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Comment on “Does the Entrepreneurial Economy Need an Entrepreneurial University?”

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Let me start with two remarks referring to the previous speaker. First, regarding the public service tradition in American higher education. Mr. Audretsch pointed out that U.S. universities are much less hesitant to cooperate with business firms, whereas in Europe the tradition of the ivory tower is still alive. And he has retraced this phenomenon back to the 19th century, when the Morrill Act kicked off the development of the land grant universities. These were higher education institutions, with the deliberate mission to enhance the productivity in agriculture and trade. Many public universities in the U.S.A., some of which host Nobel price winners today, go back to this tradition.

I would like to add one point: Why have the American colleges – one could hardly speak about universities at that time – been so responsive to the practical requirements of business and the society as a whole? In the first place, because they were deprived of support by social classes, to whom the patronage of “high culture” was a social obligation – noblesse oblige. For the European universities church, aristocracy, and monarchy, in later times the political elites of democratically elected governments provided (and provide) such subsidies. The relationship between universities and their patrons were by no means free of conflict, but on the whole, those subsidies guaranteed a sufficient subsistence of European universities. Since higher education institutions in the U.S.A. lacked such patronage, they had to prove their usefulness to society in order to get funded. This was no easy task in the 19th century, when the U.S.A. still predominantly was an agrarian society. Only in the course of industrialization and with an increased knowledge based economy, American universities attained the amount of economic relevance and social status, which allowed them to develop academic excellence and to finally achieve a top position worldwide.

One could call the practical and service orientation of the American universities as a kind of “preadaptive advance” (Luhmann, 1998), a result of social evolution, which initially brought no advantage in relation to the European counterpart. Only later, under changed environmental conditions did it become a “selection advantage”. Now the attitude of the ivory tower is a competitive disadvantage for

the European universities which, however, cannot be abandoned easily since it is so deeply embedded in the academic tradition of Europe.

The second remark refers to the Bayh-Dole act of 1980 (Slaughter and Leslie, 1997). Mr. Audretsch appreciates this act without reservation as positive. The new law permitted universities to gain financially from their research, even if it was funded with public money. No doubt that this caused innovative impulses and strengthened the relations between universities and the economy. As a consequence, many start-up firms by academics were founded, and this is evaluated as generally positive.

In addition, universities increasingly behaved as economically motivated actors, most significantly by a tremendous increase in their patenting activities. Opinions are divided, whether or not this is a beneficial development. The critics of this development are not restricted to those who defend the ivory towers ideology (Bok, 2003, Kirp, 2003). Two critical points should be considered:

- From an economic view the increased patenting activities for the universities are a double-edged sword. They impose enormous costs and are very risky. For many universities this gamble was rather a loss than a gain.
- By increasing emphasis on their economic benefits as owners of patents, universities undermine the trust of the public into their non-profit character. However, this non-profit status is essential, because even when American universities earn a large share of their income on markets, the majority of their funding does not come from markets, but from public subsidies and private donations. The willingness of private donors and of taxpayers to subsidize higher education would decline if universities get the reputation that they are primarily concerned with the maximization of their own economic advantages (Winston, 1992).

So far, I have directed my comments to the paper of Mr. Audretsch. I was invited by the organizers of this workshop to make also some general remarks about the reforms that are presently implemented in Austrian higher education. Let me focus on this question: what measures are required so that Austrian universities can play the role of a catalyst of economic growth better than they do that at present? There is broad consensus that American universities in this regard are more successful than Austrian - and European - universities in general. However, substantial differences exist on how this should be appraised. Policy makers - on the national and on the European level – emphasize the need for reforms. They want the economic role of the universities to be strengthened. This policy goal has existed for approximately 40 years. Whether governments take the right actions to achieve that goal is another question, but the goal is clear.

Opinions among academics are split. Some of them – an increasing number – agree that reform is needed, but these researchers usually suggest reform measures other than policy makers. However, a substantial part of the academic community would not deny that American universities when compared with their European

counterparts have stronger links with the economy, but they do not see this as a virtue. They would rather argue that the core functions of a university are weakened if too much emphasis is placed on the economic needs of society. Hence, these academics (predominantly in the humanities and soft social sciences) are strongly opposed to any "commercialization" and "Americanization" of the European university.

I will now go in greater detail into two areas of change, one at the national, the other refers to the European level of policy making.

(1) On the national level we can observe a paradigm shift in the governance of universities. Universities in most European countries used to be state agencies. Now, due to the impact of the "New Public Management" (NPM) model, they have been transformed into public enterprises. This transformation is very difficult in countries with the tradition of the "Kulturstaat" – a government that has high esteem for elite culture and respects its autonomy. The very essence of the Humboldtian model is the obligation of the government to be a benevolent patron to universities. That requires much more than public financing of higher education, which of course continues under the conditions of NPM. The "Kulturstaat" remains in the background and does not interfere into the area of the academe, because it basically trusts academic work. This policy is based on the conviction that society and governments are served best if they unconditionally respect the autonomy of universities. No direct economic benefits are expected by academic research.

In the 19th century and still up to the middle of the 20th century it was relatively easy to sustain a reasonable amount of trust between governments and universities. This was before the adventure of "Big Science" when research was a relatively cheap activity of individual scholars. Enrolment at universities was low, it rarely exceeded 1–2% of the age cohort. The system was thus small and homogeneous and required comparatively low funds. At the end of the 1950s, expenditures for higher education in Austria were about 0.2% of GDP. Such a small system was easy to monitor by policy decision makers.

During the 2nd half of the 20th century these conditions changed very quickly. Accelerated growth of enrolled students and of the magnitude of research conducted at universities made it increasingly difficult to sustain the traditional pattern of patronage by the "Kulturstaat". The enormous increases in expenditures had to be justified. A new policy paradigm emerged during the 1960s which required universities to make a contribution to the public welfare. Since then, it has been the long-lasting goal of policy makers to move universities in this direction.

Policy makers tried to achieve this goal through two very different strategies (Pechar 2005a). During the 1960s and 1970s, governments had the ambition to micromanage universities. A perfect illustration of this attitude is the interpretation to the study act of the 1960s (Allgemeines Hochschulstudiengesetz, AHStG), which severely restricted the scope for discretion of the full professors with respect to teaching and set up a dense net of study regulations. It reads as follows:

education and training at universities is meanwhile too important, in social and economic terms, to leave it completely in the hands of academics (Götz, 1993). Instead, policy makers and public administrators had to guarantee the social relevance of higher education. However, this attempt to micromanage failed. There were always enough loopholes for academics to enable them to undermine the goals of policy makers.

Starting from the 1990s governments employed a different strategy and adopted the NPM approach to higher education. For many years, universities had called for more autonomy. Now the government increased their autonomy significantly, but not exactly in the way universities had requested. In the context of NPM, autonomy was not merely defined in the traditional sense of academic freedom, but it was combined with institutional autonomy, which goes along with economic responsibility. All higher education reforms since the early 1990s (Fachhochschulen, private universities, introduction of tuition fees, deregulation of study acts) can be interpreted in the framework of the NPM approach. The culmination of this policy is the new University Act (UG 2002) which grants full legal entity to universities and transform them from state agencies to public enterprises. Universities are being transformed into “hybrid organizations” that combine characteristics of organizations acting within the public sphere and within the dictates of the markets.

A large part of the academic community rejects these reforms uncompromisingly, an opinion which I do not share. There are, however, some deficiencies and some open questions.

- It is not yet clear how the state will allocate its global budgets to the universities in the future. It will be assigned 20% of it on the basis of indicators, which are already defined by the Federal Ministry of Education. However, the remaining 80% of the public expenditures for universities will be assigned on the basis of performance contracts (Zielvereinbarungen), and it remains a mystery on what basis these contracts can be negotiated since the Federal Ministry of Education is opposed to any quantitative definition of performance. One fears that the Federal Ministry of Education intends to keep its huge discretionary powers in allocating its budget.
- The legal framework for the regulation of academic careers is unsatisfactory. The UG 2002 keeps the traditional academic hierarchy of European universities which divides academics into two “estates”: the higher ranks of full professors and the lower ranks of junior academics (Mittelbau). This goes along with a long phase of personal dependence of junior academics on their academic mentors. A regularized promotion of junior faculty to full professorship (as a result of individual academic success) is not possible. Usually they can only be promoted if they apply for a position at another institution. One precondition for the success of American universities is that they have a tenure track system which avoids this divide of the academic

profession and does not bind the productivity of the new academic generation (Pechar 2005b).

(2) At the European level, attempts are being made to create a “European higher education and research space” in which a structural harmonization is supposed to facilitate the mobility of students and cooperation in research (Haug, 2000). That is not a simple task as education and culture is a responsibility of the national governments who are very sensitive to any step which could limit their authority. The extent of difficulties in the relationship between the European Commission and higher education policy at the national level has become obvious recently when the European high court has convicted Austria of discriminating against citizens of the EU with its admission policy for universities.

That being said, there is a broad consensus that a common European higher education and research space would increase the competitiveness of European vis-à-vis their American and Asian competitors. A comparison with the U.S.A. is instructive because this country clearly has a common higher education space, although education is a responsibility of the states (of course the U.S.A. does not face the problems which exist in Europe, because there are neither language barriers nor different national traditions of education). The elite segment of the American universities recruits its students and the academic personnel from this enormous space. This is one of the reasons for the strong position of American universities, beyond their international attractiveness and their ability to attract world-wide talented students and researchers.

Today, Europe would be quite happy to have elite universities. That is new, because until recently higher education policies in most European countries had a strong egalitarian orientation and were strictly opposed to elite segments. These policies were meant to advance the opening and modernization of an outdated “elite system” with a high degree of social selection. Today there is a broad consensus that mass and elite higher education are not mutually exclusive alternatives, but that it possible to combine them.

But how do we get there? Many European governments have now developed a policy to create national elite institutions. However, elite universities can not be established by a government decree; they are the result of competition for students, researchers, and research funds. It is doubtful whether the nation state is the appropriate framework for that competition. It is more likely that elite segments will emerge at the European level. It would then be the task of national research policy to strengthen the position of Austrian centres of excellence, by for example providing proper funding.

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