Both welfare states and universities are currently changing under adverse financial conditions caused by an array of interrelated and mutually reinforcing forces, and their long-term financial sustainability is at stake across Europe. However, the problems of sustainability did not start with the financial crisis of 2008 - they had been growing since the 1970s (Bonoli and Natali, 2012; Hay and Wincott, 2012; Schafer and Streeck, 2013). Nor should financial austerity be seen as an exclusively post-crisis phenomenon. As a concept, it was used in welfare state research at least a decade earlier, although it does not seem to have been used in higher education studies until recently. As Paul Pierson emphasized at the turn of the century,

Signs of strain are everywhere. The struggle to balance budgets is unending, even as many governments cope with levels of debt unprecedented in peace-time... . Despite their striking resilience over a quarter-century of crisis’, welfare states are widely held to be under siege. (2001a: 80)

The welfare state now faces a context of essentially permanent austerity. Changes in the global economy, the sharp slowdown in economic growth, the maturation of governmental commitments, and population aging all generate considerable fiscal stress. There is little reason to expect these pressures to diminish over the next few decades. If anything, they are likely to intensify. (2001b: 411)

Indeed, thinking specifically about universities, ‘signs of strain’ are everywhere, and ‘permanent austerity’ determines their daily operations and institutional strategies for the future.

The welfare state is a ‘particular trademark of the European social model’ (Svallfors, 2012: 1), ‘the jewel in the crown’ and a ‘fundamental part of what Europe stands for’ (Giddens, 2006: 14), as are tuition-free universities, the cornerstone of intergenerational social mobility in Continental Europe (Kwiek, 2015c). The past trajectories of major types of welfare states and of universities in Europe tend to go hand in hand: first,
vast expansion following World War II, and especially in the 1960s and 1970s, and then a state of permanent, resource-driven and legitimacy-based crisis’ in the last two decades. Welfare states and universities, two critically important public institutions, seem to be under heavy attack from the public, the media and politicians. Their long-term sustainability is being questioned, and solutions to their (real and perceived) problems are being sought at global, European and national levels. Despite vastly different national circumstances - welfare state regimes and universities being born in different national contexts (see Kwiek, 2005, on Central Europe; Christensen et al., 2014, on the Nordic countries) - both of these public institutions have been operating under increasingly adverse financial conditions and exposed to large-scale systemic reforms across both Western and Eastern Europe (Stensaker et al, 2012; Zgaga et al., 2015).

This chapter is not about reforms and their current and future directions in the public sector, though. It is about increasing internal competition between major components of the widely understood welfare state architecture as it has emerged in the last half century: in particular, between old-age pensions, health-care systems and higher education and academic research as major claimants to the public purse. The competition is not only for public funding, although the financial dimension of ongoing transformations is of paramount importance (Kwiek, 2015b), but also for the place these three public institutions hold in the global, European and national social imagination. The assumption of this chapter is that public institutions cannot thrive without powerful supportive discourses concerning their social roles. When these discourses - which provide social legitimation combined with public funding - weaken, institutions weaken together with them. I focus on an ongoing and still largely latent struggle between major public institutions, with some predictions about its outcome.

Historically, the welfare state after the ‘Golden Age’ of the 1960s and the early 1970s entered an era of austerity that forced it ‘off the path of ever-increasing social spending and ever-expanding state responsibilities’ (Leibfried and Mau, 2008: xiii). Similarly, public higher education and research in Europe stopped being a permanent ‘growth industry, and the ‘expansive regime’ in science of the post-World War II period, with the rate of accumulation steadily accelerating over time, was replaced with a new regime that John Ziman termed ‘science in a “steady state”’ (1994: 67 and 90). Europe has been struggling with the long-term consequences of both processes in both sectors for several decades now, with a varying pace, nature and depth of change in different countries. The ever-expanding ‘endless frontier’ in science promoted by Vannevar Bush (1945) is no longer with us, and in the last two decades universities have been exposed to large-scale reform attempts, as widely analysed in higher education research (see especially recent collective volumes on reform dynamics in Europe: Enders et al., 2011; Kwiek, 2015a; Schuetze et al., 2012; Stensaker et al., 2012; Zgaga et al., 2015).

**From ‘national glue to ‘national wealth’**

I assume, following John S. Dryzek’s theory of institutional design (1996; see also Goodin, 1996), that ‘no institution can operate without an associated and supportive discourse (or discourses). Discourses may best be treated as institutional software’;
furthermore, ‘society’s discourses are intertwined with its institutions’ (Dryzek, 1996: 104 and 103). Institutional design - or reform-related changes in public institutions - results from ‘reshaping the constellation of discourses in society’ (Dryzek, 1996: 104). Both welfare state and universities are highly dependent on their supportive discourses, as they are highly reliant on public funding and highly sensitive to changing relationships with their environments - and as their discourses are under constant global construction and global renegotiation.

Historically, the power of the modern university over the last 200 years resulted from the power of the accompanying (supportive) discourse of modernity in which the university held a central, highlighted, specific (and carefully secured) place in European societies (Kwiek, 2006: 139-270; Kwiek, 2013: 107-90; Rothblatt and Wittrock, 1993; Wittrock, 1993). Modern universities as knowledge-producing institutions were born together with the nation state (and its nineteenth-century industrialism). Bjorn Wittrock, in his historical essay about the modern university, wrote that ‘universities form part and parcel of the very same process which manifests itself in the emergence of an industrial economic order and the nation-state as the most typical and most important form of political organization (1993:305). The modern university was producing national glue and national consciousness, holding together emergent European nation states. The idea of a research-oriented university was born in the minds of German Idealist philosophers (Kwiek, 2006: 81-138) and still captures the imagination of European societies, recently reinforced by the idea of nationally located world-class universities. Keeping the institution’s high position in the future social, cultural and economic architecture of European nations requires a strong supporting discourse to sustain - if not increase - public confidence, without which it is hard to maintain a high level of public trust (and public funding).

The struggles over the future forms of such public institutions as the university are also, perhaps above all, the struggles over discourses legitimizing their social, cultural and economic standing. In the last decade, those struggles have intensified and for the first time become global, with ever stronger engagement of international and transnational organizations and institutions (see ‘international incentives for national policymaking’, in Martens and Jakobi, 2010, and ‘internationalized education policy’, in Jakobi, 2009). To a large extent, the future of European universities and the level of their public subsidization will depend on the social and political acceptance of new legitimizing discourses currently being produced about them. These discourses are being produced especially at supranational levels and increasingly accepted in national policymaking communities across Europe, albeit with stronger or lighter ‘national filters’ or with an interplay between ‘global reform scripts’ for universities and their regional ‘epistemic and normative “counterscripts”’ (as explored in the Nordic context by Christensen et al., 2014: 45).

Widely accepted supportive discourses for public universities seem to be still in the making, amidst transformations of their environments (Valimaa and Hoffman, 2008). From a longer historical perspective, despite strong academic reluctance across the globe, it might be the case that ‘science must be expected to keep up with the times’ and that the only arguments to carry any weight for the expansion of science may be those that emphasize its ‘promise of future wealth or other tangible benefits’
(Ziman, 1994: 84 and 85), hence, in more current parlance, the increasing popularity in European policy circles of the knowledge economy discourse (for research) and the private goods logics (for teaching).

Major questions about the future of the university are parallel to those about the future of the welfare state. As Pierre Pestieau expressed it elegantly in the context of the latter: ‘the key issue is to figure out what we really want. Do we want the welfare state as it is, a market economy with no social protection, or a market economy with protection provided by the private sector?’ (2006: 67). ‘What we really want’ in his formulation means, in various national circumstances, powerful supportive discourses resulting from various interrelated factors. Regarding the university of the future we need to know what we want and need to promote in society and the ideas that explain why we want it. We also need to make sure this voice is strong - as there is direct competition with other voices in favour of other social needs (Kwiek, 2015b), and as there are competing supportive discourses in favour of something else - something much less in favour of universities or in favour of universities being conceived of (and, especially, governed and funded) differently than we academics conceive them. The core of this strong voice conveying an academic message should be, in my view, increased institutional autonomy combined with at least maintained, and hopefully increased, levels of public funding. Public universities in Continental Europe need substantial public funding to continue their missions - and this message needs continued justification. To refer to John Ziman again, ‘Any activity requiring a total layout of several percent of the national GNP is in serious competition with other desirable items of public or private expenditure, and has to be justified in that context’ (1994: 83).

In any competition there are always winners and losers, and the outcome of the cross-generational and intranational competition to be at the top of publicly funded social priorities is unpredictable. Financial, ideological and electoral pressures on the reconfiguration of spending priorities are bound to intensify across Europe. In Central Europe, they emerged in the 1990s due to financial austerity experienced following the collapse of communism in 1989 (Kwiek, 2007), and the institution of the university was among the losers. Its supporting discourse was far too weak - and its access to public funds was not viewed as a social priority (Kwiek, 2012), with long-term negative implications.

From expansion to steady state’ to ‘permanent austerity’

In the post-war period, there was no explicit internal competition between different social needs and the various components of the welfare state. Booming higher education and academic research were not in direct competition with expanding pension and health-care systems at that time. (In the expansion period, universities were also in much less competition internally, while in the current period, ‘project is weighted against project, programme against programme, and field against field, according to criteria that are heavily influenced by political or commercial priorities’, as Ziman (1994: 84) suggested two decades ago.) Public funding for the three sectors was substantial, and the pillars of favourable social attitudes to them were solid. National piles
of tax-derived public funds available were expanding. However, ‘growth industries’ can always slow down or stop for financial, ideological and electoral reasons. And in times of financial austerity - lasting for at least two decades now, and intensified since 2008 in Europe - social configurations in which various public institutions function can be radically redefined, with unpredictable implications for the future.

The stagnation which started in the mid-seventies in Europe was perhaps the first sign that the welfare system in the form designed for one period (i.e., the post-World War II reconstruction of Europe) might be not be working in a different period. As Gosta Esping-Andersen, a pioneering figure in European welfare studies, put it, ‘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’ (2001: 138). The post-World War II social contract was related to an industrial economy in a period of considerable growth; the male breadwinner model of work; and closed, national economies with largely national competition for investment, goods, products and services (see Kwiek, 2005). Since the seventies, the marriage of the nation state and the welfare state has been under powerful internal and external pressures. As Alex Dumas and Bryan S. Turner (2009: 49) point out, from a longer historical perspective, ‘old age and retirement are products of the demographic transition (from high to low fertility and increased life expectancy) and industrialization’. Consequently, 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 Pierson’s concept of ‘permanent austerity’ (2001b).

The post-World War II period of growth in higher education in Europe coincided with the development of post-war welfare states across the Continent. Massification processes in European higher education were closely linked to the growth and consolidation of European welfare states. Currently, while massification processes in higher education are in full swing across Europe, welfare states are under the most far-reaching restructuring in their post-World War II history (Bonoli and Natali, 2012; Connelly and Hayward, 2012; Hausermann, 2010; Hemerijck, 2013; Palier, 2010). Furthermore, European welfare states may be at risk of becoming a crisis casualty in the cascade of violent economic, social, and political aftershocks, unleashed by the global financial crisis’ (Hemerijck, 2013: 1). In more general terms, the aftermath of the global financial crisis may mark a ‘stress test’ for the whole construction of the welfare state in Europe (Hemerijck, 2013: 68).

Or, as Peter Starke and colleagues argue in their study of policy responses to economic crisis across Europe, ‘a huge pile of public debt restricts the room for manoeuvre, and makes even some conventional state functions appear like luxuries. Austerity is bound to remain the guiding force in years to come and painful cuts are the only thing left to be distributed’ (2013: 2). The current restructuring of the foundations of the welfare state may change the way both policymakers and European societies view higher education. The financial dimension of ongoing changes in both the welfare state and higher education seems crucial, especially as the total costs generated by welfare state components, as well as each of them separately, cannot be easily reduced.
‘University attitudes’ and ‘welfare attitudes’: social legitimacy and public funding

Universities (and all public sector services) are not only heavily dependent on the public purse, or on the national financial context in which they are embedded, but also - of interest to me here - heavily dependent on the social fabric in which they are embedded. They are closely linked in individual countries (traditional nation states) to their usually shrinking tax base, or at least the tax base increasingly insufficient to mounting social and infrastructural needs. They are also closely linked to weak or strong social ‘attitudes’, expressed in larger weak or strong social supportive discourses.

Historically, the tax base for the components of the welfare state was in place. Moreover, social attitudes were highly favourable and supportive discourses were powerful. From the beginning of the modern European university in the early nineteenth century, the high social and economic standing of the university has remained unchallenged. The power of the modern university rested in the power of the modern nation state: the social contract between the two was as strong in the nineteenth century as it was in the period of its massive expansion in the post-World War II period (see Kwiek, 2006). Not surprisingly, the period of the most impressive growth of higher education in Europe coincided with the period of the most impressive growth of European welfare states, and especially with its ‘Golden Age’ of the third quarter of the twentieth century. In the European social imagination (both in the capitalist West and in the socialist East), optimism regarding the future prevailed: growth seemed unimpeded and financial limits seemed distant. Welfare state entitlements grew in every generation, and universities and academic research grew exponentially. In short, citizens were ever better entitled and secured against social ills, and there were ever more ever better scientifically equipped researchers, as if the sky were the limit. Researchers were working ‘under conditions of continuous expansion’ and on the tacit assumption that expansion ‘will never cease’ (Ziman, 1994:13). Until, that is, there appeared ‘limits to growth’. The emergent limits were financial. Higher education in its traditional European forms has been largely publicly funded. As Gareth Williams points out, ‘by the mid-1970s the idea of higher education as a publicly provided service was overwhelmingly the dominant model’ (1992:135).

In a similar vein, European citizens were being ever more protected against all sorts of social ills troubling them in the pre-World War II period, with affordable and effective public healthcare and reasonable, if not lavish, old-age pension systems termed at the time as ‘welfare state maturation’ (Pierson, 2001a: 88-92). The current increased fiscal demands on the welfare state come predominantly from these two major components - healthcare and pensions (neither linked to globalization and economic integration) - in the context of rapid population ageing.

Public institutions change over time, and social attitudes to public institutions also change. What I term here ‘university attitudes’ in European societies today may be studied in parallel to recently investigated ‘welfare attitudes’. Stefan Svallfors’s large-scale comparative research project on ‘welfare attitudes’ examined the legitimacy of current welfare state arrangements across European countries and the United States: ‘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 (2012: 2). Thus, in general, changing attitudes towards the welfare state and other public institutions (including universities) may lead to change in the founding ideas of public institutions, and reforms of public institutions may be - although do not have to be - a reflection of changing attitudes. However, if changing fiscal environments (towards less friendly) coincide with changing attitudes (towards less supportive), higher education reforms maybe deeper and policy changes more abrupt. This maybe the case in some European countries, potentially especially in Central Europe, which saw large cuts in public funding after 2008 (see Kwiek, 2016).

The modernization of European universities - as promoted, for instance, by the European Commission - can be viewed in parallel to what Silja Hauserman (2010:1) has termed ‘modernization in hard times’ with reference to the transformations of the Continental welfare state: ‘modernization refers to the adaptation of existing institutional arrangements to the economic and social structures of post-industrialism ... The hard times result from the gap between declining resources and the growing (financial) needs that these modernization processes entail’ (original emphasis). Most Organization for Economic Cooperation and Development (OECD) countries are currently experiencing a shrinking tax base. As Pierre Pestieau put it a decade ago, ‘the share of regular, steady salaried labor is declining in a large number of countries, and thus the share of payroll tax base in the GDP is shrinking’ (2006:35). The constraints on public revenues are combined with growing social needs due to the ageing of European societies, increasingly costly past entitlements in the pension sector, an increasingly effective but also an expensive healthcare sector and changing family structures as well as the pressures of economic globalization. As Pierson explained in 2001, long before the recent financial crisis occurred, ‘a context of essentially permanent austerity’ was linked to a long list of factors inherent to the development of welfare states (2001b: 411).

The age structure of our societies increasingly matters. In ageing societies, the priorities of older generations (such as healthcare and pensions) may be stronger than ever before, leaving higher education (rather than general education) lower on the list of social priorities. Resources can be steered ‘toward pensions and health care and away from educational investments for younger generations. As age conflict increases, the possibilities for age integration decline’ (Dumas and Turner, 2009: 51). Reforms to both sectors may occur in parallel, according to similar ‘global scripts’ produced at a supranational level, but their outcomes may depend on wider social intergenerational conflicts. In the overall context of welfare state expenditures, healthcare, in comparison with pensions and unemployment benefits, has not shown signs of retrenchment, at least until the recent crisis (Pavolini and Guillen, 2013: 276; Rothgang et al., 2010: 247). But healthcare is ‘in a state of permanent transformation’ caused by the following tension:

As demographic change and advancements in medical technology increase the demand for healthcare, globalization limits the amount of public funds that can go into it. As a result, the need for reforms that assure cost containment and at the same time guarantee high quality healthcare services for the population has increased. (Rothgang et al., 2010: 3)
Financial, ideological and electoral pressures
on public institutions

There are three separate types of pressures on public services which need to be kept in
mind in discussing the future of the institution of the university: financial, ideological
and electoral. They are all closely related to and influence one another, with electoral
pressures possibly being most important.

First, financial pressures are relatively easily defined: the public costs of teaching
and academic research are escalating, as are those of maintaining advanced health-care
systems (Rothgang et al., 2010) and pension systems for ageing European populations. As Alex Dumas and Bryan S. Turner (2009: 50) argue, ‘it is well recognized that the
welfare states of Europe have rested on an explicit social contract between generations’. Any changes in the contract are bound to produce both winners and losers among dif­ferent welfare state components. Some state responsibilities in some policy areas may
have to be scaled down. One of the possible areas for social renegotiation is clearly
the mass public subsidization of higher education. Even though its outcome is still
undetermined, in several European countries the pressure to pump ever more private
funding into higher education (through fees and business contracts) has been mount­
ing, with the United Kingdom as a prime example.

Second, ideological pressures come mainly from global financial institutions and
international organizations involved in the data collection and analysis of broader
public sector services, especially the World Bank. They tend to disseminate the view - in different countries to different degrees - that, in general, the public sector is less
efficient than the private sector; that its maintenance costs may exceed social benefits
brought by it; and that it deserves less unconditional social trust combined with less
unconditional public funding. While detailed arguments in favour of reforms vary
over time and across European countries, overall they seem to be increasingly conver­gent, especially at transnational levels (OECD, World Bank and, following the 2008
economic crisis, the European Commission). The former two organizations have
been the major providers of analytical frameworks, definitions, large-scale compar­ative datasets and extended analyses of pensions, healthcare, and higher education in
the last decade. Global interests lead to global agendas along with global diffusion on
the one hand and global data collection and analysis on the other (Jakobi, 2009). The
role of global ideas in national policymaking increases (Martens and Jakobi, 2010). The
OECD is a global health, pensions and education actor. It singles out important
issues and sets agendas, presents visions and values, develops scenarios and defines
guiding principles and concepts. Finally, ‘it identifies present tendencies and future
problems that are later discussed at national level’ (Martens and Jakobi, 2010: 9). Not
surprisingly, education policy statements ‘sound increasingly and astonishingly simi­lar all over the world’ (Jakobi, 2009: 2). Soft mechanisms involved in ‘OECD govern­ance’ include ‘idea production’, ‘policy evaluation’ and ‘data production (Martens and
Jakobi, 2010: 266-8).

Finally, there are changeable electoral or public pressures, linked to both finan­
cial and ideological ones through public discussions, media coverage and per­sonal experiences. Electoral perceptions of the public sector in general (like public
attitudes towards welfare services) may gradually influence electoral perceptions of universities and the ways they should be financed in the future. Newly emergent ‘university attitudes’ across Europe - focusing on private goods and individual benefits rather than public goods and collective benefits produced through them - may be gradually changing the social circumstances in which universities are embedded. These attitudes may be more hostile to traditional Continental European mechanisms of full public subsidization, and more open to high fees/high loans mechanisms prevalent in the Anglo-Saxon world, with powerful implications for the nature of the institution.

So, as well as dealing with financial and ideological pressures, universities must also deal with the long-term effects of changes in the beliefs of European electorates as being of key importance for changes in the positions of leading national political parties across the Continent. Within economic constraints, ‘the overall size of the welfare state and the extent of redistribution remain a matter of political choice’ (Scharpf and Schmidt, 2000: 336). In democracies, voters play a crucial role - and in Europe they are currently attached to both the two major components of the welfare state (publicly funded pensions and tax-based healthcare) and to tuition-free public higher education (Altbach et al., 2010), Europe still being ‘one of the last hold-outs of free higher education’ (Marcucci, 2013:19). However, under pressure from increasing competition for public resources between various claimants, the steering of resources away from educational investments should not be excluded. Otherwise generational interests would be on a collision course (Dumas and Turner, 2009: 51-2).

Although we cannot define the long-term impact of the economic crisis on higher education, we can provisionally assume that ‘welfare attitudes’ in general will not differ substantially from ‘university attitudes’ in particular, and that globally supported funding solutions for mass higher education systems will be more popular in Europe than nationally promoted ones, except perhaps for selected small and ultrarich European countries such as Norway or Switzerland.

**Final thoughts**

There are four reasons why universities (and academic research) in these times of permanent financial austerity need more social trust and stronger public support to maintain or increase their public subsidization.

First, growing intergenerational conflicts in ageing European societies do increase the power of arguments in support of higher public funding for the other two high spenders: pensions and healthcare, which are in direct competition with universities (with ‘age wars’ possibly replacing ‘class wars’ in the future; Dumas and Turner, 2009: 51). Universities have to confront increasing public support for the other two high spenders.

Second, current entitlements in both pensions and health-care systems (even redefined and recalibrated: either ‘rationalized’ or ‘updated’; Pierson, 2001a: 425-7) have been growing exponentially due to decisions during the expansion period,
with the accompanying large-scale social acceptance for both systems across Europe. Universities have to confront the accumulation of past entitlements in the other two high spenders, which makes competition more difficult than in the past.

Third, while the two high spenders clearly follow the logic of public goods in their functioning, universities are being increasingly reconceptualized, especially at a supra-national level, as following the logic of private goods in both teaching (students reconceptualized as consumers) and research (research results reconceptualized as sellable, commercialized commodities). The logic of public goods used by the other two high spenders is intrinsically linked to high public subsidization, while that of private goods is not. Universities have to confront the different normative basis of the other two high spenders in the competition for legitimacy and public funding.

And fourth, the rules of a zero-sum game apply more in tight fiscal times than in relaxed ones: as European societies in the post-2008 period entered a period of permanent financial austerity, higher public expenditures in one sector occur at the expense of expenditures in other sectors. Universities have to confront the task of showing their greater social usefulness compared with all other high spenders (as societies may increasingly value what universities produce ‘relative to how those resources could be used elsewhere’ (Salerno, 2007:121).

The current condition of permanent financial austerity may redefine the nature of the European university as a public institution. Its future depends, to a considerable extent, on favourable social attitudes and strong supporting public discourses, both changeable under economic, ideological and electoral pressures. Therefore, no public institution should take for granted its survival in an untouched form without powerful social support. No rights seem to have been given forever, and public trust does not seem to have been guaranteed: both need to be thoughtfully and continuously fought for. Their combination indirectly determines the level of public subsidization, which, after a long period of post-World War II growth when the cross-sectoral competition between the different public sector claimants for public funding was not present, is being redefined. Although relatively friendly towards each other prior to the age of financial austerity, different public services in Europe are now beginning to operate in the context of increasing, albeit still latent, competition: for social trust, public support and public funding.

To thrive in the age of permanent financial austerity, the academic profession needs to know what their preferred image of the university is, how they want to function within it and why they want it - in order to be able to promote a strong supporting discourse about the key social and economic relevance of their institutions and themselves. In tough times, under adverse economic conditions, the preferred image needs to be clear and widely promoted. Confronting the two competing high spenders, pensions and health-care systems, does not seem to be easy in the context of growing cross-generational conflicts over public resources. However, optimistically, European governments most often follow public attitudes, and electoral pressures still do matter. All we need to do as academics is to promote universities in our societies as (still) highly legitimate, socially useful and publicly fundable institutions, and count on public trust and public support in the future. If we do not do this, why should anyone else?
Acknowledgements

The author gratefully acknowledges the support of the National Research Council (NCN) through its MAESTRO grant DEC-2011/02/A/HS6/00183 (2012-2017).

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