the central product of universities, may thus serve as a classical example of a
non-rival good. Non-excludability implies that it is difficult, if not impossible, to limit access to a certain good. The production of knowledge may serve as a prime example of a good that is non-excludable, because it is difficult to make such knowledge exclusive or to control it privately. The consequence is that such a 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 thus conclude that the central product of higher education and research has characteristics of a pure public good.

Things may, however, look different in practice. Research outcomes may not be codified in publications or physical products and may only be available to those who have access to tacit knowledge. Scientific knowledge may be encoded in publications in a language that is only accessible to a limited community of scholars in the field, who have previously invested in the capacities needed to understand this language. Secrecy and patenting provide means to exclude others from research outcomes, at least for a certain period of time. Access to taught knowledge is certainly restricted too, given the fact that study places are limited. In such a case, my consumption does prevent that of others. Legal barriers (such as a numerus clausus in certain disciplines) or financial barriers (such as high tuition fees for access to elite universities) may enhance further rivalry and exclusion. Finally, higher education and research in real life are produced by private providers who sell their products on the market, as well as by public providers who may charge a fee for access to their knowledge. There is thus no reason to argue that such products can only be provided as public goods and free of charge. Some economists applying this perspective have concluded that universities provide services that are not public goods (e.g. Barr 2004); others have concluded that universities’ services are ‘impure public goods’ (e.g. Schoenenberger 2005) or ‘quasi public goods’ (e.g. Jongbloed 2004).

In sum, higher education and research are certainly not pure public goods, and they allow for a private as well as a collective return on investment. Examples of outputs that are closer to public goods include an informed citizenry, better public health, better parenting, lower crime, wider political and community participation, and greater social cohesion (OECD 1998). Outputs that are closer to the private good include, for example, credentials leading to high-paying jobs or marketable technologies. All of these goods are likely to lie somewhere between public and private goods, or have elements of both. Universities are not only multifunctional, multi-product institutions; their reality does not always correspond to ideal types of public and private goods.

A related discussion concerns the external economies and information asymmetries that may play a role when it comes to the provision of higher education and research. For one thing, education and research are both potentially characterized by external economies. A characteristic of education in general and higher education more specifically is that those who have not directly benefited from it may benefit indirectly because the general level of
education in a given society may benefit all. Likewise, research may produce new insights and innovations that are not only beneficial to those who invent or exploit new knowledge but to society at large. Obviously, this does not necessarily imply that such goods are governed by the state exclusively, that they are fully publicly funded or can only be produced in public institutions. The important question of which institutional setting of governance, financing and ownership conditions is likely to generate such externalities is not a normative one but an unresolved empirical one (Stephan 1996). The potential externalities of higher education and research imply, however, that markets are unlikely to generate the public good purely on their own. This implies that there is a role for government – representatives of the commons, say – in assuring the production of goods that benefit society at large. Again, whether the commons are best represented by the government of a nation-state is an empirical question and is not a normative given.

A certain public responsibility for universities is also legitimated by the relative paucity of information on the private and public returns of higher education and research. Citizens may not be aware of the individual and collective returns of higher education. The consequence may be that their individual demand as well as collective support for higher education is inferior to what would be in the individuals’ or societies’ long-term interest. Likewise, information on research-based knowledge, on its potential usefulness for the public, as well as on its accessibility for the commons may be restricted. Again, the consequence may be that individual access as well as public support fall short, having consideration to the potential benefits. Markets for higher education and research are imperfect because they do not spontaneously produce solutions to these problems. From an economic point of view, these (and other) market failures justify public intervention in higher education and research.

Public debate on that matter has a perennial tendency to be less concerned with such useful definitions and questions that are open to empirical investigation. Traditionally, many advocates of the modern welfare state were, for example, convinced that the notion of the public good in higher education and research can be defined by a normative theory of public administration. The related belief that higher education and research are to be publicly provided, financed and controlled, though, is a political value statement and nothing else. In fact, policy-makers and leaders of universities both tend to focus increasingly on the contribution of teaching and research to private goods and the extent to which the public goods produced (may) have a marketable value and contribute to economic wealth. Belief systems are thus susceptible to change; they are nested in culture, policy sensitive, and sensitive to actors’ interpretations. This is not to say that such belief systems are irrelevant, though. Institutional theory constantly reminds us of the importance of shared beliefs for the on-going construction of social reality. Therefore, the study of such changing belief systems is important in understanding part of the social forces at work in the re-definition of the public, the private, and the good in higher
education and research. The boundaries of any democratic polity are always contested. As those boundaries are contested, so is the nature of the public good and the public governance of universities.

**Governance**

Throughout the world, governments are experimenting with new models and instruments for the coordination of public service provision, including higher education and research. Traditional state instruments of close top-down control are losing ground and governments are seeking new ways to coordinate their higher education and research sectors. Overall, awareness is growing that the wisdom of the visible hand of government in running increasingly complex social systems such as higher education and research is limited. Potential deficiencies of the public hand include, for example, the short time horizon of elected politicians, the separation of the costs of decisions from their benefits, inefficient production under conditions of near-state-monopoly provision of goods and services, unintended costs and unanticipated effects of government intervention due to incomplete information, and the lack of strategic actorhood and leadership in universities. There is also ‘no doubt that a great deal of government output is not well defined and its measurement is complex and difficult. The relationship between input and output is vague, uncertain or even unknown . . .’ (Schoenenberger 2005: 83). Many universities will probably retain important ties to the state through systems of oversight, contractualization, and funding. However, the overall trend towards a changing role of the state in public provisions supports a change in the publicness of universities and other public providers of higher education and research. This trend is by no means all new and may take quite different forms that provide an interesting field for cross-national comparative studies (Toonen 2007).

The introduction of market-type coordination mechanisms in higher education and research provides a most obvious alternative to government and also raises the most controversy. In many countries, important ingredients of markets are still not in place in higher education and research, while quasi-market elements are becoming increasingly popular in higher education policy-making. As Teixeira et al. (2004: 4–5) have shown, experimentation with market mechanisms takes three main forms:

The first is the promotion of competition between higher education providers. The second is the privatization of higher education – either by the emergence of a private higher education sector or by means of privatization of certain aspects of public institutions. And the third is the promotion of economic autonomy of higher education institutions, enhancing their responsiveness and articulation to the supply and demand of factors and products.

‘Marketization’ in higher education and research thus is a complex and multi-faceted process while it enforces developments towards universities becoming more tightly coupled organizations increasingly cooperating and competing on quasi-markets. Leadership and management are expected to
facilitate such organizational change and to set the strategic agenda for organizational survival and prosperity.

Organizational hierarchical self-regulation is thus increasingly stimulated by governmental actors. Government attempts to enhance the autonomy and leadership capacities of universities as corporate actors (de Boer et al. 2007) provide an interesting example of 'enforced self-regulation' (Jongbloed 2004). One of the important elements of shifting governance arrangements in higher education are the growing expectations as regards the leadership and management capabilities of higher education organizations. The university – traditionally described as a 'loosely coupled organization' and as an 'organized anarchy' – was in many countries for a long time almost invisible as an independent actor in the higher education policy arena. Organizational leadership and management in general appeared rather weak and not very professional. In countries where higher education was mostly public the two most powerful groups of actors were the public authorities and the academic oligarchy. As a result, universities operated as bureaucratic interest organizations of their academic staff rather than as managed work organizations with hierarchical leadership. This picture is changing, partly as a consequence of the reshuffling of authority and responsibilities across the different levels in the system. Academic leaders have been encouraged to become managers and to develop strategic management for their organizations. The introduction of new management tools and devices as well as the recruitment and training of more qualified leaders and management are supposed to further develop their capacity for internal governance. In consequence, universities and other higher education providers have already become or are on their way to become more important actors in the system’s coordination. At the same time, the new freedom that higher education organizations experience is by no means unconditional. In many cases, the new freedom was accompanied by new measures of accountability, the ‘contractualization’ of the relationship with governments, and other new regulations to control organizational behaviour and performance. One of the consequences of such an external system of surveillance and control is that it gets, at least partly, internalized and translated into an intra-organizational system of risk management. Under such circumstances, leadership might not mean much more than the management of a never ending stream of new bureaucracies due to audits, evaluations, performance targets, multi-annual planning, and daily time-writing (see Chapter 9 by Teelken).

The increasing use of networks that include public and private actors, such as business and consumer groups, in setting research priorities or in encouraging public–private partnerships provides another example for public–private governance. Science and technology policy nowadays routinely postulates the efficiency and effectiveness of steering in and by heterogeneous networks. Innovation networks, regional clusters, science polls, excellence networks, and competence networks are spreading as a means to encourage coopera-
tion between heterogeneous partners as well as a means of neo-corporatist policy-making in these areas.

Faith in the market is based on the fundamental tenet that competition creates efficiencies, cost savings and productivity gains. In summing up the findings of their book on markets in higher education, Dill et al. (2004: 345) point to ‘the strong indications that the pressure on universities for more market-like behaviour has had a positive impact in terms of cost per graduate and scientific productivity.’ Obviously, higher education is nowadays hosting more students, while research is delivering more outputs with overall funding that has not followed this growth. Dill et al. (2004) also point to the contribution of market mechanisms to the transparency in the system and the operation of universities, their growing flexibility, resilience and responsiveness. At the same time, serious concerns are raised about the costs of an increasingly fierce, globalising ‘academic arms race’ (Dill 2005). In such a race institutions and scholars rather invest in their standing in the positional market for reputation than respond to genuine market needs. Facing competition in markets and quasi-markets for customers and funding, the competition in informal and formal ranking systems for academic reputation can become an end in itself (Calhoun 2006). Public money may increasingly be used to reproduce or enhance the reputation of institutions and scholars, rather than as a means of serving the private and the public good.

Faith in networks is based on the tenet that cooperation and trust will create efficiencies, productivity gains, and legitimacy. Enhancing further linkages between actors from different social systems, such as politics, university, industry, and representatives of civil society, is part and parcel of the increasingly visible move from top-down steering and hierarchical forms of governance to interactive processes and policy networks. The basic assumption apparently is that the social relationships between these systems are limited and thus have to be enhanced by government incentives. The policy network literature argues that policies are no longer the result of the efforts of government only, but rather subject to negotiations between a wide range of actors that differ in nature. The inclusion of different stakeholders, Mayntz (1997) argues, helps to overcome functional differentiation, thereby making the policy process more effective. Furthermore, the inclusion of different actors might enhance the legitimacy of policies (Sørensen and Torfing, 2007). The extent to which policy networks might be a more effective and efficient mode of governance than hierarchies and markets is, however, empirically contested. Networks do not always deliver, and various studies have shown that governments’ attempts to stimulate networking for research and innovation in a top-down way may not be as productive as bottom-up approaches. In the case of the US, for example,

it was the combination of high industrial demand for research and the relative high quality of the US science system’s output that helped to generate the new networks bridging science and innovation. It was demand
that created the new networks, rather than the networks that created the demand. In the case of Europe, policy has often created networks that are in search of demand.

(Geuna et al. 2003: 399)

Obviously, governance arrangements and instruments are becoming more complex and mixed. It is thus not surprising to note that organizational leaders in universities find themselves nowadays in a quite complex and mixed situation.

Acknowledging that managerial autonomy as such would be too simplistic to portray the complex relationship between universities and the state, Neave (1988: 46) already assumed that universities are only autonomous on condition that their policies and missions are in line with national or governmental norms and expectations that are constantly subject to renegotiation in light of public policy. This concept comes close to the notion of 'regulated autonomy' (Hogett 1996) or ‘freedom within boundaries’ in the wider public administration literature. Under such circumstances, university leaders might experience a double-bind between governmental expectations for strong strategic leadership on the one hand and expectations for exercising (shifting) public priorities and policies on the other hand. Deem (in Chapter 8 of this volume) provides illustrative examples for such leadership dilemmas. University leadership might even try to anticipate the political and administrative position of governments and upcoming policies, which is a well-known mechanism from the study of decision-making within the ministerial bureaucracy (Mayntz and Scharpf 1975). As a consequence, universities work ‘in the shadow of hierarchy’ and the strategic autonomy of the university might be limited because the government’s position is anticipated by university leadership.

Further, New Public Management inspired reforms of university leadership and management are likely to face serious implementation problems. One reason for this is that universities have traditionally been different from other public organizations. They had a rather limited internal administration; there was loose coupling between the ways universities were organized as part of the public bureaucracy and the specialized academic core activities; and the academic staff had much more professional autonomy than most other civil servants. The formal organization as well as the culture of universities has been different and quite alien to a reform agenda that has been inspired by other types of organizations in the private sector.

Moreover, Musselin (2007) and Whitley (2008) have provided arguments to assume that universities’ capacities to develop firm-like strategic actorhood will be limited even under conditions of decreased state control, increased organizational autonomy and growth of internal managerial control and surveillance. Such limitations are ascribed to inherent characteristics of universities as part of the public science system, i.e. the inherent technological uncertainty of their core activities; their deeply embedded fragmentation; and competing sources of coordination that universities share with governments,
funding agencies, academic professionals and their epistemic elites. Limitations in the coordination and direction of research by universities stem from the perennial uncertainty of scientific research production about processes and outcomes. As organizations, universities thus possess limited discretion over expected outcomes and also have to rely, at least to some extent, on second-hand assessments of performance within scientific communities and evaluation exercises. Further, systematic planning, coordination and integration are limited by the division of academic labour along the lines of fields of research and teaching with their specialist knowledge and skills. Central coordination and integration for collective goal achievement will have to rely on the contributions of loosely coupled parts of the organization to the whole. Under such conditions ‘strategic choices are more similar to those of holding companies and investment portfolio managers than entrepreneurial decision-making in more authoritatively integrated and directed work organisations’ (Whitley 2008: 25).

Finally, horizontal integration associated with network governance approaches generates quite different – and partly contradictory – leadership challenges than the vertical integration of universities into a governmental regime that uses autonomy to control public sector organizations and the related attempts at strengthening vertical integration within universities via hierarchical leadership. Network governance calls for more trust-based relationships, bottom-up approaches in strategy-making and network building, and an emphasis on team-based leadership and the management of external stakeholder relations. Such a narrative of change does not easily go together with notions of surveillance and control, hierarchical leadership and line management. Instead, university leadership has to build on the many but deeply fragmented ties that academic members can explore to their communities and other external stakeholders.

**Financing**

The belief that universities contribute to the public good, both in teaching and research, has traditionally legitimized the public financing of higher education and public research. After World War II, the coincidence of various phenomena had contributed to a political climate that allowed a substantial increase of the expenses for higher education and research: namely, the belief that blue-skies research best serves society’s needs for scientific and technological innovation; the boom of the economics of education – that is, the belief that substantial educational investment is needed in order to ensure economic growth; the readiness to reduce inequality of opportunities in education. ‘Massification’ of higher education, though possibly interrupted by relatively short periods of stagnation, became a major global trend (Trow 1974) and produced significant effects, one of which was that retaining the research function under the conditions of the mass university (Schimank and Winnes 2000).
Research has also been affected by growth and expansion, as well as the search for societal and economic relevance. ‘In a self-amplifying cycle of effects, research and scholarship steadily fashion more cognitive domains – disciplines, specialisms, interdisciplinary subjects – whose respective devotees then push on with new specialized categories of research’ (Clark 1991: 103). Restless research has moved out in many directions to new frontiers and has thus undergone its own ‘massification’. In addition, the rise of ‘big science’ (Solla Price 1963) with its large-scale facilities and huge budgets called for serious investments in research infrastructure and research-related personnel.

Throughout the world costs of higher education and research have been increasing while pressures on public expenditure for universities have grown. At the same time, state appropriations were declining, at least in relative terms, due to competing commitments. Increasing costs and fiscal stringencies thus generated discussion and action as regards new forms of external, non-government funding for higher education and research. Revenues from non-state resources play a growing role or are expected to do so in the future. Fees paid by students and their families, commercial cross-border education and courses for adults, commercial e-learning, external research funding from the private sector and the non-profit sector, and direct ties with business (licensing and patenting, partnerships to develop new research and products) all play their role in this development.

The tendency of many governments to place greater emphasis on the contribution of higher education as a private good also needs to be viewed against this background. Especially the advantages that graduates derive from higher education diploma legitimize a call for more individual contributions to the funding of higher education. One can see a world-wide trend towards increasing cost-sharing – that is, the shift of some of the costs-per-student from government and taxpayers towards students and their parents. This trend can be detected in the increasing tuition fees in countries that are already used to such cost-sharing as well as in the introduction of tuition fees in countries where they were previously unknown. Since the 1980s, research in higher education has increasingly come to rely on private sources of funding as well (Vincent-Lancrin 2006). This trend is usually supported from the side of policy-makers because of their hope that science and scholarship may be used more quickly and more efficiently for practical purposes – and the related belief that the market is the most efficient mechanism to achieve such practical purposes. It remains clear, however, that enormous public benefits may be derived from the role universities are playing in the overall innovation system. What is less clear is how to organize public investments in such a way as to secure public benefit for public money.

Geiger (2007) points, for example, to the role of public funding for private institutions in the United States. For the past quarter-century the dominant trend in higher education in the United States and throughout much of the world has been privatization. Less conspicuous has been the tendency of private institutions to claim growing amounts of public resources. The public–private
dynamics in the US included both an extraordinary increase in the prosperity of selective private colleges and universities and an explosive growth of for-profit institutions of higher education. In both cases the trend toward privatization has been fuelled in important ways by government policies and public funds. Using public funds to enlarge the purchasing power of students has produced great rewards for selective private colleges and universities, making it possible for them to differentiate on the basis of quality and thereby raise prices. Corporate universities have also been able to exploit this system by effectively competing for highly subsidized (hence, price insensitive) lower-income students and minimizing opportunity costs. The loser in this kind of system has been public higher education, which has seen its subsidies siphoned off by increasing public support for the private sector. And this has compromised its ability to maintain a mixed strategy of reasonably low costs and reasonably high quality for the majority of traditional students.

Further, public spending is increasingly allocated according to formulae and mechanisms borrowed from private, for-profit sectors or New Public Management approaches. As a consequence, revenues from state sources tend to be provided on more competitive and conditional terms (Salerno et al. 2006). Such funding may have many faces. It may be indicator based or review based, or both; it may come as the outcome of a negotiation, or as the direct outcome of a performance contract. It may apply to the basic subsidies given to an institution or group, to additional money given for special purposes, or both. We also notice that some of the funding schemes cover teaching and research activities while others cover either teaching or research activities. In any case, it is remarkable how public resource flows into higher education and research have changed in recent years.

Resource diversification (due to increasing private contributions) and changing public funding (due to competitive public funding and output control), both, have substantial implications for the leadership and management of universities and the organization of academic work. One consequence concerns the management of multiple-resource dependencies and related reputation and expectation management. Contrary to common expectations, growth in private contribution and reduction in public funding does not necessarily lead to more organizational autonomy from the government. Instead, governments have been very creative in substantially strengthening strings of accountability and control while substantially reducing direct public funding for their universities. Australia and England provide illustrative examples for such developments. Less public money thus does not necessarily imply greater independence from the government. In addition, university leadership will have to balance state control against the need to pro-actively manage their reputation among other resource providers and to manage the expectations of parents and students who control part of their income. Revenue diversification spreads the risk but also increases the need for risk management.

Another consequence of the changes in financing universities concerns the rise of financial considerations in almost all decisions made for universities...
and their academic units. Running universities and academic groups as full-cost units implies that decisions are more than in the past finance-driven. Full-cost thinking has severe implications, nested with procedures that strengthen the search for efficiency, performance monitoring and target setting. Overall, funding is becoming more competitive, more conditional, bound to more detailed target setting and deliverables. ‘Markets’, external and internal, ask for a continuous stream of proposals, deliverables, and accountability reports that do not only increase paper work, but also lead to a decrease in financial stability and a distraction from actual teaching and research. Full-cost thinking also implies that apart from learning to ‘earn their own money’ academics have to cross-subsidize those who are managing them in old and new ways.

For most academics it is probably the policies of cutting down direct and unconditional funding while setting priority areas for research and teaching that most interests and troubles them. Such attempts to control academics’ work are a considerable source of tension between their personal priorities and criteria for success and the leadership and management of universities. The maintenance of less fashionable lines of work that are difficult to find funding for becomes a serious problem for research groups and departments. This generates policies at the institutional level to elaborate strategies for resource mobilization and staff management in order to adapt to changing funding environments.

Ownership

In much of the world, universities have been public organizations that fall under the realm of overall public service, its rules and regulations, its funding and supervision. Moreover, the legal status of the bulk of universities around the world is usually a public one. This aspect of the ‘publicness’ of universities is challenged by two developments: the rise of private universities and the blurring of the concept of the ‘public university’.

First, the idea of the state relying on private institutions to provide public services has never been foreign to modern societies, while today it has certainly gained in popularity. Some countries have known a long tradition of universities as private corporations, typically organized on a non-profit basis. Usually, they tend to be treated as quasi-public organizations in recognition of their public mission in teaching and research. Private, for-profit universities have been the exception to the rule of publicly owned or publicly acknowledged universities. The rise of private higher education is thus one of the most remarkable developments in higher education in recent decades (Duczmal 2006). As a result, the amount of research and analysis on this topic has increased dramatically (for a recent international bibliography, see Maldonado et al. 2004).

Taxonomic and analytic descriptions of the functions of private higher education have identified three roles of private higher education (Geiger
The first function of private higher education is to provide better services. Such private elite institutions have existed for a long time in countries such as France, Japan and the US. More recently, this type of private provider has also emerged in other countries in response to the decline of quality in the public higher education sector or in cases of severe competition for access to high quality public providers. A second function of private providers is supposed to provide different services. The obvious examples are religious-based providers that serve the preferences of religious communities. The third and most prominent driver of recent growth in private provision consists of institutions that provide more higher education and absorb demand that is not met by public providers. This non-elite option is a characteristic of developing countries as well as developed countries that have to accommodate a massive increase in demand. Usually, governments lack the resources or the responsiveness to fund a massive expansion of the public higher education sector.

Second, the concept of the public university is becoming increasingly blurred. In the first instance universities are trying to escape the straightjacket of public control by changing their ownership status overall (e.g. becoming foundations) or by creating sub-units with a private or semi-public status. In the second instance revenues from private sources such as tuition fees and private research funding gain in relative importance next to governmental funding. If state provision is becoming a less important component of the overall revenues, the public character of the institution is becoming more ambiguous. In the third instance more and more public universities are actively engaged in profit-making activities through entrepreneurial initiatives such as the sale of research outputs, the provision of paid services and the like. Institutions seek a profit from these activities in order to reinvest the surplus in basic functions that are supposed to serve the public interest. Dill (2005) has recently argued that the concept of the public university is changing into the reality of the publicly supported university and that this publicly supported university is in fact better described as a ‘not-for-profit’ institution. Overall, such processes imply that the distinction between public and private institutions is blurring. Universities are becoming hybrids. And as Deem (Chapter 8 in this volume) is showing this might eventually make university leaders belief that they are no longer working in a public but in a private organization.

But does ownership matter? Basic and applied research, teaching and academic degrees, consultancy and services to the community are provided by public institutions, private non-profit and private for-profit institutions. Obviously, there is no reason in principle to argue that academic services can only be provided by public institutions. Moreover, private institutions provide public goods while public institutions provide private goods. Research has also put forward the hypothesis that the more substantial the external conditions (for example regulatory oversight and competition), the smaller the differences in the strategic behaviour between non-profit and for-profit organizations (Powell and Clemens 1998). Duczmal and Jongbloed (2007) have studied such
public–private dynamics in Poland after 1989 where higher education went through a rapid period of reform and a large private higher education sector emerged. They analyze the effects of the injection of market forces into the higher education system by looking at the strategies of private and public higher education institutions. Most private higher education institutions in Poland, as in other countries facing an undersupply of higher education, have been vocationally and commercially oriented colleges. They primarily strove to survive in the marketplace rather than to boost the broader public good. Their study offer was oriented towards low-cost study programmes in high-demand disciplines; research played a very limited role. However, over recent years some changes can be observed, such as private institutions offering an increased variety in programmes and investing into research and public institutions reaching out to fee paying students in high demand fields. Private institutions increasingly go public while public institutions increasingly act like privates due to changes in the market demand and the governance and funding arrangements.

It is thus difficult to argue that institutions have to be public or private. The main task is to study the impact of external conditions on the behaviour of institutions and their leadership and to study under which conditions universities assure quality, efficiency as well as accessibility.

Benefits

An unintended consequence of the growing importance of issues related to governance, funding and ownership is that questions of efficiency, cost-effectiveness, and practicality dominate much of the discussion around higher education and research. These issues are crucial ones but are obviously related to performance. Performance is related to the idea of the public good and to such questions as: Which public? And for who’s good?

One of the main arguments for the ‘publicness’ of higher education has been the role of universities for social mobility and the assurance of equality of opportunity by governmental oversight. Experience shows, however, that the ‘publicness’ of higher education by no means always assures fair access and equity based on merit and talent. In the days of elite higher education large government subsidies and overall government responsibilities were usually uncontested, even though higher education served a happy few with a privileged parental background. Interestingly enough, the important contribution of public higher education to the self-reproduction of societal elites was not a matter of principle concern. The massification of higher education – that is the increasing demand for and supply of higher learning in many societies – was partly supported by a widespread belief that more higher education will open access to formerly excluded groups in society. Many public systems and universities are, nevertheless, still quite far removed from open, fair access. It is thus not surprising that in many parts of the world newly emerging or expanding private providers serve those groups in society that are excluded
from public provision of higher education. These developments are not without a certain irony. In most parts of the world, public universities that served the training of elites benefited from a largely uncontested, quite substantial support from the public purse. In times of mass higher education and more open access to higher education, public support for higher education becomes more contested. Often it is private providers that serve previously marginalized student groups, who have to pay, while privileged groups are served by the publicly funded sector free of charge. Profit-making institutions have a greater incentive to compete on educational value added, since they cannot make money by contesting on the reputational market of academic research. ‘Therefore, for-profit universities were more likely than their public and private not-for-profit peers to invest resources in activities designed to meet the needs of enrolled students rather than in efforts designed to boost institutional prestige’ (Dill 2005: 7).

A related argument concerns the increasing call for societal relevance of science and scholarship. Put very simply, two alternative though not mutually exclusive arguments challenge the view that public science and scholarship are serving the public good. According to the first argument, science and scholarship are just not doing enough to serve the public good. In this context it is widely agreed that the most important challenges facing us today can be met only with the massive support of research-based knowledge. Scientists and scholars, however, are continuously preoccupied with communicating within their own system, viz., their scholarly communities, instead of being responsive to the societal needs of today and tomorrow. New forms of governance, financing, and organization are thus needed to encourage ‘new modes of knowledge production’ (Gibbons et al. 1994) and interaction between science and its publics.

According to the second argument, science and scholarship are not only serving the public good but also the ‘public bad’. In this context, it is widely agreed that science and scholarship are not only the solution to the problem but also the very reason for major problems, such as global warming. Beck (1992) has built these notions of the public losing faith in science into his theory of the risk society that calls for a new public understanding of science as well as a new scientific understanding of the public.

Last but not least, globalization as ‘the widening, deepening and speeding up of worldwide interconnectedness’ (Held et al. 1999: 2) raises questions, old and new, about the provision and access to higher education and research on a global scale. Globalization is more frequently and easily affiliated with the ‘private’, global production and consumption of private goods, marketization, and competition in higher education. Global communication, global learning and global understanding are less frequently set on the agenda of the debate on higher education and if they are, they tend to be regarded as utilitarian means towards a better functioning of global economic markets. But growing global flows of knowledge, people, and money, and the restrictions that limit access to these resources are playing a dramatically increasing role
for higher education and research. In effect, international relations in higher education and research have become more visible, as have their positive and negative effects. This applies most obviously to the dramatic and continuing global inequalities in access to higher education and research between the global South and the global North. It also applies to the increasing competition between nation-states and global regions for innovative knowledge that provides first-mover advantages in the production and sale of global private goods and services. We simply cannot confine ourselves any longer to the question ‘Who benefits?’ on a national scale, we probably never could (Marginson 2007). In consequence, the issue of the public, the private and the good goes global while questions related to governance and leadership, ownership and financing in higher education and research are no longer limited to national coordination and regulation.

Conclusion

All over the world new ideas and practices emerge not only on how to organize a higher education system and its institutions, but also on how to organize its relationship with society and economy. Universities are driven by this transformation while they are also drivers of the knowledge-based society. The old regime of a more or less strict separation between the public and the private is diminishing. The blurring of boundaries brings about entirely new institutional settings in relation to the cooperation and interfaces of universities with governments, other stakeholders, allies and competitors. Governance and leadership, ownership and financing are not given institutional characteristics but form dynamic relationships that undergo change and reform as well. The on-going and multi-faceted public–private dynamics in the field form thus part and parcel of a broader transformation towards a new social contract for universities (Neave 2006) in the knowledge-based economy. We are currently observing the rise of a new political economy of higher education and research. This chapter has made an attempt in putting some of its constituent elements into place.

The field of higher education and research is entangled with changing beliefs and related normative statements about ‘the public, the private, and the good’. To many, the direction into which the revised social contract is leading higher education and research is a world where economic values dominate over cultural values and the advancement of scholarship. However, even in a renewed social contract that stresses economic contributions, the public goals and benefits can still stand up next to the more instrumental and economic values increasingly attached to the university. It is a major task to challenge these normative statements, to turn them into open research questions, and to test their underlying rationales as well as their empirical reality. Therefore, the study of changing belief systems is important in understanding part of the social forces at work in the re-definition of the modern university. Understanding the various and sometimes conflicting claims that stakeholders
place on higher education is key to understand the system’s institutional dynamics.

Higher education and research find themselves in an increasingly complex governance mix of governmental steering, competition on quasi-markets, and policy networks. It is remarkable how public resource flows into higher education and research have changed in recent years while not much is known about how the changing funding shapes possibilities and practices in the system. Obviously, the search for the smart governance and funding mix continues and makes cross-national comparative studies on the search for functional equivalences of ‘good governance’ in higher education and research a relevant and fascinating topic. Hierarchies are not likely to vanish, even if market-based or network-based coordination continues to gain ground; while traditional state-dominated governance is increasingly accompanied by other forms of public–private coordination, funding, and organization. This holds as the more in a situation where policies aim to unlock academic systems to strengthen their function as a key engine of innovation and economic development. Shifts in governance invite for multi-criteria analysis about their legitimacy, effectiveness, and transparency as well as about their transaction costs.

Equally important, the impact of managerial change on organizational identities and leadership practices on the one hand and performance on the other hand deserves further attention. Here, the link between organizational capacities for self-steering and the primary processes in teaching and research is at stake. How do institutional policies impact upon efficiency, outputs and quality of teaching and research? An increasingly relevant object of study is whether more business-like leadership and management approaches are suitable to reach organizational goals and how they affect the nature of faculty members’ work. Does leadership and management matter for the performance of universities and other higher education providers? If so, what are the correlates of leadership capacities and professional performance?

Studies as suggested above are expected to lead to a stronger analysis of the public–private dynamics in higher education and research. Equally, from a normative point of view such studies are essential to support a policy search for universities that will be both solid and dynamic in their contribution to the public and private good. This is no sinecure given the current tensions between the demands for high performance under increasingly competitive conditions and contradictory demands.

References
212 Jürgen Enders


