Chapter 2

The University and the State in a Global Age. Renegotiating the Traditional Social Contract in Europe?

2.1. Introduction

This chapter is of a largely contextual character: it seeks to show a comprehensive social and economic context which should be taken into account when considering the various futures of the institution of the university in Europe. Higher education research can make good use of broader, external contexts of transformations already taking place in the universities' social and economic environments, we assume. Proposals of answers to the questions on external causes of transformations of educational systems and educational institutions (relatively homogeneous on a global scale) are essential to understanding what is changing in universities in Europe and what we could expect for them in the near future.

Interrelated underlying assumptions

There is a number of wider, loosely interrelated assumptions developed in this chapter (for a wider picture, see Kwiek 2006a). First, higher education has been largely publicly-funded in its traditional European forms and its period of largest growth coincided with the development of the post-war welfare state. The massification processes in European higher education were closely linked to the growth and consolidation of (major forms of) European welfare states. Currently, massification (and universalization) are in full swing across Europe, sometimes with unclear prospects for graduates.[71] The only

71 The universalization of higher education (a next step, after massification, in Trow's classification) may redefine the traditional links between higher education credentials and the labor market. The changes can be theoretically tackled with the tools provided by Fred Hirsch' theory of "positional goods" (critically elaborated in various places over the years by Robert H. Frank, Hugh Lauder, Phillip Brown and Simon Marginson). Positional goods refer to goods and services whose value depends to a large degree on their relative quality. Positional goods by nature are rare (Frank 2007:

exceptions to the rule were Central and Eastern European communist countries in the 1960-1990 period where the expansion was slow or non-existent; the growth of higher education occurred there a few decades later, in the 1990s, following the collapse of communism and, in several of them, through the emergence of the demand-absorbing private higher education (Slantcheva and Levy 2007, Levy 1986b, Levy 2002a, Kwiek 2011b). Second, we are currently witnessing the growing significance of knowledge production, acquisition, dissemination and application in the emergent

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196, Frank 1985, Frank and Cook 1995, Brown *et al.* 2011). In Hirsch's theory of social scarcity and social congestion, "if everyone stands on tiptoe, no one sees better" (Hirsch 1976: 5), and effects of our (higher) educational efforts and capabilities depend, first of all, on (higher) educational efforts and capabilities of others – with whom we compete (Brown *et al.* 2011: 136, Marginson 2011). Twenty years of increasing access to higher education in Poland provides a fascinating empirical material to study the theory of positional goods in a dynamic, postcommunist social and economic setting. A broad question can be asked whether European comparative studies based on large-scale datasets (such as the European Union Survey on Income and Living Conditions, the European Labour Force Survey, and the European Social Survey, or EU-SILC, EU LFS and ESS) show the social congestion of well-educated citizens, or their overeducation – and what is the professional future of graduates from Polish and European higher education institutions from comparative perspectives? Is it possible to show that what can be achieved by the minority of a population – is hard to be achieved for the majority of a population, or is the law of decreasing returns from education already in force? To what degree, and, possibly, in which study fields? To what extent Poland differs from other, economically more advanced economies? Is constantly increasing access to higher education causing wage premium for higher education to decrease? Is the competition for the so-called "good jobs" (Holzer *et al.* 2011) in the setting of increasing "social congestion" (Hirsch 1976) and slowly increasing pool of jobs for professionals leading to an inevitable loss of social energy, and possibly frustration of new, well-educated generations of Europeans? To what extent can relatively open, common access to higher education (in Poland and in major parts of Europe) be a "social trap" (Brown and Hesketh 2004, Lauder *et al.* 2011): if all take the same life strategy, its desired effects decrease. European comparative data provisionally show that the situation of graduates in Poland (and elsewhere in Central Europe) is still exceptional: trends related to their employment and education credentials differ from trends observed in more advanced OECD economies. Higher education seems still to be a good private (as well public) investment. A research question can in formulated in this context: to what extent (Hirsch's) lower social congestion, combined with a lower stage of economic competitiveness of Poland (Porter 1990, Kwiek 2012c, Kwiek 2011a) and a different employment structure in the era of globalized labor markets sustain good prospects of Polish individual investments in higher education in the coming decade?

knowledge-based societies and economies on the one hand – and the still mostly traditional role of European higher education systems in the (being reformed and restructured, either in theory, or in practice, or both, depending on the country) public sector on the other. Despite – as it seems – radical changes in the functioning of European universities that have been taking place for the last twenty or thirty years, both European societies and, especially, European policymakers seem to be only beginning to think about further structural ("transformational" in Ecker and Kezar's (2003) typology)[72] changes in national higher education systems. Reading national governmental and international reports, transnational and EU visions of the functioning of universities and of the whole public services sector in the future – we may come to the conclusion that profound transformations of the higher education sector, as well as of the narrow research universities sector, are still ahead of us (EC 2011a). Permanent processes of reforming universities do not lead to their complete reform but rather to further, ever deeper, reform processes. The original proposals of national higher education reforms are getting blurred both while being under discussion and while being implemented, arguments in favor of reforms vary over time, becoming largely and increasingly homogenous (at least in the most developed countries which have always provided basic models of functioning of universities to the rest of the world).

Thus higher education systems throughout Europe have been under powerful reform pressures for a long time, and in the last three decades they were always viewed as dramatic, critical or fundamental (as Kogan and Hanney put it in 2000, "perhaps no area of public policy has been subjected to such radical changes over the last 20 years as higher education"; for Cerych and Sabatier already the late 1970s and the early 1980s were "a most critical period"; also for Williams in the early 1990s, the 1980s was a "turbulent decade", Kogan and Hanney 2000: 11, Cerych and Sabatier 1986: 3, Williams 1992: 1-16). Reforms increasingly, and throughout the European continent, tend to produce "further reforms", as suggested in the

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72 In their typology (Eckel and Kezar 2003: 31-33), transformation in institutions (not systems) is differentiated from three other forms of change (adjustment, isolated change, and far-reaching change). Transformation "is not about fixing discrete problems or adjusting current activities. The depth of the change affects those underlying assumptions that tell an institution what is important; what to do, why, and how; and what to produce. Its pervasiveness suggests that transformation is a collective, institution-wide phenomenon, although it may occur one unit (or one person) at a time".

organizational studies in general (Brunsson 2009: 91; Brunsson and Olsen 1993). Universities, throughout their history, change as their environments change, and the early 21st century is not exceptional. Despite relatively homogeneous arguments for reforms, there are different directions of current and projected academic restructuring in different national systems which adds to the complexity of a general picture at a European level, as shown in Chapter 1.[73] As Clark notes (1998a: xiii), universities of the world have entered "a time of disquieting turmoil that has no end in sight" and "higher education lost whatever steady state it may have once possessed":

> Since expanding demands will not relent, conditions of constancy cannot return. … Governments expect universities to do much more for society in solving economic and social problems, but at the same time they back and fill in their financial support and become unreliable patrons. … Caught in the swell of knowledge production, even the richest institutions find full coverage of old and new fields beyond their capacity. Pushed and pulled by enlarging, interacting streams of demand, universities are pressured to change their curricula, alter their faculties, and modernize their increasingly expensive physical plant and equipment – and to do so more rapidly than ever.

Transformations to the state, pressures on welfare state services, and pressures on higher education

Europe, and especially Central and Eastern Europe, has been witnessing increasing global (and European-level) pressures on national policies with respect to the welfare state, accompanied by the ideas (and ideals) of the "minimalist" (or "effective", "intelligent" etc.) state with smaller social duties than Western Europe in general was used to under (different) post-war welfare systems.

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73 As James G. March and Johan P. Olsen argued in their book on institutions, and what could be referred to as the never-ending story of European university reforms, there are often no clearly defined links between problems and their solutions: "the linkage between individual solutions and individual problems is often difficult to make unambiguously. Almost any solution can be linked to almost any problem, provided they arise at approximately the same time. When causality and technology are ambiguous, the motivation to have particular solutions adopted is likely to be as powerful as the motivation to have particular problems solved, and changes can be more easily induced by a focus on solutions than by a focus on problems. Solutions and opportunities stimulate awareness of previously unsalient or unnoticed problems and preferences" (March and Olsen 1989: 62).

Education, including higher education, as noted, is viewed throughout this book as a significant component of the traditional welfare state (and we are following here Stiglitz's *Economics of the Public Sector* 2000, Barr's *Economic Theory and the Welfare State* 2001, Castles 1989, Lindert 2004, Titmuss 1968, Wilensky 2002, Barr 2004, Garfinkel *et al.* 2010).[74] Transformations to the state, and the welfare state in particular, affect – both directly and indirectly – public higher education systems in Europe. (We leave aside here completely the potential transformations in thinking about the institution of the state, welfare state included, that might be born as a consequence of the recent global financial crisis. The long-term implications of the economic crisis are still very much unclear, and we do not want to speculate in the areas where the knowledge base is too limited and, at least now, all options seem possible).[75] All wealthy nations are welfare states (Garfinkel, Rainwater and Smeeding, 2010: 2) – that is, they are:

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74 As Garfinkel *et al.* highlight (2010: 6), Esping-Andersen in his influential *The Three Worlds of Welfare Capitalism* included education to the welfare state as well, although turned to studying education only about a decade and a half later: "What then constitutes salient dimensions of welfare state stratification? … The education system is an obvious and much studied instance. … At this point, we confine our attention to the welfare state's traditional, and still dominant activity, income maintenance" (Esping-Andersen 1990: 57-58). As they point out, "the conceptual definitions of welfare states put forth by the leading scholars in the field include education. … although education is generally missing from most empirical analyses of the welfare state, and increasingly large minority of welfare state scholars do include education in their inquiries" (Garfinkel *et al.* 2010: 6).

75 On a large welfare-state scale, as Castles *et al.* (2010b: 14) note, "in that crisis we saw a climactic change in the role of the state, a change that had been building for some years into the New Millennium: the state was forcibly brought back in, first in slowly freezing privatization or reconsidering nationalization…". On a smaller, academic research scale, "a qualitatively different response" is needed, Etzkowitz and Ranga (2009: 799) argue about the future of the innovation system: "Large-scale targeted government intervention in the innovation system and support to knowledge-based firms, technologies, products and services are required to compensate for declining innovation support from the private sector and boost economic growth". There is a "fundamental difference" between this and other crises: "the fact that it occurred in the transition from an industrial to a knowledge-based society and is thus potentially subject to a different set of dynamics than those manifested for instance in the Great Depression, which occurred within an existing mode of production. An industrial mode of production has now run out of steam in many countries, making it more urgent to foster the generation of knowledge-based growth firms, products, technologies, services and an innovation culture altogether".

> primarily capitalist states with large, selective doses of socialism. What have been socialized are institutions that reduce economic insecurity. By its name, capitalism produces too much economic insecurity. A hallmark objective of welfare state institutions is therefore to reduce economic insecurity. Education, health, and some forms of insurance all reduce economic insecurity. … social welfare transfers in the form of education, health, and social insurance flow to citizens as a matter of law or entitlement and are paid for by other members of the community by law or requirement. Social welfare transfers are publicly provided or subsidized goods that provide predominantly private benefits. … Social welfare transfers from one to another part of the population make up the lion's share of the budgets of all rich nations and amount to 30 to 40 percent of the total value of goods and services produced in most of these nations.

As Castles in *Comparative Public Policy. Patterns of Post-War Transformations* (1998: 174-175) points out, education has rarely been studied from the welfare state perspective:

> education is generally regarded as a part of the welfare state, it has rarely featured in comparative public policy analysis broadly focusing on that area. The reason is that, while education, like health, is a major state-provided service, it has often been seen as serving purposes quite different from those of other aspects of the welfare state. … However, it is certainly true that education differs in important ways from other areas of state intervention in the welfare arena. In particular, education is as much about services to the economy, society and the state as it is about services to the individual. Modern economies require an educated work force if they are to be productive, and modern democratic institutions require an educated populace if they are to maintain their legitimacy and vitality. … The fact that education is, in important respects, different is not, however, a reason for neglecting its study.

Throughout this book, higher education will be treated as both a public service and a component of the welfare state.

Globalization, demographics, and welfare state futures: towards a new social contract?

This is not only globalization that affects the welfare state futures. Challenges of globalization (in its most recent embodiment) – which have been present in Europe for at least three decades and which are here to stay – for all public services are accompanied by powerful demographic challenges. Demographic challenges are different in different countries because in the most developed European economies the processes of population aging differ substantially. As Leibfried and Mau emphasize in their introduction to a recent three-volume

Welfare States: Construction, Deconstruction, Reconstruction (2008: xii), since the oil crises in the mid-1970s,

> [t]he welfare state has been grappling with deep-rooted challenges. A series of major economic, social and political shifts – such as globalization, demographic pressures, individualization, persistent high unemployment, greater social diversity and fiscal scarcity – have raised the question: How sustainable is the welfare state in the long run?[76]

In general terms, Europe is witnessing more general attempts at a reformulation of the post-war social contract which gave rise to the welfare state as we know it (with public higher education as we know it). We argue here for a strong thesis according to which Europe is 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 (for the origins of the social pact between states and universities in France, see Weisz 1983, in Germany, see McClelland 1980; see also such classics as Ringer 1969 on Germany, Sanderson 1972 on Great Britain, Ben-David 1992 on Britain, France, and Germany, and Rothblatt and Wittrock 1993, with Wittrock 1993: 303-362 on the "three transformations" of the modern university).[77] The renegotiation of the (nation) state/university pact

76 There are currently four large-scale comparative attempts to view the welfare state, either more retrospectively or more prospectively, in the last decade or so. There were three volume-sets of: Robert E. Goodin and Deborah Michell's *The Foundations of the Welfare State* (2000), Nicholas Barr's *Economic Theory and the Welfare State* (volumes on *Theory*; *Income Transfers*; and *Benefits in Kind,* 2001) and Stephan Leibfried and Steffen Mau's *Welfare States: Construction, Deconstruction, Reconstruction* (volumes on *Analytical Approaches*; *Varieties of Transformations*; and *Legitimation, Achievement and Integration*, 2008). And there are four volumes of Pete Alcock and Martin Powell's *Welfare Theory and Development* (consisting of three parts: *Welfare Theory, The Development of Welfare,* and *The Social Context of Welfare,* 2011). The volumes provide insights into major welfare state discussions throughout the 20th to the early 21st century, with fruitful comparisons between Leibfried and Mau's *Analytical Approaches* volume, Barr's *Theory* volume, and Alcock and Powell's *Welfare Theory* section.

77 As Stephan Leibfried and colleagues argue in their presentation of an analytical framework for the whole "Transformations of the State" Palgrave book series started in 2007, "the state today operates in a radically new environment – multinational corporations, accountable only to their shareholders, gain bargaining power vis-à-vis the state's democratic institutions by threatening to relocate production. Capital mobility restrains state control over monetary policy. Competitive pressure to lower

is not clear outside of the context of the changing welfare state contract, as state-funded higher education formed one of the bedrocks of the European welfare system in its major forms, and state-funded higher education remains one of its foundations.[78]

The structure of the chapter and introductory remarks

The present chapter is divided into four sections: a brief introduction, a section on the relationships between the university and the welfare state in Europe, a section on the relationships between the university and the nation-state in Europe, and tentative conclusions. It moves back and forth between the institution of the university and the institution of the state, seeing them as closely linked (Kogan, Bauer, Bleiklie, and Henkel 2000, Kogan and Hanney 2000, Henkel and Little 1999, Becher and Kogan 1980, Becher and Kogan 1992, Maassen and Olsen 2007): problems of the latter inevitably bring about problems of the former, as historically, in the post-war period in Europe, the success of the latter led to the success of the former. We view the modern university and the modern state closely linked throughout the last two centuries, from the very beginning in the Humboldtian ideas of the research university from the early 1800s (Kwiek 2006a: 81-138, Wittrock 1993). This way of thinking about the university and the state can be found in the ideas of new institutionalism in organization studies, especially those emerging in the last three decades in political sciences. Institutions do not undergo their transformations in isolation: institutions operate in parallel,

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tax rates undermines the state's resources and has the potential to unleash financial crises that, in turn, trigger cuts in welfare spending". What they term "the golden-age constellation" of the four components (the territorial state, the constitutional state, the democratic welfare state and the interventionist state) is threatened: "different state functions are threatened to a greater or lesser degree, and subjected to pressures for internationalization of varying intensity" (Hurrelmann *et al.* 2007b: 7, 9). Educational policies are one of the dimensions of the "golden-age constellation" under renegotiations today.

78 In general, we are using the terms "university" and (public) "higher education" interchangeably: in more historical contexts, especially in relationships with the nation-state, it is more often the former; as the educational landscape today is becoming increasingly diversified, in more general and more current contexts, it is more often "higher education". Wherever we want to mean, in Europe, top national public institutions offering the traditional scope of areas of teaching and research, we tend to use the term "university", too.

and in parallel they change (see, for instance, an organizational ecology line of research as in Aldrich 2008, Hannan and Freeman 1989, Hannan, Pólos, and Carroll 2007, and Aldrich and Ruef 1999, as well, in normative institutionalism, March and Olsen 1989 and Brunsson and Olsen 1993). There is a complex interplay of influences between institutions and their environments, and universities are perfect examples of powerful connectedness between changes in institutions and changes in the outside world from which they draw their resources, founding ideas, and social legitimacy. The institution of the university in Europe may be undergoing a fundamental transformation – along with the traditional institution of the state in general, and the welfare state in particular (see March and Olsen 2006a, Olsen 2007b). Institutions change over time, and social attitudes to institutions change over time, too. “University attitudes” in European societies today may be studied in parallel to recently studied (Svallfors 2012a) “welfare attitudes”. Svallfors’ large-scale comparative research project considered the following issues which can be clearly related to universities as public institutions, and their current organizational transformations:

> Policy reformers need to deal with normative orientations and expectations that have been established by previous politics and policies, and this often hinders or derails policy changes. … Attitudes toward the welfare state and other public institutions should be seen as central components of social order, governance, and legitimacy of modern societies. They tell us something about whether or not existing social arrangements are legitimate? Are they accepted only because people see no alternatives or think that action is futile, or are they normatively grounded? Are institutions considered to be fundamentally just or not? (Svallfors 2012b: 2).

In a similar vein, perfectly legitimate questions today about the existing social arrangements in the higher education sector may be about their legitimation, justice, and normative grounding (or about universities’ “raison d’être”, Olsen 2007b).

Reforming higher education systems in Europe has been at the top of national reform agendas across the continent for twenty to thirty years now and it is hard not to associate it with the theoretical and practical attempts to reform state institutions, especially with reforming the public sector. New ideas leading to changes in the overall functioning of the state in Europe can have far-reaching consequences for the functioning of European universities because of, among others, their fundamental financial dependence on state

funds (unlike, for example, in the USA where the dependence on state funding has traditionally been considerably weaker). Ideas matter – in this case, the last two decades of neoliberal thinking about public services and private providers of public services, ideas of New Public Management in thinking about the public sector and ideas associated with globalization and European integration processes (such as the free movement of capital and services, the legal equality of private and public providers, the illegality of public support in the areas of public-private competition, the equality of national and international providers in access to educational markets, the transnationalization of patterns of public spending etc.). These ideas have directly and indirectly influenced policymakers' thinking about higher education. The processes are double-edged: on the one hand, there is the economization of education (the increasing importance of the economic dimension and the decreasing importance of the academic dimension in thinking about higher education, see Teixeira 2009 on "economic imperialism"), and, on the other hand, there is the educationalization of economy (the growing public conviction that the economic well-being of nations is closely dependent on the shape of higher education, that lack of reforms in the university sector leads to the civilizational backwardness and to measurable damages to national economic well-being, and that reformed higher education contributes to economic growth, in accordance with the human capital theory and the endogenous growth theory in economics, see Lee 1970, Checci 2006, Keeley 2007, Groot and van den Brink 2007, Hartog and van den Brink 2007, Keeley 2007, Aghion and Howitt 2009). Both processes, brought to their extremes, seem to be able to completely change the traditional rules of the academic game known from the times before the intensification of globalization and Europeanization processes, before large-scale public sector reforms and before the knowledge-economy discourse became prevalent in the policymakers' communities throughout Europe (Välimaa and Hoffman 2008 and Dale 2007).[79]

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79 Therefore "modesty" and "humbleness" count; as Dani Rodrik (2007: 5, 242) points out, "economists have probably had more influence on policy [including higher education policy – MK] in recent decades than at any other time in world history. But the sad reality is that their influence in the developing world has run considerably ahead of their actual achievements" (and they will have to "learn to be more humble").

2.2. The Modern University and the Welfare State

In the new global order (Hale and Held 2011, Held *et al.* 1999, Sassen 2007, King and Kendall 2004, Büthe and Mattli 2011, Slaughter 2004, Djelic and Quack 2012, Morgan and Whitley 2012, Held and Young 2011, Held and McGrew 2007), universities as institutions are striving for a new social, cultural (and perhaps especially economic) place as they are increasingly unable to maintain their traditional roles and tasks and, at the same time, they cannot, and do not want to, afford the frustration associated with declining institutional prestige and dwindling financial resources. Universities as institutions need to remain a key social institution in contemporary fast-evolving societies, as they have been so at least since the early 1800s and since the Humboldtian and the Napoleonic reforms in Prussia and France.

A new chapter in the history of European universities?

The social and economic environment of universities has been changing radically in the last two decades (Temple 2012a, Amaral, Neave, Musselin, and Maassen 2009, Paradeise, Reale, Bleiklie, and Ferlie 2009, Mazza, Quattrone, and Riccaboni 2008, Bonaccorsi and Daraio 2007, Maassen and Olsen 2007), the positions taken by their most important stakeholders have been evolving (primarily those taken by the state and, to a lesser extent, students and labor markets). Market opportunities for the functioning of universities have been growing continuously, as European economies have been getting more and more market-oriented with respect to public sector services, and as, increasingly, students and their families have been having increasingly marketized and customer-like demands (on the latter, see the Eurostat report on self-reported attitudes of European students, Eurobarometer 2009; see Teixeira, Jongbloed, Dill, and Amaral 2004, Clarke, Newman, Smith, Vidler, and Westmarland 2007, Simmons, Powell, and Greener 2009, as well as Molesworth, Scullion, and Nixon 2011). Both the official discourse of the emergent European Higher Education Area and European Research Area, as well as a large part of academic debates accompanying their formation in the last decade, increasingly emphasize the belief that universities today should play a role of an effective engine for economic growth (through teaching, research, and various third mission activities including innovation, regional mission, and the American “service

to the society" mission) in the emergent knowledge-based economies.[80] In this way, the university in the European context, basically without any large-scale public and academic debates about its fundamental principles, seems to be opening a new chapter in its history (such public and academic discussions accompanied the formation of its Humboldtian model in the early nineteenth century in Berlin, and accompanied the most important twentieth-century debates on "the idea" of the university, on the occasion of publications devoted to the issue of the university such as pre-war works by Ortega y Gasset and Max Weber and postwar works by Karl Jaspers and Jürgen Habermas, on which we have written extensively in the discussion on the German idea of a university, Kwiek 2006a, Kwiek 2008c, Gasset 1944, Weber 1973, Habermas 1971, Jaspers 1959). At the same time, to further complicate the picture, changes in higher education policies often become themselves the context of subsequent changes, as Kogan and Hanney point out in their *Reforming Higher Education:*

> In identifying the major shifts in policy and structure that might affect academic workings and values, it is possible to identify the contextual frames within which changes took place. Some of the changes in policy and structure themselves became the contexts of further change. For example, whilst the expansion of the system was led partly by policy, partly by demography and partly by changes in social attitudes, it was itself a strong factor in causing many of the subsequent principal policy changes. Demography, changes in the economy and in society, developments in the nature and transmission of knowledge and in ideology constituted the contexts within which change took place (Kogan and Hanney 2000: 48).

While in the 1990s, the key concept in the discussions about the future of the state was that of globalization, since the beginning of the new century, more and more strongly, especially in Europe, the concept of the knowledge economy has been emphasized. It has been consistently promoted in official discourses of such supranational organizations as the OECD and the European Commission (we can clearly observe how the second term in

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80 Florida and Cohen (1999: 589), discussing the university role in economic development, also ask whether that would be the role of the "engine" or of the "infrastructure" (in what they termed "knowledge-based capitalism"), and stress the latter role. They highlight tensions between "the quest for eminence and the pursuit of research support from industry", with the following conclusion: "the university functions less as a direct engine of economic development than as an actor fulfilling even more important role: that of an enabling infrastructure for technological and economic development" (1999: 590).

increasingly broader contexts is currently displacing the first – therefore leaving globalization, with reference to the European social model or European universities as just one of several key drivers of social and economic changes, next to, for instance, changing social demography and population aging or post-industrialism).[81] However, globalization processes did not disappear, and clearly intensify.

The logic of the present chapter (as the logic of my previous book, *The University and the State. A Study into Global Transformations*, Kwiek 2006a, from which this Chapter draws) has been underpinned by a view that to debate the future of (public) higher education, especially (public) universities,[82] it is useful to discuss the complex issue of current and potential transformations of the welfare state, the nation-state and the public sector resulting (mostly but not exclusively) from current globalization pressures (and regional responses to globalization, for example, through processes of Europeanization) and demographic pressures, discussed here only incidentally (see Kwiek, forthcoming, Antonowicz 2012a, with reference to Polish higher education).[83]

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81 The perhaps most influential example of the knowledge economy discourse was the OECD report, *The Knowledge-Based Economy* (1996). Most of its statements within a decade and a half became commonplace, especially, although not exclusively, in the policy-making communities across the globe.

82 Throughout the book, we will be referring to "higher education" as (almost always) "public higher education" (which is a standard practice in higher education research). Whenever we want to mean "private" higher education, we tend to stress it (which is a standard in private higher education research). I discuss the critical role of demographics for the future of Polish higher education in an article forthcoming in *Comparative Education Review* (Kwiek, forthcoming).

83 From a global perspective, the most promising grounds for comparative research about the demography-related contraction in Central European higher education systems is the US higher education facing demographic declines in the 1970-1990 period; see a whole series of American reports (in both the Carnegie Council on Policy Studies and the Carnegie Commission on Higher Education series) about the future of higher education under changing demographics e.g. *More than Survival. Prospects of Higher Education in a Period of Uncertainty*, Carnegie 1975, *Three Thousand Futures. The Next Twenty Years for Higher Education*, Carnegie 1980, *Shaping Higher Education's Future. Demographic Realities and Opportunities, 1990-2000,* Levine *et al.* 1989 and *Demand and Supply in U.S. Higher Education,* Radner *et al.* 1975. Lessons drawn are highly relevant, especially that, "demography is not destiny in higher education", as Easterlin put it (1989: 135).

Institutions and their supportive discourses

The public university is increasingly viewed as merely one of several institutions of the public sector and its traditional claims to social (and consequently economic and political) uniqueness are increasingly falling on deaf ears. Let us recall here James G. March and Johan P. Olsen's seminal conclusions – which, so far, have not been applied to the institution of the university, though:

> There are also situations where an institution has its raison d'être, mission, wisdom, integrity, organization, performance, moral foundation, justice, prestige, and resources questioned and it is asked whether the institution contributes to society what it is supposed to contribute. … There is rethinking, reorganization, refinancing and possibly a new "constitutional" settlement, rebalancing core institutions (March and Olsen 2006b: 18-19).

As it seems, a current Europe-wide discourse on the future of the university as a key institution for the economic growth in Europe, in the version consistently promoted by the European Commission for over a decade now, suggests the above interpretation: the European university, in general, is being questioned to its very core. The European university as an institution is generally criticized across Europe in all its aspects, to its very foundations. Although March and Olsen do not refer above to the university, the remark can be successfully referred to another public institution. And yet, as shown by theories of institutional change (Dryzek 1996: 104),

> no institution can operate without an associated and supportive discourse (or discourses). Discourses may best be treated as institutional software. Institutional hardware exists in the form of rules, rights, operating procedures, customs, and principles.

The European university is not an exception; as it seems, its strength in the last two hundred years resulted from the power of the accompanying discourse of modernity in which the university held a central, highlighted, specific (and carefully secured) place in European societies (Rothblatt and Wittrock 1993, Wittrock 1993, Wittrock 1991, Wittrock 2003, and Delanty 2001). A new location of the institution requires a new discourse which legitimizes and justifies it and sustains public confidence, without which, in the long run, it is impossible to maintain a high level of public trust (and, consequently, a high level of public funding). Therefore, the struggles over a future form of the institution are also, and perhaps above all, the struggles over a form of a discourse which legitimizes its place: in the last decade, those struggles have

intensified and for the first time became global, with the strong engagement of international and transnational organizations and institutions.[84] To a large extent, the future of European universities will depend on the social and political acceptance of the legitimizing discourses currently emergent around them. An associated and supportive discourse for public universities seems to be still in the making, amidst the transformations of their environments (Välimaa and Hoffman 2008 and Dale 2007).[85]

The question of university reforms is also about (in Becher and Kogan's terms: two major dimensions to study higher education, Becher and Kogan 1980, Becher and Kogan 1992) "normative" and "operational" modes of higher education being in tune or out of phase across European systems:

> As long as the normative and operational modes are in phase with one another, the system as a whole can be said to be in dynamic equilibrium – if not in harmony, then at least in a state of balanced tension. But when the two modes become significantly out of phase, some kind of adjustment is necessary to avoid breakdown and to restore the possibility of normal functioning (Becher and Kogan 1980: 17-18).

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84 Discourses and policies are intricately linked, as are global and national dimensions in currently produced educational policies. As Rizvi and Lingard (2010: 14-15, emphasis in original) stress, "the discourses that frame policy texts are no longer located simply in the national space but increasingly emanate from international and supranational organizations … Globalized discourses and agenda-setting and policy pressures now emerge from beyond the nation. The relationships between the various sites of policy production and implementation have been extended in many instances. … those involved in policy text production compared with those involved in policy implementation or practice will often have different and competing interests".

85 A highly promising route to discuss European universities comes from an institutionalist perspective(s). The general question of institutionalism is classic (North 1990): how do institutions (of higher education) change? Change is one of leading motives of social sciences and higher education research (Clark 1983a: 182). Theoretical grounds can be provided by the concepts of change, continuity and differentiation of higher education systems in Burton Clark (Clark 1983a: 182-237), and by Johan P. Olsen's pair of concepts unity and diversity (Olsen 2007b, Olsen 2010: 128-160, Maassen and Olsen 2007, Olsen and Maassen 2007), critically important to the normative type of institutionalism and referred to European integration processes. The premises of the two theoretical approaches are, on the one hand, the endogenous nature of (educational) institutions and, on the other hand, their social construction. Institutions are not merely epiphenomena mirroring preferences of individuals or initial conditions related to resources or initial social conditions (Olsen 2007b: 3-4, Peters 2005).

Currently, the two modes across Europe are viewed to be out of phase (mostly by policymakers, the society at large, or sometimes both; much less often by the academic community). Therefore reform pressures are strong, as "a predisposition for change is created when the normative and operational elements at any level become significantly out of phase. The situation will usually give rise to some appropriate change in belief or practice designed to restore normal functioning" (Becher and Kogan 1980: 120)

Reforms of the public sector are underway worldwide, and the university has been subject to them, despite its traditional, historical exceptionality. It seems better to be able to steer the changes rather than to drift with them, the political economy of reforms suggests (Drazen 1998, OECD 2009b, OECD 2003a, OECD 2010b), so in some national systems universities are indeed suggesting the directions of changes. At the same time, as in the case of welfare state reforms in general, politicians will engage in reforms "only in the case that this promises to be less damaging for their re-election prospects than any other coping strategy would be" (Manow 2010: 281; exceptions include what Leszek Balcerowicz termed "extraordinary politics" with reference to postcommunist transformations in the early 1990s, Balcerowicz 1995: 302-312, Balcerowicz 2002: 45-52).[86] Current debates about the future of the university are more central to public policy and wider public discussions than ever before. Generally, discussions on the institution of the university so far have not accompanied huge social transformations of the last one hundred years, and, have not accompanied the emergence of postwar welfare states in Western Europe. However, today, these discussions invariably accompany the transition to new forms of economy and society – simplifying and selecting only one item from among a plethora of descriptions in sociology and political sciences – knowledge-driven economy and knowledge-based society (Stehr 2002, Stehr and Meja 2009, Foray 2006, Leydesdorff 2006, Kahin and Foray 2006,

86 As Balcerowicz (1995: 311-312) explains, "'extraordinary politics' by definition is a period of very clear discontinuity in a country's history. It could be a period of very deep economic crisis, of a breakdown of a previous institutional system, or of a liberation from external domination (or end of a war). In Poland, all these three phenomena converged in 1989. … Extraordinary politics is a short period and gives way to 'normal' politics: politics of political parties and of interest groups, a sharply reduced willingness to think and act for the common good, and stronger institutional constraints with respect to the individual political actors. In the period of extraordinary politics, these constraints are fluid or loosely defined".

OECD 1996). It is hardly possible to view the transformations to the institution of the university without viewing the transformations to the social fabric in which it has been embedded. The modern university, the product of (Ulrich Beck's first, national – as opposed to the second, postnational, Beck 2000a) modernity, is under the very same pressures as other modern institutions and other social arrangements.[87] The possible decline of the historical exceptionality of the modern institution of the university (at least compared with the post-war period, if not with the two hundred years of the materialisation of Wilhelm von Humboldt's ideas) results from the same pressures as those affecting other modern institutions – including the institutions of the state, its agencies and public services, international or supranational institutions, and institutions of the private corporate world (see Held and Young 2011, Held and McGrew 2007, Hay, Lister, and Marsh 2006, Djelic and Quack 2012a, Djelic and Quack 2008, Djelic and Quack 2003, and Campbell 2004).

The end of the Golden Age of the welfare state in the "postnational constellation"

Political scientists often stress the idea that the economic space of the nation-state and national territorial borders no longer coincide. Examples include Fritz Scharpf, a former director of the Max Planck Institute for the

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87 Major social arrangements are under renegotiation today, and renegotiations refer often to the political economy of reform. The success of higher education reforms, as suggested by the experiences of the OECD (see OECD 2008 and a huge work summarizing the reform of the pension sector and the labor market, *The Political Economy of Reform. Lessons from Pensions, Product Markets and Labour Markets in OECD Countries*, OECD 2009b), depends largely on the compromises made between policymakers and stakeholders. The compromises comes out of negotiations and persuasions (solutions should be "acceptable to all, even if preferred by none", see also Santiago *et al.* 2008a and 2008b), and the most popular tool used to implement reforms are financial incentives. The political economy of structural reform – not just higher education reforms (Høj *et al.* 2006) – suggests that none of the OECD countries (with the exception of postcommunist transition countries) have ever used a "big bang" reform, that is, sudden revolutionary changes (Høj *et al.* 2006: 6-7). See also Boeri, Castanheira, Faini and Galasso (2006) on political support for structural reforms with a conclusion that the role of information is critical: "government may gain further support by providing information about the short- and long-term benefits to be expected from the reform, as well as about the costs of maintaining the status quo".

Studies of Societies in Köln and John G. Ruggie of Harvard University (see also Hurrelmann, Leibfried, Martens and Meyer 2007a, Beck 2000a, Beck 2000b, Beck 2005, Giddens, Diamond, and Liddle 2006, Held, McGrew, Goldblatt, and Perraton 1999, Held 2000, Held and McGrew 2007). 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 (see Hays 2009: 150-158). Scharpf argues that in the history of capitalism, the decades following the Second World War were "unusual in the degree to which the boundaries of the territorial state had become coextensive with the boundaries of markets for capital, services, goods and labor" (Scharpf 2000a: 254; see also Scharpf 2010: 91-126 and 221-246). At the moment of the emergence of classic European welfare states, investment opportunities existed mainly within national economies and firms were mainly challenged by domestic competitors. 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 2000a: 255; Scharpf and Schmidt 2000, Schmidt 2002, Hurrelmann, Leibfried, Martens, and Mayer 2007a, Mishra 2011).

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 (as Jürgen Habermas sadly concluded in his studies on the "postnational constellation", Habermas 2001: 52, "in some privileged regions of the world, and under the favorable conditions of the postwar period, the nation-state – which had in the meantime established the worldwide model for political organization – succeeded in transforming itself into a social welfare state by regulating the national economy without interfering with its self-correcting mechanisms"). With the advent of globalization, the social contract is eroding, or is at least under powerful pressures, though, to different extent in different countries. The compact between state and society in postwar territorially-bounded national democracies was intended to mediate the deleterious domestic effects of postwar economic liberalization (and was based on Enlightenment beliefs in scientific solutions to social problems). Now it is under question, in theory,

in practice, or both (Held and McGrew 2007, Held, McGrew, Goldblatt, and Perraton 1999, as well as Blyth 2002 and Polanyi 1956).[88]

This postwar compromise assigned specific policy roles to national governments – which governments seem increasingly unable, or unwilling, to perform. One of the indirect effects of globalization on the state is its impact on the ability of the state to "live up to its side of the postwar domestic compact" (Ruggie 1997: 2, see also Ruggie 1998: 62-84 on "embedded liberalism and the postwar economic regimes").[89] The emergence of global capital markets posed entirely new policy problems. The second wave of economic globalization (since the 1970s), as Castles *et al.* (2010b: 11; see also Pestieau 2006: 1-8, Svallfors and Taylor-Gooby 1999: 1-13, Ferge 1999: 218-240, Swank 2002: 274-289, Kuhnle and Sander 2010, Nullmeier and Kaufmann 2010, Swank 2010, Glatzer and Rueschmeyer 2005, and Seeleib-Kaiser 2008b: 1-13) summarize recent changes,

> increased competition between nation-states for footloose capital and intensified pressures on national social standards. Enhanced exit options for capital imposed tighter limits for taxation and redistribution and also led to a newly asymmetric balance of power between labour and capital. It also led to an ideological climate

88 One of the most promising avenues in recent research on the European welfare state change, including the change in Central Europe, is an analytical framework and conceptual tools provided by historical institutionalism, particularly through the concept of "gradual transformative change" developed by Streeck, Thelen, and Mahoney (Streeck and Thelen 2005, Mahoney and Thelen 2010, Thelen 2010). See three large-scale comparative studies based on this concept: *A Long Goodbye to Bismarck? The Politics of Welfare Reforms in Continental Europe* (Palier 2010a), *The Politics of Welfare State Reform in Continental Europe. Modernization in Hard Times* (Häusermann 2010), and *Post-Communist Welfare Pathways. Theorizing Social Policy Transformations in Central and Eastern Europe* (Cerami and Vanhuysse 2009). For direct applications, see especially Palier 2010b: 21-34, Häusermann 2010: 8-12, and Cerami 2009: 36-44. As Streeck and Thelen (2005: 18-19) explain in their seminal introduction to a collection of essays, "rather than abrupt and discontinuous", transformative change often results from "an accumulation of gradual and incremental change. Moreover, rather than emanating on the outside, change is often endogenous and in some cases produced by the very behavior and institution itself generates". And more categorically, in Mahoney and Thelen's (2010: 1) presentation of what they term "a theory of gradual institutional change", "once created, institutions often change in subtle and gradual ways over time. Although less dramatic than abrupt and wholesale transformations, these slow and piecemeal changes can be equally consequential for patterning human behavior and for shaping substantial political outcomes".

89 See also Ruggie's earlier studies and his notion of *embedded liberalism* in Ruggie 1982.

> shift contrasting radically with that of the era of nineteenth-century globalization. Now there is marked tendency to perceive social investment as a dead weight on the economy rather than as a factor providing a boost off the starting blocks in a "race to the top". In a nutshell, the transformation of the international political economy decreased the autonomy and sovereignty of the nation-state – but did not support the evolution of functionally equivalent higher authorities at the international level.

The existing systems of supervision and regulation, systems of taxation and accounting, were created for a "nation-based world economic landscape" (and as Ulrich Beck argued, "we live in a world where new and old players use incommensurable sets of rules: it is a bit as if nation-states and their citizens were playing checkers but transnational players, politically and economically, were already playing chess", Ruggie 1997: 2; Beck 2000a: 65). 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 (see a framework of the analysis of the end of the "Golden-age nation state" in Hurrelmann, Leibfried, Martens, and Meyer 2007b).[90] As Leibfried and Obinger (2001: 2) summarize the consensus, "the welfare state is having hard times. … The welfare state, until then [the mid-seventies] anchored deeply and unquestioned in most Western democracies' postwar consensus, has increasingly been challenged by a new market-liberal world view. The welfare state is now seen as a part of the problem, not as part of the solution, as it was in the earlier Keynesian view" (see also Rieger and Leibfried's 2003 book on "limits to globalization" and welfare states, concerned with the empirical verification of the strong globalization-welfare state nexus and, particularly, their more programmatic positions expressed in a recent "Introduction" to *The Oxford*

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90 It is hard to keep promises from the Golden Age of the welfare state while "fiscal termites" are gnawing at the foundations of the fiscal house in all major developed economies. Vito Tanzi argued already a decade ago in his "Taxation and the Future of Social Protection" that the most direct and powerful impact of globalization on the welfare state will probably come through its effect on tax systems: "for the time being there is little, if any, evidence that the tax systems of the industrial countries are collapsing. … While the fiscal house is still standing and looks solid, one can visualize many fiscal termites that are busily gnawing at its foundations" (Tanzi 2001). The issue of the tax levels is not only globalization-related but also hinges on the will of the European electorates. Until the recent economic crisis in Europe, increasing both personal and corporate taxes seemed almost impossible; currently, increases seem an open option to many European governments, Tanzi argues (2011).

Handbook of the Welfare State, Castles, Leibfried, Lewis, Obinger and Pierson 2010: 1-15 and Leibfried and Mau's "Introduction to their three-volume *Welfare States: Construction, Deconstruction, Reconstruction*, 2008: ix-lxiv). The whole idea of the welfare state is under renegotiations, and the access to and eligibility for tax-based public services are under discussions, increasingly related to possible individual contributions. And the welfare state has traditionally been one of the main pillars in the appeal of the nation-state construction. As Ruggie describes the process,

> The postwar international economic order rested on a grand domestic bargain: societies were asked to embrace the change and dislocation attending international liberalization, but the state promised to cushion those effects, by means of its newly acquired economic and social policy roles. … Increasingly, this compromise is surpassed and enveloped externally by forces it cannot easily grasp, and it finds itself being hollowed out from the inside by political postures it was intended to replace (Ruggie 1997: 8; see also Ruggie 1982).

Globalization, states, and markets

The power of the nation-state, and the power of the loyalty of its citizens, has rested, *inter alia,* 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 (mostly advanced Western democracies). The task of this postwar institutional reconstruction was to devise a framework which would safeguard and aid the quest for domestic stability without triggering the mutually destructive external consequences that had plagued the interwar period. At the same time, we can only speculate about the future relationships between the state and the market and the role of the state in the economy. As Tanzi (2011: 7) remarked, from a historical perspective,

> the role of the state in the economy changed enormously from the beginning to the end of the 20th century. It is reasonable to expect that it will continue to change significantly over the course of the 21st century. The key question is how it will change. Will it continue the trend that characterized much of the past century, toward continuously growing public spending and higher taxes? Or will the direction change toward less spending and lower taxes? … How will globalization influence the role of *national* governments? No crystal ball exists that can provide us with answers to these questions. The best that can be done is to speculate.

Many political scientists, exemplified here by Scharpf and Ruggie, view the impact of globalization on the nation-state through the undermining of 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 only in closed, national economies. To what extent it matters to European universities? It matters a lot, as we shall discuss below. We shall follow here Barr's definition of the "welfare state" in his monumental *Economic Theory and the Welfare State* (2001b: xiv): "the term 'welfare state' is used for the state's activities in three broad areas: income transfers, health and health care, and education" (see especially sections on the economics of education and financing higher education in vol. 3 on *Benefits in Kind* (Barr 2001c: 313-374, 521-624; as well as Barr on higher education under "benefits in kind" part in 2004: 321-348).

In the "Golden Age" of the post-war Keynesian welfare state in Europe (1950-1975, roughly speaking), higher education was very important – as testified by the constant growth of student enrollments, an increasing number of higher education institutions, and the relatively lavish public research funding available to universities, both in natural sciences, social sciences and the humanities (Martin and Etzkowitz 2000, Ziman 1994, Guston 2000, Guston and Keniston 1994b; as well as Bush 1945). Science, and finding for science, was in a state of perpetual expansion (Ziman 1994). The massification of higher education was in full swing in Europe, with universalization (already achieved in practice) as its aim. The stagnation which started in the mid-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 be working in a different period.[91] The social conditions have changed considerably; the post-war social contract was related to an industrial economy in a period of considerable growth, the male bread-winner model of work (and currently European economies are adapting to what Esping-Andersen termed recently (2009:

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91 As Gøsta Esping-Andersen put it succinctly in "A Welfare State for the 21st Century", "most European social protection systems were constructed in an era with a very different distribution and intensity of risks and needs than exist today. … As a consequence, the welfare state is burdened with responsibilities for which it was not designed" (Esping-Andersen 2001). Or, as Häusermann rephrased the argument recently (2010: 2), "post-industrial labor markets, a changing family structure, and female labor market participation have given rise to a whole range of new social needs, many of which modern welfare states are poorly prepared to meet".

77-110) "the incomplete revolution": "the female revolution"), closed, national economies with largely national competition for investment, goods, products and services. Since the seventies, the marriage of the nation-state and the welfare-state has been under powerful internal and external pressures.[92] 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 termed "politics of austerity", leading to a context of "permanent austerity" (Pierson 2001a).[93]

Welfare scholars have divergent views about the causes of the current pressures on the welfare state; they agree on a single point, though; we are facing the end of the welfare state as we know it (with Castles' (2007: 17) reservation that "mapping of the multidimensional aspects of the modern state suggest that we should be wary of generalised trends and generalised conclusions" in mind; see various contributions to recent volumes on the welfare state futures: Powell and Hendricks 2009, Palier 2010a, Castles, Leibfried, Lewis, Obinger and Pierson 2010, Connelly and Hayward 2012a, and Seeleib-Kaiser 2008a; see also Esping-Andersen 1996, Hacker 2002, Ferrera 2005, Pierson 2001a, Scharpf and Schmidt 2000) An interesting question is: does it also mean the end of public higher education as we know it? The answer is fairly positive, although transformations are expected to be gradual and long-term rather than abrupt and short-term. Constructing higher education architectures in Europe took decades, and dismantling (or transforming) them can take decades too; what may increase is the role of an accumulation of small, subtle, gradual, transformative changes (Mahoney and Thelen 2010).

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92 Dumas and Turner (2009: 49) point out from a longer historical perspective that "in traditional societies with high fertility and low life expectancy, the survival of human beings into old age was a relatively unusual occurrence. There was no significant problem of dependency. … Old age and retirement are products of the demographic transition (from high to low fertility and increased life expectancy) and industrialization. Citizenship and welfare were, in part, responses to a new situation – how to provide adequate cover for the elderly unemployed where relatives and kinfolk could not be relied upon. The social right of citizenship were then closely tied to compulsory retirement".

93 Consequently, the rhetoric of a "crisis" of the welfare state has been with us since the 1970s. There have also been a growing interest in non-state welfare providers. The OECD report, *The Welfare State in Crisis*, had stated already in 1981 that "new relationships between action by the state and private action must be thought; new agents for welfare and well-being developed; the responsibilities of individuals for themselves and others reinforced" (OECD 1981: 12).

Higher education and welfare state debates

It would be misleading to say that higher education is widely discussed in welfare state debates, for instance, in political sciences. Surprisingly, it is rare to see more than a few parenthetical remarks on education, not to mention higher education, in these debates. The major issue in these debates is the future of the welfare state in very general terms, with both theoretical research and more empirically-oriented studies devoted to healthcare systems and pensions systems (as the two biggest and fastest-growing consumers of tax-based welfare state resources, Rothgang, Cacace, Frisina, Grimmeisen, Schmidt and Wendt 2010), as well as unemployment issues. While there are quite a few papers and studies which closely link higher education and the nation-state, there are very few studies analyzing the links forged between higher education and the welfare-state. On reviewing the existing literature, it should be stated that while the interrelations between nationhood, the nation-state, higher education and globalization are perceived as important for the future of the Humboldtian model of the research university, the parallel interrelations between the potentially redefined post-war social contract between the Keynesian welfare state and higher education – are somehow, in general terms, under-researched. We have extensively discussed this theme in *The University and the State* (Kwiek 2006a); here we will refer only to some of its findings in this domain, so far marginal in higher education research.

There may be several reasons for this omission: an American understanding of "welfare" refers much more to social security, unemployment benefits[94] and social safety nets in general (and education

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94 See, for instance, an excellent book written at the beginning of the 1990s by Paul Pierson, *Dismantling the Welfare State? Reagan, Thatcher, and the Politics of Retrenchment* (Pierson 1994). Pierson discusses programmatic retrenchment in three sectors: a core sector (old-age pensions), a vulnerable sector (housing policy) and a residual sector (income-support policy). Neither education in general, nor higher education in particular, are discussed in any detail, even though the period analyzed would have shown universities as an excellent research topic. In his "Coping With Permanent Austerity" paper, Pierson provides the following definition of the welfare state: "'The welfare state' is generally taken to cover those aspects of government policy designed to protect against particular risks shared by broad segments of society. Standard features, not necessarily present in all countries, would include: protection against loss of earnings due to unemployment, sickness, disability, or old age; guaranteed access to health care; support for households with many children or an

seems to be excluded in most general accounts), and Anglo-Saxon discussions about the dismantling, retrenchment, and restructuring of the welfare state have for the most part been dominating the discussions since the mid-1990s; in a Continental European context, on the other hand, even though the welfare state has been debated, such radical transformations of higher education as those observed in the Anglo-Saxon world (the UK, the USA, Australia, New Zealand, and Canada) have not actually been perceived and analyzed. Additionally, the transnational and neoliberal contexts of thinking about higher education were much less interesting to European scholars than to Anglo-Saxon scholars, often directly affected by new neoliberal educational policies in their own institutions. However, in a Continental European context, one of the major issues to have been discussed was the "European" welfare and the "European social model", or the future of this model in integrating Europe. Such issues as, for instance, the "minimalist state" promoted in the 1990s by the World Bank and some development agencies in Latin America and in several European and post-Soviet transition countries, the "downsizing" (or "rightsizing") of the public sector in general, the changing balance between the state and the market in providing public services (including educational services), and the privatization of education (together with, or following, the privatization of the healthcare and pension systems) – are directly related to the future of the

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absent parent; and a variety of social services – child care, elder care, etc. – meant to assist households in balancing multiple activities which may overtax their own resources" (Pierson 2001b: 420). It is different in the case of Anglo-Saxon studies on the public sector conducted by economists, from the flagship work of Joseph E. Stiglitz, *Economics of the Public Sector* (2000) to Nicolas Barr's *Economics of the Welfare State* (2004), his *The Welfare State as Piggy Bank. Information, Risk, Uncertainty, and the Role of the State* (2003) and his *Economic Theory and the Welfare State* (2001) where the sphere of education, including higher education, is a key element of the welfare state. We feel attached to the latter tradition of viewing the scope of the term "welfare state", following a recent idea that after years of the neglect of the study of education as an aspect of social policy, "what is required is a refocusing of the analytical perspective of the comparative welfare state literature in such a way that it systematically incorporates the study of education" (Busemeyer and Nikolai 2010: 494-495). See also Garfinkel *et al.* (2010) for an American context of incorporating education to welfare state studies.

university. But they have largely been absent from the debates about the welfare state in Europe.[95]

Consequently, the link between higher education systems as a significant part of the public sector (under scrutiny globally) and the welfare state has been largely overlooked for, so to speak, structural reasons: in Anglo-Saxon countries education traditionally does not belong in a general sense to the "welfare state"; in Continental Europe, by contrast, in the 2000s, there has been no actual major restructuring – or theoretical thinking about it – with respect to education as part of redefining the future role(s) of the welfare state. Paradoxically enough, it was in Central and Eastern Europe, exposed to the influences of global agencies in redefining their future models of the welfare state and consequently national welfare policies, that the direct link between the new "effective" and "minimal" 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 in the 1990s (which is an excellent example of "policy borrowing", or the import of reform packages, as a condition for receiving financial aid in the transition period, see Steiner-Khamsi 2012: 5-8).[96]

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95 As Gary Teeple in *Globalization and the Decline of the Social Reform* pointed out a decade and a half ago, the privatization of the welfare state could take different routes: "The least visible and yet a widely taken route of privatization is the policy of incremental degradation of benefits and services" (Teeple 1995: 104-5). In the context of the last route, it is worth mentioning that this can be seen in the case of public higher education in many transition countries by looking at the national statistics on public investment in higher education and research and development throughout the 1990s and, in some cases, beyond (on privatization in higher education in Central and Eastern Europe, see Kwiek 2011b, on Central European knowledge production from a European comparative perspective, see Kwiek 2011a).

96 One of the major differences between affluent Western democracies and the European transition countries is that the point of departure for welfare transformations is different. Paul Pierson rightly notes that "in most of the affluent democracies, the politics of social policy centers on the renegotiation and restructuring of the terms of the post-war social contract rather than its dismantling" (Pierson 2001a: 14). In CEE countries, in general terms, there was no social contract to renegotiate and welfare provisions needed to be defined from the very beginning (apart from entitlements in some social areas). Consequently, while the dismantling of the welfare state, especially with strong democratic electoral structures and powerful civil society groups, might not occur in the near future in Western Europe, the process might be long-term and therefore eased by social protection measures, an already "dismantled" welfare state may be built along neoliberal lines in CEE countries without actually renegotiating the postwar European

Thus we argue that in the context of debates about the future of higher education, and of research universities in particular, the close links between higher education, the welfare state and the nation-state have not been emphasized strong enough. Although the university/globalization/nation-state nexus has been thoroughly studied, the parallel nexus of the university/globalization/welfare state is still largely under-researched, the links between the university and the welfare state being somehow underestimated. From our perspective, it is intellectually promising to keep seeing transformations of the university sector closer to transformations of the state in general. Such social scientists as Ramesh Mishra, Gary Teeple and Anthony Giddens emphasize that the welfare state developed and still remains a "national enterprise" (Mishra 1999: 11); that the nation-state was the "political and operational framework of the welfare state. That is, social reforms have been defined and administered as national programs" (Teeple 1995: 18). Or, as Anthony Giddens argued in *Beyond Left and Right: the Future of Radical Politics,* "the welfare state has always been a national state and this connection is far from coincidental. … Who says welfare state says nation-state" (Giddens 2001: 152).

The renegotiation of the postwar social contract

No matter how we view the origins of current reformulations of the welfare state (more radical in theory than in actual practice in most countries but already perceived in changing national policies, national legislation and the general political attitude taken towards the public sector as a whole, regardless of the specificity of its individual components), and no matter whether we link them to the impact of domestic and internal developments or to external and global forces, these reformulations are here. As Giuliano Bonoli *et al.* phrased it already a decade ago in *European Welfare Futures. Towards a Theory of Retrenchment*,

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social contract – which was absent there. There is an important difference between the potential dismantling of the welfare state (in Western Europe) and the actual dismantling of the remnants of bureaucratic welfare from the ancient regime (in Central and Eastern Europe). It is extremely interesting to draw parallels between Paul Pierson's description of welfare state retrenchment in the United Kingdom and the US (in the times of Reagan and Thatcher) and the welfare reforms ongoing in the 1990s in selected transition countries (see especially Barr 1994 and Barr 2005, Lane 2007a, Cook 2007, Inglot 2008, Cerami 2010, Cerami and Vanhuysse 2009).

> There are no voices that globalization has increased government power. … There is general agreement that the forces of globalization have important implications for the volume, the generosity and the composition of contemporary European welfare state provision (Bonoli *et al.* 2000: 65; see also Häusermann 2010, Taylor-Gooby 2004a, Scharpf and Schmidt 2000, Scharpf 2001, Pierson 2001a).

In broad outline, the current state of affairs is the simultaneous renegotiation of the postwar social contract concerning the welfare state and the renegotiation of a smaller-scale, by comparison, modern social pact between the university and the nation-state (or the pact between knowledge and power).[97] The renegotiation of the pact between the university and the state is not clear outside of the context of the renegotiation of the postwar welfare state contract, as state-funded higher education formed one of the bedrocks of the European welfare system.[98]

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97 There is an accompanying – crucial, although somehow neglected – internal (academic) dimension to the issue as well. There has been a clear interdependence between decreasing state subsidies for universities and academics becoming "entrepreneurs" or "academic capitalists", as shown by Sheila Slaughter and Larry L. Leslie regarding Canada, Australia, the USA and the United Kingdom. The uniqueness of the institution of the university seems to be less compelling since the above two processes became more widespread (which started in the 1980s). Certainly, the causal arrow goes from *diminished state funding* to *increased academic entrepreneurialism*, not the other way round. Slaughter and Leslie stress the significance of the participation of academia in the market which "began to undercut the tacit contract between professors and society because the market put as much emphasis on the bottom line as on client welfare. The *raison d'être* for special treatment for universities, the training ground of professionals, as well as for professional privilege, was undermined, increasing the likelihood that universities, in the future, will be treated more like other organizations and professionals more like other workers" (Slaughter and Leslie 1997: 5, on the institutional uniqueness of the university, see also Krücken and Meier 2006, Musselin 2007a, Enders and Musselin 2008, and Slaughter and Rhoades 2004).

98 Jürgen Habermas, Ulrich Beck, and Zygmunt Bauman view the social future of Europe from a wider perspective and provide additional arguments, through their rethinking of the welfare state, to support our point that the transformation of public higher education on a global scale is a gradual, long-term but unavoidable process. Despite coming from different philosophical and sociological traditions, they agree on one point: the transformations of the welfare state we are currently witnessing are irreversible, we are passing into a new age with respect to the balance between the economic and the social. With respect to welfare futures, the emergence of Habermas' "postnational constellation" carries the same message as the emergence of Beck's "second, postnational modernity" and Bauman's "liquid modernity": the traditional

The related social phenomena relevant for our purposes here are the increasing recommodification of society, the desocialization of the economy, the denationalization of both societies and economies, the deterritorialization and despatialization of economic activities, the changing distribution of risks in society (towards the individual, and away from the state[99], as well as the emergence of new social risks in post-industrial societies, existing alongside old social risks, see Taylor-Gooby 2004b: 5-13 on "new risks, new welfare"[100]), the growing individualization, the growing market orientation in thinking about the state and public services, the disempowerment of the nation-state, the

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postwar Keynesian welfare state, with its powerful "nation-state" component, is doomed, and for the three thinkers the culprit behind the end of this social project in Europe is globalization, in its theories and its practices. None of them focuses on the internal developments of the European welfare state (like changing demographics, including the aging of Western societies; shifts in familial structures; the burden of past entitlements within the inter-generational contract between the old and the young, the working and the unemployed etc.); they clearly link the new geography of social risks and uncertainties with the advent of – mainly economic – globalization. See Ferrera (2005: 205-255) on the links between welfare policies and the European integration and Orenstein and Haas (2005: 131-134) on the "Europe effect" on welfare state spending patterns in the future EU candidate countries, clearly differentiating themselves from postcommunist "Eurasian" countries. As they point out, "despite starting with very similar welfare state structures and spending levels, European and Eurasian countries diverged dramatically during the first decade of transition. During the first ten years, welfare state spending increased on average in the European countries, while it stagnated or fell in the Eurasian countries. But why has geography had such a significant effect? … the answer is Europe" (2005: 133).

99 And, as in case of the USA, towards employers as "mini-welfare states", and as the first line of defense against risk. American "new economic uncertainty" is "risky jobs", "risky families", "risky retirement" and "risky health care", as stated by the subsequent chapter titles of the book by Jacob S. Hacker on the "great risk shift" (2006: 7, see also Hacker and Pierson 2010, Hacker 2002, and Orenstein 2009 on the "privatization of risk").

100 Taylor-Gooby (2004: 2-5) lists four processes linked to new social risks (that is, "the risks that people now face in the course of their lives as a result of the economic and social changes associated with the transition to a post-industrial society"): large numbers of women in paid work and the failing proportion of men who are economically active; the increase in the absolute and relative numbers of elderly people with implications for social care and the cost of traditional welfare state pensions and health services; a tightened link between education and employment, with increasing risks of social inclusion for those with poor education; and, finally, the expansion of private services. At the same time, populations are still facing the old social risks (derived from interruptions to the family wage).

globalization and transnationalization of welfare spending patterns, and the detraditionalization of nationhood and citizenship. They all influence the way welfare services are perceived. Per analogiam, most of them is bound to influence the way higher education services are perceived. And these processes are intensified by globalization. What we can see as the current situation of the welfare state, and how we can see the issue, is largely framed by the processes, phenomena and interpretations that globalization has already brought about.

2.3. The Modern University and the Modern Nation-State

It is the overall argument of the present chapter that current transformations to the state under the pressures of globalization (and under the influence of accelerated Europeanization processes viewed as the reaction to globalization and internationalization pressures) will not eventually leave the university unaffected, and consequently it is useful to discuss the future tasks and mission of the university in the context of the current global transformations of the state. This context seems fruitful for higher education studies. Just to signal further developments: the legitimacy of, and loyalty towards, modern liberal democratic welfare states is under severe stress today and the whole idea of a (European) postwar "social contract" between the state and its citizens is widely debated. The sovereignty of the state has traditionally meant also the sovereignty of national educational policies and full state support for nation-state oriented universities (from their inception as modern institutions bound by a "pact" with modern nation-states). The university used to provide the modern nation-state with "a moral and spiritual basis" and professors, as Gerard Delanty argues in *Challenging Knowledge. The University in the Knowledge Society* along Humboldtian lines, "constructed themselves as the representatives of the nation" (Delanty 2001: 33, 34).

The "nationalization" of European universities and globalization

As we argued in (Kwiek 2006a), national education systems were created as part of the state forming process which established the modern nation-state.

They were born when states based on absolutistic or monarchical rule gave way to the modern nation-state: as Andy Green stresses in his *Education, Globalization, and the Nation-State*, the history of "national education" is thus very much the history of the "nation state in formation" (Green 1997: 131). National education systems contributed to the creation of civic loyalties and national identities and became guardians for national languages, cultures, literatures and consciousness. The modern university and the modern nation-state went hand in hand, or were parts of the same wider process of modernization (and we mean here two Continental models: the Humboldtian and, to a lesser extent, the Napoleonic one). Consequently, reconfigurations of the modern nation-state today (mostly, but not exclusively, under the pressures of globalization) are bound to affect the modern institution of the university. State-sponsored mass education was in modernity the primary source of socialization facing the individual as citizen of a nation-state (see Spybey 1996). European nation-states were engaged in authorizing, funding and managing education systems, including higher education, to construct unified national policies. The knowledge-power relationships were very strong in both models of the university.

The crucial step in the historical development of European universities is what Guy Neave termed the process of their "nationalization" – bringing the university formally into the public domain as a national responsibility. With the rise of the nation-state, the university was set at the apex of institutions defining national identity (Neave 2001: 26). The emergence of the universities in Berlin and in Paris marked the termination of the long process for the incorporation of the university to the state (Neave 2001: 25). The process of the "nationalization" of the university settled the issue of what the role and responsibilities of the modern institution in society should be. The emergent nation-state defined the social place of the emergent modern university and determined its social responsibilities. The nation-state determined the community to which the university would be answerable: it was going to be the national community, the nation. The services and benefits the unitary and homogeneous nation-state gradually, and over the passage of time, placed at the disposal of society went far beyond education and included e.g. generous healthcare systems and old-age pension schemes. Nowadays, as the redefinition of material foundations 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 these (and possibly other) areas of

state benefits and state-funded services may have to be renegotiated, significantly changing their content, range and the validity of the contract itself. In many respects, higher education (in the European transition countries in the 1990s) seemed to be an experimental area and a testing ground on how to reform the public sector; both healthcare and pensions systems were being experimented with as well but on a smaller scale, both in theory and in practice.[101]

Increasingly, at the beginning of the 19th century, culture in the sense of *Bildung* (until then more related to the development of the individual as the individual and not to the individual as the citizen) became mixed with political motivations and aspirations, focused around the notion of the German national state (Wittrock 1993).[102] In a global age, these motifs have been put under pressure. Forging national identity, serving as a repository of the nation's historical, scientific or literary achievements, inculcating national consciousness and loyalty to fellow-citizens of the nation-state do not serve as the rationale for the existence of the institution of the university any more. But also the production of a "disciplined and reliable workforce" is not fulfilling the demands of the new global economy which requires workers with the capacity to learn quickly and to work in teams in reliable and creative ways, Robert B. Reich's "symbolic analysts" – as Raymond A. Morrow and Carlos Alberto Torres emphasize (Morrow and Torres 2000: 33). At the same time, the disinterested pursuit of truth by curiosity-driven

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101 The biggest empirical evidence about the direction of changes in the transformation of the public sector were various "structural adjustment" programs in developing and transition countries which required the states taking the IMF or World Bank loans to e.g. reduce public expenditures, reduce consumer subsidies, eliminate price controls, drastically reduce tariffs, charge users for public services and privatize public enterprises and social services (see Carnoy 1999: 49, Ferge 2001). Similarly, higher education policies were affected through the processes of "policy borrowing and lending" (Steinmer-Khamsi 2012). With respect to education, structural adjustment policies were linked to globalization to the extent that "all strategies of development are now linked to the imperatives of creating stability for foreign capital" (Morrow and Torres 2000: 43). Recipient governments were encouraged to adopt policies which Thomas L. Friedman termed "the Golden Straightjacket".

102 We present detailed arguments combined with reading of the relevant works by Wilhelm von Humboldt, Johann Gottlieb Fichte, Friedrich Schleiermacher, and Friedrich W. J. Schelling as well as the discussion on the German "idea" of the university between Jürgen Habermas and Karl Jasper in Kwiek 2006a: 80-136, in a Chapter: "The Idea of the University Revisited (the German Context)".

scholars in the traditional sense of the term is no longer accepted as a general *raison d'être* for the institution either.

Consequently, no matter whether we focus more on the cultural unity of the nation or on the political unity of the nation as the two distinct driving forces behind the development of the modern university, both motifs are dead and gone in post-national and global conditions. Neither serving truth, nor serving the nation (and the nation-state) can be the guiding principles for the public subsidization of the institution today, and neither of them are even mentioned in current debates at global or European levels. What increasingly counts is its economic "relevance", and its possible contribution to economic growth (see Brennan 2007, Brennan 2002, Välimaa 2009, Välimaa and Ylijoki 2008). Today, not only the two traditional missions of the modern university are subject to far-reaching renegotiations (education and research), but also various third missions, such as the public service mission (American "service to the society" mission, the regional mission, the innovation mission etc.) are subject to further reformulations (see Välimaa 2008a, Trani and Holsworth 2010: 1-46, Jacoby and Associates 2009, Kezar, Chambers, Burkhardt, and Associates 2005, Weber and Bergan 2005, Harding, Scott, Laske, and Burtscher 2007, Pinheiro, Benneworth and Jones 2012). For example, a key question arises, to what extent current transformations lead directly or indirectly to "academic capitalism in the new economy," or – in other words – to what extent they have played a key role, for more or less a decade, in the formation of what Sheila Slaughter and Gary Rhoades termed the "academic capitalist knowledge/learning regime". (In short, as they argue, American universities do not intend to become private enterprises – they want to maintain the status of a non-profit institution while operating fully under the rules of the market in the private sector, see Slaughter and Rhoades 2004: 306 ff).[103]

103 Market behaviors of universities are no longer confined to science and engineering and are not imposed from the outside. The state subsidizes new relationships between academic institutions and economy: academic capitalism pervades the entire university which operates in new networks connecting universities with corporations and government agencies. The starting point of Slaughter and Rhoades analysis is the gradual blurring of boundaries between higher education, the market and the state, and the processes of blurring the boundaries between the public and the private sector in which universities themselves play a crucial role (Slaughter and Rhoades 2004: 27): "these boundaries between private and public are fluid: colleges and universities, corporations, and the state (of which public universities are a part) are in constant

Universities and "constructing organizations"

The process of the "nationalization" of the university (Neave 2001) has come to a close right now, together with the advent of globalization (but its end was also closely associated, on a different plane, with the massification and then the universalization of higher education). Globalization processes (and their consequences) increasingly separate the university from the state and, at least potentially, convert it into an important factor of economic competitiveness (Kwiek 2011a, Kwiek 2012c). It is enough to view from this perspective the rhetoric of the analysis of the knowledge economy (in conjunction with the systems of education and the basic dimensions of the pillars of competitiveness), and the components of European and global economic competitiveness rankings. Higher education and research, development and innovation systems are at the core of such rankings. Suffice it to look from this perspective at the components of studies on the progress in the implementation of the EU's Lisbon Strategy or the components of pillars of economic competitiveness, as measured annually by the World Economic Forum in the Global Competitiveness Index GCI (*Global Competitiveness Index*, *Business Competitiveness Index 2011-2012*, or in the *World Competitiveness Scoreboard 2011*). In all three indexes, the role of higher education and science and innovation systems is of crucial importance.

The processes of globalization disentangle the university from the state, turn the university potentially into a major contributor to the global economic competition and increasingly impose on it corporate models of organization (Bastedo 2012a, Kezar 2012, Krücken, Kosmützky and Torka 2007b, Musselin 2007a, Rhoades 2007, Bastedo 2007, Drori, Meyer and Hwang 2006, Krücken and Meier 2006, Kezar 2001, and Eckel and Kezar 2003). Public sector reforms throughout the Western world can be viewed as "turning public services into organizations" and as attempts at "constructing organizations" (reforms being of a "constructive nature"), as Brunsson and Sahlin-Andersson (2000; reprinted in Brunsson 2009: 44) argue:

> Constructing organizations involves the setting up or changing of entities in such a way that they come to resemble the general and abstract concept of

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negotiations. ... The 'firewall' that once separated public and private sectors has become increasingly permeable". At the same time, the *public good knowledge regime* exist in parallel with *academic capitalist knowledge regime*, within the same system, and, it happens, even within the same institution.

> organization. … traditional public services in many countries have lacked some of the key aspects of organization. They can be described, at the most, as conspicuously "incomplete" organizations. When existing services have been compared with the organization concept, their incompleteness in organizational terms have become obvious, and they have seemed to call for reforms to render them – in this sense – more complete. In fact, many public sector reforms can be interpreted as attempts at constructing organizations. This interpretation provides some clues as to why the reforms occurred at all, why they acquired their particular content, and how they were received.

Consequently, the social mission of the university is under scrutiny and, as Neave points out, such processes as privatization, deregulation and accountability in higher education appear to be moving the university "without the slightest shadow of a doubt towards a new definition of its responsibilities" (Neave 2000: 23). The possible new future contract between the society and the state on the one hand, and the university on the other hand will certainly include points directly related to the academic profession – whose current social status, working and employment conditions are already under scrutiny. The direction of these changes can already be imagined from numerous studies of the academic profession from a global perspective. Literature shows that the processes affecting the state mean that it is *repositioned*, *recontextualized*, *transformed*, *reconstituted*, *re-engineered*, *restructured*, *displaced*, *rearticulated*, *relocated*, *re-embedded*, *decentered*, *reconfigured*, *reshaped*, *eroded* etc., and we are witnessing its *end*, *hollowing out*, *withering away*, *demise*, *decline*, *collapse* etc.[104] (Which does not have to mean that the actual spending on the welfare state is being cut: as Castles (2007: 16-17) reports from a large-scale comparative project on retrenchment, "the evidence for globalization-induced cutbacks in expenditure turns out to be as weak as the evidence for a dramatic reversal of trajectory

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104 As Ulrich Beck (2005: xi) pointed out, we Europeans act as if various European countries still existed. But "they have long ceased to exist, because as soon as the euro was introduced – if not before – these isolated nation-state containers of power and the equally isolated, mutually excluding societies they represented entered the realm of the unreal. To the extent that Europe exists, there is no longer any such thing as Germany, or France, or Italy, or Britain, and so on, as these exist in people's heads and in the picture-book accounts of the historians. This is because the borders, responsibilities and exclusive experiential spaces on which this nation-state world was based no longer exists". See also cosmopolitan visions of Europe and the structural blindness of sociology towards Europe and its inability to leave the nation-state paradigm in Beck and Grande, 2007: 94 ff.).

across most categories of spending. Not only has the state not disappeared, but the main account offered for that phenomenon fails nearly all the tests asked of it". But the reviews of empirical data follow both major hypotheses: the "compensation hypothesis" – in which financial globalization (as economic openness) and welfare efforts are mutually reinforcing – and the "efficiency hypothesis" which supports negative relationships between globalization and social expenditure. For instance, Vis, van Kersbergen, and Hylands 2012: 9, reflecting on the impact of the financial crisis on the pressures to reform the welfare state across Europe, note that "we do catch sight of the fact that the issue of radical retrenchment is capturing the political agenda in many a nation").

Post-industrial societies and the foundations of the welfare state

The loyalty of citizens of nation-states is closely related to this bilateral agreement (never fully codified) between citizens and the state. Should the nation-state be threatened, so also will be its role as the primary guarantor of citizenship rights. Redefinitions of what is fair and just in a society within benefits of the welfare state are the easiest way out of difficult situations but they undermine the "personal sense of security and identity as well as social solidarity." There appear powerful tensions between "social protection" and "global connection"; as a result of globalization processes, there appears "an unprecedented pattern of social risk" (Powell and Hendricks 2009: 8-10), as the editors of *The Welfare State in Post-Industrial Society. A Global Perspective* put it (see Ferrera 2005, Taylor-Gooby 2004a, and Pontusson 2005). Renegotiations of the foundations of the welfare state affect the roots of the nation-state – especially the foundations of the social citizenship. As Esping-Andersen (2009: 1) summarized recent fundamental changes,

> The past few decades have been marked by turbulent change. Turbulent indeed, since the well-trodden corner stones of society, as described in any standard textbook, are eroding as new principles of social life emerge with a thrust that few would have expected. The "logic of industrialism" used to be a forceful synthetic concept for what propelled our life as workers, our place within the social hierarchies, and the kind of life course we could expect to follow. As, now, two-thirds of economic activity is centred on servicing, the concept is clearly outmoded.

The post-industrial society shatters the foundations of welfare state assumptions of the industrial society, with new social risks and new social

challenges. All four dimensions of the modern state are affected (the territorial state, the constitutional state, the democratic nation state, and the interventionist state, as Hurrelmann *et al.* show: "different state functions are threatened to a greater or lesser degree, and subjected to pressures from internationalization of varying intensity", 2007b: 9). The golden-age nation-state is hugely affected by internationalization and globalization processes (Hurrelmann *et al.* 2007c: 193-205). Globalization processes and increasing international economic integration seem to be changing the role of the nation-state: the nation state is gradually losing its power as a direct economic player (this is one of the elements of the neoliberal transformation in thinking about the economy in developing countries which seek both ideas and funding for their reforms) and, at the same time, it is losing a significant part of its legitimacy as it appears not to be willing, or able, to provide the welfare services seen as the very foundation of the postwar welfare state. Nation-states seem to prefer not to use the financial space of maneuver still left to them, even if they could be much more pro-active than reactive with respect to the impact of globalization on public services, including higher education (the key role played by voting and voters need to be mentioned here, see Swank 2002, Swank 2010, and even more importantly, the key role of "welfare attitudes", as a recent large-scale comparative study led by Stephan Svallfors shows, 2012b: 1-24).[105]

Financial pressures, ideological pressures

Western liberal democracies are reforming (or trying to reform) all their welfare state institutions, and the modern university, as a significant claimant to public resources, is a significant part of the public sector. If we

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105 There is an important difference between the developed and the developing world, as Layna Mosley highlights in *Global Capital and National Governments* (2003: 3): in the developing world, "the influence of financial markets on government policy autonomy is more pronounced. The risk of default in developing nations renders financial market participants more likely to consider a wide range of government policies when making investment decisions. Developing – or emerging market – nations are, by definition, lacking in capital endowments. They have greater needs to attract investment from abroad and, therefore, are more susceptible to capital market pressures". In a similar vein, postcommunist transition economies were heavily dependent on international aid agencies in reforms of the 1990s, with numerous explicit and implicit conditionalities in force, restricting the range of policy options available.

assume an extended view of the welfare state which includes education, then higher education (and its contribution to the reduction of economic inequality and lowering economic insecurity through education and skills) is a very expensive component of the modern welfare state. The costs of both teaching and research are escalating,[106] as are the costs of maintaining advanced healthcare systems (Rothgang, Cacace, Frisina, Grimmeisen, Schmidt, and Wendt 2010) and pension systems for aging European populations (in the vast majority of countries in Europe, there are still *pay-as-you-go* systems, based on inter-generational solidarity – as opposed to *multipillar* systems, based on several parallel, mandatory and voluntary pillars, emerging increasingly on a global scale). As Dumas and Turner (2009: 50) argue, "pensions imply a social contract between the individual and society. … It is well recognized that the welfare states of Europe have rested on an explicit social contract between generations". Now all segments of the welfare state are under new, mostly unheard of before, and mostly financial, pressures.

In addition to financial pressures, however, there are also ideological pressures that come mainly from global financial institutions and international organizations involved in the analysis of the broader public sector services. They tend to disseminate the view – in different countries to different degrees, but most strongly in Anglo-Saxon countries, with Great Britain at the forefront – that the public sector is less efficient than the private sector; that its maintenance costs exceed the social benefits brought by it; and, finally, that it deserves less unconditional social trust combined with an unconditional public funding. This lack of confidence in the public

106 In research, as evident from both data and historical studies of science in the last three centuries, the costs are ever-increasing: as John Ziman (1994: 53) argues, "scientific and technological progress is not merely the outcome of past research: it continually raises the level of resources required for further research. … In spite of all time-saving techniques and labour-saving devices, the sheer cost of producing a recognizable scientific discovery or technological invention steadily increases" A history of rapid, unimpeded growth seems to be over: "ever since modern science 'took off' in the seventeenth century, it has been a growth industry. Knowledge and technical capabilities have not only accumulated steadily: the rate of accumulation has also accelerated over time. The scale of all scientific and technological activities has continually expanded. Every measure of these activities – numbers of people engaged, resources employed, output of published papers and patents, commercial and industrial impact, etc. – seems to have been increasing exponentially for the best part of three centuries" (Ziman 1994: 67).

sector in general is observed in studies on social trust in the representatives of that sector, in the research on the willingness of the electorate to raise the level of personal taxation, and in the research on the level of satisfaction with public services provided by the public sector. So alongside undoubtedly financial pressures – universities have to simultaneously deal with the effects of changes in the beliefs of European electorates (both "welfare attitudes" and "university attitudes"), of key importance for changes in positions of political parties. As Fritz W. Scharpf and Vivien A. Schmidt summarized a decade ago several years of their studies on the welfare state subjected to the pressures of economic competitiveness, pointing to the key role of political choice:

> Welfare states remain internationally viable only if their systems of taxation and regulation do not reduce the competitiveness of their economies in open product and capital markets… . Within these economic constraints, however, the overall size of the welfare state and the extent of redistribution remain a matter of political choice (Scharpf and Schmidt 2000: 336; see also Swank 2002, Swank 2010, as well as van Oorschot and Meuleman 2012)

In this context, one way that globalization has had a major impact on education has been through what Martin Carnoy (1999: 37-46) termed "finance-driven reforms" (as opposed to "competitiveness-driven reforms" and "equity-driven reforms", the main goal of which is to reduce public spending on education and to raise the share of private funds in education spending). We can analyze those trends in the statistical data from the OECD area for the last decade (see the OECD *Education at a Glance* series or recent CHEPS reports on governance and funding reforms across Europe: CHEPS 2010a, CHEPS 2010b, CHEOPS 2010c). As Carnoy argues (1999: 52), the former set of reforms may contribute to the shortage of public resources for education "even when more resources could be made available to education with net gains for economic growth".

Linking economic and social change to changes in how societies produce and transmit knowledge, as Carnoy and Rhoten (2002: 1) argue, is a relatively new approach to studying education. Before the 1950s, comparative education focused mainly on the philosophical and cultural origins of educational systems: the educational change was seen as resulting from changing educational philosophies. In the 1960s and 1970s this view was challenged by various historical studies in which educational reform was situated in economic and social contexts. Today, they claim, it is the phenomenon of globalization that is providing a new empirical challenge and a new

theoretical framework for rethinking higher education: “one point is fairly clear. If knowledge is fundamental to globalization, globalization should also have a profound impact on the transmission of knowledge (Carnoy and Rhoten 2002: 2). And the impact of globalization on the transmission of knowledge is the impact of globalization on, *inter alia*, higher education and educational institutions. Carnoy argues elsewhere (1999: 14) that although education appears to have changed little at the classroom level, globalization is having a “profound effect” on education at other levels. But at the heart of the relationship between globalization and education is the “relationship between the globalized political economy and the nation-state” (Carnoy and Rhoten 2002: 3). This major shift of concern by today’s states is towards economic and global concerns at the expense of social and domestic ones, which makes the state completely different from what Bob Jessop called once “The Keynesian National Welfare State” (Jessop 1999: 348). What it may mean in practice is a shift in public spending and monetary policies: from measures favoring workers and consumers to those favoring (global) financial interests. Or as Carnoy and Rhoten (2002: 3) put it, “globalization forces nation-states to focus more on acting as economic growth promoters for their national economies than as protectors of the national identity or a nationalist project” (certainly, the global financial crisis may turn any firm statement into mere speculations, as we are warning several times in this book).

Consequently, the role of universities seems quite different from these two perspectives: the traditional (modern, national) perspective saw universities as useful instruments for inculcating national identity and the new (post-national, global) one sees universities as (equally useful) instruments in promoting economic growth and boosting national economies.[107] At the same time, the debate on the institutional change in

107 Things seem to have changed from a quantitative rather than a qualitative perspective. As Geuna and Muscio (2009: 102) argue, “universities have always made a significant contribution to economic development; however, the scale of current university research and the increased reliance on knowledge in the production process have created strong incentives for a more efficient way of transferring the discoveries made in academia to the business world. The partially tacit nature of knowledge, the importance of the social capital/networks of connections of scientist and the difficulty involved in pricing knowledge … have complicated the design of a governance structure that creates the right incentives for academics to improve KT [knowledge transfer from universities] without damaging the traditional role of the university as a knowledge producer and a locus of higher education”.

universities today comes as part and parcel of a much wider debate on the institutional change in the public sector today (and state intervention in, or provision of, different, traditionally public, services).[108]

2.4. Conclusions

There are four tentative conclusions. Firstly, traditional relationships between higher education and the state are changing, and the main forces of change are globalization-related (and, in Europe, Europeanization-related). Globalization processes affect the institution of the university mainly indirectly while the processes of European integration affect it mostly directly. The changes are occurring on a global scale, the patterns of transformations are very similar indeed, even though national and regional

108 The key word here is "institutional change". In research literature, there are several basic types of institutional change within the institutional model assumed here (five types in Streeck and Thelen 2005: 18-33, two types in Thelen 2003: 225-230, three types in Pierson 2004: 137-139). We would refer here to four types: institutional displacement (the removal of existing rules), layering (the introduction of new rules on top of or alongside existing ones), drift (the changed impact of existing rules due to shifts in the environment) and conversion (the rules remain formally the same but they interpreted differently, see Mahoney and Thelen 2010: 15-18, Thelen 2003: 225-230). Gradual institutional changes in higher education can be analyzed with the aid of all four types. In the case of Polish transformations, elements of each of the four type of change can be analyzed. In each case, the key element of research is the study of interactions between characteristics of the political (social, economic) context of the institution and characteristics of the institution itself. Different institutional environments coexist with different change agents and types of strategies taken. In the Polish case, an example of institutional layering is the introduction of private higher education to the educational system, alongside public higher education (similar to the introduction of a multipillar pension system alongside a traditional pay-as-you-go system). Each new element in itself may be a small change but small changes may accumulate and lead to large-scale changes, and institutions are subject to permanent social controversy, negotiations, and reinterpretations (Hall 2010: 216-19, see Martens *et al.* 2007, Paradeise *et al.* 2009, Neave and Van Vught 1994). Apart from the focus on more obvious, large-scale institutional transformations, we should focus on the theoretical and empirical analysis of cumulative small changes in the system of higher education in Poland, in a broad context of global and European transformations. The theory of gradual institutional change as a theoretical point of departure is open to modifications and corrections, as well as testing procedures through case studies from various geographical areas and institutional sectors.

differences do exist.[109] Higher education is likely to be strongly affected by these globalization-related processes mainly through the indirect impact of the ongoing transformations to the state. Thus the effects of globalization on the university are to a large extent indirect, via the transformations of the state.[110] As Peter Scott (2005: 47-48) summarized the threats of globalization to universities, there are three immediate threats: the first is the threat "to the exclusive privileges granted to universities by the state – as the providers of higher education", the second is the threat "to traditional patterns of governance", and the third is to the funding of higher education (which we view as the most important throughout this book). As he argues, consistently with arguments in this chapter,

> as the welfare state struggles to preserve core services – for example, in basic education, health, and social security – universities may find that their current funding base is increasingly eroded. … The autonomy traditionally enjoyed by universities, and their consequent semi-detachment from state bureaucracies, have made them especially vulnerable to these new experiments in "semi-detachment" (in other words, reduced availability of state subsidy. The upward pressure on tuition fees in "state" universities is perhaps an example of this phenomenon (Scott 2005b: 48).

Secondly, public higher education worldwide is a much less exceptional part of the public sector than it used to be a few decades ago: either in public perceptions, or in organizational and institutional terms (governance and funding modes), or both. This disappearing – cultural, social, and economic – exceptionality of the institution of the university will heavily influence its future relations with the state which, on a global scale, is increasingly involved in reforming (or thinking about reforming) all its public services

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109 See isomorphism in John W. Meyer's and Francisco O. Ramirez' works over the years; according to them, "the university is a world institution, and that leads to isomorphic changes: educational systems in the world, as time goes on, are getting more and more similar" (Meyer, Ramirez, Frank and Schofer 2007: 193).

110 We are following here Roger Dale in "Specifying Globalization Effects on National Policy: a Focus on the Mechanisms" who argues that while states have retained their formal territorial sovereignty more or less intact, they have all, to a greater or lesser degree, lost some of their capacity "to make national policy independently. … Absolutely central to arguments about the effect of globalization on public services like education is that those effects are largely indirect; that is to say, they are mediated through the effect of globalization on the discretion and direction of nation states" (Dale 1999: 2; on Europeanization, see Dale 2007, Dale 2008a, Dale 2008b, and Dale 2009d).

(see Musselin 2007a, Krücken and Meier 2006, and Maassen and Olsen 2007 on universities as "specific" organizations).

Thirdly, further reforms of higher education in Europe – both in terms of teaching and research – seem inevitable, as the forces behind these changes are global in nature and similar in kind throughout Europe. The forces of change are similar, although their current influence varies from a country to a country, and from the world region to the world region. In Europe, they seem structurally similar, although they seem to act through various "national filters" (Gornitzka and Maassen 2011). The creation of mass higher education is no longer a dominant goal of states and governments as it has already been achieved: there are many other, competing, social needs today, though. And even in the context of "knowledge economies", the knowledge in question does not have to be – although still can be – the knowledge as currently produced and disseminated by traditional public universities, as testified to in a European setting by the documents about the future of the institution prepared for discussion by the European Commission over the last ten years.

And fourthly, it is certainly not enough to understand today that reforms of teaching and research institutions for emergent knowledge societies are definitely needed, in different countries to different degrees; the point is to see why these institutions need to be changed, and why we need to take into account the issues of the state, public services it provides, and the market setting in which they are bound to operate. It is increasingly difficult to understand the dynamics of possible future transformations in higher education without understanding the transformations of the social world today, including transformations to the state in both forms studied in this chapter, the welfare state and the nation-state. And as one of the most striking features of the new world order is its increasingly global nature, neither policymakers nor policy scholars in higher education can ignore the far-reaching (and still undefined) impact of the ongoing transformations of the state on the traditional educational business.

It is hard to imagine that the university could remain an isolated island in a sea of transformations of all other public sector institutions and of the very foundations of modern states. New ideas of functioning of the state indirectly give life to new ideas of functioning of universities – which in Continental Europe have traditionally been heavily, directly or indirectly, dependent on public funding. Another dimension which determines the inevitability of changes of the university sector is demography: the

massification, and in many countries, the universalization of higher education, has a powerful impact on the core academic activities. One can say briefly about European welfare state models: things will never be the same (see Glennerster 2010, Pestieau 2006, Palier 2010a, and Greve 2012). Presumably, the same can be said about the future of European universities, keeping in mind the multi-dimensionality of these transformations, and their powerful embodiment in the cultural traditions of particular nation states and their strong dependence on the pace of changes taking place across the public sector and the long-term financial projections for this sector.

However, the university is eight hundred years old and the modern university is burdened with two hundred years of its history – and its role in the society and the economy continues to grow. Never in its history has the university been so intensively funded, and never before has it had such a huge number of graduates; it has never been cooperating so closely with the economy, and it has never before been such a powerful economic player, powerful investor and large-scale employer. Never in its history has the university been analyzed in so much detail and compared, on a national, regional and finally global, scales. Never before has it been raising such a sustained, both general public's and policymakers', interest (often combined with sustained criticism). The academic community must unconditionally believe that despite the current turmoil, the university as a highly resilient and adaptive institution can go on further even more strengthened – without losing its traditional mission. But, on the other hand, the academic community should not believe that in the face of a radically changing world and its public and private institutional arrangements, only one institution, the university, will remain unchanged. Sharing that believe would be fundamentally naive, and this book, especially in its second part based on large-scale empirical material taken from multi-year, international, comparative research projects, attempts to show some directions of possible changes.

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Marek Kwiek

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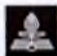
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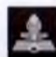
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