Foreword

It is doubtless obvious to leaders, managers, and governors of higher education institutions, as well as to sector stakeholders, that we live in uncertain times. Such times bring challenges as well as opportunities. It is in the spirit of both challenge and opportunity that the Leadership Foundation asked the Higher Education Policy Institute to undertake a slightly different commission from its usual topical policy-focused research reports. The Foundation wanted to celebrate its first five years in operation by providing an opportunity for debate on a challenging theme. HEPI was asked to identify two authors who could offer stimulating and provocative thinking, supported by evidence and argument, as a contribution to our live fifth anniversary debate on 18th March 2009 exploring the assertion that "universities are now irresistibly creatures of markets".

The LFHE welcomes the two pieces presented in this paper and encourages its members, stakeholders and other interested parties to join the debate. The views and opinions expressed in this paper are of course those of the authors and do not constitute the policy of either the Leadership Foundation for Higher Education or the Higher Education Policy Institute. What we both contribute as organisations is an appropriate space for such a debate to take place. We hope it makes a useful and provocative contribution to the wider debate on the future framework of higher education in this country.

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The Role of the Market in Higher Education

Professor Roger Brown

Introduction

1. The "marketisation"[1] of higher education – the application of the economic theory of the market to the provision of higher education – seems unstoppable. Market entry is being liberalised. Tuition fees are being introduced or raised. Grants for student support are being supplemented by loans. Institutional rankings and "league tables" to guide student choice are proliferating. Institutions are devoting increasing energy and resources to marketing, branding and customer service. Nor is this phenomenon confined to student education. Much academic research and scholarship is subject to market or "quasi-market"[2] coordination as, increasingly, is the recruitment and remuneration of academic and other staff. Fund raising – seeking donations from alumni and others – is a longstanding feature of the US system and, increasingly, of others. Everywhere institutions are being encouraged or compelled to increase their private funding and to reduce their reliance on the tax payer.

2. This paper considers what is meant by the marketisation of higher education; looks at the arguments for and against the organisation of student education on market lines; and suggests some principles that should be followed if we are to secure the benefits of markets in higher education without the detriments.

What is meant by marketisation?

3. In its purest form, a market is a system of social coordination whereby the supply and demand for goods or services is balanced through the price mechanism. It is often held that organising economic relations on these lines represents the best use of society's resources. Markets provide both greater "static efficiency" (the ratio of outputs to inputs at any one point in time) and greater "dynamic efficiency" (sustaining a higher rate of growth over time through product and process innovation and better managed resources) than any alternative. In particular, markets are often contrasted favourably with "command economies" where both prices and quantities are controlled by the state.

What would a market in higher education look like?

4. Almost any higher education activity can be marketised. In this sense, the main higher education "markets" comprise the demand and supply of student

[1] Gareth Williams, "The 'marketisation' of higher education", in Emerging Patterns of Social Demand and University Reform: Through a Glass Darkly, edited by David D. Dill and B. Sporn (Pergamon Press, 1995).
[2] Julian LeGrand and Will Bartlett, Quasi-markets and Social Policy (Macmillan, 1993).

education (both undergraduate and postgraduate); staff research and scholarship; academic and professional staff; services to industry, commerce and local communities ("service" or "knowledge transfer"); and private gifts. In practice, most discussion takes place around the market in student, and especially undergraduate, education. Accordingly it is upon this activity that this paper focuses.

5. A full market in student education would have the following principal features:

- little or no regulation of market entry (so plenty of market competition including from profit and "for profit" providers);
- no regulatory limits on the prices charged (fees) or the numbers enrolled;
- the cost of teaching would be met entirely through fees which approximate to average costs (rather than through a combination of fees and grants to institutions);
- the cost of fees would be met from users' (students and/or their sponsors) own resources: there would be no subsidies from the taxpayer;
- users would decide what, where and how to study on the basis of effective (valid, reliable and accessible) information about the price, quality and availability of relevant programmes and providers.

Marketisation and privatisation

6. Before considering the strengths and limitations of such an arrangement, it may be worth distinguishing marketisation from "privatisation". The latter is here defined as the penetration of private capital, ownership and influence into what were previously publicly funded and owned entities and activities. Whilst conceptually marketisation and privatisation are distinct, in practice a marketised higher education system will be likely to have a significant degree of private involvement. It is incidentally possible to see the interests of staff as constituting an important private, as opposed to a collective, interest in higher education.[3] Finally, an important accompaniment to both marketisation and privatisation is the reduced public financing of universities and colleges, and the increasing pressure, in most systems, for a greater proportion of the costs of academic activities to be met privately, without any reduction (indeed, very often an increase) in the external regulation of the use of those funds.

[3] Craig Calhoun, "The University and the Public Good" (Thesis Eleven 84, February 2006).

The existing UK system

7. Over time the UK higher education system has moved in a market direction:

- the criteria for university title have been liberalised;
- the level of the tuition fee has been raised and institutions are free to compete both on the fee (subject to a cap) and on student bursaries;
- the level of the fee has moved closer to the average cost of tuition;
- there are increasing numbers of both officially sponsored and commercial guides to quality;
- institutions have increased incentives to raise funds from private sources.

The limitations of markets in higher education

8. There are three main limitations in the extent to which the economic theory of markets can be applied to higher education. These are:

- the fact that higher education confers both collective (public) and individual (private) benefits. Without public subsidy these would be undersupplied because of the risk that the costs could not be recouped by the provider. Hence both teaching and research are subsidised in nearly every major higher education system;
- the key role which higher education plays in accrediting knowledge, especially the knowledge needed for the professions. As a result, market entry is regulated in most systems so that only institutions and organisations that meet certain conditions can offer programmes and awards;
- the difficulty of obtaining useful direct information about quality.[4]

Of these, it is the information difficulty which is the principal problem in applying the economic theory of markets to the provision of higher education (see Note).

The information problem

9. There is agreement amongst economists that, to quote William Massy[5] "markets cannot discipline price without meaningful information about quality". In the student education market, students and their funders make choices

[4] Roger Brown, Higher Education and the Market: Taming the Beast (RoutledgeFalmer, in preparation).

[5] "Markets in higher education: do they promote internal efficiency?", in Markets in Higher Education: Rhetoric or Reality, edited by Pedro Texeira et al (Kluwer, 2004).

between different subjects, programmes (courses of study) and institutions. For these choices to be effective, each and all of the following conditions would need to be met:

- it must be possible to produce valid and reliable information about the relative quality of different subjects, institutions and programmes;
- this information should be available in a timely, accessible and equitable fashion;
- it should be tailored to the wants, needs and circumstances of each individual user;
- it should be interpreted, judged and acted upon by each individual user in a rational manner;
- institutions should be able to react appropriately to those judgements and actions;
- someone would have to pay for it.

10. However it is very difficult to see how these conditions can be achieved in a mass higher education system:

- there is general acceptance that it is very difficult, if not impossible, to make valid comparisons between learning achievement in different disciplines. Similarly, it is very difficult to make comparisons between institutions because of differing missions, character, circumstances, resources etc. There is also a large body of literature which suggests that the significant differences in student learning are within institutions rather than between them.[6] Finally, it is very difficult to make adequate comparisons between programmes because, again, of the number of variables involved. Even in a traditional subject like history there are innumerable different course titles and content and there is also a huge variation in assessment practices.[7] Finally, we should bear in mind that most of this information will come from institutions and that market competition provides them with lots of incentives to cheat, a phenomenon of which there is unfortunately considerable evidence[8];
- the second condition is also difficult to fulfil. It would mean the information having to be available in advance. Economists sometimes make a distinction between "search goods" and "experience goods",

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[6] Ernest Pascarella and Patrick Terenzini, How College Affects Students Volume 2: A Third Decade of Research (Jossey-Bass, 2005).
[7] Mantz Yorke, Grading Student Achievement in Higher Education (Routledge, 2008).
[8] See for example David Watson, "Universities behaving badly?" (Higher Education Review 40(3), 2008).

the difference being that the customer can only judge the quality of experience goods after purchase, as they are consumed. But higher education is actually a "post-experience good"[9], the effects of which may not be discoverable until well afterwards. The information has also to be accessible and fair but there is plenty of evidence that students from less favoured backgrounds are even more disadvantaged in making judgements than those from more favoured ones;

- the information needs to be tailored to individual students, which increases the difficulty and cost. There is a huge range of student motivation and interest. Some students are studying a particular subject and programme because of its intrinsic interest, some because they see it as a stepping stone to a particular career, some because of the level of earnings it may subsequently attract, some because of its general educational properties, some because they think it might be intellectually challenging and some because they think the reverse. Any comparative information also needs to make allowance for students' background characteristics, including their acquired intellectual and social "capital";

- the information needs to be interpreted and used in a rational manner, yet all the evidence is that students are no more rational than other consumers in making their choices[10];

- even if students do act in a rational manner, it may not be clear to the institution what responsive action to take: quality assurance is not a precise art;

- who pays, and what other activities and potential benefits are foregone through the allocation of resources for this purpose?

The pursuit of prestige

11. The phenomenon that consumers may not have adequate direct information about product quality is not unknown in the economic literature. McPherson and Winston suggest[11] that in these circumstances buyers will seek, and suppliers will provide, indirect or symbolic indicators of quality. In higher education, it is prestige that often comes as a substitute for effective information about educational quality in the minds of consumers, suppliers and commentators. The pursuit of prestige is thus a direct consequence of the

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[9] David L Weimer and Aidan R Vining, Policy Analysis: Concepts and Practice (Prentice-Hall, 1992).
[10] Diane Reay, Miriam David and Stephen Ball, Degrees of Choice: Social Class, Race and Gender in Higher Education (Trentham Books, 2005).
[11] Michael S McPherson and Gordon C Winston, "The economics of cost, price and quality in US higher education", in Paying the Piper: Productivity, Incentives and Financing in US Higher Education, edited by McPherson et al (University of Michigan Press, 1993).

information limitation. It is encapsulated in, and reinforced by, institutional league tables and rankings.[12]

12. A study by the Rand Corporation[13] suggested that universities and colleges tend to divide into those seeking to acquire or maintain prestige and those trying to build a reputation for successfully meeting student and employer needs. Prestige is usually associated with higher levels of resources. The drive for prestige comes from within the academy with successful research performance and highly qualified students seen as crucial. But it is not only universities and professors who are pursuing status: students and employers are also doing so in what has been called the "winner-takes-all society", a society where disproportionate rewards accrue to the highest rated provider or supplier.[14]

13. Most higher education systems exhibit some degree of stratification based, usually, on differences in institutional longevity. Such stratification is inevitable and, to the extent that it may reflect differences in research performance, even desirable. But marketisation increases the degree of stratification well beyond this; not only to the institutions but also to the social groups they serve, with disparities in access if not exacerbated then certainly not remediated by market action.[15] Other potentially negative consequences of marketisation include:

- reduced diversity at institutional level as institutions chase prestige, a phenomenon known as "academic drift";
- within institutions, greater differentiation of activities, structures and personnel leading to or reinforcing the fragmentation of the academic community;
- poorer value for money, as resources are diverted to increasing institutional prestige rather than improving student education.

14. This last is of particular significance because it confounds the basic rule of markets that greater competition leads to better use of resources. The explanation is that what you have here, at least in important parts of the market, is positional competition: competition for status.[16] Hence the introduction of unrestrained price competition to student education actually

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[12] Roger Brown, "League tables: do we have to live with them?" (Perspectives 10(2), 2006).
[13] Dominic Brewer, Susan Gates and Charles Goldman, In Pursuit of Prestige: Strategy and Competition in US Higher Education (Transaction Publishers, 2002).
[14] Robert H Frank and Phillip J Cook, The Winner-Take-All Society (The Free Press, 1995).
[15] Alexander Astin and Leticia Oseguera, "The declining equity of American higher education" (The Review of Higher Education 27(3), 2004); Carole Leathwood, "A critique of institutional inequalities in higher education" (Theory and Research in Higher Education 2(1), 2004).
[16] Fred Hirsch, Social Limits to Growth (Harvard University Press, 1976).

increases costs for many students, rather than reducing them. The result is that:

> "In the US, elite institutions exploit peer effects and price-quality associations to boost their own spending and provide a pricing umbrella for other universities and, indeed, state governments that wish to shift funding priorities from higher education. Worst of all, information shortfalls presents the market's invisible hand from driving incentives for quality improvement. We are caught in a vicious circle that produces an arms race in spending without regard to value added. This encourages mission drift, which actually inhibits education quality improvement."[17]

The benefits of markets

15. However there is also evidence that marketisation has benefited higher education and those it serves.

16. Virtually every higher education system has seen a huge expansion over the past 20 to 30 years. Even with some reduction in unit costs, this represents a major claim on society's resources which, given the evidence about private benefits (in terms of increased earnings etc) it is both unreasonable and inequitable for the taxpayer to be expected to fund, especially as there are other activities, such as health and welfare, to which society might choose to give an equal or higher priority.

17. Marketisation has in fact successfully leveraged private funds which might not otherwise have been forthcoming so enabling the system to function at a level of quantity and quality which it might not otherwise been able to manage. Marketisation reduces the claims on the taxpayer both directly, by increasing the proportion of higher education that is privately funded, and indirectly, by making publicly allocated resources go further through incentives to efficiency that would not otherwise exist. Without marketisation, either the number of students benefiting direct from higher education would have had to be constrained, and/or the quality of what they receive and achieve would have had to be lower (always assuming some sort of relationship between resource levels and quality).

18. Moreover, universities and colleges tend to be conservative, inward looking organisations. Some degree of market competition is needed to make them use their resources more efficiently[18] and to be more responsive to their clients[19]. Market competition may also limit activities to which academic staff attach importance but which may never have any broader value: some kinds of research spring to mind in this context.

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[17] Massy
[18] Massy
[19] Richard Vedder, Going Broke by Degree: Why College Costs Too Much (AEI Press, 2004).

19. Other arguments in favour of at least some degree of marketisation are:

- although comparisons between different national and state systems are notoriously difficult to make, it appears that systems that incorporate some significant degree of market competition are more effective and efficient, without necessarily being any more inequitable, than those that do not contain such elements;

- the information problem can be partially turned round. If no one can ultimately define quality then some market competition gives greater weight to the consumer voice, whilst increasing the amount of information available (even though that information may in reality not help very much);

- higher education, at least in the North American and Anglophone systems, has always had a commercial side to it;[20]

- there is no turning back. Not least because of the pressures on public expenditure – which, ironically, can be expected to increase as a result of the state's recent response to major financial market failures – there is unlikely to be any serious rowing back from the degree of marketisation/privatisation which many systems have now achieved.

Handling the market

20. All this suggests that the issue is not markets or "non-markets"[21] but what is the appropriate balance of competition and regulation if we are to enjoy the benefits of greater competition, including especially greater efficiency in the use of resources and greater responsiveness to users, whilst avoiding or minimising the detriments. What in short is the best way of obtaining value for money for the resources society invests in higher education? The final section of this paper suggests that the following general principles should be followed:

- there should be a fuller understanding of the meaning of marketisation and its impact and potential impacts on the core activities of universities and colleges: student education and academic research and scholarship;

- there needs to be a discussion and broad agreement between the institutions and the main external stakeholders about the purposes of higher education and the conditions that enable these purposes to be fulfilled (for example, adequate funding, suitable autonomy, appropriate regulation, a high quality workforce, effective leadership).

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[20] Clark Kerr, "A general perspective on higher education and service to the labor market", unpublished paper excerpted in Policy Perspectives "Distillations" (September 1988).

[21] Charles Wolf, Markets or Governments: Choosing Between Imperfect Alternatives (MIT Press, 1993).

This should encompass the desired balance between public and private purposes and benefits, bearing in mind the fact that marketisation tends to promote and emphasise private purposes and benefits;

- similarly, marketisation tends to focus attention on the characteristics and performance of individual institutions and groups of institutions. However, means must be found to assess and improve the effectiveness of the system as a whole in meeting both external and internal needs and requirements;

- agreement also needs to be reached on the desired degree of institutional stratification and diversity. Whilst some degree of hierarchy may be inevitable, and even desirable, too great a degree of hierarchy is not conducive to diversity, since genuine diversity requires some parity of esteem. This may require state action to restrain hierarchy and/or protect diversity.[22] Resourcing and status differentials between institutions that are not based on "objective" factors such as local cost structures should certainly be scrutinised closely as should variations in the intake of students from specific social groups;

- given the way in which marketisation tends to separate them, means should be found of connecting or reconnecting the core functions of student education and academic research and scholarship so that each benefits the other, rather than compete unequally for scarce resources and prestige;

- without reducing the pressure on institutions to use their resources efficiently, and to broaden their sources of income, agreement should be reached on both the level and means of funding that will ensure that the key decisions about how to allocate funds to core activities continue to be made on both economic and academic grounds;

- similarly, those responsible for governing and funding the system should ensure that academic and professional staff are trained, managed and rewarded in a way that recognises their role as key workers in a knowledge economy;

- an appropriate regulatory balance should be struck between market competition (including information to students), state supervision and academic self-regulation. The state should ensure that academic judgements remain in academic hands subject to the need for accountability for those judgements and the reasons for them.

[22] Roger Brown, "Protecting quality and diversity in a market driven system" (Higher Education Review 39(1), 2006).

Conclusion

> "Those advocating a supply-driven system base their position on arguments about students being immature consumers, the absence of efficient and reliable information about services on offer, the increased effectiveness of policy and coordination of higher education systems, and the improvements in performance in terms of equity in the provision of higher education."[23]

21. It seems clear that introducing market competition into the provision of student education increases the available volume of resources and/or makes those resources go further through greater efficiency, reduces institutions' dependence on state/taxpayer funding, makes institutions more responsive to stakeholder needs, and curbs the tendency of institutions to engage in activities that may have very little societal payoff.

22. But it also seems that too great a degree of market competition in student education can create or more likely reinforce stratification (of both institutions and the social groups they serve) at the expense of diversity, create or reinforce other pressures for the fragmentation of the academic community, and (ironically) reduce value for money as institutions divert resources to marketing and various forms of conspicuous expenditure as a means of attracting students rather than raising educational quality.

23. This then leads to three main conclusions if we wish to create or conserve an effective, efficient and fair higher education system. First, there needs to be a balanced system of funding as between institutions and students. If in a diverse mass system there can be no single view of what is meant by educational quality, or how to measure it, then the more inputs into the decision making process the better. Second, there needs to be a continuing system of external and self-regulation in order to ensure that universities and colleges are using their resources to give their students the best learning opportunities and qualifications possible, and that the information they publish about their provision is truthful. Third, the state has a crucial role to play in both endeavours.

Note

The other limitations are:

- product differentiation. The economic theory of markets assumes either a reasonably homogeneous product or the capacity of purchasers to distinguish effectively between different products.

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[23] Pedro Texeira, Markets in Higher Education: what can we still learn from economics' founding fathers? (University of California, Berkeley, Research and Occasional Paper Series CSHE.4.06, 2006).

Neither assumption applies, or applies fully, in the case of higher education;

- stickiness. One of the assumptions of market theory is that both consumers and producers will react fairly quickly to price or other information. Where this is not the case market forces will not allocate resources efficiently. This again is relevant to higher education with its relatively long product cycle;

- distributional inequity. There is disagreement between economists as to whether distributional inequity – the failure of markets to allocate resources in accordance with socially accepted standards of fairness – is technically a "market failure". But there does seem to be agreement that markets are driven by efficiency rather than equity, that equity requires some sort of state intervention, and that democratic societies are usually prepared to sacrifice some of the gains of efficiency in order to have some measure of fairness in the distribution of resources.

The Role of the Market in Higher Education: Commentary

Professor Peter Scott

Introduction

1. Roger Brown is cool about the role of the market in higher education – in two senses. He is cool in the sense of being dispassionate, attempting carefully to weigh the arguments and counter-arguments. He is also cool in the sense of being sceptical, because he is only prepared to support an enhanced role for the market in steering higher education under optimal (and, I would argue, near-impossible) conditions.

2. Marketisation, he argues, is not the same as privatisation (both ugly words – for ugly ideas?). I agree – but would suggest a different contrast, between the 'market' as a political discourse, often dubbed 'modernisation', and the real market (for example, of student choices or of institutional competition).

3. The first, the market-as-rhetoric, is a comparatively recent phenomenon. For once Margaret Thatcher cannot be blamed. Although her Government pursued ruthlessly free-market policies with regard to the management of the economy and, in particular, the future of (or, rather, the absence of a future for) some key nationalised industries, in social policy she pursued equally ruthless statist policies – for example, the repudiation of the University Grants Committee regime of arm's-length autonomy for universities (and the sad but inevitable abolition of the UGC); and the destruction of localism (which launched the polytechnics on the road to become 'new' universities). A trend, incidentally, which has continued to this day; politicisation not marketisation has been the motif of higher education policy for almost three decades.

4. The market-as-rhetoric only emerged during the Major interlude and, with the zealotry of the recently converted, in the New Labour era. It was, and is, an epiphenomenon of neo-liberal ideology. As such it may well suffer the same fate as its parent, crushed under mega bank bail-outs and guiltily covert nationalisations. To the extent the market-as-rhetoric survives it will largely because we have lost an alternative policy language, the language of Victorian 'improvement', of the post-war welfare state or of (in contemporary Euro-speak) the 'social dimension'. For this absence of an alternative language higher education bears a heavy responsibility – and may going on paying a heavy price.

5. So much for the market-as-rhetoric, as a neo-liberal cult among modernising ministers, politicised civil servants, assorted policy wonks and academic fellow-travellers (all of whom, revealingly, are paid for, directly or indirectly, by 'us', the state). What about the real market in higher education? One possible future is that progress towards creating a more flexible, more socially responsive and more entrepreneurial higher education system will be set back by the collapse of neo-liberal ideology; the other possible future is that the

absence of this distracting ideological clutter will actually smooth its path. My hope is the latter. But, to enable this to happen, it will be important to disentangle the ideological from the empirical strands of the higher education market – and the first requirement to start with a full and accurate description of that market.

Evidence for marketisation

6. Roger Brown argues that the UK higher education system is moving in a market direction and offers five pieces of evidence:

- the criteria for the award of university titles have been liberalised;
- the level of tuition fees has been raised (and made variable; and, in addition, universities can now compete by offering more-or-less attractive student bursaries);
- the fee has moved closer to the average cost of tuition;
- there has been an explosion of consumer guides on quality;
- institutions now have increased incentives to attract private funding.

7. I find this a curious list for two reasons. First, these are relatively peripheral policy changes. The relaxation of the criteria of university titles is an essentially trivial phenomenon – and will remain so as long as its only effect is to create a small under-class of more 'new' universities (it would be different if the Government allowed Pearson to become a 'university'). Higher fees are, in essence, a covert graduate tax (for full-time students; for part-time students they have been a disaster); they are also standardised, any moves towards variability having been curbed; and there is no evidence students are moved by, or even much aware of, differential bursaries. As for the fee covering more of the real costs of tuition, markets are determined by the prices that can be charged more than by the costs that are incurred, so its immediate relevance is not established. The growing number of guides (to reputation, I would argue, not quality) is certainly evidence of an increasingly 'consumerist' mentality, fuelled largely by 21st-century media culture; but they merely codify, if that is not too generous a word, well-established pecking/prejudice orders. Finally, the real incentive to secure private funding is the insufficiency of state budgets (and the long-term erosion of unit costs) rather than any marginal 'matching' schemes; the largest block, by far, remains fees paid by international students (a policy initiated by that archetypal social democrat Anthony Crosland).

8. But the second reason why I find Roger Brown's list curious is that it misses out the most important element of the market in higher education, the fact that students are free to choose the institutions to which they apply (and, of course, always have been – which may explain why this beam was ignored while motes have been minutely catalogued). As the National Health Service struggles

to implement patient choice in any meaningful way, higher education has a fully functioning system of student choice. Of course, choice is constrained in a number of ways – by the ability of institutions to select students where there is excess demand; by the cruel effects of social inequality (which has increased during the neo-liberal years); by the failure of the state adequately to invest in higher education and provide sufficient places; and, revealingly, by the enthusiasm of politicians and others for second-guessing the market (for example, by discouraging students from taking media studies and pushing them into STEM subjects).

9. Moreover these constraints on student choice are likely to increase over the next few years – first, because the Government has lost interest in widening participation policies designed to address the constraint produced by social inequality in its enthusiasm for the skills and employer engagement agendas as successor strategies; next, because the pressure to promote STEM subjects is bound to increase (and maybe rightly so); thirdly, because any decision to raise or remove the fees cap without compensating student support measures would inevitably restrict choice (or the perception of choice) among the socially disadvantaged; fourthly, because any neo-binary attempt to produce a more stratified pattern of institutions would disadvantage disproportionately working-class and ethnic-minority students who are concentrated in a dozen or so 'new' universities; and finally, because the end of growth, and the establishment of a steady-state higher education system, against a background of rising social aspirations and increasing levels of educational attainment in schools (and no, demography cannot provide an adequate alibi) will reduce choice for all students. As a result, with regard to the predominant market element in higher education – student choice – the movement is likely to be retrograde; and no amount of peripheral marketisation can compensate for this retrograde motion.

Limitations

10. Roger Brown identifies three main limitations on the application of the market to higher education. The first, and one to which he perhaps devotes least attention, is that higher education confers both public and private benefits – and also that the private benefits to individuals are long-term (he labels them 'post-experience' goods). As a result the state must be a major contributor to the cost of higher education to secure these public benefits. It is beyond dispute that the state first became involved in funding universities and other institutions because of the insufficiency of privately funded provision. This is a matter of historical record both here in the United Kingdom and the rest of Europe and the United States, pace the arguments fiercely, frequently and engagingly deployed by Professor Terence Kealey, Vice-Chancellor of the University of Buckingham, Britain's only private university – which rather gives the game away.

11. But the extent to which public and private benefits can be disaggregated in ways that would enable us to allocate distinctive funding responsibilities is less clear; what appears to have happened is a pragmatic and historically contingent

accumulation of state involvements in higher education, financial and regulatory, which cannot readily be reduced to a neat econometricist division of labour. Even the labelling of public and private benefits can be described as speculative and therefore 'fluid' and discretionary. For example, long-term – or 'post-experience' – private benefits are sometimes difficult to distinguish from public benefits. So it is hard to identify a sound theoretical or even empirical, basis for determining the respective funding responsibilities of the state and the individual. Simply put, it is the way it is – or the way it has become.

12. The second limitation identified by Professor Brown is that the role played by higher education in accrediting knowledge (should that be skills?), in particular professional knowledge/skills, inevitably compromises the application of market solutions. But does it? There are many examples of regulated markets which function perfectly satisfactorily. Indeed there are few markets in advanced societies which are not, to some degree, regulated – building regulations, license-to-practice regulations, health-and-safety regulations, employment regulations and so on. The only significant counter-example, and a cautionary one, is the failures of financial regulation which have led to the present banking crisis (and economic recession). Of course, regulation can be used cynically to reduce competition. But there is little evidence of this happening in higher education. When professional bodies attempt to restrict the number of institutions they accredit and ration student numbers, it is not to reduce competition between them (often the effect, in fact, is the opposite – to increase competition for the best students) but to limit the number of graduates entering these professions as well as to guarantee high standards of professional practice – anti-competitive behaviour perhaps, but nothing much to do with the higher education market.

13. The third limitation he identifies, and dwells on at length, is the difficulty students experience in obtaining accurate information about quality. Indeed he comes close to arguing that this is a fatal objection to the application of more aggressive market solutions to higher education. One is reminded of St Augustine – 'make me chaste, but not yet'. Roger Brown, it almost seems, will only fully accept the legitimacy of the market when objective, comprehensive, accurate and accessible information about the quality of the courses (and institutions) they are choosing between is available to all students. In other words – never. Although I share his frustrations about the inadequacy, intemperance and sheer amateurism of many higher education 'guides', I find it difficult to accept this conclusion – for two reasons.

14. First, there are many other, well functioning, markets in which consumers are not provided with full and accurate information. The burgeoning 'persuasion' industry of marketing and advertising is designed to convince consumers that they need – or, at any rate, 'want' – the products and services its clients are trying to 'sell' (despite the best efforts of truth-in-advertising regulatory frameworks). Nor is this emotionalism confined to the sale of consumer goods; what else is that powerful intangible 'business confidence'? In fact, it can be

argued that by the general standards that apply to most markets higher education ‘customers’ are reasonably well provided for in terms of information, a lot of it non-commercial in origin (i.e. National Student Survey scores or Research Assessment Exercise grades) and coming from a variety of sources (including all the serious newspapers).

15. My second reason is that I am not convinced students care about ‘quality’, at any rate as defined by the Quality Assurance Agency, Ofsted, funding councils and similar agencies; nor is ‘quality’ the only thing they care about. Instead they are chasing reputational advantage (is the degree they will receive a powerful brand, and will their fellow graduates form an influential peer-group?), conviviality (night clubs and all that), convenience (living at, or near to, home; or in a city where part-time jobs are plentiful), comfort (will I feel at home?) – and, to stop being cynical for a moment, intellectual excitement (the opportunity to study a subject they really enjoy). All these considerations, and more, go into a complex mix of shifting motives, different for different individuals, different groups and also over time, in which formal quality measures take their place (and maybe not an especially large one). This is not juvenile but normal behaviour; when people buy cars, they are concerned about both fuel consumption and sexy design. Once again, by the general standards that prevail, students are both attentive and well informed ‘customers’.

Credit or debit?

16. Roger Brown attempts to draw up a balance sheet of marketisation. On the debit side, apart from these three major limitations, he lists first, reduced diversity, as institutions succumb to ‘academic drift’; secondly, internal fragmentation, as institutions pursue market opportunities, leading to a loss of academic cohesiveness (and collegiality?); and thirdly, reduced efficiency, because resources ‘are diverted to increasing institutional prestige rather than improving student education’.

17. On the first, although there are some notoriously homogenising factors such as the Research Assessment Exercise and standardised formulae for allocating teaching funds, ‘academic drift’ may have been succeeded by a more complex phenomenon which can be crudely labelled ‘mission stretch’ (or even ‘mission overload’). Indeed this phenomenon is the second of Professor Brown’s negative consequences of marketisation. Whether it does indeed have such negative consequences is open to debate. The ‘academic community’, outside Oxford and Cambridge colleges and a number of smaller institutions, may always have been something of a myth, an excuse for the widespread reluctance to accept collective responsibility for institutional destinies. To the extent that a market-driven differentiation of activities, structures and personnel may have made more effective governance and management essential it may even have increased institutional cohesion (albeit denominated in terms of corporate loyalty as much as of a shared academic culture). The third negative consequence of marketisation is almost certainly valid. The experience of the US suggests that in

relatively protected, well segmented, quasi-monopolistic markets there is little pressure to contain costs – and, indeed, high prices have their own allure.

18. On the credit side Roger Brown makes some claims I am reluctant to accept. First, he suggests that marketisation has successfully leveraged private funds, so enabling the system to expand more rapidly than if it had remained predominantly dependent on public funding and to improve the quality. The basis of this claim is that it has reduced the burden on tax payers. True enough – but it is not clear that the (rather limited) degree of marketisation experienced by UK higher education has done anything more than to enable public resources to be diverted to other services; and it is also worth re-emphasising how limited marketisation has in fact been, if the measure is a significant inflow of private funding (much the most significant element of non-public funding remains the fees paid by non-European Union students).

19. Secondly, he argues – although without, it seems to me, great conviction – that marketisation may encourage universities to be less conservative and inward-looking, for example by discouraging investment in 'useless' research. But this may be a treacherous argument. Not only is the utility of research difficult to assess, it may also be important to insulate higher education to some degree from the immediate pressures of the market (as of politics) – both to enable a culture of critical enquiry to develop, so essential for a high-quality university education; and more broadly, to protect those institutions that comprise 'civil society' so essential to the functioning of democratic society.

20. Finally Professor Brown suggests that marketisation may make higher education systems more efficient, having posited the opposite in his list of debits. His ambivalence on this key issue of efficiency, routinely regarded as beyond dispute by pro-marketeers and neo-liberals, is understandable. The evidence suggests that neither private nor public provision of services is more efficient than the other per se; it all depends – on contexts and circumstances. But it may be significant that the still overwhelmingly public UK higher education system is highly efficient in terms of cost per graduate.

Conclusions

21. Despite these reservations I do not diverge wildly from the conclusions drawn by Roger Brown. First, he argues the issue is not between 'markets' and non-markets'. I agree – although I would put it differently.

22. As has already been emphasised higher education has always been a market in the most important sense of all, i.e. that student choice prevails (as it does, to an even greater extent, in the much reviled – by free-marketeers – 'state' systems which are still dominant in much of the rest of Europe). It is axiomatic that mass higher education systems are driven much more by student choice than the elite university systems of the past. Expansion enhances the (true) market.

23. There is no serious debate that the state has an important role in the provision of higher education – not simply as a regulator of quality (which is Professor Brown's major concern) but to remedy the shortcomings of the market by promoting fair access; ensuring a proper supply of graduates in 'strategic and vulnerable' subjects; and, above all, making good the shortfall in the supply of student places, because two centuries or more of university development have clearly demonstrated that the market is unable to meet the wider social demand for higher education – and the workforce requirements of a knowledge-based economy.

24. How the state should exercise that role – block grants to institutions, targeted initiatives, student support (including student vouchers), or tax concessions to individuals and employers – is essentially a secondary issue. Different nations will choose different mixes, depending on their political cultures. I have a strong prejudice in favour of the state's role in higher education being exercised largely through block grants for two reasons. The first is that this best reflects the state's responsibilities as a trustee for the wider public interest, collective virtue, civil society – notions which, for me, are very important in democratic societies – rather than as an over-mighty 'contractor', purchasing specified 'deliverables' (to adopt, for a moment, today's impoverished policy language). The second reason is that block grants best preserve institutional autonomy, not simply or even mainly to protect some antique 'donnish dominion' (although academic freedom must surely be non-negotiable) but to enhance responsiveness, adaptability and efficiency (institutions do really know better than Governments).

25. Most important of all, in complex and sophisticated modern societies, distinctions between 'public' and 'private' are increasingly fuzzy. For example, should the income from higher fees be defined as 'private' or 'public'? A plausible case can be argued either way. 'Private' – because ultimately graduates must pay for them (apart from the not insignificant number who may never earn enough or evade repayment), and also because the state cannot influence either the flow of these funds, which is entirely determined by student choice, or their expenditure, which is the responsibility of individual institutions. But 'public' – because the initial funding is provided by the state and, unlike dubiously 'private' Private Finance Initiative-funded projects, is counted as public expenditure, and because the state still maintains overall control of key features (most notably, in relation to the cap but also in terms of present, and future, regulations with regard to 'fair access'). Ultimately it becomes a sterile argument – best left to accountants and ideologues, neither of whom is enjoying a good press at the moment.

26. Secondly, under the heading 'Handling the market' Roger Brown makes a number of more specific proposals which I also generally support. For example, he suggests we need a more sophisticated debate about, and a deeper understanding of, the desired purposes of a 21st century higher education system. For enthusiastic marketers, of course, the 'debate' is to be found in the

operation of the market. He also suggests that we need to look at the overall performance of the system rather than focusing too much on the performance of individual institutions. Marketeers, of course, have no choice but to argue that if the performance of individual institutions improves so will the overall performance of the system. Also in the UK, because of the weight attached to institutional autonomy, the system is comparatively weak. So both marketeers and autonomists have to explain why what may make perfect sense from the perspective of the individual institution may produce perverse effects for the system as a whole.

27. Professor Brown also argues that there needs to be a clearer agreement about the degree and types of diversity desirable in UK higher education. Anything, of course, would be better than the present beggar-your-neighbour manoeuvring of 'mission groups' (Russell Group, 94 Group, Alliance and Million+). But he goes further and argues that the state may need to intervene to restrain inappropriate hierarchy and instead to impose the 'right kind' of diversity. The difficulty with these proposals, and others, is not that I disagree with them but that they add up to a formidable agenda of state action which implies the rolling-back of the market not its further advance – not unlike the 'Framework for Higher Education' which John Denham protests (too much?) he does not envisage as a 'national plan'.

28. Thirdly, despite his support for these elements of the proto-'national plan' for higher education, Roger Brown claims 'there is no turning back'. He argues, I suspect with some regret, that there is unlikely to be any serious rowing-back from the degree of marketisation/privatisation which many systems have achieved.

29. My response is no and again no. No – because the degree of real marketisation has been both exaggerated by the neo-liberal ideology that has dominated public discourse for the past three decades (but has now been shot down in flames) and also distorted because real markets, most obviously in student choice, have been ignored while ersatz-markets, for example top-up fees, have been talked-up. But no again – because there are always alternatives; political choices will continue to be made; and those choices should honestly reflect fundamental social and cultural values (and never more so than in relation to higher education which touches so intimately the lives of individuals and so powerfully our collective capacities for intellectual and scientific creativity).