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An Economic View of Higher Education Theory (0212)

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Higher Education is a set of linked economic activities and must be subject to similar analyses to any other economic activity. These include identifying and finding meaningful quantitative indicators of costs and benefits. But 21st century higher education is fragmented and diversified and how the huge range of activities can best be combined, taking into account complementarities between many of them, warrants serious academic attention. The paper advocates researchers adopting a stance that accepts the market as the basic way of organizing HE and allocating resources to and within it, while identifying deficiencies and market failures (of which there are many) that provide an objective foundation for state (collective) interventions.

An economic view of higher education theory

However else it can be seen, higher education (HE) is a network of input-output processes that are in competition for resources with many other claimants. It has outcomes that are largely beneficial both to individuals and the wider community. To justify claims for funds universities must convince those who control resources that the benefits they offer are greater than would be obtained if the money was used in other ways: on health, or defence, or primary schools, or entertainment for example. Quantitative assessments of costs and benefits are essential. Performativity does not, therefore, disturb me, though I am aware of the practical problems in the mechanical use of performance indicators. The problem is what to measure and how to measure it.

One of the first difficulties is that the word 'higher education' is a reification similar to that which Filippakou et al claim applies to the idea of 'quality'. The current vogue for diversity risks extending the idea of higher education to the point of meaninglessness. In practice many HE stakeholders see the word as meaning anything that legally established universities and colleges do and the widespread acceptance of 'third mission' activities has gone a long way towards legitimating this approach, but it makes the job of the serious researcher more difficult.

It is only when we try to find ways of measuring the various activities of HE and the extent and distribution of the benefits deriving from them that we are forced to think rigorously about what HE is, what it is for and the extent and distribution of the benefits. Higher education in the United Kingdom today makes claims to have some proprietary rights over activities that range from deciphering the codes of life and understanding how the universe started, to remedial courses for people who missed out on some essential features of their initial education.

The result is that all kinds of subdivisions appear in which various groups combine to protect particular interests that HE as a whole is no longer able to protect. Do vice-chancellors consider membership of the Russell Group to be more important for their institutions than the overarching UUK? STEM subjects get special treatment. Every subject has staff associations pleading the case for their particular interest. Having widened participation till we have surpassed the point that Martin Trow considered to be 'universal HE'¹ politicians are now noticing that not all higher education is the same and are becoming concerned that some forms bring greater benefits, and in Bernstein's terms, are more powerful than others.

Is it any wonder that for the past 20 years there has been a growing tendency for policy makers to let individual decisions in the market decide how much HE there should be, and who should enjoy which parts of it? Attributing the widespread adoption of market criteria to globalisation or ideology is not entirely convincing. There are powerful economic and social forces resulting mainly from expansion and consequent diversification that are driving HE systems in this direction. New communication technologies that enable information to spread across the world in an instant, and to be stored forever and retrieved instantly, also play their part in fragmenting an activity that is concerned ultimately with the processing of information.

But markets, as many have pointed out (e.g, Brown, 2010 forthcoming) have many weaknesses. They care little for equity and they overvalue immediate, as opposed to longer term, benefits.

What does this mean in terms of developing a viable theory of power, the state and ideology in higher education deriving from economics? There are several pointers:

- Recognise that HE is not a single activity but many. Theoretical and empirical analytical tools that are appropriate for some of them are not appropriate for others
- How to balance the spectrum of activities. HE systems needs to be active at the frontiers of knowledge and develop the intellectual powers of the most able people to the highest possible levels, and at the same time provide basic high-level skills to the majority of the population. In particular sort out the evidence on the relationship between research and teaching.
- Clarify other distinctions. In what sense is a degree in pure mathematics equivalent to one in clinical medicine or sociology? Even if they all require equal amounts of rigour and discipline by students, should all be taught and resourced in the same way, The concept of mundane and sacred knowledge may be helpful here (Fillippakou, 2009).
- HE brings many benefits to individuals so the market should be the starting point for most macro analyses. If there are deficiencies in market solutions find out why - in specific not general terms. These are likely to be mainly in the area of promoting equity and ensuring that long-term

¹ i.e. when it is more likely than not that a young person will receive some higher education during his or her lifetime.

interests of the whole community are taken into account. What role can the state (or as I prefer to call it collective action) play to remedy deficiencies?

- Recognise that stakeholders are not the only people with an interest in HE. In an older terminology another word for 'stakeholder' was 'vested interest'. What is good for higher education is not necessarily always good for Britain or the wider world. A particular problem for HE researchers is that they are all in a sense stakeholders. The solution some advocate of stating your perspective at the outset of any research report is not convincing if they all start by stating in effect 'this study is based in part on x years of experience in HE'.

I recognise that this will be seen by some as a neo-liberal approach and therefore merely ideological. But any analysis must start from somewhere. My starting point is that both individuals and the community are important and in higher education above all, with its very long-term impacts the important thing for analysts is to seek a balance between the two.

References

Brown, R (2010) *Taming the Beast* (forthcoming)

Filippakou, O et al (2009) The Idea of Quality in Higher Education: ideology and Bernstein (SRHE conference paper)