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**The University and the Welfare State in Transition:  
Changing Public Services in a Wider Context**

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## **Abstract**

The paper relates current transformations in higher education in European economies to current transformations of the public sector in general, and changes in higher education to changes in other public services provided within traditional European welfare states. In particular, it links ongoing discussions about the future of the welfare state under the pressures of globalization and changing demographics to discussions about the future of public investment in higher education and to the wider question of the production and reproduction of the university. It discusses the position that the World Bank is taking with respect to both the state, public sector reforms and higher education reforms, both in general and for transition economies, and highlights the contrast between its publications on the future of the welfare state and the future of public higher education. The World Bank has been particularly involved in both the conceptualization and implementation of reforms of major public services, especially but not only in developing and transition countries: the reforms of education, healthcare, and pensions. Further, the paper discusses the state's changing fiscal conditions and major competitors to higher education among welfare (and other) services, especially in the European transition countries. It links the question of the reformulation of the pact between the nation-state and the modern university to the issue of the renegotiation of the postwar welfare contract in general. The paper finds it useful to view higher education in the context of changing welfare state policies as higher education is a significant part of the public sector and welfare state services, in general, have been under severe pressures, both on the theoretical and practical levels. Finally, tentative conclusions are given.

Marek Kwiek

## **The University and the Welfare State in Transition: Changing Public Services in a Wider Context**

### ***Introduction***

The paper relates current transformations in higher education in European economies to current transformations of the public sector in general, and changes in higher education to changes in other public services provided within traditional European welfare states.<sup>1</sup> In particular, it links ongoing discussions about the future of the welfare state under the pressures of globalization and changing demographics to discussions about the future of public investment in higher education and to the wider question of the production and reproduction of the university. It discusses the position that the World Bank is taking with respect to both the state, public sector reforms and higher education reforms, both in general and for transition economies, and highlights the contrast between its publications on the future of the welfare state and the future of public higher education. The World Bank has been particularly involved in both the conceptualization and implementation of reforms of major public services, especially but not only in developing and transition countries: the reforms of education, healthcare, and pensions. Further, the paper discusses the state's changing fiscal conditions and major competitors to higher education among welfare (and other) services, especially in the European transition countries. It links the question of the reformulation of the pact between the nation-state and the modern university to the issue of the renegotiation of the postwar welfare contract in general. The paper finds it useful to view higher education in the context of changing welfare state policies as higher education is a significant part of the public sector and welfare state services, in general, have been under severe pressures, both on the theoretical and practical levels. Finally, tentative conclusions are given.

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<sup>1</sup> The present working paper will be published in *World Yearbook of Education 2008. Geographies of Knowledge, Geometries of Power: Framing the Future of Higher Education* ed. by Debbie Epstein, Rebecca Boden, Rosemary Deem, Fazal Rizvi and Suan Wright (New York: Routledge, 2007).

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### *The welfare state, globalization, and public investment in higher education*

Social scientists have divergent views about the causes of the current pressures on the traditional Keynesian postwar European models of the welfare state (both the Continental, Anglo-Saxon, Scandinavian, and Southern European, although to different degrees and with different intensity). They seem to agree on a single point though: we are facing the radical reformulation of the welfare state as we know it in most industrialized nations in Europe.<sup>2</sup> There does not seem to be a major disagreement, broadly speaking, about the future of the welfare state in its current European postwar forms: its foundations, for a variety of internal and external reasons and due to a variety of international and domestic pressures, need to be renegotiated today (see Kwiek 2007b). The idea of the welfare state will probably continue, albeit in modified, adapted forms. Major differences between social scientists researching the area of welfare state are based on different explanations about what has been happening to the European welfare state regimes since the mid-1970s until now, about different variations and paths of restructuring in different European countries, and different degrees of emphasis concerning the scope of welfare state downsizing in particular European countries in the future. The impact of globalization on the welfare state is an issue that sharply divides researchers on welfare issues (see Genschel 2004: 632, or Kwiek on globalists, skeptics, and moderates, 2006a: 169-214). The question debated today is not whether recasting the European welfare state has come to be seen as necessary by the national governments of most affluent Western democracies, international organizations (such as the OECD), global organizations and development agencies (such as the World Bank) and the European Commission; it is rather why it is seen as necessary, and here the answers include economic integration and/or demographic changes, changes in societal norms etc. As Maurizio Ferrera explained the fundamental logic that is guiding policy solutions to the reform processes of the welfare state today: “system-wide searches for novel, economically viable, socially acceptable and politically feasible policy solutions are underway” (Ferrera 2003: 596).<sup>3</sup>

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<sup>2</sup> This paper is a revised version of a lecture I gave at the seminar “Geographies of Knowledge, Geometries of Power: Higher Education in the 21st Century”, Gregynog, University of Wales, January 18, 2006. I would like to express my gratitude for the invitation and logistical support I received from Rosemary Deem and Debbie Epstein, as well as for lively comments from, and interesting discussions with, the seminar participants. I would also like to thank Rosemary Deem for her comments on an earlier draft of this chapter.

<sup>3</sup> The Finnish generous model of the welfare state provides a special case in which information society is able to create a financial basis for the (renewed) welfare state. As Castells and Himanen argue that “so far, the evidence supports the conclusion that, in spite of

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Under these new circumstances, the prospects for the future in those countries with largely publicly funded higher education seem to be that higher education will be increasingly seen as just one part of public services (as it already is seen in many countries), with its traditional uniqueness removed, with many consequences. The public sector, especially in transition countries, is often viewed as ineffective and unaccountable, in need of being restructured. One way to break away from this perspective is to view higher education as a social investment, rather than a social burden, crucial for the development of “knowledge-based” societies and economies, or to view higher education through the lens of social capital formation. Martin Carnoy sounds moderately optimistic when he concludes in his book about globalization and educational reforms that:

Because knowledge is the most highly valued commodity in the global economy, nations have little choice but to increase their investment in education (Carnoy 1999: 82).

The question is which level of education Carnoy means above; it is interesting to note Gøsta Esping Andersen’s arguments against *increasing* public investments in higher education for knowledge-based societies (as opposed to massive public investments in early schooling and families with children).<sup>4</sup> In his view, a knowledge-intensive economy will lead to a new social polarization. The long-term scenario might very well be “a smattering of ‘knowledge islands’ in a great sea of marginalized outsiders”. To avoid this bleak development, cognitive capacities and the resource base of citizens must be strengthened. On numerous occasions, he recommends increased public investment in families with children, rather than in higher education (e.g. Esping-Andersen 2002: 3, 2001: 134-135). This argument, if taken seriously by national governments, could be used against free (“tax-based”) higher education in major parts of Europe – especially together with the argument that higher education is increasingly a

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the pressures of the global information economy, Finland continues to be a different form of an information society, which combines with it a generous welfare state” (Castells and Himanen 2002: 85).

<sup>4</sup> Esping-Andersen argues that vocational training and increased participation in higher education are unlikely, by themselves, to solve the problems caused by a fall in the demand for low skill labor: “If fighting social exclusion through employment remains the principal policy goal of the European social model in the early 21st century, the learning offensive will have to be complemented with strategies of raising employment opportunities for *low skill* workers through other means” (Esping-Andersen et al. 2001: 230).

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private and individual (rather than public and collective) good. Interestingly, the European Commission, perhaps for the first time, has emphasized recently that free access to higher education “does not necessarily guarantee social equity. Member States should therefore critically examine their current mix of student fees and support schemes in the light of their actual efficiency and equity” (EC 2006: 7, see also Kwiek 2004a, 2004b).

The claim shared by many economists, sociologists and welfare analysts is that the limits of public expenditure and taxation have probably already been reached in the EU member countries. Investment for the knowledge society is already subject to strong external constraints. Esping-Andersen rightly mentions “new winners and losers” and a deepening gulf between those with and without skills.<sup>5</sup> He suggests two ground rules for policy making: one, “we cannot pursue too one-dimensionally a ‘learning society’, a human capital-based strategy in the belief that a tide of education will lift all boats. Such a strategy inevitably leaves the less-endowed behind”; and two, “new social policy challenges cannot be met by any additional taxation or spending as a percent of GDP. We must accordingly concentrate on how to improve the status quo” (Esping-Andersen 2001: 146-47). So the same (or sometimes even smaller in transition economies) pie may have to be divided up differently. Between 1995 and 2002, the growth in public expenditure per student in most EU countries was still the same or higher than the growth in the number of students, Sweden being the only exception; the opposite trend was observed in new EU entrants in most of which growth in numbers was not accompanied by growth in per student funding, see OECD 2006: 175).

It looks like the whole traditional post-war slice-cutting of the pie of state funding may have to be renegotiated. Former winners may be future losers (and vice versa) under changing priorities, growing inequalities and possibly new ideas regarding what counts most in our societies and what counts less. Even though the outcome of these changing priorities is uncertain, so far public higher education has not competed successfully with two major welfare areas, pensions and healthcare (there are indications of a new theoretical context, though, in which there is a possibility of a “re-calibration of social insurance from ‘old-age protection’ to ‘societal integration’ and ‘human capital upgrading’”, Ferrera 2003: 592, which might lead to new ideas favoring higher education more than today). The effects of changing

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<sup>5</sup> An interesting distinction between the “knowledge rich” and the “knowledge poor” was drawn in a European Commission communication on *Investing Efficiently in Education and Training* (EC 2003: 8).

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priorities may be different in different countries; in transition economies, though, this may mean the introduction of cost-sharing elements in public higher education, following the UK example. One can expect these to include a mixture of student fees, loans, and grants.

Thus although it is possible to claim substantial increases in the share in the GDP of the public funds for national public higher education systems using the “knowledge-based society” and “human capital upgrading” argumentation, in practice it has not worked in any of the major OECD countries or European transition countries so far (as opposed to public per student expenditure, public expenditure on educational institutions as a percentage of GDP in 2002 was smaller than the total public and private expenditure in 1995 in the vast majority of OECD countries, including the UK, Norway, Australia, France, Portugal, the USA, Finland, Austria, Germany, the Netherlands; the few exceptions include Denmark, Poland, Greece and Turkey, see OECD 2006: 180). The situation of financing higher education better recalls that of raising taxes for the sake of raising the standards of welfare provisions: even though transition countries would like to have better public universities, their citizens do not seem willing to pay higher taxes for this reason (compare the generally supportive attitude towards welfare opposed to the unwillingness to be taxed accordingly, and the number of transition countries in which flat tax was introduced; additionally, OECD countries are experiencing a shrinking tax base: as Pierre Pestieau put it recently, “the share of regular, steady salaried labor is declining in a large number of countries, and thus the share of payroll tax base in the GDP is shrinking”, Pestieau 2006: 35).

The option of more public funding for higher education (or research and development) in Europe in the future is explicitly excluded even by the European Commission which suggests substantially more private funding, both for teaching (through fees) and research (from private companies).<sup>6</sup> In general terms, ongoing (and envisaged for the future) reformulations of the welfare state in European economies, no matter whether related only to globalization and economic integration, or only to domestic national factors connected e.g. to demographic changes, or finally related to both, at the moment do not provide promising ground for policies treating higher education as public investment. This may have fundamental effects on both students and academics: fee-paying students can increasingly view themselves as customers of services provided by academics and as clients of university services (as is the

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<sup>6</sup> What is needed in EC’s view is therefore a “combination of targeted public investments and

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case in the booming private sector of higher education in several transition countries, Poland included), there may be more managerialism and stronger business orientation of academic units less reliant on core state public subsidies, more market ideology and sets of practices drawn from the world of business, more reliance on market forces and non-core non-state “earned” income, and the intensification of work of the increasingly contracted academic staff etc. Higher education is increasingly viewed as public cost/burden and a private good. But – as commentators stress – welfare transfers still, under strong globalization-related pressures, remain a political choice (Gizelis 2005: 159) and the role of electorates in democratic systems is fundamental in determining the depth and character of welfare state restructuring (Swank 2001: 198).

### ***Globalization and the public sector: the World Bank story revisited***

Thus the debate on the future of (public) higher education today comes as part and parcel of a much wider, and often ideological, debate on the future of the public sector in general (and state intervention in, or provision of, different, traditionally public, services; on pension reforms globally, see Schwarz et al. 1999, pension reforms in Europe, see Holzmann 2004, Holzmann et al. 2003, and Holzmann and Palacios 2001; on healthcare reforms in CEE, see Adeyi et al. 1997, Kornai et al. 2001, and on CEE and globalization, see Orenstein et al. 2002). Certainly in the period of the traditional Keynesian postwar welfare state regimes in Europe it was the state – rather than the market – that was deeply involved in the economy and in the protection of nation-state citizens against the potential social evils of postwar capitalism. As the World Bank’s flagship publication on the role of the state (*The State in a Changing World*) argued, for much of the 20th century people looked to government or the state to do more; but since the 1980s, the pendulum has been swinging again, and the existing conceptions of the state’s place in the world have been challenged by such developments as e.g. the collapse of command-and-control economies or the fiscal crisis of the welfare state. Consequently, today, politicians are asking again what government’s role ought to be and how its roles should be played (World Bank 1997: 17).

It was in Central and Eastern Europe, exposed to the influences of global agencies in redefining their national welfare policies following the collapse of communism in 1989, that

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higher private contributions” (EC 2003: 15).

the direct link between the new “effective” state on the one hand (with a downsizing of the public sector and a redefined minimal welfare state) and higher education policies on the other, was very much visible. With almost no exceptions, higher education in 1990s was the least priority in transition countries, with chronic underfunding as a permanent feature. Still another paradox, largely overlooked, was that the policies for the ten (then) accession countries which joined the EU in 2004, generally promoted and praised in subsequent accession countries’ reports by the European Commission, were not exactly “European” policies rooted in European models of the welfare state with its generally accepted “European social model”; on the contrary, as Zsuzsa Ferge convincingly demonstrates (and as many of us Central Europeans know very well from policies actually being implemented in the healthcare, pensions, higher education and other public sectors), these policies are largely neoliberal.<sup>7</sup> That is another reason to take the link between the reformulations of the welfare state and emergent higher education policies seriously in this part of Europe; it is here that educational policies, and consequently the future of public universities, may be going hand in hand with changing welfare policies, as in the traditional World Bank formulation of the “third wave of privatization” where changes in (higher) education follow changes in the two major claimants on welfare state resources: healthcare services and public pensions systems (see Rama 2000; Torres and Mathur 1996; Kritzer 2002, 2005).

To refer to an image used by numerous commentators – that of a state/market pendulum (see Evans 1997: 83): the pendulum had swung from the statist development model to the “minimalist state” model of the 1980s. The countries involved in implementing “reinventing government” policies had squeezed programs in education and health but the result of this “overzealous rejection of government” was, the World Bank admits, the “neglect of the state’s vital functions, threatening social welfare and eroding the foundations for market development” (World Bank 1997: 24). So, after a few years, probably for the first time in the World Development Report of 1997 referred to here, the World Bank, heavily involved in implementing structural adjustment policies in developing countries, had to admit that the idea of the “minimal state” did not work. It is here that a crucial passage which shows a considerable change in the Bank’s attitude to the state appears: “Development – economic, social, and sustainable – without an effective state is impossible. It is increasingly recognized

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<sup>7</sup> Ferge finds the neoliberal tendency dominant in CEE countries. It is “practically ubiquitous” and “seems to be dictated by concerns allegedly related to globalization pressures” (Ferge 2001: 129-30).

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that an effective state – not a minimal one – is central to economic and social development”, (World Bank 1997: 25).

The state is thus viewed by the World Bank not as a direct provider of growth but a “partner, catalyst, and facilitator”, not as a sole provider but a “facilitator and regulator”, not as a “director” but a “partner and facilitator” (World Bank 1997: 1, 2, 18). The state should certainly be assisting households to cope with certain risks to their economic security but “the idea that the state alone must carry this burden is changing”.<sup>8</sup> Coming back to the picture of the state/market pendulum, citizens (especially from the developing world) should not look for solutions provided by the state – but should focus instead on solutions provided by the market. The consequences for the public sector, including higher education, are far-reaching: “although the state still has a central role in ensuring the provision of basic services – education, health, infrastructure – it is not obvious that the state must be the only provider, or a provider at all” (World Bank 1997: 27). An “effective state” can leave some areas to the market and the areas where markets and private spending can meet most needs are “urban hospitals, clinics, universities, and transport” (World Bank 1997: 53).

New publications on the tertiary education sector in the World Bank carry different overtones, though. *Constructing Knowledge Societies: New Challenges for Tertiary Education* (2002) was very careful in describing a state’s obligations with respect to higher education: obligations include working within a coherent policy framework, providing an enabling regulatory environment, and working towards financial incentives; the state’s role is guidance rather than steering, and in the elaboration of a clear vision for the long-term development of the education system on a national level (World Bank 2002: xxii-xxiv). Despite diminished fiscal resources and competing claims from other sectors, governments in the World Bank’s account still have at least three strong reasons for supporting the higher educational sector: investments in higher education generate external benefits essential for economic and social development; capital market imperfections make loans largely unavailable to students on a large scale, in a wide range of programs; and finally, higher education plays a key role in supporting basic and secondary education (World Bank 2002: 76). The report does not leave much doubt about the need to adequately finance higher education from the public purse

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<sup>8</sup> The picture and recommendations are clear: “Innovative solutions that involve businesses, labor, households, and community groups are needed to achieve greater security at lower cost. This is especially important for those developing countries not yet locked into costly

when it presents a long list of the social and economic costs of under-investment in higher education:

[T]he cost of insufficient investment in tertiary education can be very high. These costs can include reduced ability of a country to compete effectively in global and regional economies; a widening of economic and social disparities; declines in the quality of life, in health status, and in life expectancy; an increase in unavoidable public expenditures on social welfare programs; and a deterioration of social cohesion (World Bank 2002: xxiii)

Higher education plays a crucial role in the construction of knowledge societies and the rationale for the state support of higher education (within clearly defined limits) is surprisingly strong here. But the differences between the Bank's major publications, including those on the role of the state, privatization of public services, reforms in healthcare and pensions, and the future of the welfare state on the one hand, and its (somehow niche) publications on the education sector on the other has to be born in mind. There is a tremendous difference between the Bank's writings on the state and related issues and its writings on higher education. The difference has been evident from the Bank's first book on the education sector published in 1994 (*Higher Education. The Lessons of Experience*) to *Constructing Knowledge Societies* (2002). There is an interesting incompatibility between the way the Bank in general views the role of the state vis-à-vis higher education, and the way the relationship is viewed by its education sector. Consequently, such flagship publications as subsequent World Development Reports are not compatible in their views on the state/market relationships with most of the books published by its education sector. From a wider perspective, higher education seems to be still viewed by the World Bank as a unique part of the public sector which still needs substantial public investments. Also its package of reform policies is developed in greatest details with reference to pensions (away from "pay as you go" systems towards "multipillar" ones), less to healthcare provision, and still less to higher education and its funding.<sup>9</sup>

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solutions" (World Bank 1997: 5).

<sup>9</sup> In transition countries, there was a strong influence of the Washington Consensus institutions – through political pressure and aid and loan conditionalities. Compared with Western Europe, some CEE countries in 1990s have gone much farther down the road of neoliberal reforms of e.g. pension systems. World Bank ideas were subsequently implemented in such diverse countries as Poland, Bulgaria, Croatia, Estonia, Hungary, Latvia, Slovakia,

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### ***The state's fiscal condition and competitors to higher education***

How could public funding of education and education spending (as part of social expenditure within the welfare state undergoing restructuring) be seen as an investment rather than a cost, and why should it be? Paradoxically, the unwillingness or inability of the state to increase the level of public funding for higher education (or in more general terms, to use Philip G. Cerny's expression, the recently decreased state's potential for "collective action", Cerny 1995: 618) is accompanied by a clear realization that – in the new global era – higher education is more important for social and economic development than ever before. The United Nations' report on "globalization and the state" argues that countries that want to benefit from globalization must invest in education, to upgrade their citizens' skills and knowledge (United Nations 2001: 84). Higher education in most transition countries is still highly selective and access to it is not equitable. Martin Carnoy concludes that what is needed is a coherent and systemic effort by the public sector – which "usually means more, as well as more effective, public spending" (Carnoy 1999: 86). There is thus an interesting tension between what most education sector specialists and academics dealing with *higher education issues* say about the future of higher education and what political economists, political scientists or sociologists say about the future of the *state*, as well as the welfare state and its services in particular, including higher education.

State funding for higher education, as for any other part of the public sector, depends on the overall outlook for state finances. The difference between higher education funding in the EU-15 and in post-communist new EU countries is substantial: while in major European higher education systems (France, Italy, Germany and the UK) total private and public expenditure per tertiary student in PPP in thousand Euro is between 8 and 10 (and for Norway reaching 12, Denmark reaching 13.6, Sweden 14 and Switzerland even 19) – for most CEE

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Macedonia, Romania, Ukraine and Uzbekistan, in different variants. To date, 31 countries have implemented some type of personal accounts as part of their mandatory retirement income systems (see Kritzer 2005). For most CEE countries, the social security reform was not the priority in the first wave of reforms; it was only in the second half of the 1990s that pension reforms became unavoidable as the pay-as-you-go traditional systems were consuming enormous percentage of GDP (Poland establishing perhaps a record in 1996 among the OECD countries by spending 16 percent of its GDP on pensions, see Holzmann 2004: 3).

countries it is about 3 (Poland 3.9, Latvia 3.0, Lithuania 3.1, Bulgaria 3.2, Romania 3.4), and reaches higher levels only for Slovakia 4.9, the Czech Republic 5.2 and Hungary 7.0. In short, total expenditure per student in most CEE countries is three times lower than in biggest EU-15 economies, except for the Czech Republic, Slovakia and Hungary where it is two times lower (see data for 2001 in EC 2005: 35). The projections for the future suggest that the tight fiscal environment will continue, if not intensify, in the coming years there. Basically, the situation faced by governments, under current fiscal conditions, is that of a zero-sum game: gains in share by one program (e.g. higher education) basically would have to come at the expense of other programs such as e.g. social protection. (But at the same time social expenditures increase almost everywhere in the EU. The total expenditure for social protection – which does not include education – between 1990 and 2001 has increased in all EU-15 countries except Ireland, Luxembourg, and the Netherlands. In the vast majority of them, the single most expensive social service is old-age pensions; in others, it is health services, see data in Pestieau 2006: 22-24).

This lose-lose situation is very clear in most postcommunist transition countries: there are priorities in the transformation processes, the pie to be distributed is small indeed and it is largely current politics – rather than explicitly formulated long-term government policies – that determines how the pie is cut. In most affluent EU democracies, the selection of top priorities is still not so urgent, although unavoidable in the near future. As Andrei Marga sadly remarked in a paper about “reforming the postcommunist university”; “politics and law, macroeconomics and finance, civil rights and liberties, the church and the family, have all been objects of consideration. But universities – despite the vital roles they play in providing research and expertise and in selecting and forming the leaders of tomorrow – have not” (Marga 1997: 159). It was no different for welfare policies in general in European transition countries: Bob Deacon notes that “what became immediately evident ... was that debates of any kind about social policy became relegated to almost last place in the priority of many of the new governments” (Deacon et al. 1997: 92).

Higher education in CEE countries (much more than in the old EU countries) has to compete with other forms of state spending, and the costs of other forms of social needs are growing steadily, although not as rapidly as between the second world war and 1980 (on the “long rise of social spending” from a longer historical perspective, see Lindert 2004). And higher education in drawing state funding has not been competing successfully with other programs

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over the last decade in most CEE countries; it is enough to see the data on the generally declining public funding for higher education and research and development in almost all of them in 1990s. Allocating priority to different programs is a highly political issue in every country; and it does not seem to be any different in Europe, or in CEE countries, for that matter. The prospects in the future for increasing public funding for public higher education, including public universities, are low unless some unexpected new shifts in global thinking about it occur; as mentioned, European Commission does not propose such actions either for higher education or for research and development, suggesting instead, as in the case of the “3 percent” goal of national GDPs devoted to R&D activities in EU Member countries by 2010, that private funds contribute to reaching this goal. One of solutions for public universities to thrive in the new setting could be to follow Burton Clark’s and Michael Shattock’s models of the “entrepreneurial university” in which universities increasingly rely on non-core non-state income (for CEE countries, see Kwiek 2006d, 2006b).

### ***Renegotiating two social contracts, open economies, and the politics of austerity***

In wider terms, the current situation of higher education and the welfare state can be described in Europe as follows: we are facing the simultaneous renegotiation of the postwar social contract concerning the welfare state in Europe and the accompanying renegotiation of a smaller-scale, by comparison, modern social pact between the university and the nation-state.<sup>10</sup> The renegotiation of the latter is not clear outside of the context of the former, as state-funded higher education formed one of the bedrocks of the European welfare system. Current transformations to the state under the pressures of globalization (and/or demographics, or both) will not eventually leave the university unaffected, and consequently it is useful to discuss the university in the context of the current global transformations of the state. The institution of the university in most advanced OECD economies seems already to have found it legitimate and necessary to evolve together with radical transformations of its social setting. Universities are often becoming powerful economic organizations, increasingly willing to play regional if not global roles, opening off-shore campuses and charging fees from overseas students, getting engaged in entrepreneurial activities and restructuring its less financially successful units. They reformulate their missions, become more accountable to their

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<sup>10</sup> Some arguments in this section has been adapted from my paper “The University and the State in a Global Age: renegotiating the traditional social contract?”, *European Educational Research Journal*, vol. 4, no. 4 (December 2005), pp. 324-341.

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stakeholders and often behave more like businesses. They do not seem to be longing for the old humanistic Humboldtian and Napoleonic models, closely tied up to the nation states. For in the new global order, against the odds, universities are striving to maintain their traditionally pivotal role in society. The role of universities as engines of economic growth, contributors to economic competitiveness and suppliers of well-trained workers for the new knowledge-driven economy is being widely acknowledged, especially outside of academy. But it is undoubtedly a radical reformulation of the traditional social roles of the modern university which meant training citizen subjects of the nation-state, watching over the spiritual life of the people, producing and inculcating national self-knowledge or providing the social glue necessary to keep the citizens of the nation-states together (on the Humboldtian model, see Kwiek 2006c). The main reasons for these transformations of the university include the globalization pressures on nation-states and its public services, the end of the “Golden age” of the Keynesian welfare state as we have known it, and the emergence of knowledge-based societies and knowledge-driven economies (in more financial terms, what seems crucial is what D. Bruce Johnstone called ‘diverging trajectories’ of costs of higher education and revenues available to it, which according to him are a function of three forces: increasing per-student costs, increasing participation rates, and dependence on an increasingly inadequate governmental revenue (Johnstone and Marcucci 2007: 1).

More generally, the processes affecting the university today are not any different from those affecting the outside world; under both external pressures (like globalization) and internal pressures (like changing demographics, the aging of societies, maturation of welfare states, emergent post-patriarchal family patterns etc), the processes in question are the individualization (and recommodification) of our societies and the denationalization (and desocialization) of our economies. On top of that, we are beginning to feel at universities the full effects of the universalization (or massification – in most transition countries) of higher education and the increasing commodification of research.

Off-loading the state through increasing private income for public universities and keeping the competition between public and private providers in education is a regional variation in CEE countries of the global theme of privatization in higher education. We have been witnessing the pressures of global forces on both national policies with respect to the welfare state and on national budgets accompanied by the ideas (and ideals) of the “minimalist” – or, more recently, “effective”, “intelligent” etc. – state with smaller social duties than Western

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Europe under post-war welfare systems was familiar with. These pressures are even more direct in CEE where the need for welfare services reforms may be (economically) more urgent than in Western Europe. In the case of higher education, the emergence of private providers fits neatly into the picture (see Kwiek 2007a). Other examples include multi-pillar pension schemes being introduced in many countries of the region (on Poland, see Chlon et al. 1999, Gomulka 2000) and the (sometimes partial) privatization of healthcare services (see Adeyi et al 1997; for Poland, see Berman 1998, Girouard and Imai 2000, Golinowska 2002). We are witnessing more general attempts at a reformulation of the post-war social contract which gave rise to the welfare state in its various European forms. In CEE, the social contract, including the question which social benefits are universally available for citizens (or more often, for working citizens) and which are not, on what terms and conditions, needs to be substantially re-written as the social setting provided by communism does not exist any more.

The economic space of the nation-state and national territorial borders no longer coincide (see Scharpf 2000, Ruggie 1997). Consequently, the postwar “embedded liberalism compromise” – the social contract between the state, market, and labor – does not work anymore as it was designed to work within closed national economies. At the time, however, when major European welfare state regimes were being constructed, it was not fully realized how much the success of market-correcting policies depended on the capacity of the territorial nation-states to control their economic boundaries. Under the forces of globalization, though, this controlling capacity was lost. “The ‘golden years’ of the capitalist welfare state came to an end” (Scharpf 2000: 255). The social contract which had allowed the nation-states in advanced capitalist countries to be accompanied by a welfare state originated right after the Second World War. With the advent of globalization, it is eroding, though, to different extent in different countries.

The privatization of the educational sector in selected CEE countries – especially in its more evident variant of booming new private institutions (see Kwiek 2007c) and its less evident variant, as in Poland, of privatization of the public sector through offering fee-paying education – fits nicely into the new picture of smaller social responsibilities of the state, and more individual responsibility of the individual for his or her future. The individual comes first; but also the individual, increasingly, pays first. Economic policies are becoming increasingly denationalized and the state is increasingly unable, or unwilling, to keep its promises from the Golden Age of the welfare state. And the welfare state has traditionally

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been one of the main pillars in the appeal of nation-state construction.

The power of the nation-state, and the power of the loyalty of its citizens, has rested on a firm belief in (historically unprecedented) welfare rights. When the Keynesian welfare state was formed, the role of the state was to find a fair balance between the state and the market – which had fundamentally transformed postwar social relations in all the countries involved in this social experiment (and now we are experiencing what Ulrich Beck called in *World Risk Society* a “domino effect”: “Things which used to supplement and reinforce one another in good times – full employment, pension savings, high tax revenue, leeway for government action – now tend *mutatis mutandis* to endanger one another”, Beck 1999: 11). The impact of globalization on the nation-state is through undermining the founding ideas behind the postwar welfare state: through liberalization and the opening up of economies, nation-states begin to lose their legitimacy provided, in vast measure, by a social contract valid in closed, national economies.

In the post-war Keynesian welfare state in Europe, higher education was very important – as testified by the constant growth of student enrolments, an increasing number of higher education institutions, and the relatively lavish public research funding available to universities. This massification of higher education was in full swing in Europe, with universalization as its aim. The stagnation which started in the second half of the seventies in Europe was perhaps the first symptom that the welfare system in the form designed for one period (the post-war reconstruction of Europe) might be not working in a different period. The social agenda of the eighties and nineties changed radically: after the policies of the golden age of expansion, European welfare states have been shaped by what Paul Pierson, a Berkeley-based political scientist, termed *politics of austerity* (Pierson 2001a).

And the social agenda in post-1989 CEE changed even more radically: suddenly, the region was exposed to new economic pressures, but also to new market-oriented opportunities which in many cases required better skills and higher competencies from its citizens, provided by new, vocationally-focused private institutions. While in Western Europe the emergence of the private sector in education is both marginal and often revolutionary (see the example of Buckingham University in the UK, with a strong Thatcherite ideological underpinning), in most CEE countries it might be even considered as one of the more realistic options available – in the situation of the chronic underfunding of public institutions and, in many instances,

their structural inability to face new challenges (with the huge social need to raise the enrollment levels at the forefront: to give a Polish example: the number of students increased from 400,000 in 1990 to almost 2,000,000 in 2006, about 32 percent of which are enrolled in 315 private institutions. The capacities of the public sector has not changed dramatically in the period: both the number of faculty and educational premises available have been at roughly the same level. New students used the avenues available to them through the process of privatization: they either entered fee-paying part-time studies in the public sector or fee-paying studies in the emergent private sector. Relatively liberal legislation regarding the private sector, accompanied by genuine interest of the public sector faculty in both running fee-paying weekend studies and creating out of scratch the private sector made possible this impressive transformation of Polish higher education, see Kwiek 2007a).

Seeing higher education policies in isolation from larger welfare state policies would be assuming a short-sighted perspective: higher education is a significant (and often significantly fund-consuming) part of the public sector and a part of the traditional welfare state that is right now under severe pressures, even though they may not be as strong as pressures on the two main parts of the welfare state, healthcare and pensions. In still more theoretical than practical terms, these phenomena had their powerful impact on thinking about public services, including public higher education, in CEE. The theoretical impact was already translated into changed national legislation in the case of the pensions reform and health care reforms at the end of 1990s.

### *Conclusions*

What we increasingly see today as universities' missions seems highly influenced by the two decades of reformulations (both in theory and in practice) of the role of public sector services; in wider terms, the university, as other public sector institutions, is increasingly viewed in the context of economic competitiveness of nations, global pressures on national economies, and global pressures on national welfare states. For public universities, these are absolutely new contexts; they are new to academics as well. The consequences of this shift are far reaching: for just a little more than a decade, international and supra-national organizations and bodies have been involved in the production of new university missions (both the World Bank, European Commission and OECD became seriously interested in the university in the second half of 1990s, except for a few reports published earlier). Their influence on policy thinking

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and policy making has been tremendous all over Europe: they seem to be providing major concepts in which university futures are currently being discussed, and the economic spaces increasingly seem to converge with the academic spaces in ongoing discussions (the subsumption of the goals of the Bologna process, of the ideas of the “Europe of knowledge” and of knowledge-based societies under the overall EU “Lisbon Strategy” of “more growth/more jobs” being a good example). A substantially more “economic” space in which public universities are currently discussed (at the expense of the traditional “academic” space of the discourse on its roles, missions, and futures) affects institutions, academics, and students alike. As in the case of other major public services, healthcare and pensions, the economic dimension of functioning of universities comes to the fore, especially in the transition countries. Students in massified systems increasingly view themselves as consumers and view academics as providers of educational services; institutions increasingly want to view individual academics as part-time knowledge workers rather than tenured professors making use of academic freedom in their quest for truth, as in traditional university models, and academic collegiality is losing with managerialism and business approaches; societies increasingly view higher education as a private good and are more inclined to pay for this good from their pockets (especially in those transition countries where the private sector is large and the public sector is still restrictive and elitist); finally, governments view universities as bedrocks of knowledge-based economies. The links between rethinking universities and rethinking welfare state are powerful and need to be taken into account in thinking about the production and reproduction of the university in the last two decades.

The welfare state in its traditional postwar European forms, and its services, including public higher education, seems to be undergoing substantial transformations in most parts of Europe, and especially in the European transition countries. Lines of these changes and argumentation in support of them (whether by the European Commission, OECD or national governments) point in a similar direction, which is more financial self-reliance of public universities, rethinking the introduction of student fees in the context of equitable access to higher education, academic entrepreneurialism leading to more non-core non-state income etc. (even though the concepts used may be different in different systems). Many discussions in Western Europe about welfare state futures seem academic in the transition economies: what they shyly predict for affluent democracies is in fact already happening there. There is certainly a lot of social experimentation with respect to welfare going on in the transition countries. Nowadays, as the reformulation of the welfare state in general progresses smoothly (and

mostly in an unnoticeable manner e.g. through new legislation) in most parts of the world, social contracts with regards to most areas of state benefits and state-funded services may have to be renegotiated. In many respects, higher education and pensions (in transition countries and elsewhere) seem to be an experimental area and a testing ground on how to reform public sector institutions in general. The end-products of these experimentations are still largely hard to predict. What perhaps counts most in this context is a historical phenomenon that universities are highly adaptable institutions which tend to thrive under ever-changing circumstances. There is a plethora of nationally-specific and culture-related choices to be made by both policymakers and academic institutions, and the effects of these choices are still largely hard to predict.

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