

DER ÖFFENTLICHE SEKTOR

The Public Sector

Privatisation of Education: a framework

by Wolfgang Blaas

The Welfare State and Higher Education on Their Way Towards Privatisation.
Global and Transition Economies' Perspectives

by Marek Kwiek

University mission between searching for truth and commercialization

by Pavel Zgaga

Globalised, Commodified and Privatised: current international trends in
education and education policy

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Public and private components in the
Italian educational system

by Nicola Acocella and Federico Tomassi

Neoliberal policy and Higher Education in Europe:
the case of Greece

by Rosa Toliou

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Editorial

Wolfgang Blaas

This volume brings together six papers on the common theme of Privatisation of Education. These papers have been presented and discussed at the PRESOM-workshops in Ljubljana, Slovenia in June 2007 and in Berlin, Germany, in October 2007. PRESOM is short for Privatisation and the European Social Model, a Coordination Action which is funded within the 6th Framework Programme of the EU under Priority 7, Citizens and Governance in a Knowledge-Based Society. The project started on 1st January 2006 and will run until 31st December 2008 (see also www.presom.eu/ and the Introduction by Jörg Huffschmid in "Der Öffentliche Sektor – The Public Sector, Vol. 32, 2006, Heft 3-4).

Though the education group within PRESOM has decided to focus primarily on higher education and university topics, some of the issues dealt with in the papers are well beyond these more narrow limits.

The introductory paper by Blaas is providing a preliminary framework within which the complex dimensions of education privatisation may be put into perspective. A number of basic questions are put forth and briefly discussed: (1) is education a commodity or a public good? (2) what does privatisation mean in this context? (3) what are the instruments and methods of education privatisation? and (4) how may we evaluate education privatisation from an economic and a social point of view?

By staging the discussion into the more general topic of the welfare state, Kwiek opens up the discussion towards transition and global perspectives, and he presents the debate between those who believe that globalization will lead to smaller welfare states and less publicly funded education and those who see more public investment in education as a crucial necessity to keep up in the global economic race. Though the latter position does not seem to have prevailed, Kwiek points to a possible change in the way how the state is being seen by international agents, i.e. from the "minimalist state" to the "effective state" (World Bank). It is argued that education expenditures have to be seen as competing with other welfare expenditures and that therefore the future development of public revenues at large and the pressure for public engagement in education in

particular are crucial determinants of university privatisation.

Zgaga discusses some of the central issues in the context of privatizing tertiary education. Among others, he raises the question of how the delicate balance between the two traditional ends of universities, "the pursuit of truth" and "serving the needs of the economy", might be changing through privatisation in general and by running a university as an enterprise in particular.

In his contribution, Ball addresses first some aspects of the new international education economy. Second he gives some examples of the multiple forms of current educational privatisations, and third changes in the form and modalities of the state provision of education are presented. Finally, some of the relationships among these issues are discussed.

The last two contributions are empirical case studies of education privatisation in Italy and in Greece. First, Acocella and Tomassi describe in detail public and private education in Italy. Then they go on to assess whether more competition between public and private producers would improve the education system and finally, they sum up and give some conclusions, in particular concerning the question of rising inequalities. Second, Toliou delivers a critical view of neoliberal thinking and policies in education, and its influence on the Greek education system. Alternative ways to improve education are suggested.

Vienna, November 2007

Privatisation of Education: a framework¹

Wolfgang Blaas

1. Introduction

It is the overall objective of PRESOM to “establish a scientifically based assessment of the impact of privatisation and liberalisation in the EU upon the functioning of the emerging European Social Model from different points of view and to contribute to the development of policies for the public and private sectors aiming to strengthen this model of society” (www.presom.eu).

The assessment of the effects of privatizing education has to start from a clear conception of the term “education”. I will discuss this briefly in the second section. In the third section we ask what is meant by “privatizing education”, and in the fourth section the main instruments and methods of education privatisation are presented. The last section deals with the question how to evaluate (the effects of) privatizing education.

2. Education: commodity or public good?

As an economist, I am used to think of education as a service. In this view education is basically a commodity which may be produced by a range of public, public-private and/or private producers (see Table 1).

However, at least in the Anglo-Saxon language context, education means more than this. In this context, education of an individual begins with birth (or even before) and continues throughout the life of a person. Deliberately produced education, which might be associated with formal education, is only part of the whole. In this broader sense, family members, friends, colleagues, but also characters in plays, theatres and cinemas, religion etc. may contribute in significant ways to the education of a person.

Education then is part of the socialization of an individual. That is, education is not only the transfer of information, knowledge, know-how etc. from a teacher to a pupil, but also comprehensively imparting of the culture of a specific society.

In so far as education imparts the values and rules of a society which are necessary to know in order to

survive and become a successful member of this society, education plays a crucial role in stabilizing and reproducing societies. And in this sense education is of course a public good, and furthermore, education is also an important input to produce further public goods as for example “social stability”.

Although we concentrate in our work package on higher education as part of formal education, I think that we have to assess privatisation of higher education in the context of this broader view of education. Only then we might be able to escape the fallacy of evaluating different forms of education systems from a purely economic point of view. Therefore I invite you to consider this wider frame of education in your contributions today.

Specific for higher education is furthermore that usually or often also research activities are involved. For example, PhD-students and other scholars have to write a thesis. Hence, students are not only on the receiving side of knowledge production but also producing knowledge themselves. Therefore, the public good dimension is of crucial importance in higher education.

3. What is education privatisation?

In this and in the following section I go back to the more narrow conception of education as a service. This seems appropriate when the issue is privatisation.

Privatisation has been defined as (Belfield/Levin 2002, 19)

“... the transfer of activities, assets and responsibilities from government and public institutions and organizations to private individuals and agencies.”

Other meanings of privatisation are the commodification or marketization of formerly public goods, and/or the liberalization from public regulations.

In our context, “education privatisation” is a general term including a large number of different educational programmes and policies. We might think of privatisation in three variants, namely

Table 1: Percentages of public and private funding of tertiary education in the OECD (1995, 1999)

OECD countries	1999		1995	
	Public sources	Private sources ¹	Public sources	Private sources ¹
Australia	52.4	47.6	64.2	35.8
Austria	98.7	1.3	97.6	2.4
Belgium	100.0	n	–	–
Canada ²	59.3	40.7	59.1	40.9
Czech Republic	84.7	15.3	71.0	29.0
Denmark ²	97.7	2.3	–	–
Finland	97.4	2.6	–	–
France	85.7	14.3	84.3	15.7
Germany	91.5	8.5	92.7	7.3
Greece	99.9	0.1	–	–
Hungary	76.6	23.4	80.3	19.7
Ireland	73.4	26.6	69.7	30.3
Italy	80.3	19.7	82.8	17.2
Japan ³	44.5	55.5	42.8	57.2
Korea	20.7	79.3	–	–
Mexico	71.8	28.2	77.4	22.6
Netherlands	77.6	22.4	88.3	11.7
Norway	94.4	5.6	93.6	6.4
Poland ⁴	82.8	17.2	–	–
Portugal	92.9	7.1	96.5	3.5
Slovak Republic	91.9	8.1	–	–
Spain	74.2	25.8	74.4	25.6
Sweden	88.4	11.6	93.6	6.4
Switzerland	96.7	3.3	–	–
Turkey	95.3	4.7	96.6	3.4
United Kingdom	63.2	36.8	63.9	36.1
United States ²	46.9	53.1	–	–

Notes:

- 1 including subsidies attributable to payments to educational institutions recieved from public sources
- 2 Post-secondary non-tertiary included in tertiary education or missing
- 3 Post-secondary non-tertiary included in both upper secondary and tertiary education
- 4 Public institutions only

Source: Greenaway/Haynes 2004, 307

1. private provision of education;
2. private funding of education and
3. private regulation, decision making and accountability.

Private provision

Here privatisation means the change from state or public provision of educational services to the provision and management of education by private agencies and organizations, for example by religious groups, by charities, by for-profit firms, and other interested parties.

Private funding

In this case privatisation means that parents and students pay directly for educational services rather than indirectly through taxes and government expenditures. In most practical cases, however, families and government bear the costs of education together. If, for example, universities charge tuition fees, these cover usually only a certain fraction of total costs, and they have therefore to be complemented by public funds.

Hence, privatisation in this sense occurs when a portion of total funding is paid by private households instead of by the government.

Private regulation, decision-making and accountability

The third variant of education privatisation refers to the definition of quality standards of educational services. This occurs when the (private) consumers of these services, i.e. the students and their families, determine directly ("voice") or indirectly ("exit") the satisfactory standard of services instead of governments via regulations. Thus, a further aspect here is the freedom to choose the educational institution according to the preferences of the student or the family.

However, even in cases where private individuals play a significant role in defining the quality standards, schools and universities are seldom completely free in their operations. In most cases the educational institutions have to meet state accountability requirements.

Combining variants of privatisation programmes

All three types of educational privatisation may be implemented simultaneously, but they may also balance each other. For example, the private provi-

sion of education may be complemented by strict government regulations concerning the teaching and materials used in school. On the other hand, also substitute relationships exist between different forms of privatisation. As an example one might think of a system where either vouchers are offered to enable children to attend schools, or to grant parents tax credits in order to finance school fees.

The combination of public and private characteristics may result in quasi-markets for education, in which governments keep on playing an important role in terms of setting quality standards, while (private and public) suppliers operate in a regulated competitive environment.

4. Instruments and methods of education privatisation

A large number of instruments and methods has been employed in privatizing education. Some of the most usual ones are:

1. Introduction of educational vouchers
2. Introduction of options to choose among different public and/or private providers of education services
3. Liberalization of regulation of education services
4. Contracting out of specific (additional) services (e.g. catering)
5. Introduction of tax credits and deductions for educational services
6. Granting subsidies and assistance to private schools
7. Introducing the option to choose home-schooling
8. Increasing competition between schools and education agencies

According to the evidence which has been produced by the UNESCO-study (Belfield/Levin 2002, 53 et sequ.), education privatisation seems to be dominated by the introduction of school vouchers and the introduction of options to choose among different schools (school providers).

5. Evaluating education privatisation programmes

When evaluating education systems or changes in education systems, the broader concept of education (which I was mentioning at the beginning) has to be invoked again. We have then to ask whether a chan-

ge in the educational system contributes to the achievement of a range of socio-economic objectives. In order to substantiate these objectives, one might use Article 26 of the Universal Declaration of Human Rights, which refers to education. Three rights are formulated there:

1. Everyone has the right to education. Education shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory. Technical and professional education shall be made generally available and higher education shall be equally accessible to all on the basis of merit.
2. Education shall be directed to the full development of the human personality and to the strengthening of respect for human rights and fundamental freedoms. It shall promote understanding, tolerance and friendship among all nations, racial or religious groups, and shall further the activities of the United Nations for the maintenance of peace.
3. Parents have a prior right to choose the kind of education that shall be given to their children.

Corresponding to these rights, three objectives may be identified, which may be complemented by a fourth and purely economic objective of cost efficiency. Formulated as questions, these for objectives are (see also Belfield/Levin 2002, 35):

Does the envisaged privatisation programme

1. result in a more equitable access to education for all students?
2. result in improved social cohesion via the education system?
3. give more freedom of choice to the people seeking education?
4. result in (cost) efficiency of the provision of education?

The impact of privatisation programmes, measured in these four areas, may be positive and/or negative. Hence, a comprehensive evaluation will necessarily consider the net benefit – positive or negative – of privatisation in each area.

Equity

Equity in education may be defined as the equitable access of students to education irrespective of gender, social class, race, language origins or geographical location. Evaluation may be carried out via the input or the output side. On the input side it is to

be assessed whether every student receives an appropriate amount of resources to be able to participate in the learning process according to his specific capacities. On the output side the question is whether all students leave the institution with sufficient skills and a fair chance at the labour market.

Social cohesion

Education, at least as it is understood in most societies, is supposed to be more than just delivering specific information to the pupils. The education system plays a critical role in the socialization of human beings.

The “production” of social cohesion by the school system may be envisaged in two different ways. First, if all citizens of a country have gone through a common school system, as a result there may emerge a broad common understanding of social values, goals, political perspectives and so on. This in turn enables a society to take collective actions and social decisions necessary for a society to cope with changing socio-economic environments.

Second, schools may provide social skills to the individual person which might reduce social tensions (conflict resolution capacity, etc.) and, even more important, school education may convey to the students a theoretical and practical understanding of the importance of “social responsibility”.

Freedom to choose

On purely economic terms, more freedom of choice is an advantage because the matching of supply and demand tends to be improved. Furthermore, the accountability of education providers is increased if there is the “exit-option” for the consumers.

On the other hand, choosing between different providers implies transaction costs for the consumer.

Efficiency

The efficiency criterion refers to the efficient use of resources in the process of producing education services. The usual definition of economic efficiency, i.e. to maximize output with a given input, or alternatively, to minimize inputs to produce a given output, is difficult to translate into the education business. How do we measure “output” in this context? How do we simultaneously measure quantitative (number of alumni) and qualitative results (career of the alumni) of the education process?

Hence, in order to effectively evaluate education services in terms of efficiency, an elaborated system of measuring costs and output is necessary.

The considerations I have put forward are not more than a preliminary framework for discussing the topic of the privatisation of education, and they may seem too simplistic or incomplete. All the more I would like to invite comments and critique in order to develop further this matter.

1) Paper presented at the PRESOM workshop on education privatisation, 29 June 2007, Ljubljana, Slovenia. This paper draws on the UNESCO-study on education privatisation by Belfield/Levin 2002

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The Welfare State and Higher Education on Their Way Towards Privatisation. Global and Transition Economies' Perspectives¹

Marek Kwiek

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

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

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

So higher education is no longer isolated from the society and, especially, the economy, its (especially research) funding is no longer guaranteed and its missions are under scrutiny. The solutions suggested are both cost-side and revenue-side, strongly relating the future of public higher education to current financial austerity. Consequently, university mis-

sions are being renegotiated, either in theory or in practice (or both), new economic contexts of public universities are increasingly important, following renewed interest in higher education, and new concepts in rethinking higher education are being coined by international and supranational organizations (such as the World Bank or OECD). There is clear convergence of economic and academic spaces in thinking about reforming higher education in Europe (the best exemplification being the subsumption of the Bologna Process under the overall EU Lisbon strategy of more growth/more jobs while creating the most competitive economy in the world, see Kwiek 2004b). Various European countries (and especially transition countries) have been experimenting with the privatisation of various segments of the welfare state, including higher education, healthcare and pension systems. Transformations to higher education are linked here to transformations of the welfare state – which, in turn, are linked to more global economic, social, and political processes. All segments of welfare state seem to be “overburdened” today, and operate under increasing financial pressures. Because of changing European demographics and aging of European societies, the costs of both healthcare and pensions are very high; the costs of research are escalating, and the participation rates in higher education has never been as high as today (although they seem to be stabilizing in many countries on current, very high, levels). Amidst financial austerity, the competition for public funds has been growing. Higher inflow of private funds – both to research and development, to higher education through fees, to pension systems through multi-pillar systems instead of pay-as-you-go ones, and to healthcare through semi-privatisation and private insurance – to the welfare systems in general is happening right before our eyes. Perhaps especially, but not inclusively, in the European transition economies.

Social scientists seem to agree that we are facing the end of the welfare state as we know it. There does not seem to be a major disagreement, broadly speaking, about the future of the welfare state in its current European postwar form: its foundations, for a

variety of internal and external reasons and due to a variety of international and domestic pressures, need to be renegotiated today. Welfare retrenchment has come to be seen as necessary by the governments of most affluent Western democracies, international organizations (such as the OECD), global organizations and development agencies (such as the World Bank) and the European Commission².

In general, we are experiencing, in different European countries to different degrees, the following phenomena: the increasing privatisation and the shrinking of state welfare (which may be compensated for by private welfare – but with a new distribution of risks and uncertainties, as discussed by Giuliano Bonoli, following the Risikogesellschaft line of thinking common to such sociologists as Ulrich Beck, Anthony Giddens or Scott Lash); the reduction in the number of public sector employees; the end of the option of developing the welfare state through creating new public sector jobs (as in Scandinavian countries), including tenured jobs in higher education; generally speaking, taxation and spending models may be becoming increasingly convergent (following the idea of “investor-friendly” or “business-friendly” climates in particular countries), as funding policies may become convergent with respect to higher education (fees and loans); as well as there being no way to avoid a “globally accepted” downward trend in funding public services in general and a global trend which favors the market rather than the state in providing public services in general.

So the prospects for the future seem to be that higher education will be increasingly seen as part of the public sector, with its traditional uniqueness lost, with all consequences of this loss. One way to break away from this perspective is to view higher education as an investment, rather than a burden, which is crucial for the development of “knowledge-based” societies and economies or to view higher education through the lens of social capital formation. Martin Carnoy sounds moderately optimistic when he concludes in his book about globalization and educational reforms that his analysis suggests that a major “real” impact of globalization is to change the role of nation-states. Nation-states are becoming limited as direct economic actors and, as a result, are losing political legitimacy. But at the same time, nation-states, and regional and local governments, will depend increasingly for their legitimacy on their ability to create the conditions for economic and social development. In the new global economy, these conditions will depend increasingly on the way the state organizes the education system. Because knowledge

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

The question is whether he means public or private investments. The OECD trends show that the share of private funding in both research funding and education funding has been growing constantly, and at a much higher rate than public funding (in the case of transition countries – especially in the form of tuition fees in both public and private sectors). It is interesting to contrast his arguments with Gøsta Esping-Andersen’s arguments against increasing investments in higher education for knowledge-based societies (as opposed to massive investments in children and families with children³). In his view, a knowledge-intensive economy will lead to a new social polarization and new social dualisms. The long-term scenario might very well be “a smattering of ‘knowledge islands’ in a great sea of marginalized outsiders”. To avoid this bleak development, cognitive capacities and the resource base of citizens must be strengthened, through primary and secondary education. On numerous occasions, he recommends massive investment in children, and families with children (e.g. Esping-Andersen 2002: 3). As he argues,

The most simple-minded “third way” promoters believe that the population, via education, can be adapted to the market economy and that the social problem will, hence, disappear. This is a dangerous fallacy. Education, training or life-long learning cannot be enough. A skill-intensive economy will breed new inequalities; a full-employment service economy will reinforce these. And if we are unwilling to accept low-end services, it will be difficult to avoid widespread unemployment. In any case, education cannot undo differences in people’s social capital (Esping-Andersen 2001: 134-35, *emphasis mine*).

The claim shared by many economists, sociologists and welfare analysts is that the limits of public expenditure and taxation have probably already been reached in EU-15 member countries. Investment for the knowledge society is already subject to strong external constraints. Esping-Andersen rightly mentions “the new inequalities and social risks that knowledge-based economies inevitably provoke”, “new winners and losers” and a deepening gulf between those with and without skills⁴. He suggests two ground rules for policy making: one, “we cannot pursue too one-dimensionally a ‘learning society’, a human capital-based strategy in the belief that a tide of education will lift all boats. Such a strategy inevit-

ably leaves the less-endowed behind”; and two, “new social policy challenges cannot be met by any additional taxation or spending as a percent of GDP. We must accordingly concentrate on how to improve the status quo” (Esping-Andersen 2001: 146-47). So the pie will have to be divided up differently. Let us remember here Harold A. Hovey’s discussion of competing welfare programs (and welfare programs competing with other programs such as infrastructure, prisons, police etc) in which higher education has recently been less successful than other claimants of government funding. It looks like the whole traditional post-war slice-cutting of the pie of state funding may have to be renegotiated in Europe. Former winners may be future losers (and vice versa) in the new setting of changing (social and other) priorities, growing inequalities and possibly new ideas regarding what counts most in our societies and what counts less, and consequently new ideas on how to cut the pie differently. We are in a very dynamic situation right now; it is hard to predict future policy directions, especially as they may differ considerably from country to country, or region to region, although some desirable policy mix to meet the requirements of a “competitive, employment-friendly and equitable welfare state” may be defined in advance (Ferrera et al 2001: 114)⁵.

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

This approach is very rare indeed. Although theoretically it is possible to claim increases in the share of the public funds for national public higher education systems using the “knowledge-based society” argumentation, in practice it has not worked in any of the

major OECD countries or European transition countries so far. The situation of increasing financing higher education recalls that of raising taxes for the sake of raising the standards of welfare provisions: everyone would like to have better public universities but only few are willing to pay higher taxes for this reason (compare the generally supportive attitude towards welfare contrasted with the unwillingness to be taxed accordingly). The option of more public funding for higher education or research and development in Europe in the future is explicitly excluded even by the European Commission⁶.

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

The debate on the future of the (public) university today comes as part and parcel of a much wider debate on the future of the public sector (and state intervention in, or provision of, different, traditionally public, services). Certainly in the period of the traditional Keynesian welfare state regimes it was the state – rather than the market – that was deeply involved in the economy and in the protection of nation-state citizens against the potential social evils of postwar capitalism. As the World Bank’s flagship publication on the role of the state (*The State in a Changing World*) argues, for much of the 20th century people looked to government or the state to do more; but since the 1980s, the pendulum has been swinging again, and the existing conceptions of the state’s place in the world have been challenged by such developments as e.g. the collapse of command-and-control economies or the fiscal crisis of the welfare state. Consequently, today, the countries are asking again what government’s role ought to be and how its roles should be played (World Bank 1997: 17). The state’s behavior and the consequences of that behavior are under severe scrutiny worldwide. The post-war paradigm of the Keynesian welfare state (John Gerard Ruggie’s “embedded liberalism compromise” – a compact between the state and society to mediate the deleterious domestic effects of postwar international economic liberalization, see Ruggie 1982 and 1997) coalesced around three basic themes. It was the social need to provide welfare benefits, the desirability of a mixed public-private economy which would often mean the nationalization of a range of strategic national industries, and finally the need for a coordinated macroeconomic policy directed toward e.g. full employment (World Bank 1997: 22).

It was in Central and Eastern Europe, exposed to the influences of global agencies in redefining their future models of the welfare state and consequently national welfare policies, that the direct link between the new “effective” state on the one hand, with a downsizing of the public sector and a redefined minimal welfare state, and higher education policies on the other, was very much visible. Still another paradox, largely overlooked except for a handful of Central European social scientists, was that the policies for the ten accession countries, generally promoted and praised in subsequent accession countries’ reports by the European Commission, were not exactly “European” policies rooted in European models of the welfare state with its generally accepted “European social model”⁷; on the contrary, as Zsuzsa Ferge convincingly demonstrates (and as many of us Central Europeans know very well from policies actually being implemented in the healthcare, pensions and other public sectors⁸), these policies are largely neoliberal⁹. That is another reason to take the link between the welfare state and higher education seriously in this part of Europe; it is here that educational policies, and consequently the future of public universities, may be going hand in hand with changing welfare policies, as in the traditional World Bank formulation of the “third wave of privatisation” where changes in education follow changes in the two major claimants on welfare state resources: healthcare services and public pensions systems (see Rama 2000; Torres and Mathur 1996).

To refer to an image used by numerous commentators – that of a state/market pendulum¹⁰: the pendulum had swung from the statist development model to the “minimalist state” model of the 1980s, epitomized by such names as Margaret Thatcher in the United Kingdom and Ronald Reagan in the USA. The countries involved in implementing “New Public Management” and “reinventing government” policies¹¹ squeezed programs in education and health¹² but the result of this “overzealous rejection of government” was, the World Bank admits, the “neglect of the state’s vital functions, threatening social welfare and eroding the foundations for market development” (World Bank 1997: 24). So, after a few years, probably for the first time in the World Development Report of 1997 referred to here, that the World Bank, heavily involved in implementing structural adjustment policies in developing countries, had to admit that the idea of the “minimal state” did not work¹³. It is here that the two crucial passages which show a considerable change in the Bank’s attitude to the state appear: “Development – economic, social, and sustainable – without an effec-

tive state is impossible. It is increasingly recognized that an effective state – not a minimal one – is central to economic and social development”, as well as another passage which argues that “State-dominated development has failed, but so will stateless development. Development without an effective state is impossible” (World Bank 1997: 18, 25). Up to World Development Report 1996: From Plan to Market, the ideal for the World Bank had been the “minimal state”¹⁴. At the same time, for education and healthcare services, the publication introduces a historical relativization of what can, and what does not necessarily have to, be seen as the state’s responsibility.

The state is thus viewed by the World Bank not as a direct provider of growth but a “partner, catalyst, and facilitator” (World Bank 1997: 1). The state should certainly be assisting households to cope with certain risks to their economic security but “the idea that the state alone must carry this burden is changing”. Innovative solutions are needed – which is especially important for those developing countries which are not yet “locked into costly solutions” (of the kind provided by the generous Western-style welfare state, let us add)¹⁵.

Coming back to the picture of the state/market pendulum, citizens (especially from the developing world) should not look for solutions from the state – but should focus instead on solutions provided by the market. The consequences for the public sector, including higher education, are far-reaching¹⁶: “although the state still has a central role in ensuring the provision of basic services – education, health, infrastructure – it is not obvious that the state must be the only provider, or a provider at all” (World Bank 1997: 27). An “effective state” can leave some areas to the market and the areas where markets and private spending can meet most needs are “urban hospitals, clinics, universities, and transport” (World Bank 1997: 53). The state should not leave to the market such public goods as clean air, safe water or basic literacy but with respect to higher education it is not obvious that it must be a provider at all... “Choosing what to do and what not to do is critical”, as the idea is nicely phrased in a different passage (World Bank 1997: 3).

New publications on the tertiary education sector in the World Bank carry different overtones though. *Constructing Knowledge Societies: New Challenges for Tertiary Education* (2002) is very careful in describing a state’s obligations with respect to higher education: obligations include working within a coherent policy framework, providing an enabling regulatory environment, and working towards finan-

cial incentives; the state's role is guidance rather than steering, and in the elaboration of a clear vision for the long-term development of the education system on a national level (World Bank 2002: xxii-xxiv). Despite diminished fiscal resources and competing claims from other sectors (see Hovey 1999), governments in the World Bank's account still have at least three strong reasons for supporting the sector: investments in higher education generate external benefits essential for economic and social development; capital market imperfections make loans largely unavailable to students on a large scale, in a wide range of programs; and finally, higher education plays a key role in supporting basic and secondary education (World Bank 2002: 76). The report does not leave much doubt about the need to adequately finance higher education from the public purse

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

3. Competing welfare programs: winners and losers

How is the public funding of education and education spending (as part of social expenditure within the welfare state undergoing restructuring) to be seen as an investment rather than a cost? Paradoxically, the unwillingness or inability of the state to increase the level of public funding for higher education (or in more general terms, to use Philip G. Cerny's expression, the decreased state's potential for "col-

lective action"¹⁷) is accompanied by a clear realization that – in the new global era – higher education is more important for social and economic development than ever before. The United Nations' report on "globalization and the state" argues that countries that want to benefit from globalization must invest in education, to upgrade their citizens' skills and knowledge (United Nations 2001: 84). Martin Carnoy (as part of his UNESCO explanation of "what planners need to know" about restructuring higher education under global pressures) concludes that what is needed is a coherent and systemic effort by the public sector – which "usually means more, as well as more effective, public spending" (Carnoy 1999: 86). There is thus an interesting tension between what most education sector specialists and academics dealing with higher education issues say about the future of higher education and what political economists, political scientists or sociologists say about the future of the state, as well as the welfare state and its services in particular, including higher education. There is no easy way out of this apparent paradox and we have to stress its significance. Perhaps this is one of those cracks in the otherwise seamless fabric of globalization accounts regarding the future role of higher education in which some future, unexpected shifts in the relations between the state and the university may take place (Kwiek 2007b).

An American perspective on the state subsidy of higher education is relatively simple and its simplicity finds followers in various American and global aid, lending and development agencies. Even though the perspective apparently looks restrictive in its scope for the USA and the developing countries reforming higher education systems under the aegis of various US-led development programs, it is very useful to have a brief look at it (in the context of most countries of Central and Eastern Europe, most often lacking the resources for European models of the welfare state, the exercise of scrutinizing this perspective may be even more rewarding²⁸). Harold A. Hovey, director of the National Center for Public Policy and Higher Education, takes as a point of departure the claim that state funding for higher education has always been heavily influenced by a states' fiscal situation:

changes in state fiscal conditions are often multiplied in their impacts on higher education. When finances are tight, higher education budgets are often cut disproportionately. When financial conditions are good, higher education often receives larger increases than most other programs (Hovey 1999: 1).

Consequently, drawing from an American experience, we can extrapolate the idea to Europe, or at least Central and Eastern Europe, and say that state funding for higher education depends on the overall outlook for state finances. Higher education funding in the EU-15 and in new EU countries is comparable but funding for research and development in the latter is critically low, and increasing slowly or not at all. The projections for the future suggest that the tight fiscal environment will continue, if not intensify, in the coming years. Basically, the situation faced by governments is that of a zero-sum game: gains in share by one program (e.g. higher education) have to come at the expense of other programs, social, infrastructural and other. Therefore a very important question, largely overlooked in European discussions, should be raised:

The underlying question about spending will be whether, at the margin, higher education spending is contributing more than spending at the margin in other programs. This question will be raised in a political dimension with the adverse electoral consequences of cuts in higher education compared with cuts affecting public schools, health care providers, and others active in state politics. The question will be raised in a substantive dimension with the values of improvements in higher education compared with values of improvements in job training, preschool education, preventive health and other programs (Hovey 1999: 17-18).

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

Higher education in CEE countries (as elsewhere) has to compete with other forms of state spending, and the costs of other forms of social needs are gro-

wing rapidly; the statistics concerning unemployment rates, access to public health care systems, the level of funding accessible to the elderly through existing pension schemes etc., are clear. And higher education has not been competing successfully with other programs over the last decade in most CEE countries; it is enough to see the data on the generally low (but still decent) public support for higher education and very low and gradually decreasing funding for research and development in many of them (Poland in 2006 ranked the 29th among 30 OECD countries in terms of research funding, with Mexico being the 30th). The American response to the ever rising costs of all government-funded programs results from an awareness that there is basically no limit to potential consumer demand and thus to government costs; “meeting all of the resulting demand is impossible, so governments find ways to limit consumption of what they produce” (Hovey 1999: 28)¹⁹. In the case of higher education though (as well as the services of state schools, the police, libraries etc), long tradition holds that it must be offered to all citizens rather than to selected eligible individuals. Consequently, public higher education does not necessarily meet high standards of quality, which drives more affluent or more ambitious “users” into the arms of private sector providers. What is guaranteed by the state is meeting minimum standards. Higher education, to gain a bigger share of government funds, would have to compete successfully against other state-funded programs, regardless of whether taxes are raised (a rather difficult, if not impossible option) or not²⁰. As Giuliano Bonoli and his colleagues put it in a European context, “a basic premise of current welfare policy-making is that taxes cannot be raised” (Bonoli et al. 2000: 72). The programs to compete with are socially highly sensitive and in an American context include education from birth through grade 12, programs for the aged (with such major problems as the increasing number of elderly people and the provision of care for the aged), health care (with such major problems as rising costs and costs being shifted to the government – e.g. 45 million people without health insurance), programs for people on low incomes and the safety net, and finally law enforcement. At the same time none of these programs have any interest in being associated with tax increases; the more sensible position is to suggest that a given program be funded by “giving it an appropriate priority in spending decisions” (Hovey 1999: 40). Allocating priority to different programs is a highly political issue in every country; it does not seem to be any different in Europe, or in CEE countries, for that matter²¹. The

prospects in the future for increasing public funding on public higher education, including public universities, are very low indeed; even documents from the European Commission do not propose such actions either for higher education or for research and development, suggesting instead, as in the case of the “3 percent” goal of national GDPs devoted to R&D activities in EU Member countries by 2010, that private funds contribute to reaching this goal²².

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

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

In more general terms, we are facing the simultaneous renegotiation of the postwar social contract concerning the welfare state in Europe and the accompanying renegotiation of a smaller-scale, by comparison, modern social pact between the university and

the nation-state (see Kwiek 2005 and 2006a)²³. The renegotiation of the latter is not clear outside of the context of the former, as state-funded higher education formed one of the bedrocks of the European welfare system. It is the overall argument that current transformations to the state under the pressures of globalization will not eventually leave the university unaffected, and consequently it is useful to discuss the university in the context of the current global transformations of the state. The institution of the university seems already to have found it legitimate and necessary to evolve together with radical transformations of its social setting. For in the new global order, against the odds, universities are striving to maintain their traditionally pivotal role in society. The role of universities as engines of economic growth, contributors to economic competitiveness and suppliers of well-trained workers for the new knowledge-driven economy is being widely acknowledged. But it is undoubtedly a radical reformulation of the traditional social roles of the university. The main reasons for these transformations of the university include the globalization pressures on nation-states and its public services, the end of the “Golden age” of the Keynesian welfare state as we have known it, and the emergence of knowledge-based societies and knowledge-driven economies.

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

Off-loading the state through increasing private income for public universities and keeping the competition between public and private providers in education is a regional variation in CEE countries of the global theme of privatisation in higher education. We are witnessing the pressures of global forces on both national policies with respect to the welfare state and on national budgets accompanied by the ideas (and ideals) of the “minimalist” – or, more recently, “effective”, “intelligent” etc. – state with smaller social duties than the West under post-war welfare systems was familiar with. These pressures are even more direct in CEE where the need for wel-

fare services reforms may be (economically) more urgent than in Western Europe. In the case of higher education, the emergence of private providers fits neatly into the picture. Other examples include multi-pillar pension schemes being introduced in many countries of the region and the (sometimes partial) privatisation of healthcare services (see Adeyi et al 1997, Berman 1998, Girouard and Imai 2000). We are witnessing more general attempts at a reformulation of the post-war social contract which gave rise to the welfare state in its various European forms. In CEE, the social contract, including the question which social benefits are available for citizens (or more often, for working citizens) and which are not, on what terms and conditions, needs to be substantially re-written as the social setting provided by communism does not exist any more. What made a big difference between CEE and Western Europe was the fact that communist “welfare state” (if it is not a contradiction in terms) clearly assumed no difference between the social and the economic: the economic role of most workplaces was smaller than their welfare role (on the socialist welfare state, see Wagener 2002: 154 ff). Today, this difference is gone. And there is a growing private sector in higher education in several transition countries, growing private (or semi-privatized) healthcare sector, a well-present private sector in pensions systems (both mandatory second pillar and fully optional third pillar in those countries where three pillar systems were introduced), and growing number of private health insurance available amidst generally declining public healthcare institutions.

Many political scientists stress the idea that the economic space of the nation-state and national territorial borders no longer coincide. Good examples here are such authors as Fritz Scharpf, director of the Max Planck Institute for the Studies of Societies in Köln or John G. Ruggie of Harvard University. Consequently, the postwar “embedded liberalism compromise” – the social contract between the state, market, and labor – does not work anymore as it was designed to work within closed national economies. Scharpf argues that in the history of capitalism, the decades following the Second World War were “unusual in the degree to which the boundaries of the territorial state had become coextensive with the boundaries of markets for capital, services, goods and labor” (Scharpf 2000: 254). Investment opportunities existed mainly within national economies and firms were mainly challenged by domestic competitors. At the time, however, when major European welfare state regimes were being constructed, it was not fully realized how much the success of market-

correcting policies depended on the capacity of the territorial nation-states to control their economic boundaries. Under the forces of globalization, though, this controlling capacity was lost. “The ‘golden years’ of the capitalist welfare state came to an end” (Scharpf 2000: 255). The social contract which had allowed the nation-states in advanced capitalist countries to be accompanied by a welfare state originated right after the Second World War. With the advent of globalization, it is eroding, though, to different extent in different countries. The compact between state and society in postwar Western European territorially-bounded national democracies was intended to mediate the deleterious domestic effects of postwar economic liberalization. In postwar CEE countries under communism, the fundamental distinction between the social and the economic was abolished; one of major post-1989 social shocks – resulting often from different variants of “shock therapies” – was the return to basics in welfare thinking in which the distinction is crucial (Wagener 2002: 156, Sachs 1994: 267-269). The privatisation of the educational sector in selected CEE countries – especially in its more evident variant of booming new private institutions – fits nicely into the new picture of smaller social responsibilities of the state, and more individual responsibility of the individual for his or her future (be it near future as in the case of higher education, or more distant future as in the case of more individualized, fully-funded pension schemes being introduced regionally instead of the traditional pay-as-you-go systems, see Taschowsky 2004, Guardiancich 2004). The individual comes first; but also the individual, increasingly, pays first.

This postwar compromise in Western Europe assigned specific policy roles to national governments – which governments are increasingly unable, or unwilling, to perform today. One of the indirect effects of globalization is its impact on the ability of the state to “live up to its side of the postwar domestic compact” (Ruggie 1997: 2). The emergence of global capital markets posed entirely new policy problems. The existing systems of supervision and regulation, systems of taxation and accounting, were created for a “nation-based world economic landscape” (Ruggie 1997: 2). Economic policies are becoming increasingly denationalized and the state is increasingly unable, or unwilling, to keep its promises from the Golden Age of the welfare state. And the welfare state has traditionally been one of the main pillars in the appeal of nation-state construction.

The power of the nation-state, and the power of the loyalty of its citizens, has rested on a firm belief in (historically unprecedented) welfare rights. When the Keynesian welfare state was formed, the role of the state was to find a fair balance between the state and the market – which had fundamentally transformed postwar social relations in all the countries involved in this social experiment (and now we are experiencing what Ulrich Beck called (in *World Risk Society*) a “domino effect”: “Things which used to supplement and reinforce one another in good times – full employment, pension savings, high tax revenue, leeway for government action – now tend *mutatis mutandis* to endanger one another”, Beck 1999: 11). The task of this postwar institutional reconstruction was to devise a framework which would safeguard and aid the quest for domestic stability without triggering the mutually destructive external consequences that had plagued the interwar period. In the approach many political scientists, exemplified here by Scharpf and Ruggie, the impact of globalization on the nation-state is through undermining the founding ideas behind the postwar welfare state: through liberalization and the opening up of economies, nation-states begin to lose their legitimacy provided, in vast measure, by a social contract valid only in closed, national economies.

With the increasing speed of Europeanization, there are new constraints on European welfare states, especially those from the Eurozone. The advance of economic integration in a recent decade has greatly reduced the capacity of member states “to influence the course of their own economies and to realize self-defined sociopolitical goals”, as Scharpf claims in his paper on the European social model (Scharpf 2002: 4). National monetary policies have been replaced with ECB interest rates and there appeared what he calls a “fundamental asymmetry” between policies promoting market efficiencies and policies promoting social protection and equality. Economic policies became Europeanized while social protection policies stay at the national level. The rules of the Internal Market and the Monetary Union, with its Stability and Growth pact, leave national governments much less room for maneuver²⁴. In transition countries, especially in the 1990s, there was a strong influence of the Washington Consensus institutions – through political pressure and aid and loan conditionalities (the distinction between “ideology”, “patronage” and “best practices” being often blurred, see for the Western Balkan countries Bateman, 2003; Guardiancich 2004). Compared with Western European trends, some CEE countries have gone much farther down the road of neoliberal reforms of –

especially – pension systems. The ideas derived from the fundamental 1994 *Averting the Old Age Crisis* World Bank book were subsequently implemented in such diverse transition countries as Poland, Bulgaria, Croatia, Estonia, Hungary, Latvia, Slovakia, Macedonia, Romania, Ukraine and Uzbekistan, in different variants. To date, 31 countries have implemented some type of personal accounts as part of their mandatory retirement income systems (see Kritzer 2005). For most CEE countries, the social security reform was not the priority in the first wave of reforms; it was only in the second half of the 1990s that especially pension reforms became unavoidable as the pay-as-you-go traditional systems were consuming enormous percentage of GDP (Poland establishing perhaps a world record in 1996 by spending 16 percent of its GDP on pensions, see Holzmann 2004: 3).

The economic stagnation which started in the second half of the seventies in Europe was perhaps the first symptom that the welfare system in the form designed for one period (the post-war reconstruction of Europe) might be not be working in a different period²⁵. The social conditions had changed considerably: the post-war social contract was related to an industrial economy in a period of considerable growth; the male bread-winner model of work was changing; closed, national economies with largely national competition for investment, goods, products and services were becoming internationalized; the marriage of the nation-state and the welfare-state was under pressure, etc. The social agenda of the eighties and nineties changed radically: after the policies of the golden age of expansion, European welfare states have been shaped by what Paul Pierson, a Harvard-based political scientist, termed politics of austerity (Pierson 2001a)²⁶.

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

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

Seeing higher education policies in isolation from larger welfare state policies would be assuming a short-sighted perspective: higher education is a significant (and often significantly fund-consuming) part of the public sector and a part of the traditional welfare state that is right now under severe pressures, even though they may not be as strong as pressures on the two main parts of it, healthcare and pensions. In more theoretical than practical terms, these phenomena had their powerful impact on thinking about public services, including public higher education, in CEE. The theoretical impact was already translated into changed national legislation in the case of the pensions reform and health care reforms at the end of 1990s²⁷.

5. Conclusions

The future of the welfare state in its traditional European forms, and of its services, including public higher education, looks roughly similar all over Europe (exceptions include such small countries of advanced information economies as e.g. Finland, see Castells and Himanen 2002). Unfortunately, most lines of argumentation point in the same direction, even though the concepts used may be different. The story gets even more homogenous if we leave the domain of affluent Western democracies which have inherited their welfare provisions from the "Golden age" and pass on to most developing countries and the European transition countries. In this new context, many discussions about welfare futures seem academic: what they shyly predict for affluent democracies is in fact already happening in transition economies; happening in full swing, with almost no other policy options being considered; sometimes

with no other options being supported, championed or acclaimed by these very same affluent democracies. There is certainly a lot of social experimentation with respect to welfare going on in the transition countries. It could even be argued that the future directions of welfare transformations in Western democracies are being experimented with to various degrees of success in transition countries; in some areas, like pensions reform with the three-pillar model designed by the World Bank and applied in some Latin American and European transition countries, this intention even happens to be formulated explicitly. Nowadays, as the reduction of the welfare state in general progresses smoothly (and mostly in an unnoticeable manner e.g. through new legislation) in most parts of the world, social contracts with regards to most areas of state benefits and state-funded services may have to be renegotiated, significantly changing their content. In many respects, higher education (in transition countries and elsewhere) seems to be an experimental area and a testing ground on how to reform the public sector in many countries and for many organizations; both higher education, healthcare and pensions systems are being experimented with, both in theory and in practice²⁸. The end-products of these experimentations are still largely hard to predict.

- 1) Paper presented at the seminar "Geographies of Knowledge, Geometries of Power: Higher Education in the 21st Century", Gregynog, University of Wales, January 18, 2006, at the invitation of Rosemary Deem, and, reworked, at the PRESOM (Privatisation and the European Social Model) seminar at Berlin School of Economics, October 6, 2007, at the invitation of Wolfgang Blas.
- 2) Although it has to be remembered that, as Martin Carnoy put it, "objective data in the economic, demographic and social spheres have greater or lesser impact as focus for welfare retrenchment according to the way they are politically interpreted and accepted in the country's policy-making process" (Carnoy 1999: 153).
- 3) In his 2001 report to the Belgian Presidency of the European Union (A New Welfare Architecture for Europe?), Esping-Andersen argues that vocational training and increased participation in higher education are unlikely, by themselves, to solve the problems caused by a fall in the demand for low skill labour: "If fighting social exclusion through employment remains the principal policy goal of the European social model in the early 21st century, the learning offensive will have to be complemented with strategies of raising employment opportunities for low skill workers through other means" (Esping-Andersen et al. 2001: 230).
- 4) Let us remember here an interesting distinction drawn in a European Commission communication on Investing Efficiently in Education and Training between the "knowledge rich" and the "knowledge poor". As the document argues, "with an increasing premium on skills, the polarisation between the knowledge rich and the knowledge poor puts strains on economic and social cohesion. ... An important challenge

- is to develop education and training throughout life in such a way that change and restructuring in the economy have no adverse effects on social cohesion" (EC 2003a: 8).
- 5) Such a desirable policy mix is defined by Ferrera, Hemerijck and Rhodes in "The Future of Social Europe: Recasting Work and Welfare in the New Economy" in the following way: "a robust macroeconomic policy; wage moderation and flexibility (achieved where possible within broader 'social pacts'); employment-friendly and efficient tax social policy; labour market 'flexicurity' [secured flexible employment]; and new methods of tackling poverty and social exclusion" (Ferrera et al 2001: 115).
 - 6) Thinking of the emergent European Research Area, let us remember briefly the European Commission's views: "it is very important to realise that the largest share of this deficit stems from the low level of private investment in higher education and research and development in the EU compared with the USA. At the same time, private returns on investment in tertiary education remain high in most EU countries". Consequently, the thesis of the communication on Investing Efficiently in Education and Training: an Imperative for Europe is that "faced with relatively low private investment levels and high private returns on university education, the main responsibility of authorities is not only to continue to provide higher education institutions and students with a sufficient level of public funding, but also to find ways to add to it by increasing and diversifying private investment in higher education". What is needed is therefore a "combination of targeted public investments and higher private contributions" (EC 2003a: 13, 15, emphasis mine). What is even more significant, is EC's recent shift in thinking about students fees, until 2006 clearly excluded, today viewed as a possibility to be reconsidered by national governments.
 - 7) Formally speaking, the European Social Model has not been defined as such in any single place. The Treaty of Amsterdam in 1997 includes a Social Chapter, and the "Charter of Fundamental Rights of the European Union" adopted at Nice in 2000 includes an important chapter on "Solidarity". It is evident that in practice the *acquis communautaire* of the EU does not include the social *acquis*, though. See especially Ferge 2001a, 2001b.
 - 8) In CEE countries, in general terms, there is no social contract to renegotiate and welfare provisions need to be defined from the very beginning. Consequently, while the dismantling of the welfare state, especially with strong democratic electoral structures and powerful civil society groups, might not occur in the near future in Western Europe, the process might be long-term so that eased by social protection measures, an already "dismantled" welfare state may be built along neoliberal lines in CEE countries without actually renegotiating the postwar European social contract – which was absent there. Ideologically, there is an important difference between the potential dismantling of the welfare state (in Western Europe) and the actual dismantling of the remnants of bureaucratic welfare from the ancient regime (in Central and Eastern Europe). It is extremely interesting to draw parallels between Paul Pierson's (1994) description of welfare state retrenchment in the United Kingdom and the US (in the times of Reagan and Thatcher) and the ongoing welfare reforms in selected countries of the CEE (Poland being a natural and well-researched candidate). Christiane Lemke seems to have been wrong when stating that the applicant countries had to adapt to the rules and regulations of the EU, "including the social *acquis*", as well as that the idea of European-wide social standards "gained a higher profile" (Lemke 2001: 14). Unfortunately, the European social *acquis*, from the perspective of one year after Enlargement, seems unattainable.
 - 9) Ferge finds the neoliberal tendency dominant in CEE countries. It is "practically ubiquitous" and "seems to be dictated by concerns allegedly related to globalization pressures. Its hallmarks are the will to deregulate all markets, the labour market included; the drive to lower direct and indirect labour costs; and the privatisation and marketization of former public goods and services resulting in a smaller state. These endeavors are underpinned by a forceful rhetoric about the need to end 'state paternalism', and to strengthen self-reliance and self-provision" (Ferge 2001a: 129-30).
 - 10) Peter Evans in his paper on "The Eclipse of the State? Reflections on Stateness in an Era of Globalization" (1997) also refers to the hypothesis of "the return of the ideological pendulum" but emphasizes that it need not sanction a return to the past and that it can be easily conflated with a return to "embedded liberalism": "States took on more than they could handle during the period following World War II. Dealing with the capacity gap clearly required rethinking the state's role. Readjustment was necessary, and overzealousness in reducing the state's role, natural. The return of the pendulum need not sanction a return to the past, but it would legitimate new efforts to turn states into effective instruments for the achievement of collective goals" (Evans 1997: 83).
 - 11) The implementation of both sets of policies was accompanied by the introduction of a new set of terms and expressions such as e.g. downsizing or rightsizing; lean and mean; contracting out, off-loading or outsourcing; steering rather than rowing; empowering rather than serving; earning rather than spending; such slogans as "let managers manage" or "management is management" etc. The idea was to see no difference between the manner in which public affairs and private enterprise ought to be run – to conduct public affairs, as far as possible, on business principles (United Nations 2001: 38).
 - 12) With respect to both the UK and USA, it is useful to see how Paul Pierson conceptualizes the processes of welfare state retrenchment in his *Dismantling the Welfare State?* (1994), though without much reference to the education sector; for the developments in the education sector, see e.g. Sally Tomlinson's *Education in a Post-welfare Society* (2001).
 - 13) It is still unclear to what extent structural adjustment policies, programs and conditionalities are still imposed in their most rigid forms by the IMF in the developing world (the work of the World Bank is closely tied to that of the IMF – without the endorsement of the Fund it is not possible to enter into negotiations with the Bank, as Carlos Alberto Torres reminds us in his paper on "The State, Privatisation and Educational Policy: a Critique of Neo-Liberalism in Latin America and Some Ethical and Political Implications" (Torres 2002: 374).
 - 14) As already mentioned, the role of government in producing and distributing goods and services must "shrink dramatically", it must mostly "facilitate private activity", and what is needed in most general terms is a "wholesale reinvention of government" (World Bank 1996: 110ff).
 - 15) The picture is clear, as are the recommendations that can be drawn from it, especially for developing countries: "[t]here is a growing recognition that in many countries monopoly public providers of infrastructure, social services, and other goods and services are unlikely to do a good job. ... It is now well established that the state can help households to cope with certain risks to their economic security. ... But the idea that the state alone must carry this burden is changing. ... Innovative solutions that involve businesses, labor, households, and community groups are needed to achieve greater security at lower cost" (World Bank 1997: 4-5).
 - 16) The "end-of-history" mood captured by Francis Fukuyama in his *The End of History* with respect to the public sector has

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

- 17) As Cerny argues, globalization leads to a "growing disjunction between the democratic, constitutional and social aspirations of people – which continue to be shaped by and understood through the framework of the territorial state – and the increasingly problematic potential for collective action through the state political process" (Cerny 1995: 618). We are especially concerned here with those "social" aspirations which include all the services and benefits characteristic of the (Bob Jessop's) "Keynesian National Welfare State" (certainly including higher education).
- 18) Especially that, as Zsuzsa Ferge and others show, "the EU suggestions for some reforms of social security may steer these countries in a more American than European direction" (Ferge 2001b: 1). Based on a careful reading of the Accession Reports from the Community to the ten applicant countries, Ferge finds a "hidden policy agenda" there: "the Union has a different social security agenda for the accession countries than for the EU members. ... there seems to be a hidden agenda for the applicant countries not quite in line either with the European model or with the subsidiarity principle. The hidden agenda suggests to the accession countries measures contrary to the European model, such as the privatisation of pensions and health, or the cutback of already low social expenditures" (Ferge 2001b: 1, emphases mine). Her conclusions are clear-cut: "The implicit model for Central Eastern Europe which in many cases is dutifully applied is different from the European model as we knew it, and close in many respects to the original World Bank agenda. As a matter of fact high officials of the Bank do present the developments in Central-Eastern Europe as a social policy model to be followed by the current members of the Union" (Ferge 2001b: 12, emphasis mine).
- 19) The major difference from the redistributive side of government policies between Europe and the US is that European governments redistribute income among their citizens on a much larger scale; European social programs are much more generous and European tax systems are more progressive. While European countries provide more public welfare than the United States, Americans engage in more private provision of welfare (e.g. charity) than Europeans do (see Alesina et al. 2001).
- 20) "Tax competition" in more or less disguised forms seems unavoidable in the increasingly open economies in which there are less and less protective trade barriers. Globalization will make it increasingly difficult for countries to have tax levels that are substantially above those countries with which they compete (see Camdessus 1998).
- 21) One thing is certain, though: "There is complete agreement among researchers studying the post-socialist transition that one key task ahead is radical reform of the pension system, health care, provision for children and the aged, social assistance, and the other spheres of the welfare system", as János Kornai put it (1997: 339).
- 22) Consequently, the European Commission states that "the resources and policies that need to be mobilised encompass much more than government R&D spending. Indeed, more than 80% of the R&D investment gap with the United States lies in the funding levels of the business sector". The main challenge for inducing higher private investment in the R&D sector is to make it "more attractive and profitable" (EC 2002: 5).
- 23) Some passages in this section has been adapted from my paper "The University and the State in a Global Age: renegotiating the traditional social contract?", *European Educational Research Journal*, vol. 4, no. 4 (December 2005).
- 24) Currently, a single European social model seems unthinkable as welfare state models correspond to different social philosophies which produced different (three) "worlds of welfare capitalism", in Esping-Andersen's formulation (1990). Scharpf makes an excellent point about the European diversity of welfare states: "citizens in all countries have come to base their life plans on the continuation of existing systems of social protection and taxation and would, for that reason alone, resist major structural changes. Voters in Britain simply could not accept the high levels of taxation that sustain the generous Swedish welfare state; Swedish families could not live with the low level of social and educational services provided in Germany; and German doctors and patients would unite in protest against any moves toward a British-style National Health System" (Scharpf 2002: 7-8). For World Bank ideas how to achieve a "European" pension system, see Holzmann (2004).
- 25) As Gøsta Esping-Andersen put it in "A Welfare State for the 21st Century", "most European social protection systems were constructed in an era with a very different distribution and intensity of risks and needs than exist today. ... As a consequence, the welfare state is burdened with responsibilities for which it was not designed" (Esping-Andersen 2001, emphasis mine).
- 26) Consequently, the rhetoric of a "crisis" in the welfare state has been with us since the 1970s. There was also a growing interest in non-state welfare providers. The OECD report, *The Welfare State in Crisis*, had already stated in 1981 that "new relationships between action by the state and private action must be thought; new agents for welfare and well-being developed; the responsibilities of individuals for themselves and others reinforced" (OECD 1981: 12).
- 27) There is also one more reservation that needs to be taken here: if we take into account the distinction between state welfare and private welfare, we are focusing in this paper on the former Keynesian i.e. state variant of welfare. This is a crucial point because, as Giuliano Bonoli, Vic George and Peter Taylor-Gooby remarked in passing, without actually developing the idea, "while globalization had a constraining effect on state welfare, it had an expansive effect on private welfare. The net result may have been that though the total volume of welfare may have been unaffected, a greater proportion of that is taken up by private welfare provision. All the available evidence shows a country's ranking on total welfare effort can differ from that of its state welfare sector", as e.g. in the USA (Bonoli et al. 2000: 69, emphases mine). But private welfare is based on market mechanisms – while in the traditional Esping-Andersen description of welfare in *The Three Worlds of Welfare Capitalism* the crucial point is "maintaining a livelihood without reliance on the market" (Esping-Andersen 1990: 22).

28) The biggest empirical evidence for the direction of changes in the transformation of the public sector are various "structural adjustment" programs in developing and transition countries which require the states taking IMF or World Bank loans to e.g. reduce public expenditures, reduce consumer subsidies, eliminate price controls, drastically reduce tariffs, charge users for public services and privatize public enterprises and social services, see Carnoy 1999: 49, Ferge 2001.

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University mission between searching for truth and commercialization¹

Pavel Zgaga

Privatisation of higher education is a highly disputed issue in many countries today. Several blocks have formed around this issue; their arguments are confronting in academia, in politics as well as in media and public in large. From one perspective, privatisation looks as the final solution for all pains and troubles in higher education of today, from the other it endangers the finest substance of the university mission.

1. Internal and external determinants of education and knowledge

It is not difficult to recognise the relative meaning of terms “public” and “private” (higher) education in a contemporary context; different understandings depend on different systems of argumentation, i.e. on different “philosophies” as well as on different cultures and traditions. Within Europe, probably more than in other parts of the world, we have to explain and interpret our different contexts to understand what we mean while using these terms. When we discuss “private education” in a Benelux country we mean something profoundly different as in a case of a Central European country. To make the confusion even bigger let’s take the following example: in times of a totalitarian regime, scholars, students, critical intelligentsia etc. met at private apartments for similar reasons as their colleagues from open societies met at public higher education institutions. Similarly, a “State University” could be understood either as a public institution established on principles of academic autonomy and service to society or as a directly controlled by the supreme political power.

However, this introduction does not aim at making the issue relative – and vague. Today, the promotion of privatisation of higher education as a universal solution for troubles of the public higher education is an extremely serious and sensitive issue. It is an extremely complex issue which requests a careful elaboration of various details and does not allow simplified answers. In this contribution (limited, of course), the focus will be given only to one aspect: “privatisation of higher education” as a process of

commodification² and/or commercialisation of knowledge. It seems that this process only began and that its future perspectives are enormous. Under this light, knowledge is legitimized when reduced to instrumental knowledge. The value of knowledge is its usefulness. There are also sharp criticisms of this process; the stress is given to intrinsic values of knowledge, e.g. to traditional academic “searching for truth” and “disinterested research” as pillars of science. Dealing with these discussions, it is important to avoid a simplistic contradiction of “intrinsic” and “extrinsic values” (“commercialisation”), based on metaphysics of “good” and “evil”; the issue is much more complex. It is also very old.

Two millenniums and a half ago, Aristotle launched a first debate on a relationship between public and private in education. At the beginning of the last chapter of his Politics, we can find one of his famous stances on this issue:

»It is clear then that there should be laws laid down about education, and that education itself must be made a public concern. But we must not forget the question of what that education is to be, and how one ought to be educated. For in modern times there are opposing views about the tasks to be set, for there are now generally accepted assumptions about what the young should learn, either for virtue or for the best life; nor yet is it clear whether their education ought to be conducted with more concern for the intellect than for the character of the soul. The problem has been complicated by the education we see actually given; and it is by no means certain whether training should be directed at things useful in life, or at those conducive to virtue, or at exceptional accomplishments. (All these answers have been judged correct by somebody.) And there is no agreement as to what in fact does tend towards virtue. For a start, men do not all prize the same virtue, so naturally they differ also about the training of it.« (Aristotle, 1992, VIII:2 1337a33).

It was very clear to Aristotle – and, hopefully, it is clear today – that education »must be made a public concern« and that »laws should be laid down about education«, but there has been also an eternal dilemma until today, should education be »directed at

things useful in life, or at those conducive to virtue». Aristotle made his position on this issue clear³; however, two millenniums and a half later we find ourselves in a substantially different situation which does not allow any more to differentiate between a “free man”, who can aim at virtue, and a “mechanic”, a “talking tool”, i.e. a slave. But, we understand the dichotomy of internal and external determinants of education and knowledge. Since its birth several centuries ago, the University mission has always had to balance between them. This has been – and remains – one of the key questions of university or higher education governance. The dilemma on “public” vs. “private” higher education could be also considered from this point of view.

2. The “pursuit of truth”, a “nation state” and “needs of economy”

There is much evidence that the conceptual origins of the modern term “higher education governance” are closely linked to the complexity of the societal context characterised by the transformation from elite to mass higher education which has occurred during the last few decades. The phenomenon of mass higher education involves a demarcation between traditional and modern higher education in several respects. A review of developments in the past two or three decades shows that the democratising and liberalising of access to higher education put the need for systemic reforms onto national and institutional agendas everywhere. The Eurydice study on twenty years of reforms in European higher education found that »the major focus of legislation and policy was the management and control of higher education institutions and in particular the financing of such institutions« (Eurydice, 2000, 33). Mass higher education challenged – and in its further course totally changed – the traditional university as well as its complex relationships with the modern state as well as with other “external factors”.

It is widely recognised that throughout Europe the government role in the governance of higher education institutions has been and remains very significant. However, since the 1980s governments have been gradually withdrawing – in various directions – from direct institutional governance: more autonomy was suddenly given to institutions but also more accountability was expected. Thus, after the unannounced and unexpected storms of the late 1960s and early 1970s, universities found themselves up until the 1980s – in some places a little earlier, in

others a little later – in a totally new environment. As universities, they had to be able to reflect these changes and to understand that they should take them into account while reconsidering their mission.

The famous convention of European universities in 1988 – »four years before the definite abolition of boundaries between the countries of the European Community« and, we should add this from today’s point of view, two years before the fall of the Berlin Wall – stressed the importance of being »aware of the part that universities will be called upon to play in a changing and increasingly international society«. Its most remarkable message is that »the university is an autonomous institution at the heart of societies [...]. To meet the needs of the world around it, its research and teaching must be morally and intellectually independent of all political authority [...] and economic power« (Magna Charta, 1991, 59)⁴. In a form of an “externally expressed” hope (i.e. being at the heart of societies), this sentence reflects two deeply rooted “internal” fears of a modern academic community (political authority and economic power).

However, this is not the first time universities have found themselves in radically changed circumstances. The debate on autonomy goes back to the very beginning of universities. Yet, as the discussions on university relationships with the “external world” in general and on university autonomy in particular can sometimes be treated as “eternal issues”, in reality these issues have been appearing each time as different: always in concrete ways and under a new light. If we compare the concept of autonomy as it appeared during previous centuries and in modern times then there are actually two concepts which differ substantially at least at one point. Universities of the “old times” had to negotiate and articulate their relations with “external” – either secular or church – authorities; at first sight similarly as today. Like today, they depended on them to grant them their particular power (autonomy) as well as for the more “material” troubles of their survival. However, they were confronted by circumstances prior to the appearance of a modern nation state.

The birth of the industrial society in the 19th century marks a sharp turn in the development of higher education. The traditional mission expressed as the “pursuit of truth” and “disinterested research” was challenged in a radical way and for the first time it confronted the “needs of the economy” very directly. Universities met a new, previously unknown agent; as a consequence, they also encountered competitors, other higher education institutions closely

related to professional training aimed at the “needs of the economy”. The challenge was even bigger: they faced a newborn modern nation state that understood the protection and acceleration of economic development in terms of the “national market” as the most important issue on its political agenda. The dissemination of knowledge and skills and organisation of research as the means for strengthening “productive powers” simply became an integral part of this agenda. »Until the nineteenth century one cannot observe any visible direct connection between the economic development of countries and their university systems« (in ‘t Veld, Füssel, Neave, 1996, 20-21); now, this question was raised loudly and it was necessary to respond to it – yet in circumstances that had radically changed.

In practice, these circumstances differed from country to country; nevertheless they had a common denominator: the challenge to universities to become national universities. This meant a huge challenge to their traditional, “universal” role. There were no geographical, political and institutional delimitations for universities in the middle ages⁵ but in the 20th century we experienced borders between various higher education systems. They grew up parallel to the industrialisation processes in modern nation states. Thus, as a sub-chapter to the protection of domestic markets protective measures in the field of higher education qualifications emerged and various national recognition procedures – predominantly for professional recognition – were also put in place. At the national level decisions were made to classify institutions, their qualifications etc. on one hand and to establish selection procedures on the other. In these circumstances, it became necessary to not only regulate relationships between the state and an individual institution in a new way but to regulate the system, namely, to govern the national system of higher education – by a modern nation state.

From this angle, the 20th century was a period of the growing (legal, financial, administrative) regulation of national systems of education; the importance of systemic governance was continuously increasing. Specific features of particular countries and/or regions which developed originally as cultural traditions were gradually transformed into sophisticated legal systems and reinforced by political action. Europe developed strong public education systems but the management, control and financing of education institutions are simply not the only legislative issues. Knowledge and skills as defined in national frameworks of qualifications – usually based on a special legislative provision – had throughout the

century their closest relation with the approval of curricula; exact procedures of selection and examination were developed (e.g. the State Examination) and the working conditions of teachers in public institutions were regulated by governments in detail.

The practices of national regulations sometimes overlapped one another but were also separating. A serious problem was encountered when these extremely different and in many respects incompatible national systems started to emerge as a significant obstacles to the new European political agenda encompassing the principles of free mobility, cross-border employability, etc. in societies at large as well as in their respective higher education systems. It should not be forgotten that the Bologna Process (Paris 1998 and Bologna 1999) began as an initiative of the national Ministers responsible for higher education – without (and partly even against) interference with the European Commission and/or other European political bodies.

Within the historical context we have just sketched we should reconsider developments in higher education after new challenges appeared in the last quarter of the 20th century and which we briefly reflected on at the beginning. The importance of higher education for economic development has only increased to date; in fact, it has grown enormously and continues to rise. Under this “new light” mass higher education and its rapid internationalisation require an even greater concern over governance.

It seems that there are at least two new elements that can significantly influence further developments. As a result of processes in the last two decades, governments are increasingly occupied by systemic governance and institutions are recognised as being the most responsible for their internal governance. On the other side, the globalisation of economies, the emerging knowledge society, integration processes and international co-operation in the broadest sense also definitively bring a new challenge to higher education – the challenge of higher education governance in an international context. It is needless to argue here in detail that all three structural dimensions of governance – institutional, systemic and international – construct a triangle: an interdependent totality. On the other side, it is important to stress that higher education institutions find themselves today in a new cleft which hasn’t been known so far.

3. Commercialisation as the biggest challenge to contemporary higher education

The concept of higher education governance is obviously multidimensional. However, only considering its structural dimensions or “levels of governance” would leave further dimensions unexplored. Its multidimensional “space” constantly changes its form; today, this change depends first of all on dynamism of academic, political (governmental) and market aspirations.

From certain points of view, the pressure of the economy towards the traditional role which universities have played in the societal environment may today seem inconvenient and even dangerous; however, even when criticisms of the commercialisation of higher education yield convincing arguments we cannot avoid the fact that neither institutions nor society at large can simply return to the middle ages. It is similar with governance at the system level: the legal regulations of national education systems may seem overstated – and they may indeed be overregulated and may urgently need reforms leading towards deregulation – but their radical abolition would put both institutions and individuals into serious trouble as regards standards, financing, qualifications framework, transparency and compatibility, mobility and employability etc. To summarise, from a “pragmatic” point of view neither the influence of the economy nor the legislative burdens on higher education can be seen only as a threat to academic aspirations; they can also be seen as supportive, that is, as “external” factors which make these aspirations feasible. It is very important to analyse this triangle precisely and thoroughly: as an interdependent totality which is a characteristic of modern times. The threat is not just an illusion – nor a support.

This is particularly important when considering the relationship between internal and external governance. If external factors were treated merely as threats, internal aspirations should be closed within “ivory towers”. The metaphor suggests a closed universe of scholars – probably not students – delineated from the “external world” which hinders them in their pursuit of the truth and disinterested research. However, some surveys have shown that »the ivory tower is a myth, because in modern institutions of higher education there has always existed tension between service to the public and more contemplative scholarship« (Rosovsky, 2003, 14)⁶. Why can these external factors not be treated as challenges, proactively,

instead of threats from which academia has to withdraw behind their walls? In fact, who says that academia avoids contacts with the “external world”? In modern academic practice disinterested research is being ever more “challenged” by research that yields interest. The difficult academic dilemma of today is not “to close or not to close from the external world” nor “to start or not to start commerce with the external world”. The difficult question is how to respond to the new challenges in a way we will not come to regret.

Probably the biggest challenge of the “external world” to contemporary higher education institutions is commercialisation. Within our societal environments accustomed to well-developed public education systems, initiatives to reorient institutions towards alternative financial resources and entrepreneurship have not only met scepticism and restraint but also criticism and protest. Nevertheless, the proposed reorientation seems to be more and more firmly found on political agendas in all countries. Here, it can remain an open question of whether budget cuts pushed universities to search for alternative funds or universities’ success in finding alternative funds influenced governmental budget cuts. In any case, since the 1980s it has become quite clear that the extraordinary expansion of the higher education sector for structural reasons cannot expect a proportional expansion in terms of national budgets – particularly if additional pressure from sectors like health care and social security as well as the fact of the ageing society is taken into account. These questions importantly influence governance issues and raise several new dilemmas. However, is commercialisation the only alternative? And what does it actually mean?

In this respect, Europe probably started to encounter similar questions which North America had experienced earlier; for that reason it is also useful to cite the American analyst, Derek Bok, formerly President of Harvard University:

»If there is an intellectual confusion in the academy that encourages commercialization, it is confusion over means rather than ends. To keep profit-seeking within reasonable bounds, a university must have a clear sense of the values needed to pursue its goals with a high degree of quality and integrity. When the values become blurred and begin to lose their hold, the urge to make money quickly spreads throughout the institution« (Bok, 2005, 6).

It is obvious that we cannot only speak about “external” threats to institutions but institutions themselves

should also be scrutinised; it is important for them e.g. to avoid self-illusions. The almost proverbial truth says that academic institutions have not always been an example of a transparent and efficient organisation⁷; on the other hand, unfortunately, academic values could suffer from distortions within and not only from pressures stemming from outside institutions. Therefore, interference with the external world can be productive. Bok concludes: »Left to itself, the contemporary research university does not contain sufficient incentives to elicit all of the behaviours that society has a right to expect« (28).

Efficiency is increasingly being demanded from higher education in contemporary systemic reforms. Institutional as well as systemic governance should be improved to bring better results: this claim seems to be undisputed. However, it would seem quite a joke if one were to propose the transplantation of an efficiency matrix from economic enterprises straight into academic institutions. The nature of teaching and research is "strange" – as creative work they are characterised by "soft" standards – and efficiency as expressed in exact, e.g. quantitative, terms is not a helpful guide for them. "Entrepreneurial" efficiency measures can help in administration and services but can easily damage the quality of education; the quality of education should be approached differently. The education process has certain features which distinguish it from ordinary profitable services competing in the marketplace. As Bok says, »a major reason why competition does not yield optimal results in higher education is that students cannot adequately evaluate the options available to them« (179). Efficiency in research as valued in terms of commercially profitable results can only be trivial from a scientific point of view while, on the other hand, the fundamental inquiries in science as such – e.g. the solar system, cell, the subconscious etc. – have been always useless from the enterprise's point of view. They should be commodified – e.g. star wars, cloning, a course of psychoanalysis in three steps – to be useful.

4. Is the university an enterprise?

For these and similar reasons the university cannot be governed as an enterprise. Service to the public and more contemplative scholarship have always co-existed at universities – together with the tensions between them – and the form of institutional governance has always had to bear their uneasy balance in mind. Ivory towers and knowledge enterprises can only be regarded as extremes. Today, searching for a

balance requires a deliberate analysis of the costs and benefits of commercialisation; yet it puts modern universities into a Ulysses-like position between the prospects of bringing in substantial new revenues⁸ and the risks to genuine academic values⁹. What should we do in this position? Several authors – Derek Bok as well – call today for clear academic guidelines: »Setting clear guidelines is essential to protect academic values from excessive commercialization«¹⁰. But guidelines alone will not be enough: »Unless the system of governance has safeguards and methods of accountability that encourage university officials to act appropriately, the lure of making money will gradually erode the institution's standards and draw it into more and more questionable practices.« He is quite a pessimist: »Unfortunately, the structure of governance in most universities is not equal to the challenge of resisting the excesses of commercialization« (185).

However, the university in the market place is a university under certain public scrutiny. Several authors, including Bok, have argued that universities are becoming more susceptible to public criticism because of their increased importance to the economy and society at large; similarly, the decline of confidence so far characteristic of governments and their agencies can now also be applied to academic institutions. Here comes an important warning signal:

»The university's reputation for scholarly integrity could well be the most costly casualty of all. A democratic society needs information about important questions that people can rely upon as reasonable objective and impartial. Universities have long been one of the principal sources of expert knowledge and informed opinion on a wide array of subjects [...]. Once the public begins to lose confidence in the objectivity of professors, the consequences extend far beyond the academic community«. Namely, any damage to the reputation of universities »weakens not only the academy but the functioning of our democratic, self-governing society« (Bok, 2005, 117-118).

The problems which universities and higher education institutions generally encounter today would be trivial if academic institutions were not »at the heart of societies« (Magna Charta, 1991, 59), that is, if they were not crowded with students and if they were not expected to contribute to dramatic environmental, energy, health, communication etc. problems through their teaching and research. However, if this were the case they would not be modern academic

institutions. Modern institutions have to compete with problems that are not trivial at all.

The increasing external demands on modern universities require internal adjustments: universities must reorganise themselves, find new modes of operating and answer the challenges of how to carry out their new roles, yet without sacrificing their basic values. Basic academic values – e.g. »research and teaching [as] morally and intellectually independent of all political authority [...] and economic power«, »scholarly integrity« etc. – are not academic caprices at all. They are of vital importance for society at large: »strong universities« (EUA, 2005) are today a well-recognised and important lever of democratic society and economic development. They must set clear academic guidelines, including in terms of governance. However, the increasing external demands require some “external” adjustments as well: the governance of a higher education system should support universities in being successful in their endeavours. For (not only) this reason the public responsibility for higher education has been stressed several times in recent discussions and documents. Legislation should contain clear provisions not only about the relationship between higher education institutions and the (nation) state; the relationships between academic and market aspirations should also be specified in a similar way.

In the last instance, the increasing external demands on modern universities have started to require international and global adjustments. These demands are largely accelerated by the globalisation of markets and growing internationalisation of higher education. This dimension is no less important when the interplay between academic, governmental and market aspirations and/or forces is considered; yet it differs from the previous two. Responsibility for higher education remains even in the European Union with nation states but there are many problems which exceed the level of national higher education systems. When problems like the recognition of degrees and periods of study – particularly with regard to transnational higher education – come under discussion then the responsibility for higher education becomes international.

Could universities – and cooperation of universities across national borders – bring an alternative to pushes from global politics and global markets? At the occasion of signing Magna Charta Universitatum in Bologna in 1988, Rector Fabio Rovarsi-Monaco gave an affirmative answer: »In the name of the unity of culture the needs for supranationality of Universities could once more confront the difficul-

ties ensuing from the birth of national States and nationalisms« (Magna Charta, 1991, 11). It seems that there are further issues which should be clarified before answering this question.

5. One-dimensional concept of knowledge and education

One of the big civilisational problems of the past lay in the fact that one of the dimensions of knowledge – applicable knowledge – remained marginal. Knowledge was traditionally a privilege, in a similar way that educated circles are considered to form a social elite. The basic ideas at the foundations of the development of civilisations found neither encouraging circumstances nor effective ways to contribute towards “the good” realisation of the possibilities dormant in theoretical ideas, fundamental knowledge. On the other hand, one of the greatest civilisational problems of our time is the fact that knowledge is increasingly valued, created and usually also understood through only one of its dimensions: as applicable knowledge.

Knowledge seen in this way in present times is not a privilege, instead we could say it is a social necessity and obligation with which we have learnt to live and which we can master fairly well. The mastery of basic literacy has for a long time now no longer constituted a privileged class, elevated and separated from the wider classes, as was the case in the remote past. It is no longer primary school, but completed secondary school education that has become a general standard for population; in line with the Lisbon goals, by 2010 there should be at least 85 percent of twenty-two year olds in the European Union who have completed secondary education. The share of the population with tertiary education is among the younger population segments moving towards a half. One of the central characteristics of educational policy in modern democratic societies is the widening of access to education and the improvement of the educational structure of the population. Of course, because we live in – or at least very close to – the knowledge society. Nobody objects this trend any more: people need knowledge and they should have an open access to education. In this regard, we nowadays often hear that “knowledge contributes both to economic stability and social cohesion”. However, an emphasis solely on applicable (“useful”) knowledge – a knowledge useful to me – brings with it problems which may in future years only get worse; they will certainly not disappear off their own accord.

The complex goals of education can not be reduced to “useful to me”, to private interest only or to instrumentality, without endangering the very foundations of education. Education by its very nature is not just functional strength, but the power of the analytical (i.e. critical) recognition and transcending the reality.

We are challenged by the “knowledge society”, by the “knowledge-based economy”. With all the indisputable benefits it brings, it does not seem that the “end of history” has come. On the contrary, a number of serious problems are arising, of which we as a culture are not well enough aware. Knowledge is becoming a commodity to an extent that the twentieth century only dreamed of: it is sold as a commodity on a gigantic scale. We are not focusing here on the problems of the so-called proletarianisation of intellectual professions or something like that (that is another story), but about the fascinating “disappearance of the aura”, to refer to a well known essay (admittedly on art, not on education) by Walter Benjamin: knowledge in the “era of its technical reproduction”, that is at a time when we can keep and convey it in cosmic dimensions, irrespective of its extent or location of origin, loses its charm and becomes ordinary. This is a problem; a problem of culture. When certain knowledge can be technically reproduced (this is called today copy and paste in all languages), when it becomes easily transferable and present everywhere (“we download it from the internet”), we no longer need much knowledge – what a paradox! – to deal with it. Knowledge thus becomes a kind of a “good time”, private entertainment, as well as a “good business”, not a goal in itself. Such knowledge, of course, is no special privilege – and elites, be it cultural or critical, are not based on it.

So that in future we do not risk our roots, knowledge will have to strengthen that common, that which we share; in order to be able to make an active contribution to this, we must recognise and re-affirm knowledge as a public good, as well as the public responsibility for it. In order not to risk the welfare we have and in order to actually strengthen social cohesion, to which we so often refer in general goals, we must, in contrast to the reduction of knowledge to “applicability”, re-affirm all the dimensions of knowledge and the whole extent of (higher) educational goals:

- preparing individuals for their future professional careers, but also
- preparing young (and not so young) people for an active life as citizens in a democratic society,

- facilitating their personal development and, last but not least,
- creating and maintaining broad, superior foundations of knowledge and promoting research and innovation.

As we started with Aristotle we can also conclude with a quotation from his Politics:

»And just as there must also be preparatory training for all skills and capacities, and a process of preliminary habituation to the work of each profession, it is obvious that there must also be training for the activities of virtue. But since there is but one aim for the entire state, it follows that education must be one and the same for all, and that the responsibility for it must be a public one, not the private affair which it now is [...]« (Aristotle, 1992, VIII:1 1337a11).

- 1) Paper presented at the PRESOM workshop on education privatisation, 6 October 2007, Berlin, Germany.
- 2) In the last years, this issue has been pushed forward also by the European association of national Student Unions (ESIB) – an association with influence and respect within the Bologna Process. In 2001, ESIB established a special committee, the Committee on Commodification of Education (CoCo), which has raised its voice several times within “Bologna discussions”; see <http://www.esib.org/old/commodification/coco.html>.
- 3) »Then as to useful things: there are obviously certain essentials which the young must learn; but it is clear (a) that they must not learn all useful tasks, since we distinguish those that are proper for a free man and those that are not, and (b) that they must take part only in those useful occupations which will not turn the participant into a mechanic. We must reckon a task or skill or study as mechanical if it renders the body or intellect of free man unserviceable for the uses and activities of virtue.« (VIII:2 1337a33).
- 4) The supposed “hermetic academism” has always been challenged by certain “pragmatism” as its counterpart. Institutional autonomy can quickly turn into a phantasma if the environment, i.e. if “external factors” are not considered in a realistic way. In his speech on the occasion of the adoption of the Magna Charta Universitatum, the Rector of the University of Bologna Fabio Roversi-Monaco was even more direct about how »to take up the challenge of what is new«: »The society into which this new University has to integrate itself is the advanced industrial society of our time [...]. It would be a serious mistake if the University, in this new society, decided to withdraw into itself, into its pride of academic corporatism« (Magna Charta, 1991, 13).
- 5) »Until the sixteen century European universities were to a large extent all organized on the same line. They showed no national particularities or local focuses. [...] The picture changed with [...] the emergence of the European nation state« (Zonta, 2002, 32-33).
- 6) Rosovsky argues that »the ivory tower does not describe the modern research university: learning and service are always present. External influences are becoming more powerful for many different reasons: the power of government, the search by commercial interests for knowledge within the academy,

the perpetual need for more resources within the university, and – not least – the opportunity for individual faculty members to make economic gains.« A “splendid isolation” couldn’t be an alternative to external influences; Rosovsky argues that the “external permeability” has a parallel in the “internal” permeability (e.g. disciplinary barriers). The author articulated the real and serious dilemma of the contemporary period in the following way: »Can universities preserve their objectivity as disinterested researchers and social critics if current trends persist?« (Rosovsky, 2003, 18).

- 7) Bok argues that »universities have something to learn from the world of commercial enterprise. [...] In the first place, university administrators do not have as strong an incentive as most business executives to lower costs and achieve greater efficiency. [...] university officials will be less successful than business executives in operating efficiently. Presidents and deans lack the experience of most corporate managers in administering large organizations. [...] A second important lesson universities can learn from business is the value of striving continuously to improve the quality of what they do. [...] corporate executives have made major efforts to decentralize their organizations and give more discretion to semi-autonomous groups to experiment and to innovate« etc. (Bok, 2003, 24, 25).
- 8) Interestingly, Derek Bok admonishes that revenues are not as high as usually expected: »Despite their attractive features, commercial profits do not always live up to expectations. [...] Of an estimated 200 or more patent licensing offices on American campuses, only a small fraction received more than \$10 million in 2000 and a large majority failed to earn any appreciable profit« (Bok, 2005, 100-101).
- 9) »Another educational cost that commercialisation can incur has to do with the moral example such behaviour gives to students and other in the academic community. Helping to develop virtue and build character have been central aims of education since the time of Plato and Aristotle. After years of neglect, universities everywhere have rediscovered the need to prepare their students to grapple with the moral dilemmas they will face in their personal and professional lives« (Bok, 2005, 109).
- 10) Similar statements can be found in other places: »What universities should do instead is to look at the process of commercialization whole, with all its benefits and risks, and than try to develop clear rules that are widely understood and conscientiously enforced« (Bok, 2003, 121). »When rules are unclear and always subject to negotiations, money will prevail over principle much of the time« (Bok, 2003, 156).

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Globalised, Commodified and Privatised: current international trends in education and education policy¹

Stephen J Ball

1. Introduction

My aim here is to try and say something about the privatisation of education and of education policy as an international phenomenon of increasing significance. That is, how the world of education is changing and education is changing in the world. I want to convey some sense of the international reach, complexity and dynamism of the education services industry (ESI).

I want to do this not as a set of abstract political possibilities that may be created by GATS (General Agreement on Trade and Services) negotiations or the fulminations of the World Bank, but rather as a set of very practical, on-going developments in a real global economy of educational services. And I am not referring here to the very well documented trade in higher education students (worth approximately 55bn US dollars a year) but both to developments at school level and more generally within the formation of policies of public sector reform and the privatisation of policy itself. However, it is important to say for the outset that privatisation is not a stand-alone process. It is intimately imbricated in concomitant processes of public sector reform and changes in the form, scale and modalities of national states.

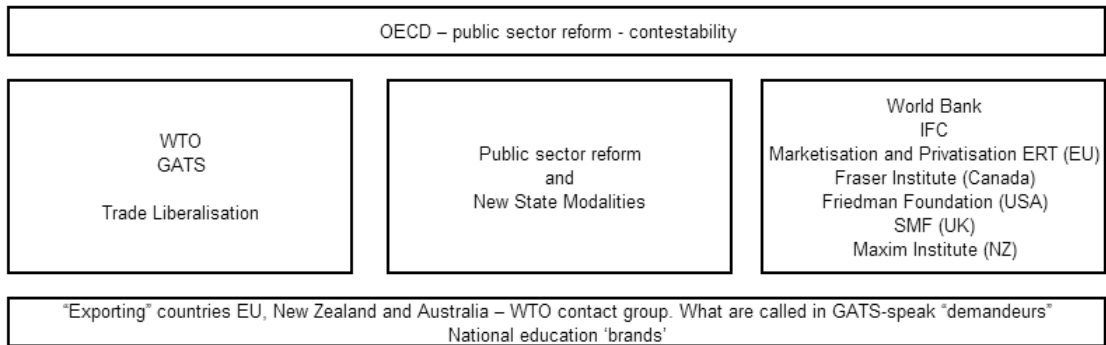
I want to address briefly first some aspects of the new international education economy, second some examples of the multiple forms of current educational privatisations, and third concomitant changes in the form and modalities of the state, and finally point to some of the relationships among these things. This builds upon previous work, reported in *Education Plc* (Ball 2007). Here as in that book I am searching for forms of sociological language to represent and concepts through which to analyse public service markets. I shall make my points in part by using illustrations. I hope to indicate the volume and scope of global educational 'privatisation(s)', but only some forms of privatisation are dealt with.

2. The New International Education Economy

The development of new kinds of global education businesses and a new economy of education business both cut across the public-private education division, and work to render educational services, of all kinds, as forms of commodity which can be traded and from which profit can be extracted. This economy and these businesses or edupreneurs, as the conservative forum the Cato Institute has termed them (www.cato.org/pubs/pas/pa-386es.html), are multi-dimensional. They work across various levels and forms of education, in different fields, in delivery, management, curriculum development, programmes, connectivity, training and professional development, and through PPPs (public private partnerships) and PFIs (private finance initiatives) – that is the ownership and management of the state schooling infrastructure - and as I shall go on to show they work within policy itself. As the Cato Institute puts it "Education companies, or edupreneurs are entering the education marketplace in droves with creative, cost efficient products and services for students of all ages".

- o The education services market operates on a global scale, involving major construction, management and accounting companies (as well as many smaller national and local firms) and is seen as a major investment opportunity by international finance corporations and private equity firms.
- o Parts of state education services and infrastructure in many countries are now owned or run by foreign management or investment companies.
- o These are 'emerging markets' for foreign direct investment (FDI), and are part of a more general surge in such investment which began during the 1990s and which form part of the 'portfolio investment' of commercial, financial and private equity companies – public services are increasingly a focus for investment and profit.
- o These businesses operate across a terrain of policy possibilities created by a global, multi-lateral policy infrastructure that both directly and indi-

Figure 1: The discursive and political Infrastructure of privatisation



rectly privileges private solutions to public problems.

Discursively and politically these developments I outline here are made possible and are legitimated and supported by a array of multi-national organisations and interest groups. A powerful and broad discursive formation is established around a set of multifarious sites of articulation and practical support (see Figure 1).

Despite only contributing 0.5% of educational spending in the 1990s the influence of the world bank is disproportionate and is ‘felt through policy advice, consultants, offshore training of officials, selectively authored reports, as well as debt conditionalities’ (Kelsey p. 10). In practical terms the World Bank Group offers an education investment information facility, known as EdInvest. This is a forum for individuals, corporations and other institutions interested in investing in education in developing countries and provides information for making private investment in education possible on a global scale. Through its commercial arm, the IFC (International Finance Corporation), the World Bank offers financial support to companies wanting to start-up or expand their activities in public services markets (e.g. Investing in Private Education, IFC 2001). The current IFC priorities are:

- o Technology based education companies and projects
- o Financing of student loans and cross-border accreditation
- o IT development and ‘for profit’ education companies.

These ‘investments have to meet IFC’s required rate of return and only be made in an enabling policy environment that reduces or diminishes restrictive regulations on the education market’ (Kelsey p. 11).

The OECD also provides discursive scaffolding for privatisation of public services through the notion of ‘contestability’ and there are a multitude of fundamentalist, pro-market foundations and think tanks, particularly in the United States, which lobby and campaign for ‘research’ and fund privatisation initiatives – e.g. John Templeton Foundation, Cato Institute, Milton and Rose D. Friedman Foundation etc. etc.. There is also an emerging regulatory framework for international ‘flows’ of private educational services – or more accurately a framework of ‘de-regulation’ -through the work of GATS (General Agreement on Trade and Services). While not officially part of the GATS agenda of trade liberalisation of education services are subject to a draft protocol signed by almost 40 countries interested in or willing to engage in cross-border movements of such services. This group of countries, sometimes known as the ‘contact group’, is animated in particular by New Zealand, Australia and Norway, all countries which give a high priority to ‘education exports’ as part of their national economic strategy. Furthermore, a plurilateral request on higher education has been tabled at the WTO (World Trade Organisation) by New Zealand supported by 5 other countries, targeting Argentina and 13 other countries on access to the delivery of private higher education services. The GATS rules on public services state that once any service is delivered nationally by non-state providers then access by outside providers cannot be denied. With private providers at higher education and school level Argentina would appear to have no grounds for restricting the entry of overseas for-profit providers to its system. Alongside GATS there are also a growing number of bi-lateral agreements for cross-border supply. The US has or is negotiating such agreements with Costa Rica, Nicaragua, Bolivia and Peru.

3. The International flow of education services and capital investment

I can illustrate some aspects of the flow of international capital which is made possible by the infrastructure outlined above with some examples from England. The English education services market (public and private) is increasingly penetrated by overseas capital and UK companies are also looking for investment opportunities overseas. I will take examples from two very different forms of investment and business activity – contracting out or ‘out-sourcing’, and PFI schemes.

3.1 Contracting Out

Contracting ‘refers to a process whereby a government procures education or education-related services, of a defined volume and quantity, at an agreed price, from a specific provider for a specified period where the provisions between the financier and the service provider are recorded in contract’ (Patrinos 2005 pp. 2-3).

In 2003 Edison ran one-quarter of the 417 contracted-out schools in the US, teaching 132,000 students in 20 states (see Saltman 2005). EdisonschoolsUK a subsidiary of Edison corporation is importing its US management model to England as an ‘international new venture’.

An American education company is being paid £1 million to take over the management of a north London comprehensive school and improve its results.

Edison Schools, the largest private operator of state schools in the United States, took charge this week at Salisbury school, in Enfield, on a three-year contract.

Part of the company’s payment will be based on pupils achieving better GCSEs grades and scores in national tests for 14-year-olds.

The management team is being led by Trevor Avere-Beeson, a former head of Islington Green school in north London. He is credited with taking it out of out of special measures and making it one of the most improved in the capital. Two of his former deputies there have joined him at Salisbury school.

Mr Avere-Beeson said it was a “radical step” to out-source the management of a community school to a private business.

“It’s a very different way of doing things,” he said. “We are bringing together two sets of brilliant expe-

rience, from Islington Green and from Edison.” (The Guardian March 2007)

At present this sort of management out-sourcing activity is small scale in England (4 schools, 14 Local Education Agencies and 2 Children’s Services have been out-sourced, some have now returned to Local Authority control) and there are few new opportunities. The companies point to a lack of “political will” (interview with Andrew Fitzmaurice, CEO Nord Anglia). There have been a number of companies interested in such possibilities but the market has not as yet developed in a way which makes this work profitable, that is the out-sourcing of groups of schools.

... essentially being the managers of a group of schools is what we aspire to. And I’ve been saying since, well since the beginning of the labour government that the model for us exists in the independent sector, which is the Girls Public Day School Trust, which has 25, 30 schools, I’m not saying that everything in that model we would mirror and we are certainly not interested in it being intellectually or socially exclusive come to that, but in terms of a managerial model its interesting. (Neal McIntosh, Chief Executive CfBT)

In principle that’s something we would be quite interested in if the government now, or at any point in the future, was to do a Sweden and allow the private sector to- to operate schools within the state system, then we would certainly be interested in that ... in Scandinavia at the moment there are some, I think, some very interesting examples of school systems that are owned in different ways: private sector, voluntary sector, faith, state ... this is the sort of thing that could be in either or both political manifestos the election after next. (David McGahey, Director of Education Services VTES)

The Trust schools initiative in England (Education and Inspections Act 2006) may make this more possible but remains to be seen.

In Sweden this has developed much more vigorously, almost 15% of state schools are now run on a contract basis by private or voluntary sector providers.

Apart from Salisbury school, three other English state schools have been contracted out to private companies, two are run by company called 3Es, which was recently acquired by GEMS - a Dubai based education and health management company, which also recently bought a chain of English private schools. The other contracted-out school in England was run by Nord-Anglia.

Nord-Anglia owns schools in Moscow, Pudong (Korea), Warsaw, Shanghai, Bratislava and Berlin and in 2005 entered into a joint venture with UAE company ETA Ascon Group to launch Star British schools in the UAE. Nord-Anglia CEO commented that “We hope Star British School will be the first of many such schools in the region and beyond” (www.asdaa.com.) [This venture came to nothing but Nord-Anglia is now running a group of government schools in Abu-Dubai]. Also in 2005 it sold its stake in two schools in the Ukraine for £1.3m. Nord-Anglia was the UK’s largest provider of private nursery places with its Chain of Leapfrog Nurseries. It is one of 5 national school inspection companies it holds the contracts for schools in the North West of England and the contract for Further Education. And in a joint-venture with Amey, a construction company now owned by the Spanish firm Ferrovial, runs contracted-out Local Education Authority services in Waltham Forest (north London). In 2004 Nord-Anglia sold its chain of 10 UK private schools to GEMS for £11.9m and in 2007 sold its nurseries to Australian company ABC Learning which already owned the UK chain Busy Bees and has nurseries in the USA.

An oversupply of children’s nurseries has forced Nord Anglia to sell its 88 kindergartens to an Australian rival for less than half the price it paid for them.

Nord Anglia was until yesterday the country’s largest nursery school operator, owning the Leapfrog, Jigsaw and Petits Enfants brands. It will receive £31.2 million for a business it built through £73 million of acquisitions three years ago.

Nord Anglia, which charges fees that are in line with leading private day schools, has struggled to generate profits.

The company will use the cash to pay off its debts, and concentrate on its faster-growing and more profitable international schools, aimed at the children of expatriates, and its educational services division, which helps to support Ofsted and to run the London Borough of Waltham Forest’s education services. (Times online 14th August 2007)

Education services is a developing market, and states (national and multi-lateral) are market-makers, this is not some kind of spontaneous neo-liberal free market, its dynamics have to be understood alongside the dynamics of and changes in the state and the role of the state in shaping industry behaviour and economic transactions (Burch 2006). Burch makes the point that state policies can create incentives and pressures for public sector providers to use private

sector services (see looks in particular at the effects in this regard of NCLB(No Child Left Behind) in the US). She also notes that vendors of services ‘have sought to leverage NCLB mandates as part of their marketing strategies’ (p.2593). I have noted the same thing in England (Ball 2007). “Across the country, urban school systems are relying on the services and products of specialty-service providers to jump-start compliance with NCLB.” (p.2582). She identifies four functions which ‘are central to the new educational privatisation: test development and preparation, data analysis and management, remedial services, and content area-specific programming’ (p. 2588). US school districts historically have contracted with outside vendors for services in each of these areas but NCLB has accelerated this trend considerably.

As indicated above the education services industry is a dynamic market which is driven in part by mergers and consolidations and international expansion. Increasingly the education businesses like other firms are seeking to diversify and internationalise and are continually looking for new market opportunities, especially when market growth in the UK is modest. However, as Caves (1974) points out firms do not become multinationals unless they are good at doing something and experience in the UK can be used as a basis from which to expand overseas.

- o ‘The UK experience has served as the underlying model for much of the development internationally of SBM’ (www.cea.co.uk).
- o Nord Anglia’s reputation and expertise with British education gives it a rare opportunity to capitalise upon the demand in overseas markets for improved quality in education provision (Company annual report 2006 p. 8).

These businesses may or may not be increasing their risk as they expand overseas – that remains to be seen. As noted already, the increasing international activities of especially US and UK education business is made possible by the increasing liberalisation of public services both through national commitments to GATS and various bi-lateral agreements, and in the future through appeals to WTO tribunals.

3.2 PFIs and PPPs

With DBMO (Design, Build, Management and Operation) of state institutions by private capital, Public Finance Initiatives or Public Private Partnerships, or what the World Bank calls ‘facility availability’ (with ‘input’ and ‘outputs bundles’), private investors finance, build and run facilities which are lea-

sed-back to the state over a 25-30 year period (like roads and bridges but also schools and hospitals). In 2003 the UK PFI debt market stood at £8.2bn up from £4.9bn the previous year. New investment in PFIs 2003 was £6.7bn. In 2003-4 the Swedish construction firm Skanska did the most PFI business in the UK at £3bn., followed by Balfour Beatty, and Japanese company Kajima. The County of Offenbach and city of Cologne in Germany both have large PPP schemes involving over 90 schools in the former and 7 in the latter. The first part of the Offenbach scheme was awarded to a subsidiary of French construction company Vinci, the rest of the scheme and the Cologne project went to Germany company HOCHTIEF. The companies will run the Offenbach schools for 15 years and the Cologne schools for 25 years. Vinci recently bought out most of the PFI work of 'beleaguered' UK construction and services company Jarvis. The government of New South Wales (Australia) is currently building 10 schools using PPPs, financed by private investors funds. P3S as they are called in Canada (an example of 'policy borrowing' from the UK), have been used extensively for school building (and other state infrastructure), in particular in British Columbia and Nova Scotia which has over 30 P3 schools

This first order activity in turn generates a 'secondary market' in the 'selling-on' of PFI contracts, which is of considerable investment interest to banks and private equity. Innisfree is the leading infrastructure investment group in the UK sponsoring and making long term investments in PFI and PPP infrastructure projects. In 2006 Innisfree had a platform of 47 PFI infrastructure projects with a capital value of some £8 billion covering health, education, transport and government accommodation (e.g. university hostels). Innisfree provides a channel for institutional investors to invest in PPP/PFI assets and has to date raised £1.12 billion for investment in PFI and PPP project companies. Innisfree's investors include leading UK institutional investors such as the Prudential and Hermes and local authority pension funds. Overseas institutional investors from Sweden, Germany, Switzerland, USA, Canada and Japan currently provide 42% of Innisfree's funds.

Star Capital Partners, an Euro 581m private equity fund, acquired the Secondary Market Infrastructure Fund (joint venture between Abbey National and Babcock and Brown) in 2003. SMIF acquires interests in infrastructure assets from investors and developers in PFIs. (e.g. Varndean school, Brighton from Jarvis and HSBC's equity interest in the Falkirk Schools project for £18m). In 2003 SMIF had assets

of £120m in 23 interests in education, local authority and health (with an underlying asset value of £2bn). STAR is backed by a network of core partner European banks, including: The Royal Bank of Scotland Group, Santander, Espirito Santo and One Equity Partners (STAR website).

4. Selling Policy

The third field of education services for-profit activity I want to highlight is the export and sale of education policy, public sector reform and school improvement. There are two dimensions to this: (1) the dissemination of policies between western countries in a 'free market' and (2) the 'loan' or 'imposition' of policies on developing countries through projects, development aid or structural adjustment 'conditionalities'. Again let me do this by illustration and the example of UK company Cambridge Education. This will reiterate several of the points I have already made.

CEA (Cambridge Educational Associates, later renamed Cambridge Education - CE) was established in 1987 by Derek Foreman, ex-Deputy Director of ILEA and Brian Smith ex-Deputy Director of Cambridgeshire LEA. It deals in LEA consultancy and outsourcing and currently runs contracts to manage local authority services in Islington, Southwark and Scilly Isles. It conducts Ofsted inspections of schools and does ICT training, and offers Interim management and PPP support and administers the Teacher Pay Reform programme and project manages several academies (new schools in the English education system). It has an annual turnover of around £50m. In 2000 CEA entered into a joint venture with Mott Macdonald (turnover 2003-4 £342m and profit of £7.8m) an international Engineering Project Management Consultancy working in transport, property, healthcare, communications, energy, leisure and utilities (Company Annual Report).

CE also operates extensively in selling, directly or through aid contracts, school reform solutions. 'Globally, Cambridge Education works with governments, donors and development agencies to raise the quality of education. We bring innovation and expertise to help build local solutions (company website)'. Among many other examples CE is currently working with:

- o National Government of Thailand
- o Provincial governments in China
- o Education Ministry in Hong Kong

- o California
- o New Orleans
- o City of New York
- o DfiD, EC, World Bank, ADB projects (Papua New Guinea, Eritrea, Bangladesh, Cambodia) etc. (Working in partnership with Universities, NGOs and other private companies).

Two examples of such work are in Ghana and The Maldives:

- o Ghana: Support to Planning, Budgeting, Monitoring and Evaluation. Cambridge Education assists Ghana to improve its education sector performance by strengthening its management capacity and systems. Project duration: 2004 to 2005. Cambridge Education provided support to the Ministry of Education, Youth and Sport, Ghana, to improve resource management, through developing planning, budgeting, monitoring and evaluation (PBME) systems. The focus of this support was to develop the capacity of the Ministry to review and revise the Education Strategic Plan, the overarching policy document for the education sector and to improve, cost and evaluate operational plans around key policy goals.
- o Maldives: Strengthening the Framework of Education

Cambridge Education was chosen by the Asian Development Bank and the government of the Republic of Maldives to provide and manage technical assistance in three areas: legislation, finance and materials development. Project duration: 2005 to 2006. Cambridge Education supported the Maldives in drafting legislation for a new Education Act; in developing a sustainable financial framework for increased and equitable access to post-secondary education; and in enhancing capacity to develop learning and teaching materials for lower secondary grades. Key activities included assessing and reviewing current education legislation (policy, priorities and reform needs); carrying out a stakeholder consultation; drafting/finalising key sections of new education legislation; assessing current education finance and needs of students for financial assistance; carrying out a poverty and economic assessment survey; drafting a Medium Term Financing Framework/Expenditure plan; reviewing current lower and upper secondary school curriculum and needs; developing curriculum and training materials according to identified needs; and training curriculum developers.

CE is also active in the US in doing Charter school reviews, working with the KIPP (Knowledge is Power Programme Foundation) which runs 57 state schools, and with the Gates Foundation. New York, the US's largest school district with 1.1m students has hired Cambridge Education to lead the introduction of a programme of 'school reviews' based on the English Inspections model, (a contract worth around \$6.4m a year). CE is training New York reviewers so that they can assume full-control of the review system in coming years. As the tabloid New York Sun put it "The British have arrived: They're Reviewing City Schools" (July 31st 2007). The newspaper goes on to say that the City's mayor learned about the English Inspection model "from Sir Michael Barber [ex-adviser to Tony Blair and now Global Expert in Mckinsey and Co.] who has worked as a consultant for the city's education department".

Companies like Cambridge Education 'sell' policy, 'sell' reform and 'sell' school improvement, as ready-made, off-the-shelf, generic packages of 'ideas'. All of this is then both a form of 'policy entrepreneurship' and at the same time a process of policy transfer, and a mechanism of 'policy convergence'. The companies are delivering 'development' and aid policy (for a profit), developing local policy infrastructures, and embedding prevailing policy discourses, directly or as 'spillovers' into the local policy systems. This can also be seen as what Kelsey (2006) calls 'regulatory re-territorialisation'. The company consultants are 'carriers of global institutionalized management concept (Hansen and Lairdsen 2004 p. 515). These are generic discourses which at the organisational level have no specificity to education or schools. They encompass a set of recurrent policy trends that include 'various aspects of new public management (NPM), such as deregulation, contracting-out, agentification and privatisation' (Bache 2003 p. 301). They also 'sell' or institutionalise further opportunities for private participation. In the development of a basic educational provision in many developing societies private involvement is built into the systems from the start. This also involves to insertion and naturalisation of western models of organisation, education, leadership and employment, and the extension of the commodification and commercialisation of education, through forms of what Mihyo (2004) calls 'intellectual dumping'.

5. Conclusions

Education services businesses vary in size and capability and it is likely that we will see more acquisi-

tions and failures and more vertical integration. The most successful international companies, at present, seem to be those which are subsidiaries or divisions of international management services companies (Mouchell Parkman, Cambridge/Mott Macdonald) or management and ICT specialists (Capita and Serco) or the large accountancies and consultancies (PriceWaterhouseCoopers, KPMG, Touche Deloitte), although some of the smaller UK 'niche' companies are expanding modestly abroad (Edunova and Prospects). The future of the public/private providers, like GEMS and Nord-Anglia, seems less certain.

However, this is not a simple story about the inevitable expansion of global business interests and the search for new sources of profit. There is a complex inter-relation here between companies and states (at least in the West), the relationships, as Kelsey suggests are 'reciprocal and contradictory'. 'Globalised capitalism needed the state, first to restructure and then to "enable" its profitable operation and expansion across borders' (Kelsey p. 4). Increasingly nation states provide stability and legitimacy and act on behalf of their own national businesses to promote and finance educational services, and use public policy to stimulate the outward investment dynamic, and operate as a broker for social and economic innovations, as well as attending to the focused allocation of its resources – this is what Jessop (2002) calls the work of the 'competition state' and is the development of NISs (National Innovation Systems). 'National competitiveness has increasingly become a central preoccupation of governance strategies throughout the world' (Watson and Hay 2003, p. 299). Furthermore, 'there is a wide range of government support measures for exporters, reflecting the easily identifiable benefits from increased overseas trade' (Tavares and Young 2005, p. 12). The state works to develop appropriate meta-capacities and supports the development of 'new policy narratives' which in turn mobilise support behind new accumulation strategies. The state also acts as a 'commodifying agent' rendering education into commodity and contractable forms, and works through public sector reform measures to recalibrate public sector institutions to make them homological with 'the firm' and amenable to the processes of the 'market form'. States also create the economic and extra-economic conditions within the public sector which enable businesses to operate and to extract profit. On the other hand, capital, it is argued, offers the state a means of achieving efficiency gains in education, in terms of quality improvement while at the same time cutting costs (Hoxby 2003). There is a

mutual conditioning and accommodation between state and capital and PPPs of a variety of kinds are increasingly common. As Burch (2006) points out and illustrates there is no simple zero-sum process here of public or private provision but often the emergence of new forms of public/private collaboration. Thus, as (Leys 2001, p. 80) points out: 'It is not that the state has become impotent, but that it is constrained to use its power to advance the process of commodification'.

1) Paper presented at the PRESOM workshop on education privatisation, 6 October 2007, Berlin, Germany

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Public and private components in the Italian educational system¹

Nicola Acocella and Federico Tomassi

1. General features

The Italian educational system can be featured as a rather underdeveloped one, in relation to the other major EU countries and most OECD countries, from a number of viewpoints.

1. Level of expenditure: The expenditure on educational institutions as a percentage of GDP has remained lower than that of the major EU countries and the OECD average (table 1).
2. Educational expenditure per student: the fact that it is higher than the OECD average and major EU countries for the pre-primary, primary and lower secondary education (table 2) is not an index of a better situation²; the expenditure per student is lower than in France, Germany and the US in higher secondary education. Data for tertiary education are misleading, because Italian private institutions are not included and ratios change when full-time equivalent students are considered (Perotti, 2002).
3. Educational attainment of adult population: only 48% of the age group 25-64 has attained at least upper secondary education (table 3). Italy is catching up, but it will take 80 years to reach the OECD average (Checchi, 2003: 3-4).
4. Quality of education: the 2003 PISA enquiry has shown that the performance of Italian students is well below the OECD average and superior only to Greece, Turkey and Mexico (figure 1). More worryingly, 32% of students do not reach the minimum level of mathematics proficiency.
5. Geographical concentration of bad performance: most Italian educational problems are geographically concentrated in the South, for two reasons: the lower efficiency of the schools and the negative influence of the average educational and cultural background of families in this part of the country (Cipollone-Visco, 2007). As a matter of fact, Northern regions rank at the top of the PISA scores worldwide (Bratti-Checchi-Filippin, 2007: 4-6).
6. Equity problems are relevant: young people with less than upper-secondary education are less like-

ly to be in employment and the decrease of unemployment rates has been slower for them; moreover, they bear a high earnings penalty, and expect to spend a few hours in non-formal job-related training: "Failing to meet baseline qualifications comes at increasingly high costs" (OECD, 2006b, p. 2).

These issues reflect structural problems of the Italian educational system (lagged industrialisation and then reduced level of mass education; low participation ratios and high drop-out rates) rather than contingent ones. They are hardly the product of the numerous reforms that have been undertaken in the last 3 or 4 decades, according to some experts (Checchi, 2003: 16-17). However, one could say that reforms: 1) have not been able to reverse the trend, 2) in some cases at least (as for the reform of the primary school with the substitution of the single teacher with multiple teachers and the reforms of the higher secondary school which have simply reduced the requirements needed) reforms have created problems of efficiency and aggravated those of equity.

2. The relative importance of public and private components

The private share of the Italian educational system is apparently rather limited, more narrow than for other large EU countries and the OECD average – with only 3% of private sources, included subsidies, in primary and secondary education (table 4) – and has remained constant in the last few years.

This assertion however needs some qualifications in relation to the following issues.

1. The limited importance of the private component is measured in terms of the source of funds, not their use (or provision of education). Some private schools and Universities are really funded by the Italian government.

The relevance of direct public expenditure on private institutions and indirect public transfers and payments to the private sector is rather limited for all levels of non tertiary education (less than 5% in 2003 in Italy as to other major EU countries and the

Table 1: Expenditure on educational institutions as a percentage of Gdp, for all levels of education (% 1998, 2003)

	Private (excl. subsidies to households)		Public (incl. subsidies to households)		Total	
	1998	2003	1998	2003	1998	2003
France	0,4	0,5	5,9	5,8	6,2	6,3
Germany	1,2	0,9	4,4	4,4	5,6	5,3
Italy	0,2	0,4	4,8	4,6	5	5,1
Spain	0,9	0,5	4,4	4,2	5,3	4,7
United Kingdom	0,3	1	4,7	5,1	4,9	6,1
United States	1,6	2,1	4,8	5,4	6,4	7,5
EU19 average	n.a.	0,4	n.a.	5,2	n.a.	5,6
OECD average	0,7	0,7	5	5,2	5,7	5,9
OECD total	1,1	1,3	4,6	4,9	5,8	6,3

Source: OECD, 2006a: table B2.1a.

Table 2: Annual expenditure on educational institutions per student for all services, by level of education (US \$ PPP, 2003)

	Pre-primary (3 years and older)	Primary	Lower secondary	Upper secondary	Tertiary-type B	Tertiary-type A and advanced
	France		4,744	4,939	7,603	9,992
Germany	4,865	4,624	5,627	10,232	6,299	12,457
Italy (a)	6,116	7,366	7,688	8,108	7,443	8,777
Spain	4,151	4,829		6,418	7,997	9,131
United Kingdom	7,153	5,851		7,29		11,866
United States	7,755	8,305	9,156	10,105		24,074
EU19 average	4,589	5,399	6,831	7,419		9,872
OECD average	4,508	5,45	6,56	7,582		11,254
OECD total	4,959	5,055		6,936		14,598

(a): for Italy, public institutions only

Source: OECD, 2006a: table B1.1a.

Table 3: Population that has attained at least upper secondary education (% 2004)

	Age group				
	25-64	25-34	35-44	45-54	55-64
France	65	80	70	59	49
Germany	84	85	86	84	79
Italy	48	64	52	44	28
Spain	45	61	50	36	21
United Kingdom	65	70	65	64	59
United States	88	87	88	90	86
UE19 average	67	78	71	63	52
OECD average	67	77	71	64	53

Source: OECD, 2006a: table A1.2.

Table 4: Share of private expenditure on educational institutions, by level of education (% 2003)

	Primary and		
	Pre-primary	secondary	Tertiary
France	4,4	7,6	18,7
Germany	27,9	17,9	12,9
Italy	9,4	2,9	27,9
Spain	12,8	6,6	23,1
United Kingdom	5,4	13,5	29,8
United States	23,4	8,1	57,2
EU19 average	10,3	5,5	15,7
OECD average	18,5	7,4	23,6

Source: OECD, 2006a: table B3.2

OECD average), but it is much more significant (as high as 19%, i.e. at a level comparable to that of France and Germany, but still less than the OECD average) for tertiary education (table 5). The case of private funding of educational services provided by public institutions takes place only to a limited extent, in so far as households are asked to pay fees for the provision of education by public institutions. As fees are a very small percentage of the cost of educational services, and donations play a very limited role, we can conclude that the reported statistics overestimate the role of public bodies in the provision of educational services in Italy. In fact, data show a higher proportion of the private tertiary education in terms of number of students enrolled, even if the percentage is again lower than in other EU countries and for OECD average (table 6 and 7).

2. The relatively small percentage of private sources has no uniform distribution across the different educational levels. Private funds and schools are, in fact, more important at the pre-primary, primary and tertiary levels, thus taking the crucial segments of the educational system: primary 7% of students, lower secondary 3,5%, upper secondary 5%, tertiary-type B 15%, tertiary-type A 6% (table 7).

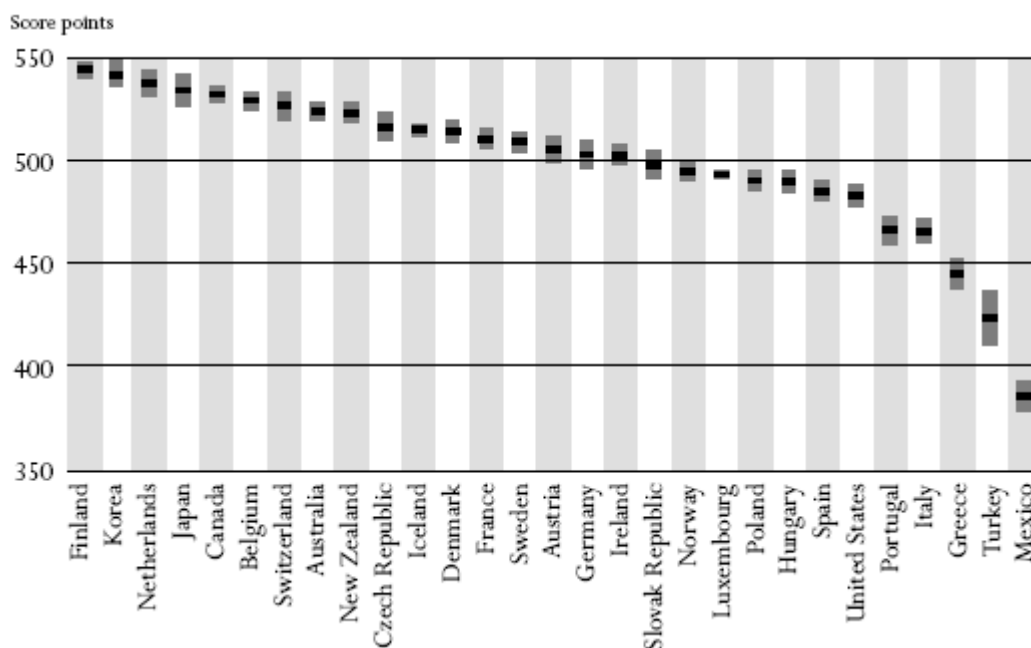
3. In terms of the quality standards of educational services, the role of public bodies is, at least formally, still predominant in Italy. At least for education from the primary to the tertiary level, ex ante standards quality of educational programs are chosen by the central government (Checchi-Jappelli, 2007). The terms of this choice have deteriorated in the last years, but are still in the hands of the central government, as the principle of public recognition of educational titles is still in force. A debate is currently taking place as to the possibility of abandoning the principle of public recognition of titles (while maintaining uniformity of ex ante standards) in order to enhance competition between different schools and universities and let the families and students choose among them.

3. The private provision of educational services

As we have already said, there are indications that the private provision is mostly important for the first and the top levels of education.

In fact, there are a multitude of private pre-primary and primary schools, and private tertiary universities, since a long time. Most private education is provided by Catholic schools, but also for-profit organi-

Figure 1: Distribution of student performance on the OECD PISA mathematics scale (2003)



Source: OECD, 2006a: chart A4.1.

Table 5: Distribution of total public expenditure on education (% 2003) Primary, secondary and post-secondary non-tertiary education Tertiary education

	Direct public expenditure on private institutions		Indirect public transfers and payments to the private sector		Direct public expenditure on private institutions		Indirect public transfers and payments to the private sector	
	1999	2003	1999	2003	1999	2003	1999	2003
France	13,3	12,6	3,7	3,1	3,3	5,2	8	8,2
Germany	7,9	12	6,7	4,8	2,4	1,2	12,3	17,2
Italy	5,4	2,8	0,9	2	1,6	1,8	17,1	17
Spain	13,5	14,1	1	1,3	0,7	2	9,3	7,9
United Kingdom	21,1	23,2	0,2	0,2	73,3	75,3	26,7	24,7
United States	0,3	0,2	n.a.	n.a.	13,2	11,8	19,2	17,8
EU19 average	n.a.	13,5	n.a.	3,7	n.a.	14,2	n.a.	15,6
OECD average	9,9	10,7	3,5	3,4	9,9	11,2	16,4	17,4

Source: OECD, 2006a: table B4.2

Table 6: Students enrolled and number of schools in Italy, by management (scholastic year 2005/06)

		Total	State public		Non-state		Private sector		Private sector	
Students	Pre-primary	1,674,095	979,301	58,5	196,721	11,8	462,964	27,7	35,109	2,1
	Primary	2,796,447	2,545,491	91	60,629	2,2	181,77	6,5	8,557	0,3
	Lower secondary	1,767,506	1,668,184	94,4	33,506	1,9	65,45	3,7	366	0
	Upper secondary	2,703,309	2,521,581	93,3	51,633	1,9	126,268	4,7	3,827	0,1
	Total	8,941,357	7,714,557	86,3	342,489	3,8	836,452	9,4	47,859	0,5
Schools	Pre-primary	24,878	13,614	54,7	2,87	11,5	7,216	29	1,178	4,7
	Primary	18,444	16,199	87,8	674	3,7	1,422	7,7	149	0,8
	Lower secondary	7,954	7,102	89,3	177	2,2	667	8,4	8	0,1
	Upper secondary	6,833	5,039	73,7	189	2,8	1,512	22,1	93	1,4
	Total	58,109	41,954	72,2	3,91	6,7	10,817	18,6	1,428	2,5

(a): schools owned by Regions, Provinces or Municipalities.

Source: Ministero dell'Economia e delle finanze, Ministero della Pubblica istruzione [2007: table 1.4, p. 34.

Table 7: Students enrolled in private institution, by level (% 2004)

	Primary	Lower secondary	Upper secondary	Tertiary-type B & advanced	Tertiary-type A
France	14,7	21,4	30,6	28	12,7
Germany	2,9	7,3	7,9	36,1	0
Italy	6,9	3,5	5,4	14,8	6,3
Spain	32	32,4	22,9	22,5	12,2
United Kingdom	5	6,4	74,3	100	100
United States	10,3	8,8	8,8	14,6	26,4
UE19 average	13,2	15,9	21,9	28,9	22,2
OECD average	11,1	14,3	20,9	32,5	23,7

Note: both Government-dependent and independent private institutions.

Source: OECD, 2006a: table C2.3 and C2.4

sations are present, and proprietary structure and role matter for efficiency and quality (Barbetta-Turati, 2003) . Differently from the US confessional schools, mainly aimed to increase opportunities for disadvantaged students, most Italian private schools – Catholic or for-profit – have a remedial role for lazy but rich or medium-class students, with a few notable exceptions of top-level institutions traditionally aimed to select future elites (Bertola-Checchi, 2004; Di Pietro-Cutillo, 2006).

The motivations of Catholic institutions for the diffusion of their religion among the children, on the one hand, and the future ruling class, on the other, clearly explain their diffusion in the first and the top levels of education. Similar motivations – in addition to profit-seeking – explain the presence of a University, Luiss, instituted by Confindustria, the Association of Italian manufactures.

At all levels the private provision of education has been given an incentive in the last decades through the voucher system.

4. The voucher system

There are two sources of finance for vouchers in Italy: the central government and regional governments, since the year 2000, when a law was passed with the aim to ensure equality of opportunities and freedom to choose among different schools. The amount of government vouchers, 30 million €, is divided among all the students attending a certified

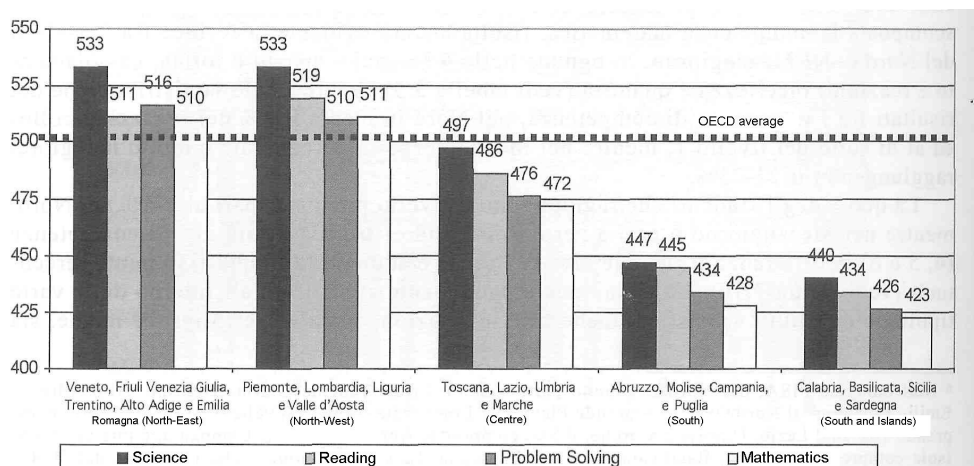
private school, with an average amount of some 200€ per student. The low per capita amount of this source of vouchers makes its impact on families' choices a little more than symbolic (Checchi-Jappelli, 2003).

The amount of regional vouchers is instead significant. Not all regions have introduced such vouchers (only 8 out of a total of 20 have done so), and there is a profound difference between two different targets pursued by the regions and the implementation systems they have adopted (Brunello-Checchi, 2005).

A majority of regions (usually led by right-wing governments) grants vouchers tied to the income of families and not to the students' performance. In theory this type of vouchers is designed in such a way as to favour students coming from low or middle-class families, but in practice they tend to favour tax evaders and students who have already decided to attend private schools³. Their amount, while covering only a percentage of the total costs, is rather high as compared to the amount of the central government's vouchers. They could have a non-negligible impact on students' choices, were not for some inefficiency in their implementation . In one region at least, some research shows the ineffectiveness of vouchers in increasing private schools enrolment (Conti-Sette, 2005).

Two regions, Toscana and Emilia-Romagna, led by left-wing governments, have introduced vouchers based on a fixed payment, aimed only to support

Figure 2: Territorial differences in Italian students - 2003 PISA scores



Source: elaborations on data PISA 2003

low-income families (ceilings are below 20,000 €) and good performer students, and designed in such a way as to finance both private and public school attendance, covering not only tuition fees. However, the amount of these vouchers is fairly low and they have neither influence on the students' choices nor significant economic effects.

The economic effects of the first kind of regional vouchers may be different according to a number of features of demand and supply (Belfield-Levin, 2002: 66-70). In Italy there has been a shift in the (private) supply that has reduced the net price paid for school services, thus attributing most of the voucher benefits (83%) to the households (Brunello-Checchi, 2005: 32). Demand has increased only for marginal families, since vouchers cover less than half of the tuition fees (Brunello-Checchi, 2005: 11-13). Had demand significantly increased, the vouchers might have been appropriated by private education providers, which is contrary to the Italian Constitution, which forbids public funding of private schools, a regulation which, however, has not been consistently applied in other circumstances.

To the extent to which there is no efficiency gain for the educational system, vouchers not designed to increase the choice set available to households "could only produce redistribution of income away from the taxpayer to the wealthy households who enrol their offspring in private schools" (Brunello-Checchi, 2005: 33). At the same time, low-income students could remain in a low-opportunities and low-quality school trap (Checchi, 1999: 217-222).

It is indeed difficult to assess whether the Italian-style voucher systems increase efficiency, because these have been active since a few years only.

Empirical evidence is not conclusive in the US too. In the US the efficiency seems to be limited in any case, as there has been a greater differentiation among schools not implying better average quality (Ladd, 2002; Mitch, 2004: 272-276). Moreover, constraints to join the voucher programs (such as the existence of a ceiling to fees, compliance with public standards set by the state, no discrimination among students) let almost only confessional schools to be included in the programs.

These uncertain and limited efficiency benefits in the US have suggested to design voucher programs to increasing the opportunities and welfare of a subset of students, worthy but not wealthy (Ladd, 2002: 18-21; Epple-Romano, 2002: 30-31). Also in Italy, means-tested tight-scale redistributive programs, limited to low-income families – as in the spirit of

the 2000 Italian law on the school system – could comply with the Constitution⁴, and increase the choice set available to households (Pomini-Rangone, 2004: 177).

5. The features of the Italian private system of education.

Italian private schools are characterised by three main features. First, the likelihood of enrolment is positively correlated with the father's education level, family's income and expectations, and (in primary and lower secondary schools) the absence of a housewife mother (Checchi-Jappelli, 2007).

Second, the quality of teaching is not better than in the public sector, as shown by a higher participation to remedial activities, a lower quantity of homework (i.e. lower effort required), the students' age (i.e. more students who have been held back by repetitions), PISA scores controlled by parental education and socio-economic status (Brunello-Checchi, 2005: 6-8). Also university outcomes are better for the public sector students, while private schools allow to improve the performance only for a subset of students, coming from best family backgrounds (Bertola-Checchi, 2004).

Third, tuition fees represent the price for the lower effort to get the diploma, the access to informal networks (which is very important in the Italian labour market), the homogeneous cultural or confessional culture, the additional facilities and services provided (Checchi-Jappelli, 2007).

As Brunello and Rocco (2004: 24) point out, "...private schools can offer alternatives to quality in exchange for a positive price. The empirical evidence from Italy suggests that they offer leisure". Besides leisure, they also offer services not provided by public schools: early start of compulsory education, full-day school, integrative activities, labs, etc. Notably, full-day school could represent a substitute for welfare state services and/or family care of children when there is no presence of a housewife mother.

These features of the private sector are framed into the Italian society, characterised by the generational persistence of inequalities, and the wide role of familial and informal networks in the labour market. To a large extent, education levels and opportunities depend not on primary (innate capabilities, personal effort), but on secondary factors (social context, family economic and cultural resources of the family, school quality) (Checchi, 1999: 109-161; Ballarino-Checchi, 2006; Checchi, 2006).

Intergenerational mobility is low, notwithstanding a very low cost of public education and the equal opportunities that are guaranteed by low access costs to it. Indeed, there is empirical evidence of self-selection in education tracks and the path to the university, due to the segmentation of upper secondary schools, according not only to the capabilities of the students, but also to their parents' income and cultural level (Checchi-Zollino, 2001; Brunello-Checchi, 2006; Checchi-Flabbi, 2006).

Social stratification occurs through the schooling process and the family behaviour: "Educated parents provide a more stimulating cultural environment for their children, and help them in their homework. At the end of compulsory education (at the age of 13) their children obtain positive evaluations and are advised to proceed further in academic oriented secondary schools. At the opposite side, children from uneducated parents are more likely repeating some year, ending compulsory school with low evaluations and following their teachers' advice to enrol vocational or technical schools. Early tracking determines future destinies of children: high schools are characterised by less repetitions, almost total absence of track changes and high transition rates to university; at the opposite extreme, vocational schools are populated by students unconvinced of their curricula, with repeated failed years, and they exit with low intention to go on with tertiary education" (Checchi, 2003: 24-25).

6. Can increased competition between private and public schools lead to a better system?

Privatisation policies – most notably the system of vouchers – should be evaluated according to criteria relating to productive efficiency, equality and social cohesion, freedom of choice (Belfield-Levin, 2002: 35-52).

From the point of view of efficiency, in Italy there are a number of reasons why greater competition between public and private sectors could not enhance the school performance (Beltrametti, 2004: 87-113). First, the conditions for the good performance of the few private schools and universities of prestige existing in Italy are difficult to replicate, at least in the medium run. In addition, the "exit" mechanism underlying the competition has its shortcomings, as it reduces the interest and participation of politicians and families in the life and performance of educational institutions ("voice"). Thirdly, the

exit of some students from public schools can contribute to the reduction of an enriching variety of experiences, capacities and positions. Fourthly, abandonment of the common standards set by the government could also increase asymmetric information, thus reducing efficiency. Finally, because of the existence of fixed costs, the efficiency of the public school system might not improve and could indeed deteriorate.

Actually, a significant correlation appears between high outcomes and some financial and economic factors: endowment and maintenance of school structures, availability of labs and integrative activities, motivation of the actors in the education system, higher level of education of the parents, probability of unemployment of the family location as an incentive to spend effort (Bratti-Checchi-Filippin, 2007: 8-16).

From the point of view of equity and social cohesion, the possible polarisation of students could lead to the formation of ghettos, a deeper social stratification, a reduction in tolerance and integration as well as intergenerational mobility, a rise in ideological fundamentalism.

From the point of view of freedom of choice, there is no empirical evidence that families modify their educational choices when vouchers of a limited amount, i.e. not entirely covering tuition fees and general maintenance of students, are offered.

7. Concluding remarks

Bad-designed vouchers and low-quality private sector fail to increase either efficiency or opportunities, if factors causing self-selection of scholastic tracks and intergenerational persistence of inequalities are not removed. On the contrary, inequalities rise, as low-income students enrol in public schools endowed with low resources (Checchi-Zollino, 2001: 19-21; Checchi, 1999: 217-222).

General-purposes voucher systems, as in the Italian experimentations, are poorly effective. They fail to remove constraints to family choices, because they are not aimed at specific targets or subset of students whose educational tracks should be supported for efficiency or equity reasons.

The current debate on vouchers could shift political focus from structural and resource problems to the freedom of choice. The latter is an important element of social wellbeing and equal opportunities, but it results only as an ideological objective if structural issues are not tackled. Notably, it appears rather

paradoxical that in the Northern regions, where incomes are higher and there are no efficiency issues of public schools, the support for vouchers is wider; while in the South, whose PISA scores are at the bottom of the OECD ranking (with very critical peaks), vouchers are not implemented, except in the right-wing led Sicily.

All this conceals financial and economic factors influencing students' outcomes and territorial disparities indeed. Notably, a suitable socio-cultural environment appears to be an important issue, to the extent that, especially in the South, high unemployment rates make the study effort not worthy to undertake, in order to find a better job and to earn higher incomes. In such a situation, the youth choose alternative paths, e.g. working in the irregular (even crime) sector, perceived as more rewarding than investing in their human capital: "A policy simultaneously targeting schools, families and the local socio-economic environment might be much more effective in reducing territorial disparities" (Bratti-Checchi-Filippin, 2007: 16-17). The same can be said for the reduction of generational disparities.

- 1) Paper presented at the PRESOM workshop on education privatization, 29 June 2007, Ljubljana, Slovenia
- 2) A possible explanation has to do with an efficient organisation of education at these levels: in particular, at the primary level there are multiple teachers for each class of students. Multiplicity of teachers is only partially related to the need of special care for disabled students.
- 3) Income ceilings are not very low (between 30,000 and 53,800 €), and refund is possible only for enrolment and tuition fees, not for general maintenance of students and support of the families
- 4) Which, as we have said, forbids the public funding of private schools.

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Neoliberal policy and Higher Education in Europe: the case of Greece¹

Rosa Toliou²

1. Neoliberalism and Higher Education

Since the '70s, modern societies started moving into a new management model of the capitalist economy, the main characteristics of which are less state control and domination of the market, while at an ideological level are expressed through the ideas of monetarism and neoliberalism. The most distinctive examples of the new model were introduced in the USA and the UK during the Reagan and Thatcher governance accordingly.

The new era is also characterized by the rapid development of new technologies (the so – called “Information Society”) and the demand for “useful” knowledge (“Knowledge Society”). Universities – as the main loci of production, re – production and dissemination of knowledge – are asked and expected to play a catalyst role. Already since the '80s, the OECD has published a series of researches and documents³ pointing on the new role universities are expected and should play in the emerging “Knowledge Society”. Taking into consideration the OECD “conclusions and advice”, the E.U. has stressed itself too the importance for the co – ordination of the European higher education systems and the formation of a Higher Education Area. In the mids of the '90s, the publication of the White Paper on Education and Training “Teaching and Learning: Towards the Learning Society” (1995) officially marked and confirmed the rising E.U interest on education, while a series of initiatives, declarations and communiqués agreed upon and signed by Ministers of Education in Europe (starting with the Sorbonne Declaration in 1998 and the Bologna Declaration in 1999 and reaching up to the London communiqué in 2007) suggested the establishment of a European Higher Education Area (EHEA) by 2010.

2. EU and Higher Education

Furthermore, as mentioned in the strategic goal set by the Lisbon Strategy (2000), the EU should be made “the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion”, implying thus the prece-

dence of the European economy against that of the USA. European universities should play a decisive role in accomplishing this target. The term “Knowledge Economy” – often used in official and unofficial documents – verifies the advanced role higher education institutions are expected to play in mobilizing economy. Nevertheless, in order to adjust to the new demands, important changes should be made in the universities' operation and structure.

According to the Lisbon Strategy and the official documents of the EU⁴ there are 3 main challenges for the European higher education and these are to: 1) increase and diversify the universities' funding, 2) improve their governance, and 3) improve their quality and make them more attractive.

The Lisbon Strategy goal and the three challenges concise in the best way the idea that penetrates all declarations and communiqués (From Sorbonne – 1998 – to London – 2007). The analysis of these targets and steps (as drawn by the E.U. documents) reaffirm in a direct or indirect way the submission of science, research and knowledge (and consequently universities) to the demands of the capital. In other words, higher education is expected to follow the neoliberal model of development and operate in terms of capitalist competition and free market rules. Furtherdown, we have chosen and sketched out only some of the changes that take or are going to take place in the higher education area across Europe.

In university research for example, there is a clear – and almost exclusive – shift to applied research⁵. Research is thus more openly submitted to the demands of the capital – than that of the society. Especially in the applied sciences, research is expensive (labs, scientific instruments etc), and there is a rising need for more financing which is usually sought in private funding and sponsors directly benefited by the “useful” scientific knowledge and results. It is not surprising thus, that the scientist or researcher focuses on issues related to the demands of the sponsor. The universities are turned into competitive enterprises that sell educational services and research products⁶. It is also obvious that research in non – profitable areas (e.g. the humanities) is and will be even more limited.

Moreover, specialization is introduced “to meet the demands of a changing economy”. Specialization is unavoidable. The suggested way of specialization though, abolishes the idea of the “academic department” as covering a scientifically unified cognitive area. New departments are set up that cover only a limited aspect of a scientific field and new flexible programme studies are introduced. The focus shifts from (university) studies on a specific science, to short – run training studies. The graduate thus acquires mainly practical and useful specialized knowledge and skills which are usually “short – lived” and need to be renewed later in some sort of life – long learning institution (most probably a private one).

The early specialization especially at an undergraduate level – that is before a student acquires its scientific cohesion – doesn’t produce scientists but scientifically trained specialists in extremely limited (each time according to the demands of the labour market) fields of social knowledge. The result is a limited view, understanding and critical perception of reality, while at the same time the working privileges and rights of the “new type of scientists” are set in danger.

Nevertheless, a clarifying remark should be made. Learning is a liberating and endless process. Especially today that the mass of new information is constantly growing, there is an important and actual need for people to renew and complement their existing knowledge. That can be achieved either through a process of self – learning or through organized forms of re – education and new professional training. The idea of lifelong learning is to have a worthy meaning when it is referred to an educational process spread (lifelong) throughout human life and is set under the collective responsibility of the society (through the appropriate each time – stately organized – educational institutions). It is not just about a superficial re-training, but it is related to re-educating people on their science and renewing their cultural “equipment” in order to think critically and be active citizens on issues arising in the society⁷.

Through the introduction of 2 cycles of studies (3+2) – as suggested originally in the Bologna Declaration – the clear distinction of students is implied. The majority will complete the first cycle of studies and will directly be introduced into the labour market, while the few, who will decide to continue to a postgraduate level, will consist the future managerial elite. “The mass universities, being first of all in charge of training students, are supposed to quickly hurry the mass of Bachelor graduates through their studies in order of being able to cope with the expect-

ted flood of students without additional staff...only about 30% of all students is supposed to stay at university after having achieved their B.A...Only some small, selected groups will be granted a look at research before their first qualifying graduation. The others will have to wait for their Master studies...E.g. as already decided by the classical technical universities (the so – called T9), they will accept the B.A. as a qualification for Master studies only if it was achieved at one of their member universities. This means that these universities counting for themselves among the elite are already beginning to close off from others”⁸.

That brings us to the issue of private universities. On the one hand there are private universities, whose status undermines right from the start the very idea of a free and public education. On the other hand, there arises a new problem, where the “university universality” is replaced by the “supremacy” to a specific field, which is related to private funding interests. The model of the “University of Excellence” dictates specialization to a specific branch, where a specific institution will have to prevail in the competition with other affiliated institutions. Consequently, specialization is attached to competition and is associated to private interests. According to a survey held by the Advisory Council of the Research Councils [of England] in 1987, it was suggested that there should be a first/top category of 15 institutions which will focus on top research (and will be accordingly funded), a second category of the next 15 institutions that will be involved in high quality research but on less costly issues and finally a third category of all the rest institutions that will be mainly involved in teaching at an under – and postgraduate level and its research will be minimal⁹. It is obvious that the prospect of international organizations is to create 2 – 3 student categories and corresponding categories of institutions.

Last but not least comes the issue of quality assurance. The funding of the universities and the viability of departments and/or faculties will be determined by “ranking” and the market rules of “competitiveness” (if the market needs graduates with specific knowledge, then the specific department has grounds for existence). “Expertise” of “external evaluation” (chosen from the “European Register of Quality Assurance and Accreditation Agencies”, including public, private and professional agencies) will be responsible for evaluating the programme studies of all departments¹⁰. The results of that external evaluation will define the funding of the department and, most of all, its right to grant degrees. In

other words, an external, uncontrolled mechanism will decide whether a department should exist or not. Given the situation that exists in higher education institutions, the “evaluation” of the academic and research work is made based on market criteria of competitiveness and efficiency, which means that departments or faculties that do not “heal” non – competitive areas will be degraded or even shut down.

3. The Bolkenstein Directive – GATS – Higher Education

As mentioned, the basic idea explicitly set forth in the Lisbon Strategy is to make the European economy the most competitive economy in the world. Within this context, the “Bolkenstein Directive”¹¹ – concerning the liberalization of services – gave a new impetus to the Lisbon Strategy. It is a proposal for a Directive on Services in the EU Internal Market, that seeks to open Europe's service sector to more competition.

The Directive touched upon services of an economic nature but didn't protect services of a general interest (e.g. that of education) from competition since the dividing line between services of a general interest (SIG) and services of general economic interest (SIEG) is quite blur. According to the exact wording, the directive doesn't apply to: “non economic activities, nor activities performed by the State for no consideration as part of its social, cultural, education and judicial functions where there is no element of remuneration”¹². A very unclear definition, given the various ways in which national education systems, though public, can also be partly funded by private means (e.g. in research). How can the boundary between an education activity of a non-economic nature and an education activity of an economic nature be drawn? In other words, in the official text, there is no direct exception of it being applied on education.

The main tool (and a cornerstone of the Bolkenstein Directive), introduced to facilitate trade, is the country-of-origin-principle: the services provider is only obliged to comply with the rules and regulations of the country of establishment, not the country in which the services are provided. The suggestions of the Directive though, for the implementation and provision of services from one country to another, are not compatible with the European policy on education, according to which the EU Member States retain the responsibility to define the content of teaching and the organization of the education system¹³

while the EU can adopt only recommendations and incentive measures.

On the other hand, the initiatives (declarations, communiqués etc) taken by the Ministers of Education show an effort (or even anxiety) for the coordination and divergence of the higher education systems across Europe. The Member States will judge the efficiency of their systems based on the targets set at a European level and according to the results of the other countries. In this way, a mechanism is promoted, thanks to which the Member States agree to converge their educational policies. Harmonization may still be prohibited, but the actions suggested, show a tendency towards a future removal of any prohibition for harmonization. The removal of barriers will most probably facilitate the application of the country-of-origin-principle to the cross-border provision of education services. The right of each Member State to fully regulate its education sector will be reduced, while education will gradually be considered a service of general economic interest.

In case education is included in trade in services internally in the EU, there will be pressure to include education in GATS agreements too. The demands of important commercial partners of the EU aim at the removal of the state responsibility for higher education¹⁴. There is already a huge “market of education services” (private schools, centres, colleges, life – long learning institutions etc), in which public universities should also become part of and in equal terms to private enterprises. The complete liberalization of that market will be achieved through the GATS in WTO or the Bolkenstein Directive. In other words, the liberalization of higher education within the GATS framework supports and is supported by the establishment of a common European Higher Education Area¹⁵.

The general concept of a common European Higher Education Area is indeed based on an actual need for co-operation and co-ordination of higher education systems across Europe. The ideas and suggestions for easily acknowledged and comparable degrees, the promotion of mobility of students and teaching staff, the European co – operation on quality issues etc are interesting. The way though the European Ministers of Education have chosen and agreed on to implement the suggestions moves along the lines of the neoliberal policy, where everything is seen as a commodity and “valued” based almost exclusively on economic and market criteria¹⁶. The concept for university is based on a purely economic – commercialized – utilitarian idea. At the same time privatization – implicitly or explicitly – has more or less

entered most spheres of higher education. Education is treated more like a commodity and tradable good than as a universal right and public good¹⁷.

4. The situation in Greece

Although Greece was involved right from the start to the discussions of the Bologna process, few measures had up until recently been introduced to meet the Bologna goals. Any attempts that were made, fell flat and remained inactive either because the original planning was not clear or due to the academic community movements¹⁸. The academic year 2006 – 2007, the educational area was again in turmoil. The attempts of the Ministry of Education to revise an article of the Greek Constitution (the basic parts of which secure free higher education, public financing of the higher education institutions, freedom of research and teaching and the prohibition of the establishment of private higher education institutions) and to introduce the new framework conditioning the operation of higher education institutions, met strong opposition by students and teaching staff.

The Greek educational system is one of the most centralized and – as remarked by the OECD – “less flexible” systems in Europe. All stages of education are public and free. As far as the universities are concerned, they are Legal Entities of Public Law, and students don’t pay fees at an undergraduate level and they don’t pay for the books either¹⁹. The main providers of higher education in Greece are the Universities (AEI) and Technological Education Institutes (TEI). There are 20 AEI with 237 departments in total and 14 TEI, with 176 departments. The latter were established in the ‘80s as a sort of post – secondary education, but they were soon included in higher education. Their basis was the attempt to satisfy the rising public demand for access to higher education and the social need for the practical applications of the scientific knowledge that was produced at a university level²⁰.

Students are admitted to AEI and TEI according to their performance at national level examinations taking place at the second and third grade of senior high school (Lykeio). As in most European countries university education lasts between 4 – 6 years, although there is no restriction as to the years a student may remain registered. After graduation the students can go directly into the labor market or decide to follow a postgraduate course. Postgraduate courses vary between 1 – 2 years and most of them are for free (though the last years some offered postgraduate courses have introduced fees). Later on, a gradua-

te may decide to start a PhD. During 2003-2006, around 76.500 students were accepted annually to AEI and TEI, while the total number of students registered at a state higher education institute was (in 2003 – 2004) approximately 353.000. During the same year, 29.477 students graduated from AEI and TEI, 5.012 were attending a postgraduate course, while 1.296 were registered as PhD students²¹.

There are also different types of post – secondary education, both public and private. Since we are more interested here in private interests, market forces etc, we will focus in the latter category, where 2 main types of post – secondary institutions can be found. The first includes the so called “IIEK” which are private enterprises offering post – secondary vocational training (mainly in finance, management, computer science and the humanities). The second one involves “colleges” and the so-called “Liberal Arts Centres”, which operate either as official branches of foreign universities or as co-operating partners with foreign institutions²². The duration of studies in all private centres lasts 3 years.

According to the statistics 3.000 – 4.000 students register annually in the second category of private centres. The number of their students corresponds to 3,5 % of those entering a state higher education institution²³. The students that decide to register at a private centre are usually students, who didn’t succeed in the entrance examinations for higher education but the need for better employment prospects urges them to the private sector. Both types of post – secondary education though recognized at the private sector (sometimes worse paid than a university degree), their degrees do not correspond to those granted by Greek higher educational institutions and are not recognized (yet) in the public sector as the equivalent of Greek public university degrees.

Nevertheless, according to a decision of the European Court, Greece is forced (from October onwards) to recognize the degrees provided by these “centres and colleges” and to recognize equal professional rights to their graduates as those graduating from state universities. In other words, although the revision of the article 16 of the Greek Constitution didn’t proceed, the legal framework for the establishment of non – public or private “universities” has been set by the E.U. It is estimated that after “recognition” the percent of those graduates will raise to 5 – 6 % of the total number entering state higher education institutions. Additionally, the graduates will enjoy full and equal professional rights as those graduating from a state institution, having studied less years in comparison to the latter.

At the same time, the government introduced the new framework for the operation of higher education institutions. Here lay a controversy. The government suggested the new framework, being sure that the revision of the article 16 of the Greek Constitution will be voted through by the Parliament. That, didn't happen. Having outrun the revision, the framework has lots of controversial points to the Constitution (e.g. there is no longer any reference to the obligation of the state to finance higher education although that is contrary to the Constitution).

Moreover, according to its 1st article, universities have the mission – amongst other things – “to respond to and cope with the social, cultural, educational and developmental needs of the society, following and adopting the principles of sustainable development and social cohesion”. Knowing how the ambiguous phrases “sustainable development and social cohesion” are translated in a neoliberal context, it is easy for the reader to realize the dedication to the “ideological dogmas of neoliberalism as a principle in essence superior to that of the academic freedom”²⁴.

As far as the rest parts of the law are concerned:

1. The financing of higher education institutions will be made on the basis of “4-years academic – developmental programmes” (“contracts”). Each university will negotiate on a one – to – one basis with the Ministry of Education, present the result of its evaluation, its academic and developmental plan for the next years, and ask a specific sum for its financing. It is obvious that is an ad hoc unfair agreement since one partner possesses a complete negotiating superiority (e.g. state funding) in comparison to the other. There lies the danger that the Ministry could (indirectly) contest or negotiate not only the economic terms but the strategic elements of each institution for its development, too. According to the Greek Constitution though, the State is obliged to finance all universities and not part of them or under conditions. Under the new framework the State exercises strict control and the self-sufficiency of the university is violated, since each university will be judged according to the degree of fulfillment to the targets dictated by the government.
2. In order for a new department to be established, it should justify prospects of graduates' employability, which means that it could be more “useful” to establish a department of “floriculture and landscape architecture” than a Philosophy department. But even beyond that. Which scientific area can in

practice guarantee prospects of future employability for its graduates, not only in Greece but all over the world, when the market needs are fluid and easily changeable?²⁵

3. The drawing up of internal by – laws for the universities must be compatible with a model drawn by the National Council for Education. That obligation violates the academic self – existence of the university and the freedom to decide on its own operational terms. Any institution that doesn't comply to the proposed model will probably have consequences in funding or may be even shut down until it complies to the rules!
4. Under the new operational framework the heads of the Secretariats of the Universities will not only exercise administrative, economic and technical duties (managers) but will also be responsible for the implementation of the “internal by – law”. The administrative self – sufficiency of the university is set in danger in the sense that an (administrative) executive and not the members of the academic community is responsible for its governance. Moreover, the managers cannot but be persons favored by each government, let alone that the logic of profits and losses is introduced into universities which are turned into enterprises.
5. Last but not least comes the issue of the university asylum. Up until now, the asylum involved the areas within and around university. Under the new law, the university asylum is renamed into “academic asylum” that covers only the areas where teaching and research are practiced”. The state control enters the university institutions. The free movement of ideas is set under doubt.

The idea that penetrates the law is obvious. It distinctly moves along the principles of neoliberalism, where everything is seen as a possible source for profit – through privatisation. But, the low competitiveness of the local economy is – among other things – due to the low investments in education, research and development. In other words, it is the governmental choices and priorities along with the enterprising hesitation for new investments that define competitiveness. The needed skilled and scientific labor force exists. The idea of the new framework though, reverses the setting. It puts the blame on education and tries to scorn the “effectiveness” and “quality” of public higher education until public opinion believes that privatisation (in the sense of tuition fees, private interests in research, private universities etc) is the answer to it.

Even on a European scale, higher education is scorned. The neoliberal priorities promote segmented and useful knowledge and two – gear – students. The role of education is more and more limited to that of a machine producing new and trained specialists for the labor market. Basic research is marginalized. The role of the State as the basic funding source is more and more restricted and new demands for more private initiatives in the higher education sector are openly expressed. The basis of the European university as formed during the last three centuries is radically changed.

5. Towards an alternative approach

The Enlightenment ideal suggested a close interconnection between knowledge and freedom. The acquisition and formation of knowledge is a liberating process (liberation from ignorance, prejudice, superstitions, fear etc). In other words, education – as the systematic provision of cohesive locus is concerned. Nevertheless, the European educational policy seems to move further and further from the Enlightenment ideal and that is alarming.

For centuries now, the university (as locus for the production, re – production and dissemination of knowledge) has tried to preserve its operational, research and teaching autonomy both against the economic interests of the market and any suffocating state guardianship. One of its basic aims has been to initiate students in developing critical knowledge and thought. These conditions cannot be fulfilled when other interests than the academic ones penetrate universities. How possible is it for private universities – for example – to secure and guarantee academic freedom? Will the market forces favor critical thought? Rather, not.

All universities have internal democratically elected bodies, responsible for the even operation of the institutions. Most of the times, teaching – research staff, students and administrative staff participate on equal terms in these bodies. Moreover, professors and researchers are regularly evaluated through the work they produce and their overall presence in the society. In other words, there are evaluation mechanisms that can secure and promote quality. The challenge is to make the existing ones function effectively and not to introduce new and external ones (consisting of “experts and managers”, who have little to do with the university area). Universities can define their terms of operation on their own within the framework of academic freedom.

Additionally, the direct submission of the university studies and research to the market demands causes skepticism, since the market needs are fluid and easily changeable. Instead, students should be introduced to the principles of their science, forming thus a spherical view of it and becoming acquainted with its inter – connectedness with other scientific fields and the society. Only in this way can the students be really “flexible” and adapt to the changing demands. In any other case they will have to re-train themselves again and again, acquiring segmented knowledge – of their science and reality – without any internal cohesion, while losing valuable time and perhaps money going over and over again the same procedure. Education should aim at the cultivation of the overall personality of people rather than just the re – training on tradable skills, while research must touch upon the real needs of the society and be equally balanced with teaching.

As a concluding remark, it is worth to be mentioned that education has a double mission. It provides (esp. higher education) cohesive and systematic knowledge on a specific scientific field (both as far as its theory and its practical applications are concerned). On the other hand, it focuses (regardless stage) on the creative development of essential knowledge which will transform people into “free and responsible citizens”²⁶. Education should thus be a public good, accessible to all, since it creates conscientious citizens, who promote and stabilize democracy. A basic pre – supposition is that the state should continue to fund education through a system of general taxation.

It is important to become understood that it is through education that the future of the democratic societies can be secured and the prospect of a European Union of and for the people can be developed. Education should be based and promote other principles than that of profit. Its responsibility lies in the spread of humanistic values like that of social solidarity and social responsibility. The stabilization, enrichment and deepening of democracy can be achieved through an open educational system that addresses all and does not exclude anyone.

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- 1) Paper presented at the PRESOM workshop on education privatisation, 29 June 2007, Ljubljana, Slovenia.
 - 2) Toliou Rosa (MA in European Studies) is a PhD student at the department of Political Science and Public Administration, National University of Athens – Greece.
 - 3) “Education in modern society” (1985), “Universities under scrutiny”(1987), etc

- 4) "The role of the universities in Europe of Knowledge", "Mobilising the brainpower of Europe: enabling universities to make their full contribution to the Lisbon Strategy", "Reform of the universities in the framework of the Lisbon strategy"
- 5) "Applied research" focuses on research on issues for their entrepreneurial exploitation, and in some cases quite irrelevant to the educational process while "basic research" is related to research for fundamental scientific issues closely associated to the educational dimension (see: Μαυρουδέας, Σ. (2005), «Οι τρεις εποχές του Πανεπιστημίου», Αθήνα, Ελληνικά Γράμματα, pg. 102). Basic research was more dominant in the post war years
- 6) It is clearly mentioned in: "The role of the universities in Europe of Knowledge", as a means of securing funds.
- 7) Σταμάτης, Κ.(2007), «Η αβέβαιη κοινωνία της γνώσης», Αθήνα, εκδ. Σαββάλας, pg.139 – 140
- 8) Hartmann Michael, "The initiative of Excellence – a Change of Paradigm of German University Policy", Leviathan, 6/2006, pg. 450
- 9) Μαυρουδέας, Σ., pg. 129
- 10) Recommendation of the Council and of the European Parliament on further European cooperation in quality assurance in higher education
- 11) It was first presented in January 2004 and was recently slightly amended and voted through by the European Parliament
- 12) Proposal for a "Directive of the European Parliament and of the Council" on services in the internal market, COM(2004) 2, p.20
- 13) Education is an area of national policy and harmonization of the education systems is prohibited. The only exception is the branch of vocational training.
- 14) Scherrer, C., "Bildung als Gegenstand des internationalen Handelsregimes", in Globalisierung und Bildung – Jahrbuch fuer Paedagogik, Frankfurt, P.Lang Verlag, pg. 177
- 15) Scherrer, pg. 186
- 16) The idea of a system of easily recognisable and comparable degrees – for example – promotes mobility of students and teaching staff, helps people to become acquainted with European cultures, develops inter and multi – cultural awareness etc. Its implementation though (as suggested by the EU documents) creates skepticism. It will be based on "credits gained inside or outside the university". Who will provide the credits gained outside the university and according to what criteria?
- 17) Some of the ideas developed in this chapter are based on a speech delivered by Odil Cordelie (Vice-President of the European Trade Unions Committee on Education, ETUCE) on the 16th May 2005 in a conference held by the Nikos Poulantzas Institute on "Neoliberalism in Education: The Bolkenstein Directive/GATS".
- 18) E.g a law concerning quality assurance and evaluation, though voted by the Parliament, has remained inactive.
- 19) The only exception is the Hellenic Open University, a distance learning university for people having completed the 22 year of age. It is a "second – chance university" and although under the same status with state universities – Legal Entity of Public Law – students have to pay fees and for their books.
- 20) According to the law: "their mission is to provide both theoretical and practical training sufficient for the application of knowledge and skills to the profession"
- 21) A detailed description of the Greek Education System is offered in EURYBASE, the EURYDICE database of the European Education Systems or at the website of the Ministry of Education and Religious Affairs: www.ypepth.gr
- 22) Most of them are located in Athens and are cooperating mainly with universities in the UK and the USA
- 23) Τρίγκα, Ν., «Σε φοιτητές δύο ταχυτήτων οδηγεί η απόφαση για τα πτυχία», εφημερίδα: Το ΒΗΜΑ, 22/04/2007
- 24) Μπαλτάς, Α., «Η μεταρρύθμιση μας έφτασε εμπρός βήμα ταχύ να την προϋπαντήσουμε, παιδιά, εις τη Βουλή», εφημερίδα: Κυριακάτικη Αυγή, 25.2.07
- 25) Greece – for example – is among the first countries with the highest rates of university graduates unemployment in the EU.
- 26) Σταμάτης, pg.143

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