1. Investing in higher education: arguments and coping with permanent austerity

The general theme of coping with financial austerity has been very much visible in thinking about the future of both welfare state and (public) higher education, and it has often been accompanied by its twin theme in thinking about the future of social services, namely privatisation. The tight fiscal environment for both the welfare state in general and for higher education in particular continues, and in many countries is even bound to intensify (as Paul Pierson has entitled his influential paper, we face “coping with permanent austerity”, 2001a). In European transition countries, the solutions suggested to higher education systems increasingly include references to such notions as academic entrepreneurialism (in both teaching, research, and third mission activities), financial self-reliance of academic institutions, and cost-sharing (the introduction, or increasing, tuition fees, smaller state subsidies, more student land and less scholarships etc, see Kwiek 2006a, 2006d, 2007a). What is suggested is also bigger workloads for academics and bigger classes for students, contracts for faculty instead of tenure etc. As an EU policy paper influential among policy-makers concludes,

"After remaining a comparatively isolated universe for a very long period, both in relation to society and to the rest of the world, with funding guaranteed and a status protected by respect for their autonomy, European universities have gone through the second half of the 20th-century without really calling into question the role or the nature of what they should be contributing to society (EC 2003b: 22, emphases mine)."

So higher education is no longer isolated from the society and, especially, the economy, its (especially research) funding is no longer guaranteed and its missions are under scrutiny. The solutions suggested are both cost-side and revenue-side, strongly relating the future of public higher education to current financial austerity. Consequently, university missions are being renegotiated, either in theory or in practice (or both), new economic contexts of public universities are increasingly important, following renewed interest in higher education, and new concepts in rethinking higher education are being coined by international and supranational organizations (such as the World Bank or OECD). There is clear convergence of economic and academic spaces in thinking about reforming higher education in Europe (the best exemplification being the subsumption of the Bologna Process under the overall EU Lisbon strategy of more growth/more jobs while creating the most competitive economy in the world, see Kwiek 2004b). Various European countries (and especially transition countries) have been experimenting with the privatisation of various segments of the welfare state, including higher education, healthcare and pension systems. Transformations to higher education are linked here to transformations of the welfare state – which, in turn, are linked to more global economic, social, and political processes. All segments of welfare state seem to be “overburdened” today, and operate under increasing financial pressures. Because of changing European demographics and aging of European societies, the costs of both healthcare and pensions are very high; the costs of research are escalating, and the participation rates in higher education has never been as high as today (although they seem to be stabilizing in many countries on current, very high, levels). Amidst financial austerity, the competition for public funds has been growing. Higher inflow of private funds – both to research and development, to higher education through fees, to pension systems through multi-pillar systems instead of pay-as-you-go ones, and to healthcare through semi-privatisation and private insurance – to the welfare systems in general is happening right before our eyes. Perhaps especially, but not inclusively, in the European transition economies.

Social scientists seem to agree that we are facing the end of the welfare state as we know it. There does not seem to be a major disagreement, broadly speaking, about the future of the welfare state in its current European postwar form: its foundations, for a...
variety of internal and external reasons and due to a variety of international and domestic pressures, need to be renegotiated today. Welfare retrenchment has come to be seen as necessary by the governments of most affluent Western democracies, international organizations (such as the OECD), global organizations and development agencies (such as the World Bank) and the European Commission.

In general, we are experiencing, in different European countries to different degrees, the following phenomena: the increasing privatization and the shrinking of state welfare (which may be compensated for by private welfare – but with a new distribution of risks and uncertainties, as discussed by Giuliano Bonoli, following the Risikogesellschaft line of thinking common to such sociologists as Ulrich Beck, Anthony Giddens or Scott Lash); the reduction in the number of public sector employees; the end of the option of developing the welfare state through creating new public sector jobs (as in Scandinavian countries), including tenured jobs in higher education; generally speaking, taxation and spending models may be becoming increasingly convergent (following the idea of “investor-friendly” or “business-friendly” climates in particular countries), as funding policies may become convergent with respect to higher education (fees and loans); as well as there being no way to avoid a “globally accepted” downward trend in funding public services in general and a global trend which favors the market rather than the state in providing public services in general. So the prospects for the future seem to be that higher education will be increasingly seen as part of the public sector, with its traditional uniqueness lost, with all consequences of this loss. One way to break away from this perspective is to view higher education as an investment, rather than a burden, which is crucial for the development of “knowledge-based” societies and economies or to view higher education through the lens of social capital formation. Martin Carnoy sounds moderately optimistic when he concludes in his book about globalization and educational reforms that his analysis suggests that a major “real” impact of globalization is to change the role of nation-states. Nation-states are becoming limited as direct economic actors and, as a result, are losing political legitimacy. But at the same time, nation-states, and regional and local governments, will depend increasingly for their legitimacy on their ability to create the conditions for economic and social development. In the new global economy, these conditions will depend increasingly on the way the state organizes the education system. Because knowledge is the most highly valued commodity in the global economy, nations have little choice but to increase their investment in education (Carnoy 1999: 82, emphases mine).

The question is whether he means public or private investments. The OECD trends show that the share of private funding in both research funding and education funding has been growing constantly, and at a much higher rate than public funding (in the case of transition countries – especially in the form of tuition fees in both public and private sectors). It is interesting to contrast his arguments with Gösta Esping-Andersen’s arguments against increasing investments in higher education for knowledge-based societies (as opposed to massive investments in children and families with children’). In his view, a knowledge-intensive economy will lead to a new social polarization and new social dualisms. The long-term scenario might very well be “a smattering of ‘knowledge islands’ in a great sea of marginalized outsiders”. To avoid this bleak development, cognitive capacities and the resource base of citizens must be strengthened, through primary and secondary education. On numerous occasions, he recommends massive investment in children, and families with children (e.g. Esping-Andersen 2002: 3). As he argues, the most simple-minded “third way” promoters believe that the population, via education, can be adapted to the market economy and that the social problem will, hence, disappear. This is a dangerous fallacy. Education, training or life-long learning cannot be enough. A skill-intensive economy will breed new inequalities; a full-employment service economy will reinforce these. And if we are unwilling to accept low-end services, it will be difficult to avoid widespread unemployment. In any case, education cannot undo differences in people’s social capital (Esping-Andersen 2001: 134-35, emphasis mine).

The claim shared by many economists, sociologists and welfare analysts is that the limits of public expenditure and taxation have probably already been reached in EU-15 member countries. Investment for the knowledge society is already subject to strong external constraints. Esping-Andersen rightly mentions “the new inequalities and social risks that knowledge-based economies inevitably provoke”, “new winners and losers” and a deepening gulf between those with and without skills. He suggests two ground rules for policy making: one, “we cannot pursue too one-dimensionally a ‘learning society’, a human capital-based strategy in the belief that a tide of education will lift all boats. Such a strategy inevit-
ably leaves the less-endowed behind”; and two, “new social policy challenges cannot be met by any additional taxation or spending as a percent of GDP. We must accordingly concentrate on how to improve the status quo” (Esping-Andersen 2001: 146-47). So the pie will have to be divided up differently. Let us remember here Harold A. Hovey’s discussion of competing welfare programs (and welfare programs competing with other programs such as infrastructure, prisons, police etc) in which higher education has recently been less successful than other claimants of government funding. It looks like the whole traditional post-war slice-cutting of the pie of state funding may have to be renegotiated in Europe. Former winners may be future losers (and vice versa) in the new setting of changing (social and other) priorities, growing inequalities and possibly new ideas regarding what counts most in our societies and what counts less, and consequently new ideas on how to cut the pie differently. We are in a very dynamic situation right now; it is hard to predict future policy directions, especially as they may differ considerably from country to country, or region to region, although some desirable policy mix to meet the requirements of a “competitive, employment-friendly and equitable welfare state” may be defined in advance (Ferrera et al 2001: 114).

There are very few social scientists discussing the issue of higher education and the emergent knowledge society, who believe that globalization may actually encourage increases in spending on higher education from the public purse, at the expense of other programs of the welfare state. One of them is Vito Tanzi (from the IMF) who in his paper on “Taxation and the Future of Social Protection” claims that globalization may create pressures for increased spending for education, training, research and development, the environment, infrastructures, and for institutional changes partly to increase efficiency and partly to comply with international agreements. These expenditures are consistent with the traditional or basic role of the state in its allocation function. Thus, expenditure for social protection, which is a newcomer in the role of the state, could be squeezed between falling revenue and increasing needs for more traditional types of spending. In such a situation, the state will need to rethink its role in the economy (Tanzi 2001: 196).

This approach is very rare indeed. Although theoretically it is possible to claim increases in the share of the public funds for national public higher education systems using the “knowledge-based society” argumentation, in practice it has not worked in any of the major OECD countries or European transition countries so far. The situation of increasing financing higher education recalls that of raising taxes for the sake of raising the standards of welfare provisions: everyone would like to have better public universities but only few are willing to pay higher taxes for this reason (compare the generally supportive attitude towards welfare contrasted with the unwillingness to be taxed accordingly). The option of more public funding for higher education or research and development in Europe in the future is explicitly excluded even by the European Commission.

2. The state/market pendulum: towards state’s changing responsibilities?

The debate on the future of the (public) university today comes as part and parcel of a much wider debate on the future of the public sector (and state intervention in, or provision of, different, traditionally public, services). Certainly in the period of the traditional Keynesian welfare state regimes it was the state – rather than the market – that was deeply involved in the economy and in the protection of nation-state citizens against the potential social evils of postwar capitalism. As the World Bank’s flagship publication on the role of the state (The State in a Changing World) argues, for much of the 20th century people looked to government or the state to do more; but since the 1980s, the pendulum has been swinging again, and the existing conceptions of the state’s place in the world have been challenged by such developments as e.g. the collapse of command-and-control economies or the fiscal crisis of the welfare state. Consequently, today, the countries are asking again what government’s role ought to be and how its roles should be played (World Bank 1997: 17). The state’s behavior and the consequences of that behavior are under severe scrutiny worldwide. The post-war paradigm of the Keynesian welfare state (John Gerard Ruggie’s “embedded liberalism compromise” – a compact between the state and society to mediate the deleterious domestic effects of postwar international economic liberalization, see Ruggie 1982 and 1997) coalesced around three basic themes. It was the social need to provide welfare benefits, the desirability of a mixed public-private economy which would often mean the nationalization of a range of strategic national industries, and finally the need for a coordinated macroeconomic policy directed toward e.g. full employment (World Bank 1997: 22).
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” 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. Still another paradox, largely overlooked except for a handful of Central European social scientists, was that the policies for the ten accession countries, generally promoted and praised in subsequent accession countries’ reports by the European Commission, were not exactly “European” policies rooted in European models of the welfare state with its generally accepted “European social model” ; on the contrary, as Zsuzsa Ferge convincingly demonstrates (and as many of us Central Europeans know very well from policies actually being implemented in the healthcare, pensions and other public sectors’), these policies are largely neoliberal. That is another reason to take the link between the welfare state and higher education seriously in this part of Europe; it is here that educational policies, and consequently the future of public universities, may be going hand in hand with changing welfare policies, as in the traditional World Bank formulation of the “third wave of privatisation” where changes in education follow changes in the two major claimants on welfare state resources: healthcare services and public pensions systems (see Rama 2000; Torres and Mathur 1996).

To refer to an image used by numerous commentators – that of a state/market pendulum: the pendulum had swung from the statist development model to the “minimalist state” model of the 1980s, epitomized by such names as Margaret Thatcher in the United Kingdom and Ronald Reagan in the USA. The countries involved in implementing “New Public Management” and “reinventing government” policies’s squeezed programs in education and health but the result of this “overzealous rejection of government” was, the World Bank admits, the “neglect of the state’s vital functions, threatening social welfare and eroding the foundations for market development” (World Bank 1997: 24). So, after a few years, probably for the first time in the World Development Report of 1997 referred to here, that the World Bank, heavily involved in implementing structural adjustment policies in developing countries, had to admit that the idea of the “minimal state” did not work. It is here that the two crucial passages which show a considerable change in the Bank’s attitude to the state appear: “Development – economic, social, and sustainable – without an effective state is impossible. It is increasingly recognized that an effective state – not a minimal one – is central to economic and social development”, as well as another passage which argues that “State-dominated development has failed, but so will stateless development. Development without an effective state is impossible” (World Bank 1997: 18, 25). Up to World Development Report 1996: From Plan to Market, the ideal for the World Bank had been the “minimal state” . At the same time, for education and healthcare services, the publication introduces a historical relativization of what can, and what does not necessarily have to, be seen as the state’s responsibility.

The state is thus viewed by the World Bank not as a direct provider of growth but a “partner, catalyst, and facilitator” (World Bank 1997: 1). The state should certainly be assisting households to cope with certain risks to their economic security but “the idea that the state alone must carry this burden is changing”. Innovative solutions are needed – which is especially important for those developing countries which are not yet “locked into costly solutions” (of the kind provided by the generous Western-style welfare state, let us add ).

Coming back to the picture of the state/market pendulum, citizens (especially from the developing world) should not look for solutions from the state – but should focus instead on solutions provided by the market. The consequences for the public sector, including higher education, are far-reaching; “although the state still has a central role in ensuring the provision of basic services – education, health, infrastructure – it is not obvious that the state must be the only provider, or a provider at all” (World Bank 1997: 27). An “effective state” can leave some areas to the market and the areas where markets and private spending can meet most needs are “urban hospitals, clinics, universities, and transport” (World Bank 1997: 53). The state should not leave to the market such public goods as clean air, safe water or basic literacy but with respect to higher education it is not obvious that it must be a provider at all… “Choosing what to do and what not to do is critical”, as the idea is nicely phrased in a different passage (World Bank 1997: 3).

New publications on the tertiary education sector in the World Bank carry different overtones though. Constructing Knowledge Societies: New Challenges for Tertiary Education (2002) is very careful in describing a state’s obligations with respect to higher education: obligations include working within a coherent policy framework, providing an enabling regulatory environment, and working towards finan-
cial incentives; the state’s role is guidance rather than steering, in"", "and in the elaboration of a clear vision for the long-term development of the education system on a national level (World Bank 2002: xxii-xxiv). Despite diminished fiscal resources and competing claims from other sectors (see Hovey 1999), governments in the World Bank’s account still have at least three strong reasons for supporting the sector: investments in higher education generate external benefits essential for economic and social development; capital market imperfections make loans largely unavailable to students on a large scale, in a wide range of programs; and finally, higher education plays a key role in supporting basic and secondary education (World Bank 2002: 76). The report does not leave much doubt about the need to adequately finance higher education from the public purse.

Higher education plays a crucial role in the construction of knowledge societies and the rationale for the state support of higher education (within clearly defined limits) is surprisingly strong here. But the differences between the Bank’s major publications and its (somehow niche) publications on the education sector has to be born in mind. A brief note is necessary here: there is a tremendous difference between the Bank’s writings on the state and related issues and its writings on higher education. The difference has been evident from the Bank’s first book on the education sector published in 1994 (Higher Education. The Lessons of Experience) to Constructing Knowledge Societies (published in 2002). There is an interesting incompatibility between the way the Bank in general views the role of the state vis-à-vis higher education, and the way the relationship is viewed by its education sector. Consequently, such flagship publications as subsequent World Development Reports are not compatible in their views on the state/market relationships with most of the books published by its education sector.

3. Competing welfare programs: winners and losers

How is the public funding of education and education spending (as part of social expenditure within the welfare state undergoing restructuring) to be seen as an investment rather than a cost? Paradoxically, the unwillingness or inability of the state to increase the level of public funding for higher education (or in more general terms, to use Philip G. Cerny’s expression, the decreased state’s potential for “collective action”) is accompanied by a clear realization that – in the new global era – higher education is more important for social and economic development than ever before. The United Nations’ report on “globalization and the state” argues that countries that want to benefit from globalization must invest in education, to upgrade their citizens’ skills and knowledge (United Nations 2001: 84). Martin Carnoy (as part of his UNESCO explanation of “what planners need to know” about restructuring higher education under global pressures) concludes that what is needed is a coherent and systemic effort by the public sector – which “usually means more, as well as more effective, public spending” (Carnoy 1999: 86). There is thus an interesting tension between what most education sector specialists and academics dealing with higher education issues say about the future of higher education and what political economists, political scientists or sociologists say about the future of the state, as well as the welfare state and its services in particular, including higher education. There is no easy way out of this apparent paradox and we have to stress its significance. Perhaps this is one of those cracks in the otherwise seamless fabric of globalization accounts regarding the future role of higher education in which some future, unexpected shifts in the relations between the state and the university may take place (Kwick 2007b).

An American perspective on the state subsidy of higher education is relatively simple and its simplicity finds followers in various American and global aid, lending and development agencies. Even though the perspective apparently looks restrictive in its scope for the USA and the developing countries reforming higher education systems under the aegis of various US-led development programs, it is very useful to have a brief look at it (in the context of most countries of Central and Eastern Europe, most often lacking the resources for European models of the welfare state, the exercise of scrutinizing this perspective may be even more rewarding). Harold A. Hovey, director of the National Center for Public Policy and Higher Education, takes as a point of departure the claim that state funding for higher education has always been heavily influenced by a states’ fiscal situation:

changes in state fiscal conditions are often multiplied in their impacts on higher education. When finances are tight, higher education budgets are often cut disproportionately. When financial conditions are good, higher education often receives larger increases than most other programs (Hovey 1999: 1).
Consequently, drawing from an American experience, we can extrapolate the idea to Europe, or at least Central and Eastern Europe, and say that state funding for higher education depends on the overall outlook for state finances. Higher education funding in the EU-15 and in new EU countries is comparable but funding for research and development in the latter is critically low, and increasing slowly or not at all. The projections for the future suggest that the tight fiscal environment will continue, if not intensify, in the coming years. Basically, the situation faced by governments is that of a zero-sum game: gains in share by one program (e.g. higher education) have to come at the expense of other programs, social, infrastructure, and other. Therefore a very important question, largely overlooked in European discussions, should be raised: The underlying question about spending will be whether, at the margin, higher education spending is contributing more than spending at the margin in other programs. This question will be raised in a political dimension with the adverse electoral consequences of cuts in higher education compared with cuts affecting public schools, health care providers, and others active in state politics. The question will be raised in a substantive dimension with the values of improvements in higher education compared with values of improvements in job training, preschool education, preventive health and other programs (Hovey 1999: 17-18).

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

Higher education in CEE countries (as elsewhere) has to compete with other forms of state spending, and the costs of other forms of social needs are growing rapidly; the statistics concerning unemployment rates, access to public health care systems, the level of funding accessible to the elderly through existing pension schemes etc., are clear. And higher education has not been competing successfully with other programs over the last decade in most CEE countries; it is enough to see the data on the generally low (but still decent) public support for higher education and very low and gradually decreasing funding for research and development in many of them (Poland in 2006 ranked the 29th among 30 OECD countries in terms of research funding, with Mexico being the 30th). The American response to the ever rising costs of all government-funded programs results from an awareness that there is basically no limit to potential consumer demand and thus to government costs; “meeting all of the resulting demand is impossible, so governments find ways to limit consumption of what they produce” (Hovey 1999: 28)”. In the case of higher education though (as well as the services of state schools, the police, libraries etc), long tradition holds that it must be offered to all citizens rather than to selected eligible individuals. Consequently, public higher education does not necessarily meet high standards of quality, which drives more affluent or more ambitious “users” into the arms of private sector providers. What is guaranteed by the state is meeting minimum standards. Higher education, to gain a bigger share of government funds, would have to compete successfully against other state-funded programs, regardless of whether taxes are raised (a rather difficult, if not impossible option) or not. As Giuliano Bonoli and his colleagues put it in a European context, “a basic premise of current welfare policymaking is that taxes cannot be raised” (Bonoli et al. 2000: 72). The programs to compete with are socially highly sensitive and in an American context including education from birth through grade 12, programs for the aged (with such major problems as the increasing number of elderly people and the provision of care for the aged), health care (with such major problems as rising costs and costs being shifted to the government – e.g. 45 million people without health insurance), programs for people on low incomes and the safety net, and finally law enforcement. At the same time none of these programs have any interest in being associated with tax increases; the more sensible position is to suggest that a given program be funded by “giving it an appropriate priority in spending decisions” (Hovey 1999: 40). Allocating priority to different programs is a highly political issue in every country; it does not seem to be any different in Europe, or in CEE countries, for that matter21. The
prospects in the future for increasing public funding on public higher education, including public universities, are very low indeed; even documents from the European Commission do not propose such actions either for higher education or for research and development, suggesting instead, as in the case of the “3 percent” goal of national GDPs devoted to R&D activities in EU Member countries by 2010, that private funds contribute to reaching this goal.22

Still another angle to view the future of higher education in the context of the future of the welfare state is to view it through what D. Bruce Johnstone has called “diverging trajectories of costs and available revenues”: which is a function of (1) per-student costs, (2) increasing participation and (often) population growth, and (3) increasingly inadequate government revenue (shrinking tax base) (Johnstone 2007: 1). Viewed from this angle, higher education in several major transition countries, Poland and Romania included, have been consistently turning towards privatisation, both external (new booming private sector) and internal (fee-paying courses offered in the public sector, providing often between 20 and 40 percent of revenues to the public universities, see Kwiek 2007 a, 2007c). If we view privatisation as a “process or tendency of universities taking on characteristics of, or operational norms associated with, private enterprises” (Johnstone 2007: 1), then privatisation of higher education is in full swing in many transition countries. Johnstone finds it useful to look at privatisation as a direction along the continua of several related yet distinct dimensions: from “high publicness” to “low privatness”, with 5 elements under consideration: mission or purpose, ownership, source of revenue, control by government, and norms of management (Johnstone 2007: 2). Certainly, the most difficult to analyze cases are public universities (which are free for regular students) and which charge fees from irregular weekend students and whose revenues from fees can be as high as 40 percent in Poland (or 90 percent in Moldova and Russia, see EUEREK case studies available from www.euerek.info).

4. Renegotiating the postwar social contract? Welfare state in transition

In more general terms, we are facing the simultaneous renegotiation of the postwar social contract concerning the welfare state in Europe and the accompanying renegotiation of a smaller-scale, by comparison, modern social pact between the university and the nation-state (see Kwiek 2005 and 2006a). The renegotiation of the latter is not clear outside of the context of the former, as state-funded higher education formed one of the bedrocks of the European welfare system. It is the overall argument that current transformations to the state under the pressures of globalization will not eventually leave the university unaffected, and consequently it is useful to discuss the university in the context of the current global transformations of the state. The institution of the university seems already to have found it legitimate and necessary to evolve together with radical transformations of its social setting. For in the new global order, against the odds, universities are striving to maintain their traditionally pivotal role in society. The role of universities as engines of economic growth, contributors to economic competitiveness and suppliers of well-trained workers for the new knowledge-driven economy is being widely acknowledged. But it is undoubtedly a radical reformulation of the traditional social roles of the university. The main reasons for these transformations of the university include the globalization pressures on nation-states and its public services, the end of the “Golden age” of the Keynesian welfare state as we have known it, and the emergence of knowledge-based societies and knowledge-driven economies.

More generally, the processes affecting the university today are not any different from those affecting the outside world; under both external pressures (like globalization) and internal pressures (like changing demographics, the aging of societies, maturation of welfare states, post-patriarchal family patterns etc), the processes in question are the individualization (and recommodification) of our societies and the denationalization (and desocialization) of our economies. On top of that, we are beginning to feel at universities the full effects of the universalization of higher education and the increasing commodification of research (Kwiek 2006a).

Off-loading the state through increasing private income for public universities and keeping the competition between public and private providers in education is a regional variation in CEE countries of the global theme of privatisation in higher education. We are witnessing the pressures of global forces on both national policies with respect to the welfare state and on national budgets accompanied by the ideas (and ideals) of the “minimalist” – or, more recently, “effective”, “intelligent” etc. – state with smaller social duties than the West under post-war welfare systems was familiar with. These pressures are even more direct in CEE where the need for wel-
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Welfare services reforms may be (economically) more urgent than in Western Europe. In the case of higher education, the emergence of private providers fits neatly into the picture. Other examples include multi-pillar pension schemes being introduced in many countries of the region and the (sometimes partial) privatization of healthcare services (see Adeyi et al 1997, Berman 1998, Girouard and Imai 2000). We are witnessing more general attempts at a reformulation of the post-war social contract which gave rise to the welfare state in its various European forms. In CEE, the social contract, including the question which social benefits are available for citizens (or more often, for working citizens) and which are not, on what terms and conditions, needs to be substantially re-written as the social setting provided by communism does not exist any more. What made a big difference between CEE and Western Europe was the fact that communist “welfare state” (if it is not a contradiction in terms) clearly assumed no difference between the social and the economic: the economic role of most workplaces was smaller than their welfare role (on the socialist welfare state, see Wagener 2002: 154 ff). Today, this difference is gone. And there is a growing private sector in higher education in several transition countries, growing private (or semi-privatized) healthcare sector, a well-present private sector in pensions systems (both mandatory second pillar and fully optional third pillar), and growing number of private health insurance available amidst generally declining public healthcare institutions.

Many political scientists stress the idea that the economic space of the nation-state and national territorial borders no longer coincide. Good examples here are such authors as Fritz Scharpf, director of the Max Planck Institute for the Studies of Societies in Köln or John G. Ruggie of Harvard University. 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. 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 2000: 254). 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 2000: 255). The social contract which had allowed the nation-states in advanced capitalist countries to be accompanied by a welfare state originated right after the Second World War. With the advent of globalization, it is eroding, though, to different extent in different countries. The compact between state and society in postwar Western European territorially-bounded national democracies was intended to mediate the deleterious domestic effects of postwar economic liberalization. In postwar CEE countries under communism, the fundamental distinction between the social and the economic was abolished; one of major post-1989 social shocks – resulting often from different variants of “shock therapies” – was the return to basics in welfare thinking in which the distinction is crucial (Wagener 2002: 156, Sachs 1994: 267-269). The privatization of the educational sector in selected CEE countries – especially in its more evident variant of booming new private institutions – fits nicely into the new picture of smaller social responsibilities of the state, and more individual responsibility of the individual for his or her future (be it near future as in the case of higher education, or more distant future as in the case of more individualized, fully-funded pension schemes being introduced regionally instead of the traditional pay-as-you-go systems, see Taschowsky 2004, Guardiancich 2004). The individual comes first; but also the individual, increasingly, pays first. This postwar compromise in Western Europe assigned specific policy roles to national governments – which governments are increasingly unable, or unwilling, to perform today. One of the indirect effects of globalization is its impact on the ability of the state to “live up to its side of the postwar domestic compact” (Ruggie 1997: 2). The emergence of global capital markets posed entirely new policy problems. The existing systems of supervision and regulation, systems of taxation and accounting, were created for a “nation-based world economic landscape” (Ruggie 1997: 2). Economic policies are becoming increasingly denationalized and the state is increasingly unable, or unwilling, to keep its promises from the Golden Age of the welfare state. And the welfare state has traditionally been one of the main pillars in the appeal of nation-state construction.
The power of the nation-state, and the power of the loyalty of its citizens, has rested on a firm belief in (historically unprecedented) welfare rights. When the Keynesian welfare state was formed, the role of the state was to find a fair balance between the state and the market – which had fundamentally transformed postwar social relations in all the countries involved in this social experiment (and now we are experiencing what Ulrich Beck called (in World Risk Society) a “domino effect”: “Things which used to supplement and reinforce one another in good times – full employment, pension savings, high tax revenue, leeway for government action – now tend mutatis mutandis to endanger one another”, Beck 1999: 11). The 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. In the approach many political scientists, exemplified here by Scharpf and Ruggie, the impact of globalization on the nation-state is through undermining the founding ideas behind the postwar welfare state: through liberalization and the opening up of economies, nation-states begin to lose their legitimacy provided, in vast measure, by a social contract valid only in closed, national economies.

With the increasing speed of Europeanization, there are new constraints on European welfare states, especially those from the Eurozone. The advance of economic integration in a recent decade has greatly reduced the capacity of member states “to influence the course of their own economies and to realize self-defined sociopolitical goals”, as Scharpf claims in his paper on the European social model (Scharpf 2002: 4). National monetary policies have been replaced with ECB interest rates and there appeared what he calls a “fundamental asymmetry” between policies promoting market efficiencies and policies promoting social protection and equality. Economic policies became Europeanized while social protection policies stay at the national level. The rules of the Internal Market and the Monetary Union, with its Stability and Growth pact, leave national governments much less room for maneuver. In transition countries, especially in the 1990s, there was a strong influence of the Washington Consensus institutions – through political pressure and aid and loan conditionality (the distinction between “ideology”, “patronage” and “best practices” being often blurred, see for the Western Balkan countries Bateman, 2003; Guardiancich 2004). Compared with Western European trends, some CEE countries have gone much farther down the road of neoliberal reforms of – especially – pension systems. The ideas derived from the fundamental 1994 Averting the Old Age Crisis World Bank book were subsequently implemented in such diverse transition countries as Poland, Bulgaria, Croatia, Estonia, Hungary, Latvia, Slovakia, Macedonia, Romania, Ukraine and Uzbekistan, in different variants. To date, 31 countries have implemented some type of personal accounts as part of their mandatory retirement income systems (see Kritzer 2005). For most CEE countries, the social security reform was not the priority in the first wave of reforms; it was only in the second half of the 1990s that especially pension reforms became unavoidable as the pay-as-you-go traditional systems were consuming enormous percentage of GDP (Poland establishing perhaps a world record in 1996 by spending 16 percent of its GDP on pensions, see Holzmann 2004: 3).

The economic stagnation which started in the second half of the seventies in Europe was perhaps the first symptom that the welfare system in the form designed for one period (the post-war reconstruction of Europe) might be not be working in a different period. The social conditions had 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 was changing; closed, national economies with largely national competition for investment, goods, products and services were becoming internationalized; the marriage of the nation-state and the welfare-state was under pressure, etc. The social agenda of the eighties and nineties changed radically: after the policies of the golden age of expansion, European welfare states have been shaped by what Paul Pierson, a Harvard-based political scientist, termed politics of austerity (Pierson 2001a).

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

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the enrollment levels at the forefront: to give a Polish example: the number of students increased from 400,000 in 1990 to almost 2,000,000 in 2006, about 33 percent of which are enrolled in 317 private institutions. The capacities of the public sector has not changed dramatically in the period: both the number of faculty and educational premises available have been at roughly the same level. New students used the avenues available to them through the process of privatisation: they either entered fee-paying part-time studies in the public sector or fee-paying studies in the emergent private sector. Relatively liberal legislation regarding the private sector, accompanied by genuine interest of the public sector faculty in both running fee-paying weekend studies and creating out of scratch the private sector made possible this impressive transformation of Polish higher edu-
cation.

Seeing higher education policies in isolation from larger welfare state policies would be assuming a short-sighted perspective: higher education is a signif-
ificant (and often significantly fund-consuming) part of the public sector and a part of the traditional welfare state that is right now under severe pres-
dures, even though they may not be as strong as pres-
dures on the two main parts of it, healthcare and pen-
sions. In more theoretical than practical terms, these phenomena had their powerful impact on thinking about public services, including public higher edu-
cation, in CEE. The theoretical impact was already translated into changed national legislation in the case of the pensions reform and health care reforms at the end of 1990s\textsuperscript{27}.

5. Conclusions

The future of the welfare state in its traditional Euro-
pean forms, and of its services, including public higher education, looks roughly similar all over Europe (exceptions include such small countries of advanced information economies as e.g. Finland, see Castells and Himanen 2002). Unfortunately, most lines of argumentation point in the same direction, even though the concepts used may be different. The story gets even more homogenous if we leave the domain of affluent Western democracies which have inherited their welfare provisions from the “Golden age” and pass on to most developing countries and the European transition countries. In this new con-
text, many discussions about welfare futures seem academic: what they shyly predict for affluent democracies is in fact already happening in transition eco-
nomies; happening in full swing, with almost no other policy options being considered; sometimes with no other options being supported, championed or acclaimed by these very same affluent democracies. There is certainly a lot of social experimenta-
tion with respect to welfare going on in the transition countries. It could even be argued that the future directions of welfare transformations in Western democracies are being experimented with to various degrees of success in transition countries; in some areas, like pensions reform with the three-pillar model designed by the World Bank and applied in some Latin American and European transition coun-
tries, this intention even happens to be formulated explicitly. Nowadays, as the reduction of the welfare state in general progresses smoothly (and mostly in an unnoticeable manner e.g. through new legis-
lation) in most parts of the world, social contracts with regards to most areas of state benefits and state-funded services may have to be renegotiated, significa-
cantly changing their content. In many respects, higher education (in transition countries and elsewhere) seems to be an experimental area and a testing ground on how to reform the public sector in many countries and for many organizations; both higher education, healthcare and pensions systems are being experimented with, both in theory and in practice\textsuperscript{18}. The end-products of these experimentations are still largely hard to predict.

1) Paper presented at the seminar “Geographies of Knowledge, Geometries of Power: Higher Education in the 21st Century”, Gregynog, University of Wales, January 18, 2006, at the invi-
atation of Rosemary Deem, and, reworked, at the PRESOM (Privatisation and the European Social Model) seminar at Berlin School of Economics, October 6, 2007, at the invita-
tion of Wolfgang Blaas.

2) Although it has to be remembered that, as Martin Carnoy put it, “objective data in the economic, demographic and social spheres have greater or lesser impact as focus for welfare retrenchment according to the way they are politically inter-
preted and accepted in the country’s policy-making process” (Carnoy 1999: 153).

3) In his 2001 report to the Belgian Presidency of the European Union (A New Welfare Architecture for Europe?), Esping-
Andersen argues that vocational training and increased parti-
cipation in higher education are unlikely, by themselves, to solve the problems caused by a fall in the demand for low skill labour: “If fighting social exclusion through employ-
ment remains the principal policy goal of the European soci-
al model in the early 21st century, the learning offensive will have to be complemented with strategies of raising employ-
ment opportunities for low skill workers through other means” (Esping-Andersen et al. 2001: 230).

4) Let us remember here an interesting distinction drawn in a European Commission communication on Investing Effi-
ciently in Education and Training between the “knowledge rich” and the “knowledge poor”. As the document argues, “with an increasing premium on skills, the polarisation bet-
 tween the knowledge rich and the knowledge poor puts strains on economic and social cohesion. … An important challenge
is to develop education and training throughout life in such a
way that change and restructuring in the economy have no
adverse effects on social cohesion” (EC 2003a: 8).

5) Such a desirable policy mix is defined by Ferrera, Hemerijck
and Rhodes in “The Future of Social Europe: Recasting Work
and Welfare in the New Economy” in the following way: “a
robust macroeconomic policy; wage moderation and flexibili-
ity (achieved where possible within broader ‘social pacts’);
employment-friendly and efficient tax social policy; labour
market ‘flexicurity’ [secured flexible employment]; and new
methods of tackling poverty and social exclusion” (Ferrera et
al 2001: 115).

6) Thinking of the emergent European Research Area, let us
remember briefly the European Commission’s views: “it is
very important to realise that the largest share of this deficit
stems from the low level of private investment in higher edu-
cation and research and development in the EU compared
with the USA. At the same time, private returns on invest-
ment in tertiary education remain high in most EU countries”.
Consequently, the thesis of the communication on Investing
Efficiently in Education and Training: an Imperative for
Europe is that “faced with relatively low private investment
levels and high private returns on university education, the
main responsibility of authorities is not only to continue to
provide higher education institutions and students with a suf-
cient level of public funding, but also to find ways to add to
it by increasing and diversifying private investment in higher
education”. What is needed is therefore a “combination of
targeted public investments and higher private contributions”
(EC 2003a: 13, 15, emphasis mine). What is even more sig-
nificant, is the recent shift in thinking about students fees,
until 2006 clearly excluded, today viewed as a possibility to
be reconsidered by national governments.

7) Formally speaking, the European Social Model has not been
defined as such in any single place. The Treaty of Amsterdam
in 1997 includes a Social Chapter, and the “Charter of Fun-
damental Rights of the European Union” adopted at Nice in
2000 includes an important chapter on “Solidarity”. It is evi-
dent that in practice the acquis communautaire of the EU
does not include the social acquis, though. See especially
Ferge 2001a, 2001b.

8) In CEE countries, in general terms, there is no social contract
to renegotiate and welfare provisions need to be defined from
the very beginning. 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 so that eased by social protection measures, an
already “dismantled” welfare state may be built along neo-li-
beral lines in CEE countries without actually renegotiating
the postwar European social contract – which was absent
there. Ideologically, there is an important difference between
the potential dismantling of the welfare state (in Western
Europe) and the actual dismantling of the remnants of bure-
aucratic welfare from the ancient regime (in Central and
Eastern Europe). It is extremely interesting to draw parallels
between Paul Pierson’s (1994) description of welfare state
retrenchment in the United Kingdom and the US (in the times
of Reagan and Thatcher) and the ongoing welfare reforms in
selected countries of the CEE (Poland being a natural and
well-researched candidate). Christiane Lemke seems to have
been wrong when stating that the applicant countries had to
adapt to the rules and regulations of the EU, “including the
social acquis”, as well as that the idea of European-wide soci-
al standards “gained a higher profile” (Lemke 2001: 14).
Unfortunately, the European social acquis, from the perspec-
tive of one year after Enlargement, seems unattainable.

9) Ferge finds the neoliberal tendency dominant in CEE coun-
tries. It is “practically ubiquitous” and “seems to be dictated
by concerns allegedly related to globalization pressures. Its
hallmarks are the will to deregulate all markets, the labour
market included; the drive to lower direct and indirect labour
costs; and the privatization and marketization of former
public goods and services resulting in a smaller state. These
efforts are underpinned by a forceful rhetoric about the
need to end ‘state paternalism’, and to strengthen self relian-
ce and self-provision” (Ferge 2001a: 129-30).

10) Peter Evans in his paper on “The Eclipse of the State? Reflec-
tions on Statelessness in an Era of Globalization” (1997) also
refers to the hypothesis of “the return of the ideological pen-
dulum” but emphasizes that it need not sanction a return to
the past and that it can be easily conflated with a return to
“embedded liberalism”: “States took on more than they could
handle during the period following World War II. Dealing
with the capacity gap clearly required rethinking the state’s
role. Readjustment was necessary, and overzealousness in
reducing the state’s role, natural. The return of the pendulum
need not sanction a return to the past, but it would legitimate
new efforts to turn states into effective instruments for the
achievement of collective goals” (Evans 1997: 83).

11) The implementation of both sets of policies was accompanied
by the introduction of a new set of terms and expressions such
as e.g. downsizing or right sizing; lean and mean; contracting
out, off-loading or outsourcing; steering rather than rowing;
empowering rather than serving; earning rather than spen-
ding; such slogans as “let managers manage” or “manage-
ment is management” etc. The idea was to see no difference
beyond the manner in which public affairs and private enter-
prise ought to be run – to conduct public affairs, as far as pos-
sible, on business principles (United Nations 2001: 38).

12) With respect to both the UK and USA, it is useful to see how
Paul Pierson conceptualizes the processes of welfare state
retrenchment in his Dismantling the Welfare State? (1994),
though without much reference to the education sector; for
the developments in the education sector, see e.g. Sally Tom-
linson’s Education in a Post-welfare Society (2001). Dealing
with the capacity gap clearly required rethinking the state’s
role. Readjustment was necessary, and overzealousness in
reducing the state’s role, natural. The return of the pendulum
need not sanction a return to the past, but it would legitimate
new efforts to turn states into effective instruments for the
achievement of collective goals” (Evans 1997: 83).

13) It is still unclear to what extent structural adjustment policies,
programs and conditionalities are still imposed in their most
rigid forms by the IMF in the developing world (the work of
the World Bank is closely tied to that of the IMF – without the
endorsement of the Fund it is not possible to enter into nego-
tiations with the Bank, as Carlos Alberto Torres reminds us in
his paper on “The State, Privatisation and Educational Policy:
A Critique of Neo-Liberalism in Latin America and Some
Ethical and Political Implications” (Torres 2002: 374).

14) As already mentioned, the role of government in producing
and distributing goods and services must “shrink dramatical-
ly”, it must mostly “facilitate private activity”, and what is
needed in most general terms is a “wholesale reinvention of

15) The picture is clear, as are the recommendations that can be
drawn from it, especially for developing countries: “[i]there is
a growing recognition that in many countries monopoly
public providers of infrastructure, social services, and other
goods and services are unlikely to do a good job. . . . It is now
well established that the state can help households to cope
with certain risks to their economic security. . . . But the idea
that the state alone must carry this burden is changing. . . . Inno-
vative solutions that involve businesses, labor, house-
holds, and community groups are needed to achieve greater
security at lower cost” (World Bank 1997: 4-5).

16) The “end-of-history” mood captured by Francis Fukuyama in
his The End of History with respect to the public sector has
been summarized by some commentators in the following manner: “The collapse of European regimes...has fostered a wider disillusion with all publicly owned and funded institutions. Any public organization, whatever social benefit it aims to provide, is for the moment tarnished with the brush of intervention in the free market environment. There is a quiet suspicion that all such institutions are somehow doomed, or at least doomed not to be successful” (Smith and Webster 1998: 5, emphasis mine). To give a local example: the initial enthusiasm with which private higher education institutions were being opened at the beginning of the 1990s in several Central and East European countries (most notably in Poland, Romania and Estonia) was accompanied by the motive to follow new (academic and economic) paths, independent of (any) state interventionism.

17) As Cerny argues, globalization leads to a “growing disjunction between the democratic, constitutional and social aspirations of people – which continue to be shaped by and understood through the framework of the territorial state – and the increasingly problematic potential for collective action through the state political process” (Cerny 1995: 618). We are especially concerned here with those “social” aspirations which include all the services and benefits characteristic of the (Bob Jessop’s) “Keynesian National Welfare State” (certainly including higher education).

18) Especially that, as Zsuzsa Ferge and others show, “the EU suggestions for some reforms of social security may steer these countries in a more American than European direction” (Ferge 2001b: 1). Based on a careful reading of the Accession Reports from the Community to the ten applicant countries, Ferge finds a “hidden policy agenda” there: “the Union has a different social security agenda for the accession countries than for the EU members. ... there seems to be a hidden agenda for the applicant countries not quite in line either with the European model or with the subsidiarity principle. The hidden agenda suggests to the accession countries measures contrary to the European model, such as the privatisation of pensions and health, or the cutback of already low social expenditures” (Ferge 2001b: 1, emphasis mine). Her conclusions are clear-cut: “The implicit model for Central Eastern Europe which in many cases is dutifully applied is different from the European model as we knew it, and close in many respects to the former Keynesian i.e. state variant of welfare. This is a crucial point because, as Giuliano Bonoli, Vic George and Peter Taylor-Gooby remarked in passing, without actually developing the idea, “while globalization had a constraining influence on non-state welfare providers. The OECD report, The Welfare State in Crisis, had already stated 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).

19) The major difference from the redistributive side of government policies between Europe and the US is that European governments redistribute income among their citizens on a much larger scale; European social programs are much more generous and European tax systems are more progressive. While European countries provide more public welfare than the United States, Americans engage in more private provision of welfare (e.g. charity) than Europeans do (see Alesina et al. 2001).

20) “Tax competition” in more or less disguised forms seems unavoidable in the increasingly open economies in which there are less and less protective trade barriers. Globalization will make it increasingly difficult for countries to have tax levels that are substantially above those countries with which they compete (see Camdessus 1998).

21) One thing is certain, though: “There is complete agreement among researchers studying the post-socialist transition that one key task ahead is radical reform of the pension system, health care, provision for children and the aged, social assis-
28) The biggest empirical evidence for the direction of changes in the transformation of the public sector are various “structural adjustment” programs in developing and transition countries which require the states taking 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.

References


KWIEK, MAREK (2006b), “Academic Entrepreneurship vs. Changing Governance and


