

INDEX WORKING PAPERS

**REFORMING HIGHER EDUCATION IN
EUROPE: FROM STATE REGULATION
TOWARDS NEW MANAGERIALISM?**

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from State Regulation
towards New Managerialism?**

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EXECUTIVE SUMMARY*

The present study describes the changes in the traditional European model of higher education, its successes as well as failures. The remarkable expansion of higher education in Europe during the postwar period was the result of a shared belief in the virtue of higher education per se. The traditional model of higher education assumes a stable relationship of fair exchange between the State and the academics: the State gives power to the academics in the belief that in this way it will receive in return the forms of knowledge, basic research, and advanced education that will be of most value to itself.

In Europe--as was the case in Latin America--the policy of developing the higher-education sector was supported by the elite and by the middle classes, both of whom considered higher education to be a means for training professional workers and a way to enhance economic development and social mobility.

The 1980s marked the beginning of some radical changes on the two continents in terms of higher education. This evolution can be associated with a shift from a more interventionist, Keynesian welfare state to a more neoliberal and supervisory State. This shift meant diminution of the belief that bureaucratic institutions could respond correctly to society's needs and increased currency of the belief in the virtues of markets or quasi-markets.

The aim of the study is not to compare trends in Europe with those in Latin America. Nevertheless, it is interesting to note that from the beginning of the 1970s radical changes were also introduced into the Latin American systems of higher education, partially for economic and political reasons. The State financing of higher education declined very rapidly in some countries such as Chile, Argentina, and Mexico. The fiscal crisis was accompanied by a crisis of legitimacy of the traditional higher education paradigm, and the climate of ideas regarding higher education changed drastically. The general belief that universities contributed to growth and social mobility ended. Hard questions are being raised regarding the quality, efficiency, and equity of the system. A major reform to restructure the State, reducing its size and cost and redefining its role in society, started to take place. As in Europe, the question of the good

* This paper draws extensively on previous works by the author: "La nouvelle gestion publique de l'enseignement superieur," 1998, Bern: Conseil Suisse de la Science; "L'evaluation de l'enseignement superieur dans les pays de l'OCDE: Etat des lieux," 1999, Bern: Fonds National de la Recherche Scientifique; and "The New Governance of Universities in Comparative Perspectives" (with D. Braun), 1999, London: Jessica Kingsley

governance of the university as well as the necessity of creating links between industry and the universities were also placed on the agenda. The paradigm shift has been much broader in Latin America than in Europe, with the question of equity and of cost recovery much more prominent on the Latin America public agenda. Latin American governments and many international organizations as well share the belief that in developing countries the emphasis should be on basic primary education rather than on higher education. Today privatization, segmentation, and deregulation are the characteristics of the university systems in Latin America (Brunner 1997). By comparison, the European system of higher education is much more homogeneous and more State controlled.

If we analyze in detail the transformation of higher education in Europe, the impression of bewildering divergences remains. Clearly, European universities have changed profoundly since the 1980s. The number of students attending institutions of higher education has dramatically increased. Universities have developed many new curricula, including more labor-market-oriented ones, and are decreasingly characterizable as being mere ivory towers.

The traditional balance of power among academia, university administration, and governments has shifted. Instead of bureaucratic control of the universities, government has granted them more autonomy, while ensuring continued State influence through target setting and through a system of rewards based on the results of evaluations. The managerial power of the university presidents has been substantially increased.

This shift should not be taken to mean that European universities are moving toward a pure free-market model of university. In comparison with North American and Latin American universities, in Europe universities are still clearly considered to be public goods. Even in the United Kingdom, where market rhetoric is commonplace, few people advocate a free market for higher education. Universities, with the exception of those in the United Kingdom, remain public bodies, and tuition fees are still low in international perspective. When it comes to student and personnel affairs, most governments on the Continent have continued to follow along on their accustomed path. Access conditions for students—and occasionally the development of curricula and the nomination of university personnel—are still under the authority of the State.

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Introduction

The remarkable expansion of higher education in Europe during the postwar period was the result of a shared belief in the virtue of higher education per se. In the 1960s, the idea began to spread in many countries that greater investment in higher education would contribute significantly to economic wealth and to social and cultural integration. Higher education was expected to have a major impact on growth. In addition, the multiplicity of functions assumed by the universities--such as economic growth, cultural integration, political socialization, education, patient care, and innovative adaptation to economic and social problems—gave added value to the broad concept of “university.” This economic-growth role and broadness of scope no doubt has contributed considerably and for a long time to universities’ high standing in public opinion worldwide. And it explains why most governments have been generous in terms of university funding. The traditional model of higher education assumes a stable relationship of fair exchange between the State and the academics. The State gives power to the academics in the belief that in this way it will receive in return the forms of knowledge, basic research, and advanced education that will be of most value to itself.

This belief was shared by developed countries and by developing countries alike.¹ In Europe--as was the case in Latin America--the policy of developing the higher-education sector was supported by the elite and by the middle classes, both of whom considered higher education to be a means for training professional workers and a way to enhance economic development and social mobility. At the same time, urbanization and new demands coming from the middle classes and from women contributed to the rapid expansion of higher education. From that point of view, until the early 1970s, higher education in Continental Europe was not so different from higher education in Latin America. Universities were by and large public institutions controlled and supervised by the central government according to standardized norms.²

¹ Based on the same beliefs, international development loan organizations--notably IDB and the World Bank--helped the countries of Latin America to finance higher education. From 1961 to 1987, IDB financed a great many higher-education projects, invested in the infrastructure of the region’s universities and public research institutions, and financed the training of thousands of Latin American researchers (Mayorga 1997, de Moura 1997).

² We must add that among university systems, the French model was one of the most widely replicated in Latin American countries (Schwartzman 1993).

The 1980s marked the beginning of some radical changes on the two continents in terms of higher education.³ In Europe, the long-unquestioned position of universities was re-examined. Universities were facing pressures from growth in their student population and from the need for stable budgets. New imperatives were being placed upon university systems, including reconsideration of the social and economic role of higher education itself and demands for accountability. This evolution can be associated with a shift from a more interventionist, Keynesian welfare state to a more neoliberal and supervisory state. This shift meant diminution of the belief that bureaucratic institutions could respond correctly to society's needs and increased currency of the belief in the virtues of markets or quasi-markets. These new ideas were common in Europe and actually inspired most of the reforms in the higher-education sector. Nevertheless, the big question lurking behind any discussion of these new pressures and reforms concerned the effects of the innovations in terms of the long-term outlook for Europe's universities. Were the universities being redesigned and modernized everywhere in Europe? Did reform mean convergence towards a new university model, one in which the collective provision for higher education would be replaced by a privatized, market-oriented model of the university? Or are all European universities moving towards a new-public-management style of governance model?

With few exceptions, all countries in Europe have introduced changes into their higher-education systems. Higher education across European countries was influenced by national debates that had very much in common from country to country. In addition, the process of

³ The aim of the present paper is not to compare trends in Europe and Latin America. Nevertheless, we must underline the fact that from the beginning of the 1970s, radical changes were also introduced into the Latin American systems of higher education. Partially for external reasons (the economic crisis of the 1970s), partially for political reasons, Latin American countries began to introduce more or less radical changes in higher-education policies. These changes were partially the result of the State fiscal crisis and partially the result of past conflicts between students and dictatorial States. Starting in the mid-1970s, the State financing of higher education declined very rapidly in some countries such as Chile, Argentina, and Mexico. The fiscal crisis was accompanied by a crisis of legitimacy, and the climate of ideas regarding higher education changed drastically. The general belief that universities contributed to growth and social mobility has ended. Hard questions are now being raised regarding the quality, efficiency, and equity of the system. A major reform to restructure the State, reducing its size and cost and redefining its role in society, has started to take place. As in Europe, the question of the good governance of the university as well as the necessity of creating links between industry and the universities are also on the agenda. But the paradigm shift is much broader in Latin America. The question of equity and of cost recovery is much more on the public agenda in Latin America than in Europe. Latin American governments and international organizations share the belief that in developing countries the emphasis should be on basic primary education rather than on higher education. Today privatization, segmentation, and deregulation are the characteristics of the university systems in

European economic integration tended to favor efforts to reduce the differences among national systems of higher education. Everywhere, the inspiration for reform came from “neoliberal ideas” and from the new-managerial agenda. From a general viewpoint, one can regard the period from the mid-80s onward as a period of transition for the identity of European universities and their role in society.

Nevertheless, university systems in Europe do not converge towards a single monolithic model. The move towards a managerial model of the university is more pronounced in some countries than in others. The attitude towards higher education remains embedded in each nation’s own specific philosophies and historical heritage. The options available to policymakers in every country, whatever their politics, are constrained by institutional and programmatic designs inherited from the past. Furthermore, in some cases, it is simply not possible to implement the reforms decided upon by the government, whatever their nature. Given quite different systems of higher education, then, reformers in different countries are choosing different options for reforms. Existing commitments and popular expectations limit the options open to them.

The present study begins with a review of the new frame of reference that forms the backdrop for reforms of higher education in Europe. In the second part, we look at specific reforms introduced during the 1980s and 1990s. The third part provides an analysis of the reform processes--successes as well as failures--in selected European countries.

Higher Education: the European Tradition

The past inheritance

The European tradition considers universities as cultural institutions contributing, in a general way and without a rigidly defined goal, to the social cohesion and economic development of their host societies.

Latin America (Brunner 1997). By comparison, the European system of higher education is much more homogeneous and more State controlled.

In this system of beliefs, which has been in force since the last century in most European countries, universities were granted relative institutional autonomy from political interference in order to pursue their quest for new knowledge and conduct the transmission of knowledge to society. For von Humboldt, one of the intellectual fathers of this belief system, universities were cultural institutions needing a certain independent space for maneuvering in order to fulfill their public functions. The performance of universities should in a sense be measurable in market terms, although not really. The worthiness of universities was not to be seen only in their creation of new knowledge but also, and primarily, in their contribution to "latent pattern maintenance" (Talcott Parsons) or to the "cultural integration" of societies. Universities were viewed as embodying and fostering the cultural heritage of a country--a function beyond result quantification.

More specifically, one can sketch the following characteristics of this belief system, which has been the bedrock of the definition of universities' role in society and in their general relationship with their national environment:

- The frame of reference of the university--that is, its supreme *raison d'être*--is universal science, disconnected from the trivial realities of the world of economics.
- Universities are institutions for the elite, because the requirements of science imply selectivity of the better applicants regardless of socioeconomic background;
- Academic freedom is a sacred value. The academics defend the intrinsic value of their goals and reject all potentially corrupting attempts to pressure or intervene in academic matters.
- The university is organized around and founded upon this model of a community of academics united in the same ideal.
- The heads of the institution--chancellors or deans--are simply "*primi inter pares*" ("the first among equals").
- A university career falls into the category of a vocation. After the initiation period, the postulant can be knighted. He/she then enters the order of professor/lecturer "*ad vitam aeternam*" ("tenured" in the United Kingdom and the United States, "*ordinaire*" in Switzerland, "*titulaire*" in France).

- Universities are little concerned with economic or technological matters. By contrast, there exists a separate university sector--of inferior status, not engaged in pure research, and working in direct relationship with the economic world (Polytechnics in the United Kingdom, Institut Universitaires de Technologie in France, Fachhochschulen in Germany).
- For those who receive an education, the university is conceived of as a more or less free public service financed through taxation.
- The State governs the well-being and protection of this scientific community and provides it with the means to carry out its mission.

The traditional model of higher education assumes a stable relationship of fair exchange between the State and the academics. The State gives power to the academics in the belief that in this way it will receive in return the forms of knowledge, basic research, and advanced education that will be of most value to the State. Academic independence, collective self-regulation, and collegial forms of governance are perceived to be the essential conditions for the central tasks of academic organizations. In consequence, in matters of governance in European universities, power is shared by the State and the academic oligarchy.⁴

If we want to be more precise, we should make a distinction between the British system and the Continental system. In the British system, power has traditionally been mostly in the hands of the academics. By contrast, in the Continental model we find strong authority of the State bureaucracy but also a relatively strong position of the academic oligarchy within universities. In both models, the State interferes primarily in order to regulate such things as access conditions, curriculum, degree requirements, and academic-staff appointment and remuneration. The academic community maintains considerable authority in the regulation of internal university affairs, particularly with regard to the content of education and research efforts. This double authority of the scientists (university professionals) and the State bureaucrats drives the entire system. The dual involvement of the State and academic oligarchy derives from an

⁴ For Clark (1983), advanced industrial countries have developed three different forms of “coordination“ of higher education: a more marketlike coordination (example: the United States), a more State-induced coordination (examples: the USSR, France, and Sweden), and a form of coordination based largely on the rule of the academic oligarchy (examples: Germany, Italy, and the United Kingdom). From Clark’s perspective, two models predominate in Europe: a State-centered model and an oligarchic model. On this question see Van Vught 1994, Mc Daniel 1996, and Braun and Merrien 1999.

implicit agreement on the division of power and responsibilities: the academics preside over internal management while the State oversees the system in its entirety. The level that is typically the weakest is the upper level of the university (weak chancellor) and the institutional level of the university's management and therefore the administration responsible for managing the internal affairs of the university (weak management staff). The academics consider these weaknesses as an excellent buffer against governmental intrusion (Teichler 1996).

Towards a great transformation

In the 1980s throughout Europe universities became the subject of growing interest. The universities were confronted with a number of pressures to reform, which fundamentally challenged the basic assumptions upon which the European higher education system had been based. Three main issues could be discerned, as follows: (1) the transformation from an elite institution to an institution “for all,” (2) the necessity of introducing market considerations into the academic world, and (3) the obligation to shift from a mixed model of governance towards a managerial model of governance.

Scholars have often noted many global pressures that were instrumental in obliging policymakers to introduce radical changes into higher education. Globalization, greater competition among nations, and the advent of new technologies are the arguments most often used to explain and justify reforms. From our point of view, without disputing the fact that all these factors have played a role, we think it is difficult to explain the timing, extent, or type of reform as being simply linear extrapolations of these new issues. A striking feature of reform discussions is that the references to these new global pressures seem unrelated either to the kind of university system (very State-centric as in France, versus a rather decentralized system as in the UK), the number of people enrolled in higher education (very low in the UK, high in Germany), or the kind of links between higher education and industry (weak in the UK, but rather strong in some segments of the higher education system in France and Germany). And in fact, these new global pressures by themselves were not sufficient to motivate the reforms. What is certain, however, is that a number of powerful networks of people were convinced that these changes must be implemented and that they had solutions to these issues. From that point of view, the key factor for reform has been the change in the ideas of the elites (Jobert 1996).

From a general point of view, this new frame of reference presumes a cognitive interpretation of past experiences in terms of a partial failure. This interpretation creates a window of opportunity for new political actors to place alternative policy ideas on the agenda (Kingdom 1984, Hall 1993). Professional economists and international consulting firms are the actors who provided the new power elite with these new policy ideas.

Analytically, it is possible to distinguish among three kinds of ideas: world views (overarching ideologies), norms (principled beliefs), and causal beliefs (ideas about how the world works) (Goldstein and Keohane 1993). These fundamental beliefs can be summarized as follows:

- world views: free-market systems are more efficient but less equitable than bureaucratic systems
- principled norms: accountability, assessment
- causal belief: human capital as a key to economic growth

The reforms introduced in European higher education under the reign of the new belief in markets or quasi-markets tended to tackle two main issues, each of which we shall discuss in turn:

- the human-capital issue
- the relationship among academia, university administration, and the State

(i) Human capital

After the economic recession of the mid-1970s, in Europe the belief spread that large investments in human capital would contribute significantly to economic growth. Many European governments and experts promoted the idea that the only way to compete with labor-intensive manufacturing countries from the South was to achieve a significant increase in the supply of very high-skilled labor in Europe.

The enrollment of a large part of the population in higher education was promoted as a way to contribute to modernization. The transition from industrial economy to post-industrial economy should enhance the value of general higher education.⁵ At the same time, demand for higher education was increasing everywhere, reinforced by unemployment among youth, particularly among low-skilled youth.

Under this double pressure from governments and from families, the higher-education sector has experienced a near-doubling of student enrollment in the last 20 years. The rise in the number of students in higher education between the 1980/81 academic year and the 1994/95 academic year is particularly dramatic:

EU	B	DK	D	GR	E	F	IRL	I	NL	A	P	FIN	S	UK
175	163	148	141	245	219	176	221	159	138	171	334	181	145	210

Source: Eurostat 1997 (1980=100)

Portugal and Spain show the biggest growth, but the trend is the same in every European country. For instance, in France there are more than 2.4 million university students--that is, 55 percent of the eligible age group versus only 25 percent twenty years ago.

A serious problem in the path of the evolution towards mass higher education has been the trend by governments, for whatever reason, to reduce financial resources for universities. It is precisely this gap between the rising number of students and the relative decrease in the financing of this demand that has troubled universities most seriously. In 1999, more than 33 percent of Britain's secondary-school graduates entered higher education compared with just 5 percent in 1960. But government spending per student has fallen by 36 percent in the interval between the 1989/90 academic year and the 1997/98 academic year.

⁵ Many experts assume that in post-industrial societies specialized professional knowledge becomes obsolete very quickly, and for this reason lifelong learning and lifelong professional education are generally viewed as gaining importance. Second, a growing number of professions and occupations are based on knowledge deriving from different disciplines. Third, with rapid economic and technological changes, graduates with general knowledge and

In addition, in a period of rapid movement into mass higher education, increasing demands were placed on universities to make their research and teaching more responsive to industry needs (OECD 1987 and 1994; for a summary, Teichler 1997). Institutions of higher education were advised to foster cooperation with the working world. The commonly held idea with respect to this recommendation was that the more that international competition intensifies, the more important human-capital formation became. For this reason, institutions of higher education were expected to create stronger links with the business world. Universities were asked to supply not only general and basic knowledge but also more practical and professional knowledge, which is directly linked to the demand from the labor market and the business sector.

The research-related implications of these new demands on universities were no less important. It is no longer tolerated that universities regard themselves as pure basic-research institutions. Instead, it is expected that universities themselves invest in strategic research or actively search for partners in strategic research and that they also see to the application of their findings by, for instance, reinforcing working relationships with industry and other applicants. These views were rapidly expanded by international and supranational organizations such as OECD, the European Council, and the European Union, and they gained a foothold in most governments.

A paradigm has been emerging in Europe since the mid-80s that is based on rejecting the considerable freedom of universities in defining their own tasks and the region is gradually giving precedence to a more *utilitarian and service-oriented view of public institutions*, including universities. The introduction of more directly economic concerns into research and teaching, the support of research efforts based more on concrete project proposals than on academic research outlines, and the increasingly practical nature of the applications of scientific knowledge are priorities that are now considered in every higher-education system in Europe to be just as important as universities' former freedom to define their own tasks.

skills are more easily able to find a job and avoid being unemployed because of any mismatch between their specific education and the economy's current demands.

Political decision makers everywhere in Europe are beginning to demand, more overtly than before, that quasi-public institutions visibly present useful and applicable results linked to concrete social, political, and economic goals and that they submit to an assessment procedure regarding their efficiency in terms of monetary input and output.

(ii) A new governance for the university

The reorientation of beliefs in the function of universities was accompanied by growing criticism of the old model of mixed governance of higher education. For many people, universities' weakness stemmed primarily from the perpetuation of unsuitable higher-education management models that were unable to cope with the new international structural economic challenges. In this view, universities were being kept too sheltered from the hard winds of competition and change and were allowed to remain inefficient and low performing. Societal and economic demands were not being taken into account, university administrators were not sufficiently educated to take affairs into their own hands, and universities' internal command structures inhibited the centralized and coherent management of institutional affairs.

For many, then, the universities' weakness resulted primarily from their unsuitable management structures and systems, and the crisis the universities were experiencing came to be equated with their isolation, as reinforced by the corporatist behavior of the lecturers and professors and by the great political clout of the student unions. This isolation was also reinforced by universities' neglect of the needs of society and of the economy, by the lack of professionalism on the part of university management, and by the absence of real power in the hands of university directors.⁶

Governments put pressure on institutions of higher education for a more efficient utilization of their resources. These changing considerations marked a second major break in the traditional university concept inherited from the Humboldtian revolution. Nevertheless, in Europe any

⁶ We have examined an attempt at reform along these lines in France that was not a success. See Merrien, F.X., and O. Monsigny, *Nouvelles universités ou universités nouvelles? Le management des universités nouvelles et les attentes des acteurs*, Paris: DATAR/ISSP, 1996 (as "charge de mission" for the creation of the new university in

actual attempts at deregulation and privatization were not on the public agenda for the university sector, even though by that time, the ideas of deregulation and privatization in themselves were no longer taboo and even Socialist governments in France or Spain did not hesitate to privatize some major national firms and public services. But in the case of higher education, these ideas were not even mentioned.⁷

Evry (1989-1991), we also were participants in this story and share a part of the responsibility for the failure of the project).

⁷ Of course, we are describing here only the main trends. In England, France, Spain and Italy, there were some experiences of creating private universities.

In Europe, citizens, academics, and governments feared the potential negative effects of privatization and deregulation on the quality and equitability of higher education. Although a free market for higher education would mean increased innovation and greater capacity to react rapidly to new demands, on the other hand it would also imply greater complexity, heterogeneity, competition, and segmentation, all of which carried the danger of introducing undesired effects. In other words, in a free-market system, higher education would become more

- complex, because institutions with similar names (universities, colleges, specialized schools) can be very different from one another;
- heterogeneous, because of variations among universities and among academics in terms of academic standards;
- competitive, because all institutions seek increased enrollment and greater access to research funds from the public and private sectors; and
- segmented and hierarchical, because some institutions become rich and attract students and funds, while others become poorer.

In the worst cases, the free-market approach can lead to a situation in which some universities are very good and attract rich students while other universities are very poor and students coming from the poorer part of the population are relegated to these lower-standard institutions. In such cases, deregulation and privatization of higher education would mean less equity and a widening gap between the rich and the poor.

These shared beliefs explain why free-market solutions to higher education problems were not seriously considered. The new paradigm for the university was developed instead within the framework of a general discussion on the "modernization of State structures" (Grande/Prätorius 1997) in which it was posited that hierarchical, bureaucratic State action should be replaced by clear institutional separation from the old paradigm of the State's political "steering" and the universities' administrative "rowing" (Osborne and Gaebler 1992). The solutions proposed by this "new-public-management" philosophy were much more popular than any possible free-market solution.

The “new public management” revolution

The so-called new managerialism or new public management of universities (Hood 1991, 1996; Saint-Martin 1998; Merrien 1999) was considered to be a preferable way of introducing needed innovations and some market principles into the sector. This revolution in university management was characterized by the following two main components: (1) withdrawal from the “Weberian-hierarchic” model of governance and an accompanying shift towards a “contractual/market” model of governance and (2) abandonment of the “democratic/egalitarian” or “participatory” model of governance (representation of professors and students in a university “senate”) adopted at the end of the 1960s and an accompanying shift towards the development of strong managerial structures. The core philosophy of the (new) managerial revolution was “steering from a distance.” The key words of this reorganization were the following:

- management strategy
- decentralization
- deregulation
- accountability

Under the norms of the new public management (NPM), higher-education institutions will be expected to assume responsibility for their own futures. They will now have to formulate their programs and draw up both medium-term and long-term plans. Moreover, they are invited to demonstrate the effective use of resources and evidence that the objectives set have been attained. The management strategy is closely linked to quality control and to the principle of “accountability.” The second point of the management model is the establishment of a new equilibrium among the different parties concerned, through a redefinition of existing stakes among the parties or by recognizing new interests (e.g., students, commerce, local industry, different social partners, and different government representatives). Within this perspective, the contractual arrangement substitutes for the former command hierarchy.

- The public authorities must define the nature of the contracted services that the decentralized unit must provide, as well as the expected quantity and quality.
- In exchange for the funds envisaged in the contract, the decentralized units must seek to achieve these objectives.
- For the duration of the contract, the central authorities must limit themselves to checking and evaluating the execution of the contract and must not intervene in any way in the management of the services.
- Establishments enjoy all the necessary autonomy for attaining the objectives set for them. They may modify their internal rules and organization and are no longer restricted by a punctilious respect for administrative regulations; they are now not only responsible but also more widely accountable for their staff hiring, equipment, and strategy. They are judged on their results.
- Public authorities can now occupy themselves with the evaluating of universities' contracted output rather than with the bureaucratic monitoring of the universities' observance of rules and institutional routine.

The entire reform means a shift away from a system whereby the university/scientific community itself sets objectives and evaluates results, giving way to one whereby the objectives and results are the subject of external recommendations and approval. Elements of this new trend are to be found throughout Europe. This transformation is of sufficient consequence to signify the emergence of a new university paradigm.

Convergent Reforms of Higher Education in Europe?

Similarities

During the 1980s, reform attempts along the lines of the new-public-management model were made in some form or other in all the countries of Europe. Most of these countries have used

laws to reform the higher education system—e.g., Italy (1989), the Netherlands (1993), England (1987), Sweden (1993), Spain (1983), and France (1988). Germany has adopted a new framework law and several German Länder (states) have already changed their university laws.

Many reforms of Continental European universities aim to reinforce the leadership of universities. This implies radical reduction of State-central regulation and the devolution of considerable responsibility and authority to the university in matters of institutional organization, resource allocation and disposal, and program execution and organization. This shift away from being a State-centered system also means that strong demands will be made on the higher-education sector's accountability.

Although all the European countries have augmented the procedural freedom of their universities, the degree of this increase has varied from country to country. For instance, freedom is still very limited and State administration remains a major player in France, Germany, Sweden, and the Netherlands. Nevertheless, throughout Europe universities on the whole now enjoy greatly expanded room for procedural decision making.

“Global budgets” for universities is no longer a strange term for State administrators in any of the European nations. Assessment procedures are discussed everywhere and have already been introduced--in quite different ways--in most countries. The application of global budgets and assessment procedures has contributed considerably to a new way of thinking and acting among universities. In addition, research is strongly influenced by an effort of all governments to increase the proportion of earmarked versus lump sum research funds distributed by State agencies, by funding agencies, and by other economic and social bodies. The proportion of earmarked funds to lump sum funds still varies considerably, though, with dramatic changes having been made primarily in England, the Netherlands, and Sweden and fewer changes made in Italy, Germany, and France.

Everywhere, steps have been taken to reinforce the authority of the executive authorities in universities. Almost always, the hand of the president, vice-chancellors, and other leading administrative figures has been strengthened while the traditional participatory and democratic

university bodies have lost some or most of their authority and scope within the university decision-making process.

At least rhetorically, governments have affirmed their intention to promote the market orientation of universities. In all the European countries, we now find new instances of cooperation between firms and universities, such as joint research projects between industry and universities, “technopoles”, student participation in research projects sponsored by industry, student internships during their courses of study, practitioner involvement in curriculum development, and industry participation in decision-making processes, often through participation on university boards of directors.⁸

Naturally, the implementation levels of reforms aimed at reinforcing the links between the universities and industry vary from one country to another (very advanced in England, barely incipient in Italy) and from one university to another--even within the same country.

Towards two models of university governance in Europe?

Taking into account the various university governance reform attempts we have described, two principal kinds of reform can be discerned, as follows:

- a more radical approach that leads to a more *client/market-oriented* model of higher education
- a less extreme approach that leads to a more *efficiency-oriented* model of higher education

⁸ This participation can be uneasy in higher-education systems in which academics are strongly opposed to what they call the intrusion of capitalism into the academic sphere. An excellent case in point is provided by the experience of new universities in France (Merrien 1996, 1999: cf annex).

(i) Towards a client/market-oriented model of higher education

Decentralization, privatization, and attempts to create an attitude of client orientation in public and quasi-public institutions are characterizing the client/market-oriented model, which we find today most notably in England, Sweden, and the Netherlands. In this client/market model we find, of course, differences in the degree that the utilitarian belief system has been recognized as legitimate by most actors (the Netherlands and Sweden being still only on the verge of acceptance), but in comparison to the other group of countries one can clearly see that the acceptance of the utilitarian belief system has been progressing more rapidly in these three. The attempts to grant more procedural freedom to public universities constitute perhaps the most remarkable reform aspect in all of them. The switch in the governance model in England from a collegium to a market-oriented managerial model has without any doubt been the most radical.

The main concern of the British reforms was to make universities more responsive to national needs. The primary function of universities was now seen as that of serving as instruments of the national economy. Traditional university self-regulation in education and research matters was overwritten. The government took a firm grip on quality assessment and quality control in university research and education. Quadrennial research assessment is now the basis of a selective policy of research resource allocation by the funding councils, and evaluation of university teaching quality has also been introduced. A major function of the assessment system, particularly in research, was to sustain differentiation and selective state resource allocation among the universities. These reforms sought also to instill market mechanisms into British universities, in order to encourage them to be less dependent on State subsidies and to generate their own wealth.

The Swedish (1993) and Netherlands reforms (1993) have been less radical than the British one, but rather similar to it nonetheless. These countries' reforms laws introduced a radical change in higher education. They implied a radical reduction of central regulation through the devolution of considerable responsibility and authority to the universities in matters of institutional organization, resource allocation and availability, the offering and organization of undergraduate

courses, and the appointment of professors. In the same two countries, a new performance-based funding allocation system was introduced for teaching and for research as well.

(ii) The efficiency model and its limits

In the efficiency model we observe a general shift in the direction of a more utilitarian belief system, decreased substantive autonomy, and greater procedural freedom. Although we find variations in the countries belonging to this group (our examples are France, Italy, and Germany), they are alike in that they all attempt to march in the same direction but have not yet journeyed far. Some laws have been enacted, but in practice the universities of these countries are still much closer to the traditional model of university than to a new-managerialist model.

In France, the introduction of contractualization was a first step--but the only step--towards a new model of university governance. The contractual policy that was initiated in 1988, a few weeks after the inauguration of the Rocard government (1988) and the re-election of François Mitterrand as President of the French Republic, had as its objective the establishment of four-year contracts between the State and each university. The university would be required first to analyze its strengths and weakness and prepare a written development plan defining its priorities for the next four years. Then a negotiation process with the State agency would determine which priorities would be funded by the Minister during the four-year period.

Nevertheless, the truly interesting point in this policy was not so much the use of contracts⁹ as it was the policy's objectives themselves, among them the following: to foster an institutional dynamic within the universities, to strengthen the chancellor's position, and to modify the State-university relationship. The government took some complementary technical measures. One of these dealt with new budgetary processes and the globalization of the budget, in order to promote the development of adopted and own budgetary policies within each university. Another concerned the adoption of new rules for academic careers, notably the reinforcement of the university level requirement for the appointment of professors and lecturers.

⁹ Until 1995, research was managed by separate contracts negotiated on a very different basis. Four-year research contracts had been introduced as early as 1983.

In Italy, in 1989 the government adopted a radical and major reform bill for the higher-education system that contained many of the elements of the new managerialism.

In Germany, the switch to a more flexible framework is still in the phase of project and experiment. The federal government is studying the possibility of reforming the country's university law. This law, as well as the specific university laws of the different German states, will be reformed not only with regard to financial issues but also with regard to personnel-related and organizational matters. State authorities promise to reduce their involvement in the "external matters" of universities. Concerning "internal matters," the same reduction is being discussed with respect to the State's regulation of curricula and examinations. Many political regulations at the federal level will be reduced in order to promote more competition among the reforms of higher-education policies of the different German states. A far-reaching proposal in this respect concerns the introduction of an "experimental clause" into the framework law. This clause would allow each state to suspend certain regulations of the federal law in favor of temporary institutional experiments. Moreover, in several universities the highly restrictive traditional administrative budgeting system has been replaced by a "global" university budget. If this experiment proves successful, all German universities will receive a "global" budget in the future.

How to Explain the Divergencies in Europe?

During the 1980s and 1990s, all European States tried to reform their inherited regimes of higher education. Some of them were more successful than others in implementing such reforms. Studies have demonstrated that the level of resistance to reform has varied from country to country, as has the actual capacity to implement it. To understand this process, we have to take into consideration the reasons for reform in each country, as well as the institutional and political constraints that make reform and retrenchment policies possible, partially possible, or impossible.

What then are the main factors that explain the successes and failures of managerial reforms of higher education in the countries of Europe? Let us turn to the case studies of individual European nations, which will show us that some factors seem to carry more weight than others. First let us take a look at England, the Netherlands, and Sweden (the client/market-oriented model) and then at France, Italy, and Germany (the efficiency model), bearing in mind that both models qualify as new-managerial models.

England is the country that has taken the largest steps in the direction of the new-managerialism model. In the United Kingdom, the combination of a conservative government influenced by neoliberal ideas and a majoritarian democracy has made it possible to modify institutional conditions for university action in a most profound way. The major elements of the reform capacity of England are well known. A government with a strong and uncompromising policy project, a majoritarian democracy allowing for the realization of reform projects, and the long rule of the conservative party (1979-1997) have made radical reforms possible. The traditional fragmented academic community was unable to turn back this storm of neoliberalism in the higher-education system.

In the Netherlands, it has taken much more time to arrive at a rather radical reform in universities. The first reform laws were adopted in the mid-80s. New and more radical legislative reforms were initiated only after it had become clear that the reforms implemented to date had not sufficed to realize the policy aims. The reforms undertaken in the Netherlands were the subject of long public debate, and by the time of the adoption of the new reform law in 1997, all actors had had the opportunity to voice their opinions--something that was not possible in France, for instance. Resistance did arise, contributing to the adoption of the mixed model of authority in universities, and there will continue to be some resistance. But by and large, while in other countries the academic community may still try to rid itself of the new-managerialism project, the academic community in the Netherlands has learned to adapt itself and to live with the new governance model.

Sweden, like the Netherlands, has a long tradition of a consensus-based or corporatist democracy. This does not mean that the Swedish academic community necessarily shared the

ideals of the reform projects. But in general it seems that through a process of research regarding the national consensus on the issue, there has occurred a successful infiltration of the university culture by the managerial consciousness and the managerial style of governance. In addition, without any doubt, it has helped that the Netherlands and Sweden are unitarian States.

By contrast, in France, Italy, and Germany (efficiency model), the main impetus to introducing the managerial reforms was the need for increased efficiency at a time of State budgetary belt-tightening. The amount of financial resources provided to universities by these States had become smaller and smaller. A considerable teaching overload had resulted for the universities because growth in the numbers of students served had not been accompanied by a corresponding growth in university budgets and professional staff. Meanwhile, the public's demand for improved quality of university teaching had become louder, as had its demand for high scientific quality and extra-scientific relevance in universities' research efforts. In short, although receiving fewer resources, universities were expected not only to sustain their existing performance levels but actually to improve upon them.

In France, Italy, and Germany, reform projects are almost always the product of a State initiative, not of an initiative by societal actors. The problem with this "from-the-top-downward" approach to reform is that, of course, these reforms often are lacking the popular legitimacy needed for being successfully implemented.

In France, the introduction of contracts with universities (1984) spearheaded what has turned out to be only a timid overall attempt to increase the latter's' efficiency. Major reform projects need a long-term commitment by policymakers and bureaucrats, but in most cases policymakers in France do not have the time to fight for and realize such a project. Furthermore, French high-level civil servants are well known for their clout and for their reluctance to relinquish any portion of their governing prerogative. In addition, the republican idea of the unified State, of equal rights for all citizens, and of the provision of extensive public services is still very strong in France. Not only that, but policymakers failed to win the support of the academic community itself for the reform project, with most academics remaining skeptical towards the introduction of the new managerialism and skeptical above all towards changing the existing authority structures

within universities. Moreover, the capacity for action by student activist groups and by teachers unions--whose capability to mobilize on symbolic matters is much greater than their rate of membership--was still strong, and the government wanted to avoid political risks. All of these factors together explain why there was nobody in France who really wanted to pick up the torch of university reform and run with it.

The Italian government was no more successful than was the French and experienced similar difficulties and delays in the implementation of university reform laws (the Higher-Education Act). Just as in France, the reform effort's lack of popular legitimacy within the universities and the great power of the universities' professorial staffs led to government's inability to achieve its policy goals. Quite paradoxically, the tradition of the strong State in France and the tradition of the weak State in Italy converged towards the same results.

In Germany, the federal structure of the State forbids any "from-the-top-downward" large-scale reform. But it is quite possible to imagine reforms introduced by the individual German states or Länder. Even so, a strong belief in the Humboldtian model¹⁰ and the existence of a university governance model that traditionally gives the upper hand to powerful professors tend to limit the possibility of Germany's moving massively towards a new-managerial governance of universities.

Conclusion

If we analyze in detail the transformation of higher education in Europe, the impression of bewildering divergencies remains. Clearly, European universities have changed profoundly since the 1980s. The number of students attending institutions of higher education has dramatically increased. Universities have developed many new curricula, including more labor-market-oriented ones, and are decreasingly characterizable as being mere ivory towers.

¹⁰ The German university system is characterized up to the present day by a combination of undisputed alimationation and control by the State, on the one hand, and a simultaneous respect of the "freedom of teaching and research," which is even constitutionally granted.

The traditional balance of power between academia, university administration, and governments has shifted. Instead of bureaucratic control of the universities, government has granted them more autonomy while ensuring continued State influence through target setting and through a system of rewards based on the results of evaluations. The managerial power of the university presidents has been substantially increased.

This shift should not be taken to mean that European universities are moving towards a pure free-market model of university. In comparison with North American and Latin American universities, in Europe universities are still clearly considered to be public goods. Even in the United Kingdom, where market rhetoric is commonplace, few people advocate a free market for higher education.¹¹ Universities remain public bodies, and tuition fees are still low in international perspective.¹² When it comes to student and personnel affairs, most governments on the Continent have continued to follow along on their accustomed path. Access conditions for students—and occasionally the development of curricula and the nomination of university personnel—are still under the authority of the State.

¹¹ The British State controls the price that universities may place on their services and the amount and variety of the services that universities may sell. Thus, universities in the United Kingdom currently operate not in a market economy but in something like a command economy.

¹² With the exception of the UK.