

# **The State, the Market, and Higher Education.**

## **Challenges for the New Century**

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## 1. Introduction: the invasion of market forces in higher education?

The university in its modern form (invented 200 years ago by German Idealists and Romantics for the University of Berlin) has traditionally been in very close relations with the state and in relatively distant relations with the market. Now, as the state/market relations get changed with the advent of globalization, the university is unexpectedly located in a different landscape in which the state (or "government" in American tradition) is becoming - generally, with notable exceptions - weaker and the market is becoming stronger. The university, as traditionally a very important part of the public sector, comes under public scrutiny and its social and cultural missions get increasingly challenged. As Hans N. Weiler, the first Rector of the Viadrina European University in Frankfurt (Oder) described the process:

there is a new game being played in European higher education. Some call the game "deregulation", some call it a combination of greater autonomy and greater accountability, some call it a shift from input controls to output controls, and some call it simply "passing the buck". Whatever is called, it certainly is different from the old game, which always looked a little like a state-owned version of "Monopoly". ... Wherever the new game is being played, there are the same three players involved: the university, the state, and the market. And that is what makes it new, because the old game was a pretty simple, straightforward and rather boring affair that was essentially limited to two players: the university and the state (Weiler 2001:5)

There is a significant difference between the positions taken with respect to higher education in general by supranational institutions and organizations (such as the World Bank, the IMF or the WTO), by the European Union, by governments of anglophone countries (mainly the US, Great Britain, Canada, and Australia), by governments of EU countries and, finally, by governments of EU accession countries. The influence of globalization forces differs significantly, and hence the impact of globalization on higher education is different in the above mentioned groups of countries. If we take into consideration the aspects of globalization with respect to higher education as described in more detail below (weakening of the nation state, questioning of the principles of the welfare state and the scope of social services it provides, and corporate

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culture/business attitude), the countries most strongly affected by it would be anglophone countries and EU accession and non-accession countries (as well as developing countries globally, and Latin America in particular). The countries least affected would be (Continental) EU countries. The difference lies perhaps in the role played in globalization: the strongest countries play the biggest role (US and countries close to it culturally, economically and linguistically), the weakest play the globalization game according to its rules. The countries of the European Union are in the middle, neither actively promoting globalization and using fully its opportunities (as the US), nor being strongly affected in their public sector, welfare state services etc as developing and EU accession countries. Higher education in the vast majority of developing countries in general (and in Latin America in particular) are provided with clear-cut policy recommendations in the landscape painted by globalization challenges: they include the gradual diminution of the public sector, the decomposition of the welfare state and its services as well as deregulation and privatization of those fields that in EU countries have traditionally belonged to the public sector (including higher education) (see Torres and Mathus 1996, counterbalanced by Torres 2000; see also Levy and Castro 2000). As the final report of the global symposium on "Privileges Lost, Responsibilities Gained: Reconstructing Higher Education" put it, "these same forces are affecting the developing countries, but in ways that are quite different from the developed world" ("Privileges..." 2001:2).

Thus the most visible transformations in higher education today occur in those countries which promote globalization most actively and make full use of its opportunities and in those countries which are most strongly affected by its theories and practices. Higher education systems in the countries of the European Union remain still relatively intact, but in the medium- and long-run it is hard to believe they will not get transformed - perhaps even along similar lines (as Hans N. Weiler notes, "for Europe, the interesting question may not be so much why the market has recently moved into such a prominent position in the debate about higher education, *but why it took so long*" (Weiler 2000:5, emphasis mine). While the balance of state and market forces remains relatively stable in EU countries, on a global scale market forces certainly gain predominance over state forces in very general terms. In the long run, if the ideals of liberal democracy combined with neoliberal conceptions of society and government and market-oriented ideals of global economy prevail, the EU will be forced to accommodate to the general global trend, if only it is going to reach the goal described in the Lisbon strategy in 2000: to make the European Union by 2010 "the most competitive and dynamic knowledge-based economy in the world, capable of economic growth with more and better jobs and greater social

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cohesion". The social-democratic ideals of a widely developed welfare state with its social services, including generally state-supported higher education, will have to be combined with strong market incentives, as in all other parts of the public sector (see Bowles and Wagman 2001). As opposed to EU countries, public higher education institutions in EU accession countries are already forced to operate in highly competitive, market-oriented surroundings, with the number of private higher education providers sky-rocketing and the number of students enrolled in the private sector reaching (in some countries) the level of 30 per cent. Apparently, in higher education, market forces in operation are already much stronger in EU accession countries than in EU countries. Also the reforms about to be introduced in several countries of Central and Eastern Europe are much more market-oriented than any reforms attempted in EU countries in general. (On a more global scale, the share of enrollment in private higher education differs considerably between countries and regions: while in the majority of Western European countries over 95 percent of students attend public institutions, private higher education is most powerful in Asia - in the Philippines, Japan, South Korea and Indonesia, with the share reaching almost 80 percent.; in such Latin American countries as Brazil, Mexico, and Colombia the majority of students attend the private sector. Such Western European countries as Belgium and the Netherlands with the share of over 60 percent, followed by Portugal with over 25 percent, are so far exceptions to the general rule (World Bank 1994: 35; see also Altbach & Selvaratnam 2002). As Philip G. Altbach remarked in an excellent collection of essays he edited in 1999, *Private Prometheus: Private Higher Education and Development in the 21<sup>st</sup> Century*,

the global summary of private higher education development shows national and regional variations. It also indicates explosive expansion. Private postsecondary education is a significant force almost everywhere, and it is a growing phenomenon where it has not previously been in the mainstream. ... The role played by private higher education - which is able quickly to adapt to changing market conditions, students interests, and the needs of the economy - is bound to grow (Altbach 1999:5).

It is important to emphasize that global public spending on education tops one trillion dollars annually: it is a huge business, and thus potentially a huge "market". Together with the global spread of neoliberal market economy and the gradual marketization of higher education (outside of the EU, though - at least in comparative perspective), the number of for-profit institutions, for-profit branches of non-profit institutions, virtual institutions, corporate universities and IT

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certifications centers is growing rapidly, bringing about a revolution in social conceiving of what higher education is (on the level of demographics, it is estimated that in the USA today less than 20 per cent of students are what we would call traditional full-time students, those between 18 and 22 and studying on-campus).

In the last half a century, despite immense growth in enrollments, and moving towards massification and near-universalization, public higher education remained relatively stable from a qualitative point of view and its fundamental structure remained unchanged. No major changes occurred that could be as revolutionary as changes we are currently witnessing. What we are seeing today is the very beginning of transformations, though. The forces of change worldwide are similar and they push higher education systems to a more market-oriented and more competitive arenas (and certainly towards less state regulation). As Frank Newman put it, "every student now has multiple and differing choices. Every college and university faces new competitors" (Newman 2001:4). For centuries, "the market" had no major influence on higher education. Most universities in the world were created by the state and were subsidized by the state. Most students attended public institutions and most faculty worked in public institutions. Today market forces are invading higher education worldwide: while the form and pace of change is different in different parts of the world, that change is happening everywhere. It is important to note that, as the final report from the "Privileges Lost, Responsibilities Gained" conference formulated it,

any discussion about whether the market should be "allowed" to influence higher education's future fails to understand that these changes are already happening, regardless of the ambivalence such transformation engenders. It is pointless for higher education leaders to spend time handwringing or strategizing about halting or reverting this trend ("Privileges..." 2001:9).

The issue is not whether or not introduce market forces in higher education; it is rather how to tame or civilize most unrestrained forms of it so that some "thoughtful" or "mature" or "responsible" (Frank Newman) market could be created. The market forces are powerful new forces, never seen in higher education before. And they come as part and parcel of a much wider neoliberal agenda and as a result of powerful globalization pressures. No matter if we understand them or not, support them or not, are ready for them or not, the market forces will be pervading higher education and that inexorable march can hardly be stopped, for a variety of

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political, economic, and cultural reasons. Both policy makers and the faculty, university administrators and students need to take that fact into account. More market, less regulation: the state forces will be becoming increasingly weak as the evolution of higher education towards the market continues. The market forces may have different power in different places in the world, but they cannot be stopped (a huge controversy touched on the issue of free import and export of educational services within GATS and WTO protocols: the definition of services covered by the GATS excludes services provided under government authority and without commercial purpose so education could remain outside of the scope of the Agreement; it is not the case, though, as the vast majority of countries have mixed systems, in which the private sector plays some role and competes with the public sector; so WTO is considering a number of proposals ensuring that the free trade of higher education will be subject to the complex rules and legal arrangements of the WTO protocols and free of most restrictions (see Altbach 2001; Education International 2000) - which puts all "local" (national) higher education in a new position and opens it to international "markets".

Traditionally, before market forces came into prominence, higher education in general, and the university in particular, were "special" places with teaching, research and social service as the core of their mission. In more philosophical terms, the Enlightenment ideal of education was *Bildung*, cultivation, or culture, i.e. producing responsible, autonomous and mature individual - with strong emphasis on national *Bildung* i.e. inculcating nation-state consciousness and national aspirations, producing citizens of emerging nation-states (Readings 1996; Green 1997; Kwiek 2000a). With the advent of powerful market forces to higher education arena, and to our social world generally, we less and less often speak of students as citizens, and more and more often speak of them as "clients". In market phraseology, education becomes merely a commodity, a private good to paid for, rather than a public good as it used to be in the past.

Frank Newman, the chairman of an important American "Futures Project: Policy for Higher Education in a Changing World" based at Brown University, distinguishes between three attributes essential to preserving higher education's role as servant to the needs of society: 1) socializing students to their role in society, 2) providing all citizens with social mobility, and 3) upholding the university as the home of disinterested scholarship and unfettered debate (Newman 2000a:3). Thinking in the present paper about social functions of the university in the global age, the three attributes are of primal importance for my considerations. At the same time, the social functions of new providers in higher education could be measured against that pattern

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to see the difference. The first function of the university, the socialization of young people to their roles in society, can be divided into three types: socialization to the community, socialization to the life of mind, and socialization to the profession (Newman 2000a:4). Socialization to the community means preparation for civic engagement or democratic participation - preparation for the participation in the community as citizens of a democracy. It is not clear whether new for-profit providers and the virtual institutions see this type of socialization as their central responsibility. Additionally, as traditional universities are becoming increasingly market-oriented and are running an increasing number of for-profit activities (including also privatization and outsourcing of its services - see Wertz 2000), they may play down the role of activities not directly related to workforce skills. Especially if the higher education setting becomes highly competitive. The second type of socialization of students, socialization to the life of mind, consists in introducing students to intellectual concepts and giving them the ability to think critically (philosophy, history, literature etc). As new providers are focused on a much simpler view of intellectual skills, primarily aimed at preparing students for the success in the workplace, there may be a danger that this type of social function will atrophy. Finally, the third type of socialization of students, socialization to the profession, may well be in danger with the wave of new providers: it is hard to imagine socialization to the profession of a lawyer, or a teacher, in the virtual setting of online courses.

The second function of the university in Newman's typology is encouraging social mobility. Higher education plays a key role in determining the opportunity for upward mobility; "today, more than ever before, it is access to higher education that determines who participates fully in society" (Newman 2000a:10). Finally, the third function of the university, providing a safe place for disinterested scholarship and unfettered debate, seems endangered with new providers where developing civic debates and objective research are absent. At the same time, as Janice Newson and Howard Buchbinder formulated it in the title of their excellent book, "the university means business" (Newson and Buchbinder 1988). We are entering the era of "academic capitalism" (Slaughter and Leslie 1997) in which a troubling aspect is "leasing the ivory tower" and "the corporate takeover of academia" (Soley 1995), to give two more book titles. The market forces form the behavior of new providers and, which is perhaps even more important and potentially threatening, increasingly reformulate the missions of traditional higher education institutions. The changes we are witnessing are far-reaching and long-lasting: market forces came to replace (to a varying degree) state forces as driving forces for higher education. It is still unclear how the

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competition between the public and the private institutions influence the core mission of higher education generally. Newman remarks in this context that

as the new competitors get stronger, many traditional institutions will feel compelled to emulate their narrow focus and compromise their historic functions. Will the academy drift toward the mean, toward a universe of relative sameness, or will the growing competition expand the array of differing alternatives, creating institutions more skilled at serving students with different needs and at different times in their lives? (Newman 2000a:15)

To sum up: the world gets changed, but so do people and their institutions. The institution of the university, and higher education more generally, is subject to powerful influences from all sides and by all stakeholders: the state, the students, the faculty, the industry. Stakeholders may have increasingly different needs from those they traditionally had (as is obvious in the case of the state and the industry, but also in the case of students who are living in a highly competitive, postnational and postmodern world of the global age) and institutions may be compelled to transform themselves. The market (which is here a general construct) cannot be ignored as it reshapes our lives as humans, citizens, and students/faculty. Never before was the institution of the university attacked so strongly by so many, never before was it perceived by so many in so many places all over the world as a failure. There is no reason to believe that as an institution, it will remain intact. The changes are inexorable and it is certainly better to steer them from inside towards transformations rather than to drift with them and see them changed by others.

The most appealing scenario of future developments of the institution of the university, of higher education generally, and of higher education/research relations in the perspective of ERA on the one hand, and globalization on the other, is the scenario no. 1 from an excellent *Scenarios Europe 2010. Five Possible Futures for Europe* written by Gilles Bertrand, Anna Michalski, and Lucio R. Pench - called simply "Triumphant Markets". The vast majority of future developments analyzed below fit into the general framework provided by that scenario rather than by the remaining four. The present report works much more within the economic and political framework provided by the synopsis of that scenario than along the lines suggested by the other ones: so reluctantly, and with a huge dose of pessimism, let us remind it here - "reduction in public expenditure, privatisation of social services and downsizing of the state. Value for money for public expenditure ... but longer-term public investment is neglected. Good macroeconomic

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situation in Europe. Rapid growth in small businesses and increasing openness to the international environment. Almost unanimous consensus in favor of free trade" (Bertrand et al. 1999:15). The reason is twofold: firstly, the present author cannot escape his recent Central and East European experiences of a public policy analyst and, secondly, his background knowledge in higher education/research policy issues goes together with, and is strongly influenced by, political economy, political sciences, sociology, globalization studies, comparative higher education studies and, last but not least, philosophy.

## **2. What is new in transformations of higher education today?**

Higher education institutions may be changing their traditional relations with the state and the main drivers of change are globalization-related. This change is happening everywhere. Although EU accession countries still feel these pressures differently from EU countries (and globally, outside the EU and especially in anglophone countries, these forces are still much more powerful), higher education there is likely to be strongly affected by these globalization-related processes soon. Higher education worldwide is much less a unique part of the public sector it used to be: neither in political declarations, nor in public perceptions, nor, finally, in practical terms (financing and governance). Higher education in EU accession countries is affected right now by local post-1989 transformations and by deeper and long-lasting global transformations (for a comprehensive view of a decade of transformations of higher education in CEE countries, see an excellent book by Voldemar Tomusk, *The Blinding Darkness of the Enlightenment. Towards the Understanding of Post State-Socialist Higher Education in Eastern Europe*, 2000). At the same time the changing global setting for higher education institutions in the EU will make it urgent to rethink the place, role and tasks of the university vis a vis global trends in higher education, especially in connection with politics and economy. The changing relations between education, the market and the state today (to different degrees: globally, in EU and EU accession countries, with complex, varied and unpredictable effects) will not leave higher education intact in the age of globalization. At the same time there is no single way in which these institutions will be affected. States and markets provide two "competing paradigms" (Weiler 2001) for the necessary reform of higher education in Europe today. At the same time, what we observe in the private sector of higher education on a global scale is best captured by the title of Daniel C. Levy, world authority on the conceptualization of the phenomenon since the eighties: "Unplanned Development: Perspectives on Private Higher Education's Emergent Roles" (Levy 2002).

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The transformation of higher education - both in terms of teaching and research - seems inevitable worldwide, both in EU countries, in the countries of Central and Eastern Europe, as well as in developing countries, as the forces behind changes are global in nature (hence the Bologna process and the need for a European Research Area). The forces of change are similar, although their current influence vary from country to country, and from region to region; the main forces that are driving the transformation of higher education today are old ones (the governmental and public pressure for transparency and accountability, the focus on costs, effectiveness, productivity, and quality assurance, etc) and new ones (new, mainly for-profit providers of higher education; rapid advancement of technology; changing social demands for renewable skills in the global age etc). In a European setting, new forces of changes in higher education would include also increasing internationalization of higher education research and teaching (including the predominance of English in the times of the Internet and electronic communication) and globalization seen, among other important aspects, as a renewed and critical focus on the services of the welfare state, the declining role of the nation-state in the global economic and cultural surrounding, and the corporate culture/business attitude invading the academic world today in increasingly competitive and market-oriented global environment. Mass higher education may be no longer a dominant goal of states and governments as it has been already achieved as a goal in many of them: there are many other, competing, social needs today.

The author is not developing here the theme of old forces driving transformations in higher education as they have been sufficiently taken care of in current research. What he is interested here is the forces driving the transformation of higher education systems that are brand new in nature and that require a wider context for research analyses. The forces of globalization are of primal importance to him as they seem to be underestimated in current higher education policy and research, especially in Continental Europe, including Central and Eastern Europe, as compared with policy and research in anglophone countries. And these forces, I suppose, are bound to change the nature of the academic enterprise to the degree that today seems unbelievable. In order to show the power of the globalization forces transforming higher education, it is also important to show the political, economic, and social contexts of globalization-driven transformations in thinking about the nation-state and welfare state (see Scholte 1997, 2000). Here comes the leading issue of the State and the Market forces in higher education.

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New forces of changes in education mean new providers, new technology and new society – and the whole globalization underpinning of higher education transformations could be neglected as it is already taken for granted in anglophone countries; in the context of EU and EU accession countries, though, the above new forces need to be supplemented with more basic ones, called here for short globalization and internationalization. In the American context, the decline of the nation-state in the economy determined by powerful transnational players and the reformulation of the principles of the welfare state functioning along neoliberal lines, as well as the corporate way of thinking about traditional public services, came naturally as part and parcel of the American social and economic transformations of the 1990s. But in the context of the EU and EU accession countries, dependent on the European political and economic scenes, these issues in connection with higher education reforms may still seem irrelevant. The point made here is that the most powerful forces to affect higher education are the new ones, not the old ones with which European higher education research and policy, on both a national and European level, seem to be predominantly concerned. Older forces result from several decades of steady growth of higher education institutions, to the point of the near-universalization of higher education; new forces, by contrast, come from the new political, economic and social world around us (postmodern, global, post-Cold-War, postnational etc), possibly bringing about a revolution in higher education on an unprecedented scale and nature. Both types of forces are important, the new forces seem underestimated in higher education policy research in Europe, though. The author is in full agreement with Sheila Slaughter and Larry L. Leslie, the authors of *Academic Capitalism. Politics, Policies, and the Entrepreneurial University*, when they say that

the changes taking place currently are as great as the changes in academic labor which occurred during the last quarter of the nineteenth century. ... [T]he globalization of political economy at the end of the twentieth century is destabilizing patterns of university professional work developed over the past hundred years,

and conclude: “higher education as an institution and faculty as its labor force face change unprecedented in this century” (Slaughter and Leslie 1997:1). What we face in our higher education research is certainly new quality - although combined with new quantity.

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Higher education is asked to adapt to new societal needs, to be more responsive to the world around it, to be more market-, performance-, and student-oriented, to be more cost-effective, accountable to its stakeholders, as well as competitive with other providers. Traditional institutions of higher education seem challenged – and under assault – all over the world by new teaching and research institutions that claim to do the same job better, cheaper and with no public money involved: new providers responding to huge societal demand for new skills conveniently delivered include for-profit educational firms, for-profit arms of traditional non-profit universities (such as eCornell, NYUonline, Virtual Temple - as arms of Cornell University, New York University, and Temple University), virtual institutions, franchising institutions, corporate universities etc (and their extensive use of new technologies). The traditional basic structure of higher education seems unable to cope with growing and unprecedented workforce requirements in the West, especially in America. In the countries of Central and Eastern Europe, we are not prepared to these global challenges at all (hence the issues of corporatization and privatization of higher education). It means that, globally, we are on the threshold of a revolution in thinking about higher education.

It is certainly not enough to understand today that reformed institutions are certainly needed, in different countries in different degrees; the point is to see why they need to be changed and why we need to take into account the issues of the state, public services it provides, and the market setting in which they are bound to operate. The message of the present report could be also that it will be impossible to understand transformations in higher education today without understanding transformations of the social world today, including transformations of the state and citizenship in the global age. And as one of the most striking features of the new world is its increasingly global nature, neither policy makers in higher education, nor policy-scholars in higher education can ignore huge social, economic, political and cultural consequences of globalization.

Generally speaking, in analyzing the changing social, political and economic context of the functioning of higher education in Central and Eastern Europe (CEE), both a local (post-1989) context and a global one should be kept in mind. The issue becomes increasingly important as, following a decade of various attempts at reforms, on the one hand in many CEE countries the system is on the verge of collapse, on the other hand there is an increasing political, economic and social pressure to rethink globally the very foundations of higher education in contemporary societies. The final result of current tensions will inevitably be introducing new legal contexts of

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functioning of higher education and implementing new higher education policies. The impact of transformations is likely to be severe, considering the role higher education currently plays in CEE transition countries and knowledge generally is likely to play in “knowledge-based societies”. It is important to move back and forth between the two contexts. Public policy analysts today often recommend for CEE countries, as well as for developing countries globally, the privatization of public higher education following the introduction of new laws on higher education. Privatization is understood as a gradual process of higher education leaving the public sector of purely state-supported services and moving toward greater self-sustainability. The degree of privatization may vary, though. The other options – a considerable increase in public spending on higher education, reducing research activities for the sake of maintaining higher level of teaching activities, involving the industry and the military in financing higher education, or merely maintaining the current level of state financing for higher education and at the same time avoiding the collapse of the system – look more or less unrealistic.

Although I am not developing the theme here, let me just remind here the definition of privatization in reference to higher education by D. Bruce Johnstone and make a short comment that what he means by privatization from my perspective, depending on the issue considered, can be called privatization *per se*, corporatization, managerialism, marketization, and more generally - one of basic aspects of the impact of globalization on higher education. His definition vividly describes current trends and covers them with one very broad definition. Johnstone states that

privatization in reference to higher education refers to a process or tendency of colleges and universities (both public and private) taking on characteristics of, or operational norms associated with, private enterprises. Although the term is not a precise one (any more than the distinction between a "public" and a "private" college or university), privatization connotes a greater orientation to the students as a consumer, including the concept of the college education as a "product"; attention to image, competitor institutions and "market niches"; pricing and the enhancement of net earned revenue; and aggressive marketing. Privatization also suggests the adoption of management practices associated with private business, such as contracting out, or "outsourcing" ... aggressive labor relations and minimization of payroll expenditures, decisive decision-making and "top down" management, widespread use of audits and accountability measures, and an

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insistence that each unit (department or academic program) contribute to profitability, or at least to the organization's particular metric of "success" (Johnstone 2000a:1).

My use of the term "privatization" is much smaller in scope and closer to the World Bank use: private financing, private management, private ownership, or any combination of the three. Following the authors of the World Bank publications "The Third Wave of Privatization. Privatization of Social Sectors in Developing Countries", while phase I of privatization includes enterprises, phase II telecoms, airports, electricity, water, and roads, phase III, of greatest interest to us here, includes the three social services: pensions, healthcare, and education (Torres & Mathur 1996). The issue is currently of little concern to affluent EU countries, but it certainly is an issue in developing countries, especially in Latin America. The extent to which the "third wave of privatization" is an option in CEE countries, including EU accession countries, is currently difficult to predict as their economic and social situation is difficult to predict, but it certainly is not entirely out of the question. It is important to bear in mind more global changes even though they might never reach Europe in their full forms. As the authors describe the three phases of privatization, with the last pertaining to educational services:

in recent years an increasing number of developing countries have undertaken privatization programs as a key component of their efforts to restructure and modernize their economies. Economic sectors and operations that for decades had been reserved for the state are now being rapidly opened to the private sector. As these processes have gained support in the developing world, privatization has expanded both in magnitude and in scope. The first stages of privatization concentrated on commercial companies operating in competitive markets. Success in this area motivated countries to take bolder initiatives and to promote private sector participation in infrastructure. Private sector participation in infrastructure sectors, initially thought to be almost impossible given the complex regulatory issues involved, has today gained popular support in most developing countries. The range of activities encompasses telecommunications, electricity, airports, railways, roads, and water supply. Chronic fiscal constraints in developing countries, coupled with the visible positive results of privatization, have led to the emergence of a third wave of privatization -- private management, financing, and investment in the social sectors, such as education, health, and social insurance. ...

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The third wave of privatization, on the other hand, involves a conscious effort on the part of governments to design and implement a global public policy to enhance private sector involvement in social sectors (Torres & Mathur 1996:2).

If we juxtapose two trends in EU and CEE countries generally: changing enrollment rates and changes in spending for education (direct public expenditure vs. private expenditure on education), the picture is becoming clearer. If we take into consideration the years 1990-1995, there is apparently a single country in the European Union and EU accession countries - namely France - in which public expenditure grew faster than private expenditure (with the 1990 index as 100, the growth in 1995 was like 120/109 in France but 117/215 in Denmark, 80/139 in Hungary, 102/110 in the Netherlands, 135/138 in Ireland, 119/126 in Spain, as well as globally 76/1133 in Turkey, 117/165 in Australia, and 115/146 in Canada (see OECD 1999:86). At the same time, the enrollments grew dramatically: with the 1990 index as 100, the growth in 1996 was like 244 for Portugal, 181 for United Kingdom, 150 for Ireland, 141 for Sweden, 130 for Finland, 120 for Austria and 121 for Denmark and 110 for the Netherlands (OECD 1999:92). Thinking of Central Europe, the growth in enrollments was also dramatic: gross rates in percent for the 18-22 age group changed between 1989 and 1997 as follows - the Czech Republic from 12.7 to 17.3, Hungary from 13.9 to 23.8, Poland from 11.6 to 20.6, and the Slovak Republic from 13.2 to 17.6 (World Bank 2000a:122). To sum up, both in EU and EU accession countries the number of students increased and was accompanied by the increase in private expenditure. Thinking of longer demographic trends and the aging of the society in both parts of Europe, though, the point of natural saturation is not far away.

There are two implications of globalization for higher education institutions according to John Urry, a British sociologist: “attempts to defend their position as ‘publicly’ owned and funded bodies will mostly fall on deaf ears and one can expect further uneven privatization” and there will be “an increased regulation of higher education somewhat comparable to that experienced by many other industries and occupations” (Urry 1998:6). In a new social and political environment introduced by globalization theories and practices, it is not only the World Bank, OECD and IMF, from among transnational organizations (see OECD 1998; World Bank 1994, 1997, 1999, 2000, 2000a, 20002), that are extremely interested in stimulating new accounts of higher education on a global scale; most recently it is also World Trade Organization (WTO) that is concerned with unrestricted import and export of higher education within a set of complex rules of the WTO protocols. The issue in the long run is especially vital for poorer and

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developing countries, including EU accession countries. As Philip G. Altbach observes in his recent article in “International Higher Education” (Spring 2001),

with the growing commercialization of higher education, the values of the marketplace have intruded onto the campus. One of the main factors is the change in society’s attitude toward higher education – which is now seen as a ‘private good’ benefiting those who study or do research. In this view, it seems justified that the users should pay for this service as they would for any other service. The provision of knowledge becomes just another commercial transaction. The main provider of public funds, the state, is increasingly unwilling or unable to provide the resources needed for an expanding higher education sector. Universities and other postsecondary institutions are expected to generate more of their funding. They have had to think more like businesses and less like educational institutions.

The conclusion of the attitude Altbach summarizes, clearly favored by transnational organizations, is the following: “in this context a logical development is the privatization of public universities – the selling of knowledge products, partnering with corporations, as well as increases in students fees” (Altbach 2001:3).

It is another working hypothesis of the present report that the main factors contributing to the need of rethinking higher education institutions today are connected with the advent of the global age and with globalization pressures. Higher education in EU accession countries (as opposed to EU countries) is affected by the post-1989 transformation and by deeper global transformation. To neglect any of the two levels of analysis is to misunderstand a decade of failed attempts (“ten lost years”, as Tomusk puts it explicitly, Tomusk 2000:278) of reforming higher education systems here. Public higher education in a decade to come is expected to be increasingly focused on teaching rather than research, and on students’ needs rather than academics’ needs. There will be a clear shift from the question “what is it that higher education needs from society” to the opposite question: “what is it that society needs from higher education” (Newman 1999:2). That puts higher education in a new position vis-a-vis society. Within a decade, not only Central Europe but also the Baltics will in most probability be part of the European Union, as will probably be parts of Eastern and South Eastern Europe. It means for them more market-orientation (see Tomusk 1998) and full exposure to globalization processes, now still seemingly irrelevant.

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The fundamental assumption about the globalizing and globalized world is the primacy of economy to politics and culture, and the primacy of the private (sector) to the public (sector); hence the expectance in the countries of Central and Eastern Europe of a dramatic diminution of the public sector and of the scope of the public services provided by the state (see Rama 2000). As D. Bruce Johnstone suggested, the consequence of globalization is "the diminished significance not only of the state, but also of culture", combined with 1) the increasing influence of the Advanced Industrialized Countries, 2) weakening of indigenous languages and their literature, 3) an increasing reliance on markets as the principal signal of "worth", 4) and increasing reliance on non-state producers and 5) weakening of public sectors (including public universities), due to two factors: diminished capacity of government to tax and increasing proclivity of government to achieve its public ends by alternative private providers (Johnstone 2000b:4). For the first and most comprehensive until now conceptualization of private higher education, see Daniel C. Levy fundamental book *Higher Education and the State in Latin America. Private Challenges to Public Dominance* in which he states that "the spectacular growth of private institutions has reshaped the regional panorama", referring to mid-eighties; we can certainly add that the market forces keep reshaping not the regional, but the global panorama (Levy 1986:1).

### **3. Globalization, competition, and public scrutiny**

It is interesting to what extent both EU and EU accession countries will be affected by globalization. Scenarios differ in this respect, but in the increasingly competitive world, public higher education will be under increasing public scrutiny. The world of higher education will not be the same, even if globalization is merely a buzzword with the lifespan no longer than postmodernism. I am assuming that different aspects of globalization will be the political and economic reality that EU accession countries will have to cope with. It will not go away, it will come and stay (as Jan Sadlak rightly remarks, without reference to Central Europe, "the frank acknowledgement that globalization has become a permanent feature of our social, economic and cultural space is essential in order to take advantage of what it can offer as well as to avoid the perils it may involve" (Sادلak 1998:106). Consequently, public finances, including maintaining public services, will be under increasing scrutiny here, following globalization (meaning: mainly economic) pressures and reforming the welfare state worldwide, with significant consequences for the public sector. In all probability, due to difficult economic

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situation, CEE countries - even after joining the European Union - will be affected much more strongly than EU countries in terms of downsizing the state and reducing welfare state privileges, including services traditionally provided within national higher education systems for free. Although I would certainly not expect what World Bank analysts call the "third wave of privatization" - i.e. education, healthcare, pensions - in EU countries in the short run, this direction of changes in the foundations of the welfare state is not entirely excluded in EU accession countries (Poland with already partly privatized pensions schemes and healthcare and higher education systems currently being reformed is a good example of at least general sign of this trend).

What is expected is that the ideas of the uniqueness of higher education in general, and of the university in particular, will finally be rejected, closing the chapter opened two hundred years ago in Germany with the modern university invented by Kant, Humboldt, Schleiermacher and others. As Nicholas C. Burbules and Carlos Alberto Torres put it recently,

the broader economic effects of globalization tend to force national educational policies into a neoliberal framework that emphasizes lower taxes; shrinking the state sector and "doing more with less"; promoting market approaches to school choice (particularly vouchers); rational management of school organizations; performance assessment (testing); and deregulation in order to encourage new providers (including on-line providers) of educational services (Burbules & Torres: 2000:20).

Thus re-inventing higher education in EU accession countries should be accompanied by both conceptualizations and activities of the academy itself, otherwise unavoidable – and necessary – changes will in most probability be imposed from the outside anyway. That is where critical thinking is needed. The world is radically changing today and there are no indications that higher education institutions will be spared the consequences; in all probability, they must be changing radically too. The academy must start thinking about its future drawing on its human resources. Currently, law drafts and discussions about reforms seem to be neglected by the academic community at large. And a new legal context for the functioning of higher education rather than corrections to old laws on higher education are of utmost importance in necessary current transformations. It would be useful to realize that “things will never be the same”, but also to attempt to envisage how they could actually be.

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The possible decline of the nation-state – even seen as only giving some terrain of power to new transnational political and economic players – is strictly connected with violent globalization processes, which, consequently, may lead to the redefinition of such fundamental notions as democracy, citizenship, freedom, and politics (see Guehenno 1995; Beck 2000). It also may lead to the redefinition of the social role of the university. In the situation generated by the emergence of the global market, global economy and the withdrawal of the state, called also the decomposition of the welfare state, a constant deliberation is needed about new relations between the state and the university in the global age. For the moment, one of tentative conclusions for me as a public policy analyst would be the following: let us not look at higher education issues in isolation from what is going on with the public sector and with the institution of the state nowadays. (As Arthur Levine, President of Teachers College at Columbia University put it recently, "public trust in government has declined in recent years. The result is declining confidence in the nonprofit sector and rising confidence in the for-profit sector" (Levine 1999:3). These changes do, and will, influence our thinking about higher education. It is no use keeping referring to the rights gained by the university in modernity (i.e. to the rights gained in the times of national states and maintained within the Humboldtian model of the University) as modernity, philosophically speaking, may be no longer with us and we may be just entering the global age. Redefined states may have a bit different obligations, a bit different powers, and it is not quite sure that state-supported, national public higher education systems, as well as universities, will belong to their most basic spheres of obligations and responsibilities. The state worldwide right now is looking for its own place in a new global order, and higher education issues may seem to it of second importance compared with other social needs (in the worst scenario).

Following what we said, the main global factors contributing to the transformation of higher education can be summarily labeled „globalization”. They can be put under three separate categories: first, the collapse of the crucial role of the nation-state in current social and economic development, with its vision of higher education as a national treasure contributing to national consciousness; second, the reformulation of the functions of the welfare-state, including a new scope of public sector activities to be funded by the state; and third, the invasion of the economic rationality/corporate culture in the whole public sector worldwide (with the notable exception of some EU countries).

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Thus globalization can be seen as the theoretical and practical questioning of the relevance/importance of the nation-state in contemporary world. The question that the state can be putting right now might be formulated in the following manner: „Why should we finance public higher education?“, as – leaving aside all rhetorical devices – there is no more a nation-oriented, national-consciousness-oriented, nation-building kind of ideal of higher education (or of the University, as defined by the Humboldtian ideal, as the arm of the nation-state). Secondly, globalization can be seen as the decomposition of the welfare state (resulting in a worldwide public sector reform – reformulation of the scope and responsibilities of the state for the public sector in general). The corresponding response of the state might be formulated like this: „We are (just) unable to finance public higher education (with its massification, if not universalization) anymore“. Just like we are unable to finance public healthcare, pensions for the aged and other social services anymore. And, finally, globalization can also be seen as the economic rationality and the rule of the ideology of the market – the primacy of economy to politics, to the public good, to general/social interests. Thus, in the third sense of „globalization“, it is a neoliberal, market ideology accompanied by an array of practices drawn directly from the world of business and applied to other domains of social life – in this particular case of interest to us here, to higher education. The corresponding response of the state would be like this: „Let us (still) finance public higher education (a bit), but on a new corporate-like basis“ (introducing the spirit of managerialism and/or accountability and/or privatization etc.). In the third sense of globalization, the model of the functioning of the university (or of public higher education, more generally) in the global age would be a business-like, corporate model, with such dominating traits as bureaucratization, marketization, entrepreneurialization, corporatization etc. As Janice Newson observes discussing corporate-university linkages, there appears "the new, emerging image of the university as a business corporation rather than a public social institution. ... The university is responding to its problems by adopting corporate strategies on a larger and larger scale ... [and] becomes the mirror of its corporate partners" (Buchbinder and Newson 1990:495).

As far as the worldwide decline of the nation-state is concerned, the (basically indirect) impact can be seen to different degrees right now; national identity seems still very important here, especially prior to the EU enlargement, although it does not seem to be produced/inculcated at the university anymore. What counts is that the nation-state ceases to play crucial role compared with other agents: the nation-state, although has not disappeared and surely will not disappear, but nevertheless becomes weaker and weaker in its confrontation with new global political

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entities, such as e.g. supranational political entities, or in its confrontation with international organizations, transnational corporations, nongovernmental and independent system of commercial arbitration, ratings provided by international rating agencies or with limitations of various military, political and economic treaties and unions. Philosophically, this is probably the most important factor in describing the transformation higher education currently undergoes worldwide, especially considering two hundred years of the operation of the Humboldtian model of the university, and especially in more advanced, especially anglophone, OECD countries. The institution of the modern university was going hand in hand with the institution of the nation-state. Interestingly enough, this linkage concerns the university and not higher education generally.

As far as the decomposition of the welfare-state is concerned, a very strong impact can be observed and it is increasingly important in EU accession countries (both directly and indirectly). They generally remain under a very strong influence of the biggest funders for reforms, of loan givers and of organizations it wants to belong to or already belongs. At the same time the IMF, WB and OECD deeply rooted and elaborated recommendations about the state and its functions for the developing world can be summarized in the following manner: to reduce the scope of the state responsibilities, to minimize its role and to privatize social services as much as possible – to oppose the state to the „market”, to oppose it to the „economy”, where the state is merely a „facilitator”; plus strong emphasis on deregulation, privatization, liberalization and marketization. To refer here to the World Bank Development Report, *The State in a Changing World*:

today's renewed focus on the state's role has been inspired by dramatic events in the global economy, which have fundamentally changed the environment in which states operate. The global integration of economies and the spread of democracy have narrowed the scope for arbitrary and capricious behavior.

It is not the same state (see Schmidt 1995 and Urry 1998) – and therefore, among many other reasons, it will not be the same higher education (see Newman 1999 and Slaughter 1997). According to D. Bruce Johnstone who authored a World Bank Report on higher education in 1998,

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the reform agenda ... is oriented to the market rather than to public ownership or to governmental planning and regulation. Underlying the market orientation of tertiary education is the ascendance, almost worldwide, of market capitalism and the principles of neo-liberal economics (Johnstone 1998).

There seems to be no reason to believe that higher education worldwide, and especially in EU accession countries, will be more successful in its struggles to get a share of shrinking public revenues than e.g. healthcare providers or pension schemes, or more successful than corrections/prisons, environment protection, primary and secondary education, care for the aged etc. Ten years of reforms of higher education in CEE countries, generally, do not support the thesis of an exceptional treatment (including exceptional financing) for higher education; on the contrary (see Scott 2000). The system of public higher education in some parts is on the verge of collapse as few system-level reforms were introduced, if any. I would not expect EU accession countries to be able to swim „against the tide” in reforming higher education and I would expect the consequences there to be much more deeply felt by all stakeholders involved than actually in EU countries, even after the former have joined the European Union.

As far as the economic rationality/corporate orientation/market and business-like practices are concerned, this aspect of globalization may have potentially tremendous, direct impact on higher education. „The market” is one of the most fundamental categories in post-1989 countries of Central and Eastern Europe, it is a key word in any social, political and economic discussion of the recent decade. „The market” is non-debatable, inherently positive, and „Western” in its overtones. CEE countries are aware that they need „more market” and a stronger „market orientation”. From this perspective, the questioning of the „market orientation” of higher education would mean the questioning of the very essence of post-1989 social aspirations. It is already the most strongly felt aspect of globalization in the Western world (see Currie and Newson, 1998). This aspect is most practical, felt directly by academics and their academic institutions (see Kwiek 2001c). And it is a direct and practical consequence of the other two aspects: one may fail to see the reconfigurations of the welfare state and the weakening of the nation-state, one may fail to notice the collapse of the Humboldtian vision of the university as a community of nation-state oriented scholars, but it is certainly difficult to fail to notice the changing academic environment (in everyday academic life, in law drafts, as well as in recommendations concerning higher education from different local, national and supranational

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sources). As Burbules and Torres put it in their introduction to *Globalization and Education. Critical Perspectives*:

In *educational terms*, there is a growing understanding that the neoliberal version of globalization, particularly as implemented (and ideologically defended) by bilateral, multilateral, and international organizations, is reflected in an educational agenda that privileges, if not directly imposes, particular policies for evaluation, financing, assessment, standards, teacher training, curriculum, instruction, and testing. In the face of such pressures, more study is needed about local responses to defend public education against the introduction of pure market mechanisms to regulate educational exchanges and other policies that seek to reduce state sponsorship and financing and to impose management and efficiency models borrowed from the business sector as a framework for educational decision-making (Burbules and Torres 2000: 15).

Higher education is not seen as a unique public sector anymore, nor are EU accession countries unique in their problems with reforming higher education. These are global problems and global solutions are sought, by global organizations never before so much interested in higher education as such. Besides, the following other factors determine a new situation of higher education: new technologies, new student body (increasingly diversified ages; returning and working students, lifelong learning ideal), new higher education providers: for-profit, corporate universities, virtual universities, mixed (traditional/virtual) providers, new – increasingly global – students' expectations, increasingly competitive, market-oriented, success-greedy social environment, and others (see Newman 2000). Let us just mention here such major for-profit players in the USA as Apollo Group, Inc. (with 126 campuses in 34 states with 68,000 students) or DeVry Inc. (with 45 campuses in 9 states and with 48,000 students). As to corporate universities, let us mention by way of example: American Express Quality University, Apple University, Dell University, Disney University, General Motors University, Hamburger University (McDonald's Corporation), Land Rover University, Motorola University or Xerox Document University (Newman 2001:19, 21)

Following the idea that higher education is no longer a unique part of the public sector in Central and Eastern Europe, we should ask who the competitors of public higher education institutions are. The competitors are of a twofold nature: they are, first, the newcomers in the field of higher

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education and, second, other public institutions and public services provided by the state today. Other educational providers are, for instance, private national institutions, private foreign institutions, national and foreign corporate certification centers, national and foreign virtual education providers and mixed education providers. Most probably, in an increasingly market-oriented social environment, prospective students (and their families) will be increasingly market-oriented as well. The question arises, to what extent the European Union is becoming a market-oriented social environment: the direction may be not exactly to follow current global ideals; it is useful to see in this context *The Social Situation in the European Union 2001*, published by Eurostat (2001). That fact is most strongly confirmed by sociological research in CEE countries. The unreformed institutions there will not be able to face the pressure, and either will be reformed on a day-to-day basis suggested by economic rationality, or will lose its student body to other market-oriented providers. The second group of competitors are other public institutions and public services such as, for instance, primary and secondary education, pensions and care for the aged, basic healthcare, social insurance, law and order institutions, prison systems, public administration etc (see Hovey 1999). As D. Bruce Johnstone wrote recently,

public priorities are changing throughout the world. While there is no reason that higher education should necessarily, over time, lose in the competition for governmental resources, it would appear that expenditures for elementary and secondary education, economic infrastructure, health and welfare, and perhaps even for environmental restoration are emerging as higher priority objects for governmental spending in most countries (Johnstone 1999:1).

The competition with other sectors of the public sphere is a zero-sum game, though: some sectors win, others lose. Mass higher education does not have to be the dominant goal of governments: its has been already achieved and there are many more competing social needs (see Gibbs 2000). At the same time the general amount of the public money received in taxes is likely to be smaller rather than bigger, following the trend in OECD countries (see Beck 2000).

Thus another thesis here is that public higher education institutions will be increasingly under public scrutiny. The reasons are manifold but let me mention the most important of them in the context of EU accession countries. First, there is the widespread public perception of the academic community as still immune from public criticism, as elitist, non-reforming, non-transparent, and non-accountable to the society. Hence the decreasing public support

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accompanied by the falling public trust in higher education institutions generally. Second, we are currently generally witnessing decreasing public funds for higher education: there are pressing new societal needs that require high level of financing, especially in the times of social transformations (to give a Polish example: in 1999-2001 Poland was introducing and running four major reforms: of the healthcare system, of administration and administrative division of the country, of social security as well as of primary education (see Kwiek and Finikov 2001). At the same time there is no pre-given model of the services to be funded from the public money that is accepted. Neither Western European models, nor previous planned-economy models, nor most recent transnational models construed along neoliberal lines are fully accepted in EU accession countries, with a lot of country-to-country differences (and in still more general terms, there are the British, French, Spanish and American models. As Philip G. Altbach put it, "there are several academic models to choose from in the modern world. The most influential at present is the American academic model" (Altbach 1998:256). Voldemar Tomusk in his penetrating *Blinding Darkness of the Enlightenment* presents a very true and pessimistic vision of current higher education policy in CEE countries:

with the decline of the welfare state and massification of higher education in the West, the Eastern vision on the resource abundant University has become mere dream. The simple truth about the current higher education reform is that the only thing we know for sure is that we want our University to have considerably more resources. ... There is hardly any country in the region which has developed higher education policy (Tomusk 2000:55; see Tomusk 2000a).

The public is witnessing the general failure in helping the youth to adapt to the world around them: it is the academic knowledge in a filtered form rather than skills and knowledge of the world around that is being transferred in higher education systems to the student body today. What also supports the thesis of public higher education being under severe scrutiny soon is the fact that all (public and private) institutions are forced to change today, including the governmental agencies, the corporate world, civil society institutions and the core institutions of the public sector. In most general terms, that is the end of the stable world governed by modern traditions and in this context the inherited prestige of higher education in general, and of the institution of the university in particular, is unlikely to help in resisting the changes (see Scott 1999). The increasing public scrutiny is also the final consequence of higher education enlightening mission: the public is finally able to judge their higher education institutions (the

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awareness of higher education institutions performance has become widespread, accompanying the massification of the system). As Anette Gibbs remarks in her "Changing Government Roles Relative to Higher Education", referring to the American experience,

this eroding public confidence is not necessarily about the importance of higher education but rather about the operation of and functioning of colleges and universities. These public perceptions of higher education ... also travel to governors' offices, state lawmakers, and the various branches of national government. With other pressing issues to address, governmental legislative and executive officials therefore *appear willing to treat public higher education as an expenditure rather than an investment in the future*. Such philosophical and politically pragmatic approach by either state or national government means that colleges and universities could become drastically different organizations from the institutions of today (Gibbs 2000, emphasis mine)

Central and Eastern Europe is beginning to see a new generation of students with a new, fundamentally consumerist attitude, especially in the private sector of higher education – according to the “I pay, I demand” line of thinking. The cost of higher education in an increasingly massive model of its functioning would require an enormous amount of money that most probably none of the CEE countries is able to provide: it is already one of the most expensive public services financed by the state today (which is a direct consequence of advanced research and rapidly growing student body). Finally, let me also mention two different reasons: in the global, increasingly post-national age, the national pride that used to guide public attitude toward higher education is not of primal importance anymore. The end of the Cold-War competition means also the end of the inter-national race in the sciences and the end of the space race as a part of a larger confrontation within a bi-polar world of hostile superpowers. There is also growing public awareness of the tax money spent for the state in general, and for its specific public services, including public higher education, in particular. The awareness in question is at the same time accompanied by the general tax avoidance on the part of both transnational corporations and local corporations as well. The outlook drafted here with respect to EU accession countries seems different from the general situation currently experienced in EU countries - but the supposition of the present author is that the two pictures may get considerably closer in the coming decade.

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In most probability, public higher education institutions in EU accession countries will soon have to account for every penny spent, every research project conducted, every course offered, every new department created and old department maintained, as well as for every Ph.D. student and full-time professor. They may have to increase workloads of their faculty considerably, reduce the scope of their research agenda, shift their priorities to teaching, mainly undergraduate teaching in today's sense. I would expect higher education institutions, in the long run, to be increasingly teaching institutions. And there may occur the accompanying lowering of the social prestige of institutions and their faculties, the relative (compared to other professionals) lowering of salaries and social understanding for the need for non-applied research. Research activities may be moving in part to corporate laboratories, think tanks and rich private as well as selected state-supported elite research universities (as UNESCO's *Facts and Figures 2000* state,

university research appears to be particularly important in many of the smaller OECD countries whereas it plays a more modest role (15-20% maximum) in several of the major economies (United States, Japan, France, Germany and the United Kingdom) (UNESCO 2000b:26).

It seems that the worldwide tendencies in a rapidly globalizing world cannot be disregarded anymore anywhere, especially in the regions undergoing vast social and economic transformations. While it was acceptable to disregard the global context in thinking about higher education ten years ago, immediately following the end of the Cold War, it is just impossible to do so right now. We are no longer living in the world as we knew it as widely conceived processes of globalization apparently bring about - in different parts of the world to different degrees and at a different pace, though - transformations of an unprecedented nature and scale. The world we have been thinking about in philosophy, sociology, political sciences or political economy (that is to say, depending on the discipline: the modern world founded on reason and rationality, social communication and dreams of the fair social order, the world separated into national entities and closed in the formula of the "nation-state", the world of a social contract in which there is a strict connection between welfare state, capitalism, and democracy, finally, the world in which there is a clear priority of politics to economy) is disintegrating right before our eyes together with the gradual passage to the global age.

Problems faced by Central European academy are not exactly – and not distinctly – Central European problems; they may be reinforced by local issues, but the main structure of

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transformations going on is common to large parts of the world. The changes of higher education go hand in hand with the changes in the public sector generally, and the issue of massification of higher education – and hence rapidly growing costs and generally lowering level of education – is global. The German-inspired nation-state-oriented and welfare-state-supported university is most probably beyond reach in any part of the world today. It certainly has the biggest chance to survive in relatively unchanged conditions in the affluent countries of the European Union; the chances for Central and Eastern Europe are much smaller, and for developing countries in general, it will be very difficult indeed to avoid current global trends towards marketization, corporatization and perhaps privatization of large part of public higher education. And let us clarify what we mean by corporatization: following Janice Newson, corporatization is a trend in university development which

encapsulates at least two related yet distinct aspects of the university's changing relationship to the private corporate sector. One aspect concerns new kinds of contractual relationships in which some level of financial support to a university program or research project is exchanged for an opportunity for corporate donors to exercise influence over and/or benefit, from specific research and/or educational activities. ... The second aspect of corporatization concerns the adoption by universities of the *modus operandi*, criteria, and objectives of private sector corporations. (Newson 1998:108).

So one aspect of corporatization of the university leads to producing knowledge leading to the development of "marketable products under patent or license agreements with a corporate partner", the other in turn may lead to situations in which "the university becomes undifferentiated from a business corporation engaged in the delivery of educational and research 'products'" (Newson 1998:108). Both aspects (described in Canada for over a decade now by Janice Newson and Howard Buchbinder) may have tremendous effects on the higher education/research relations, both in EU and in EU accession countries.

#### **4. Reforms of higher education and the state**

No clear and consensual model for reforming higher education in EU accession countries has been found after almost a decade of permanent reforms or reform attempts. Models provided are divergent: the very world we are living in is in the making. The exact features of the global

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world we are entering are still unknown; hence the nature of higher education of the future is equally unknown. There is a number of persuasive visions for the future, but their usefulness depends on the way that the reform of the state will take globally: its functions, role and tasks have been under severe scrutiny. In most probability, the state in the new global surrounding will be forced to shift its priorities and state-supported higher education in its current version may not be among them. The redefinition of the state's responsibilities in a deregulated globalized world may be a very painful process not only for higher education, but for the large part of the traditionally conceived public sector as well.

The fundamental issue is whether the state, in times of harsh economic competition, is able to finance public higher education institutions in light of its unavoidable further massification and constantly raising costs of advanced research activities. In most general terms, the issue boils down to the following: is higher education still viewed as a public good or is already seen as a private commodity and how successfully higher education can compete with other publicly-funded services today. Although it is always theoretically possible that the EU accession countries will dramatically increase their support for higher education, considering the current situation described above, including globalization pressures, it seems very unlikely indeed. Strange enough, the opposition to reforming public higher education comes from all stakeholders. Speaking of the particular case of Poland, for the state, reforms are too demanding as an intellectual effort, (short-term) social costs of reforms are too big and reforms other than increasing state support would mean a direction against a widely spread popular belief in free higher education (regardless of its quality). Free higher education guaranteed by constitutions in particular Central and East European countries is a hot political issue. For the faculty, the status quo seems acceptable for it is known; reforms and their consequences are unknown i.e. potentially threatening. Let me mention in this context what a World Bank report on higher education (commissioned for the UNESCO World Congress on Higher Education in Paris, 1998) said about the faculty as a problem today:

radical change, or restructuring, of an institution of higher education, means either fewer and/or different faculty, professional staff, and support workers. This means lay-offs, forced early retirements, or major retraining and reassignment, as in: the closure of inefficient or ineffective institutions; the merger of quality institutions that merely lack a critical mass of operations to make them cost-effective, and the radical alteration of the mission and production function of an institution - which

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means *radically altering who the faculty are, how they behave, the way they are organized, and the way they work and are compensated* (Johnstone 1998 - emphasis mine).

No wonder the faculty might be afraid. And it is important to keep remembering about the significance of the academic profession (see Enders 2000 and 1999; Altbach 2000; Kwiek 2001c); as Philip G. Altbach notes,

the heart of the contemporary university is the academic profession. No reform or institutional transformation is possible without the commitment of the professoriate. The professors do the teaching and conduct the research. They also play a primary role in university governance. Their attitudes and values have an impact on their students and on the ethos of the university (Altbach 1998:262).

As under the current global ideological climate and powerful globalization pressures public higher education institutions in Central and Eastern Europe have a small chance to avoid the process of privatization (in the long run and to the degree that is still uncertain), they should be well aware of current stakes rather than ignore them in a "business as usual" attitude. Not to be merely an object of future transformations, the academic world in current situation should understand the general direction of changes affecting their institutions and try to influence the transformation. globalization theories and practices change traditional relations between the state and the market: the state, along neoliberal lines, is increasingly seen as a merely "regulator" or "catalyst" for entrepreneurial activities. Thus globalization processes and fierce international competition have brought back to the world agenda the issue of the role of the state in contemporary world: as the World Bank publication *The State in a Changing World* put it in the opening paragraph:

Around the globe, the state is in the spotlight. Far-reaching developments in the global economy have us revisiting basic questions about government: what its role should be, what it can and cannot do, and how best to do it (World Bank 1997:1).

Thus to highlight this point again - rethinking the university today is inseparable from rethinking the state today: first, the modern university was put by its German philosophical founders at the

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disposal of the nation-state, and, second, the university is traditionally a vast consumer of public revenues. And rethinking the state goes in two parallel directions: the nation-state today and the welfare state today. Both ideas are clearly linked with the modern institution of the university, and fundamental reformulations of them will surely affect it. Generally, the state is increasingly seen in a global context as a “facilitator”, “regulator”, “partner”, and “catalyst” rather than direct provider of growth or of social services. What it means is a redefinition of state’s responsibilities towards society and high selectivity in activities supported with public funds. “Choosing what to do and what not to do is critical”, as the above World Bank publication phrases it – and in this context hard times are ahead for higher education worldwide. OECD’s *Redefining Tertiary Education* speaks of a “fundamental shift” and a “new paradigm” of tertiary education for all, as well as about a “historic shift” and a “cultural change”. I fully agree when the report says that “it is an era of searching, questioning, and at times of profound uncertainty, of numerous reforms and essays in the renewal of tertiary education” (OECD 1998:3, 37, 20, 15). The question about the university today cannot be answered in isolation, though; it goes hand in hand with questions about cultural and civilizational changes brought about by the Internet and information technology, with the issues of globalization, the welfare state, the nation-state and a number of others.

For as a result of all these changes it may happen that certain activities traditionally viewed as belonging to the state’s sphere of social responsibilities may not be seen in this way anymore. Higher education is certainly a serious issue in this context, and a general trend suggested in public policy towards subsidizing consumers rather than providers, that is to say, students rather than institutions of higher learning (or “the client perspective” in OECD terminology) as well as a shift not only away from government, but also away from the very higher education institutions and their faculty toward their “clients” (Johnstone 1998:4) – is symptomatic.

Thus, there are serious indications that the nation-state as a political and cultural project is in retreat right now in a surrounding determined by the processes of globalization, which in itself is a subject of heated debates. As Dani Rodrik, an influential American political economist, put it recently, “we need to upfront about the irreversibility of the many changes that have occurred in the global economy. ... In short, the genie cannot be stuffed back into the bottle, even if it were desirable to do so. We will need more imaginative and more subtle responses” (Rodrik 1997:9). I would add – we will need them also in higher education policy issues. Capital, goods, technologies, information and people cross borders in the way that was unimaginable still a

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couple of years ago. The power of the state as such is increasingly seen as merely administration and less and less often as the governance of (national) spirits. Sociologists describe current situation as a “partial shift of some components of state sovereignty to other institutions, from supranational entities to the global capital market” (Sassen 1996:xii, see also Sassen 1998). The possible decline of the nation-states brings about vast social, economic, and political consequences of a global nature. Susan Strange in her book *The Retreat of the State* says that the state is undergoing a metamorphosis and it “can no longer make the exceptional claims and demands that it once did. It is becoming, once more and as in the past, just one more source of authority among several, with limited powers and resources” (Strange 1996:73). Martin Albrow goes even further when he states that “society and the nation-state have pulled apart” (Albrow 1996:164). Thus, national identity seems to cease to play the crucial role in social life of contemporary technologically advanced, free countries of the late modern society. And, let us remind here again, national identity laid at the foundations of the modern university in its German formulation.

The market, at the same time, is growing stronger in the domains which were dominated by the state in the past. Market forces introduce economic rationality and corporate culture accompanied by an array of practices drawn directly from the world of business.

Perhaps, as the idea of „culture” (and especially, but not exclusively, „national” culture) ceases to be effective for the functioning of the institution of the university – the idea of culture worked out by German philosophers and accepted all over the world as a regulatory idea standing behind the functioning of the university (see e.g. Schelling 1963, Schleiermacher 1994, Kant 1970 and 1979, Humboldt 1979; Renaut 1995; Renaut and Ferry 1979; Richardson 1984) – new ideas have to be sought. It turns out, though, that such grand ideas that would not be deprived of social reference, are very difficult, if not impossible, to find in the set of ideas we currently have at our disposal. At the same time the ruthless logic of consumerism provides us with the idea which was greeted with satisfaction by the best American universities: „excellence in education”, behind which there are the ideals of the most useful, best-selling and most quickly attained knowledge (or merely certification). As numerous commentators of the phenomenon write, it is right there that the university as an institution becomes a bureaucratically-governed, consumer-oriented corporation. To quote just one recommendation: “the only thing that higher education has to do, it seems, is sell its good and services in the marketplace like other businesses...” (Leslie and Fretwell 1996:31).

From this perspective, the crucial words for the description of the university are the following: managerial, corporate, entrepreneurial, as well as deregulation, privatization, marketization and „academic capitalism”.

The questions to be asked could be formulated in the following manner: what is the future of the university deprived of its modern culture-, state-, and nation-oriented mission? Does the university really have to drift toward the model of a better and better managed corporation, a bureaucratic structure fighting in the marketplace with other, similar, isolated bureaucratic structures in search of consumers of educational services they want to keep selling (i.e. to drift „from the collegial academy to corporate enterprise”, as Ian McNay describes the process (McNay 1995)? What, in a social sense, would a (potential) university of mere consumers be like? Or, as is evident in a splendid volume *Universities and Globalization* (Currie and Newson 1998), the questions could be the following: are we in danger of having at the university practices drawn directly from the world of business? will the university under these circumstances be able to maintain its critical judgments about society? will scholars become entrepreneurs („academic capitalists”)? is academic activity still unique in our culture? is globalization a „regime of truth” (in Foucault’s sense), a new fundamentalism whose impact on higher education will be revolutionary? Finally, is higher education merely a private commodity or is it a public good? At the same time, a less cultural and philosophical context and a more economic and political one could be described as follows:

most Western democracies are now in the throes of a reform of their welfare state institutions. The modern university, as a significant claimant on public resources, is part of it. ... the overriding influence in all countries is that the state can no longer afford to pay the escalating claims, especially in light of the increasing internationalization of the economy (Melody 1997:76).

The university that consented to function within the framework determined purely by the logic of the (neoliberal) economy would, with the passage of time, become a mere corporation (and it would not find any consolation in the fact that it is an „educational corporation”). That would be the end of the university as a modern institution. Therefore I have to agree with Slaughter and Leslie when they say that „higher education as an institution and faculty as its labor force face change unprecedented in this century” (Slaughter and Leslie 1997:1). That would obviously not

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mean the end of the university as such: that would be merely the end of a certain way of conceiving of the university, a conception with which we have, over a period of two centuries, become familiar. The university without its state- and nation-orientation (that is, de-ideologized) seems to be forced by external circumstances to look for a new place for itself in culture, for if it does not find such a place, it will become an educational corporation tasked with training specialists fast, cheaply, and efficiently - preferably very fast, very cheaply, and very efficiently.

Social and cultural changes occur today with a speed that was unimaginable a few decades ago. The world is changing faster and faster and the university has less and less influence on the direction these changes take (if it ever had major influence). It is no longer a partner of power (of the nation-state) and it is increasingly perceived as a problem, not a solution, or as an expenditure, not a good investment. One thing is certain: nothing is permanent or guaranteed to institutions in culture, neither any status nor any place, role or social task. It is of vital importance nowadays to be able to keep a thin balance between looking backward and looking forward, between taking the past (the modern idea of the University) and taking the future as points of reference in discussing the condition of higher education. It is important not to be merely retro-active, past-oriented. We are in a period of history in which the traditional, philosophy-inspired, nation-state-oriented and welfare-state-supported, modern university, for a variety of reasons and to different degrees in different countries and regions, is no longer culturally, socially and economically accepted in a blind, no-questions-asked manner. The future of higher education is taking its form right before our eyes, today, and it is the task of the academic community not only to analyze these transformations but to influence them as much as possible as well.

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