

## The Financing of Private Higher Education

Financial questions often seem to be mere technical issues, but any closer look quickly reveals they are not. *Pecunia nervus belli*, and the same thing holds true for all other human activities. Finance not only determines the *extent* of higher education in general, but the different types of financial support determine what *kind* of higher education flourishes, and which does not. Speaking of finance invariable raises fundamental questions about the activities that are to be financed. In our case: What are the objectives of higher education? What are the objectives of *private* higher education? Can these objectives be attained by government subsidies? Our workshop shall shed some light on these educational, social, and political dimensions of our topic.

The traditional argument in favour of *public* funding of academia is that higher education is by its very nature a public good that needs to be produced by the state. If there were only private institutions, higher education would not be produced to a sufficient extent. The reason is that academia does not simply provide revenues to its employees (teaching and administrative staff) and services to its users (students), but also creates positive “externalities” or spill-over effects for all other members of society. Academia develops and spreads scientific knowledge, thereby laying the foundations of the future material and cultural development of society at large. All citizens therefore benefit from higher education, but not all of them contribute to funding it. Without government support, therefore, academia would tend to be underfunded and society would never attain its long-run potential development. By taxing all citizens, the state can solve this problem. Sufficiently endowed public universities guarantee that higher education attains at least a necessary minimum level, and private institutions provide a useful complement.

This traditional vision of state involvement in providing higher education is problematic in many respects. The problems concern both the theory of public goods (see for example Hoppe 1993, Hummel 1990) as well as the empirical record of private and public institutions of higher education (see for example West 1994, Burleigh 1973, and Kealey 1997).<sup>1</sup> Recent theoretical debates as well as the accumulated experience of the post-WW II period have shed a sobering light on the contemporary institutional set-up, in which (a) higher education is

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<sup>1</sup> For studies of the history of public secondary schooling see Barzun 1945 and Gatto 2000.

massively subsidized and in which (b) public institutions dominate higher education whereas private institutions play a secondary role. Today this institutional landscape appears to be much less desirable than fifty or sixty years ago. Many scholars consider it to be very inefficient and even harmful from a long-run overall point of view. These critics hold that current and future reforms of academia would do much good by reducing state involvement with higher education as far as possible.

In any case, it is a fact that, to a very large extent, the current institutional set-up did not result from the superior achievements of public institutions as compared to private ones. Rather, it has sprung from a financial bias in favour of the former. Families who wish to send their children to private schools not only have to pay tuition fees, but also the general taxes which are *inter alia* used to finance public institutions. This bias can be eliminated with school vouchers, which give families the freedom to choose the school on which they wish to spend their taxes.

But can the bias against the private sector also be eliminated in other ways? In the context of the current economic crisis, there is a great temptation for private institutions of higher education to solicit subsidies (or higher subsidies) from the state. This raises the interesting question in which sense it would still be justified to call these institutions “private.” It also raises the question whether soliciting such support would be a wise strategy, both from the point of view of the immediate concerns of private academia, and from the larger point of view of social development.

The mixed record of public institutions stands here as a warning sign. Financial support by the state not only means greater latitude for wasteful spending (for example, on administrative overhead and on irrelevant research). It also means greater dependence in choosing curricula, in recruiting students and teaching staff, and in organising research and teaching. These tendencies have been patent in virtually all western countries in the past thirty years.

Pope Benedict has repeatedly emphasised that academia embodies, before everything else, the ideals of truth-seeking and of the development of the entire person. The point is not just to increase man’s intellectual prowess, but also to nourish the moral and spiritual dimensions of all persons involved. The Pope warned us that these ideals are often compromised by the influence of ideological factors. They are also compromised by the temptation to run academia as a business, merely aiming at serving customers in a cost-efficient way. Clearly, such ideological and utilitarian deviations are perennial threats for academia both in the public

and in the private sectors. But they are greatly reinforced when more or less all institutions of higher learning are financially dependent on the state.

State support seems to be especially dangerous for institutions that are at odds with majority opinion. For example some private universities in Europe are supposed to be centres of resistance against the increasingly rampant secularism of our age. But how is it possible for them to be fortresses of the Faith, and bulwarks against the intrusions of materialism and ideology, if ever they should become dependent on state support? Indeed, how can their specific missions *not* be compromised by such dependence, given that the state is almost by necessity the agent of majority opinion?

## **Bibliography**

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