

## **Market governance in higher education**

### **ABSTRACT**

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In our contribution we mark the contours of a particular governance concept that qualifies under the heading of 'new governance'. It concerns the idea of 'market governance', which "refers to the use of the market mechanism of supply and demand in governance processes. In this governance mode, government interventions are focused on the shaping of a level playing field, which facilitates self-regulation (...)" (Fenger and Bekkers, 2007). We assume that in the foreseeable future it is likely that 'market governance' will remain an appealing concept to key decision makers in higher education. We like to stress that we explore the meaning of market governance in higher education. To what extent market governance should be welcomed is a different question that will not be answered in this contribution.

Since the 1908s and 1009s changes have taken place and present-day relationships between the state and the service providers are increasingly characterized by marketisation with autonomous institutions, competitive environments and liberalized rule-systems. It is placing states in a dilemma. Bearing responsibility for the performances of the public sector at the system level on the one hand, and stepping back on the other hand, creates a schizophrenic blend of being 'absent and present' at the same time (RMO, 2002: 31). How can the state effectively step back and simultaneously act decisively to live up to the expectations? Does the concept of market governance offer an answer to this problem?

In our discussion on market governance we first address the question if state regulation is legitimized in higher education. We argue that there are both political and economic reasons for such regulation. Next we describe the conditions to create markets in higher education: four on the supply-side and four on the demand-side. On the supply-side there should be no entry barriers, no restrictions on products and pricing and freedom to use resources. On the demand-side, there should be free choice of provider and product, adequate information and cost-covering fees. The state has five parts to play in market governance: market engineer, financial sponsor, setting strategic directions, supervising/controlling and commissioner. Our contribution ends with a discussion on market governance in the European Higher Education Area and points to some problematic issues such as: is coordinated action to execute the five roles of the state in markets of collective goods to be expected at the European level? Who will be held responsible if services delivered by private and autonomous public organizations turn out be poor?