

Economics of education and social transformation: The role of the university

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Acest articol examinează provocările legate de transformarea socială cu care se confruntă țările care au trecut recent prin schimbări radicale ale sistemului lor politico-economic. Mai specific, prima parte a lucrării analizează convergențele și divergențele dintre globalizare și regionalizare, două tendințe care se acomodează parțial una la cealaltă. Această relație conferă un rol specific procesului de management al transformărilor sociale, cu scopul de a controla tipul, dimensiunile și direcțiile dezvoltării. Următoarea parte examinează două câmpuri care se află la limita managementului transformărilor sociale, constituind contextul care trebuie construit în mod necesar pentru ca acest management să fie eficace. La una dintre limite, este nevoie să se definească, să fie explicat și investigat modul în care noul sistem operează în mediul global – o sarcină în care științele sociale par a juca un rol important. La cealaltă limită, trebuie să fie definite scopurile transformării sociale, circumscrise de profilul unei societăți a cunoașterii dezvoltate. În formularea acestor scopuri rolul economiei sistemului educațional pare să fie decisiv, conectând productivitatea și calitatea capitalului uman de educație. Ultima parte a lucrării este devotată rolului Universității, ca instituție care își poate asuma responsabilitatea urmării scopului unei transformări sociale dorite.

Introduction

We live in a world that changes dynamically. Technological and scientific, political and economic developments, as well as new institutions and ideologies, influence at a speeding rate regions, countries, the whole world. It is not an exaggeration to state that „no century has experienced so many social transformations and such radical social changes as the 20th century” (Drucker 1994). Moreover although this century has lived the wildness of many wars (wars that insistently we keep experiencing also nowadays), surprisingly enough, some very important transformations took place gradually without war, if not „in total silence” – at least in limited noise. It is worth stopping in three of them:

- The first refers to the transition of the developed world from an agricultural economy/ society to other types of economy/ society. Thus, in a chronological order, in the last half of the 20th century the emphasis in the developed economy has moved from industry and technology in the fifties, to the quality of human capital and innovation in the sixties and seventies in order to proceed in the eighties and nineties on information (Psacharopoulos, 1999) and recently on knowledge (Drucker, 1994).

- The second refers to the social impacts of technological development, which have made information accessible to anyone, in any place, at any time and at low cost.

- The third refers to the political and economic changes that took place in the

nineties, referred to as the democratisation process of many countries, among which those of Central and Eastern Europe (CEE).

These transformations are highly interconnected: The structural transition from an industrial society to an information society and later to a society of knowledge could not take place without the development of Information and Communication Technology (ICT) and its impact upon many aspects of life. Furthermore, the reshaping of Europe in the nineties and the socio-economic and political transformations in the post-communist states cannot be viewed independently from the constantly and systematically changing international socio-economic environment.

Globalisation vs regionalisation

The radical changes of the last fifty years of the 20th century in the international political, economic, social, cultural and technological environment, have been dominated by two distinct and, from a certain point of view, conflicting trends; globalisation on the one hand and regionalisation on the other. These trends seem to develop operationally at a much higher speed than their conceptual and epistemological development, thus leaving open the long and rich debate over their definition, the factors that explain or justify their existence and the variables that determine them.

With respect to globalisation, there are many different ways in which the term may be interpreted (Castles, 1999). In a narrow sense, globalisation refers mainly to issues of trade and investment, considering the penetration of economic factors into national and local markets as predominant. In a wider sense, globalisation embodies not only the flow of products, services and activities on trans-national or interregional level, but also the development of trans-national and interregional networks that affect social

functions and politics. Finally, at an even more general level, globalisation refers to a process of change that affects the regions around the world in various sectors among which economy, politics, technology, culture, environment and, possibly, governance. According to such a definition (Held, 1999) it could be stated that globalisation is the widening, deepening and speeding up of worldwide interconnectedness in all aspects of contemporary social life, not excluding the philosophical and spiritual.

With respect to regionalisation, the conceptual difficulties are also big. Regionalisation refers to the process of governing, organizing, acting and deciding on a regional basis, – a process that emerges because of differences in historical, geopolitical, economic, social, cultural and educational backgrounds. In an extreme, monolithic form, regionalisation could be interpreted as synonymous to concentration on national homogeneity. Most of the times, however, the platform of regionalisation permits integration through a positive stance over common denominators that promote co-existence, cooperation and solidarity, leaving adequate space for respect to some specific, local or national, social and cultural characteristics. Such a regionalized political environment seems to be a realistic situation in Central and Eastern Europe (CEE) after the end of the communist era.

Regionalized areas, among which CEE, today face the challenge of globalisation – a challenge that cannot be ignored since it affects, if not all, at least the most important sectors of society. Reaction to such a challenge may take the form of (a) resistance with the possibility of marginalisation (b) complete adaptation or (c) response up to a certain degree, accepting global challenges under the constraint of respecting culture, social traditions and region-based diversities. In theory, the alternative that is adopted is a matter of choice which depends on many factors – politics, geography, history,

heritage but also mentality being only a few of them. In practice, the efforts of CEE states to become members of the European Union (EU) and the recent spectacular EU's enlargement, institutionalised in Athens in April 2003, are indicative of the CEE's response to globalisation.

More specifically, it seems that CEE countries, despite a well-justified, fierce attitude towards their local and national identities, have rejected marginalisation and isolation. However, although they may accept that globalisation is a central driving force behind major economic, cultural, social, political changes, and that (to some extent) modernisation assumes some global convergence, they are in favour of national identities and national pluralism, not confusing global convergence with the emergence of a single world society. Each local and national society with its unique own features, has the right, the ability, the willingness or the opportunity, keeping its identity, to integrate (partially or completely) into trans-national or global networks of power or, alternatively, not to integrate at all, to reject integration or to be rejected by the global environment.

Once this choice is made, policy makers, institutions, economic units and social agents are expected to act by developing plans, applying productive methods, taking measures, adapting legislation and applying policies that either reinforce or diminish the impact of global changes on national and local societies. The net effect of this process is reflected in social, economic, cultural and other indices and this effect, which may be viewed as a differential from a specific starting point, if described in terms of quantitative and qualitative changes, may be referred to as „social transformation”.

Management of social transformation

Social transformation describes a change in the picture of a society. From an operational point of view it may be considered:

(a) According to comparative dynamics, as the net impact, or the net outcome of a process that leads to social changes, in the form of difference between two equilibria.

(b) In a dynamic sense, as the framework¹ used to analyse, measure and evaluate the effects of social procedures or events; in this sense social transformation refers to the process itself rather than the outcome, reminding of the dynamic notion of development.

In either case, social transformation is present in any non-static society, irrespective of whether it is on the road to regionalisation or during the process of applying one of the various forms of global governance. As with development, social transformation (no matter whether it is described by reference to one or a few or many relevant variables) is worth mentioning only if the emerging changes in the society are significant.

Narrowing down to the case of CEE, social transformation provides the framework for realising, explaining, even measuring the impact of global change on local communities and national societies, i.e. it refers to a process during which the global, the international or some trans-national economic, social, political and cultural environment affects the national and local one.

Within this framework, the application of the classic definition of management, as a term in the world of economics and businesses (Koonz, 1988), helps in defining the term „management of social transformation” which may be approached as the process of planning, organising, leading and controlling resources, with the aim to make the best contribution and reach the optimum impact in the process of social transformation.

Management requires decision making, motivation and action and it is equally essential for a society in the process of social transformation as it is for any organisation. However, management of social transformation can be exercised successfully, provided

that there is a well-prepared background. This background is established if two assumptions are met. The first refers to the acquisition of adequate information and knowledge about the way according to which the system works; the second concerns the goals/objectives that the national or local society sets as the desired outcome of the transformation process. It is worth mentioning that both issues are matters in which social sciences may contribute a lot, as seen below.

Background for social transformation management: getting to know how the system operates

Following the above analysis, it may be stated that globalisation is one side of the story, regionalisation is another, whereas social transformation at a national and local level is the mediator that relates the causes and effects of regional trends to the causes and effects of global trends. In the case of societies which are in the process of democratisation, global strategic considerations are in many aspects assumed as creating appropriate conditions for a rise of an area; yet these are not the only ones. Political systems, geographical structures and the culture of various countries determine to what extent these societies should, or are able to, or prefer to participate in global economic and political patterns.

Under such circumstances, it is necessary to analyse the process of mediation between globalising forces on the one hand and specific local and societal conditions (such as demographic, economic, environmental, political, social and cultural) on the other. In this respect, analysis of social transformation is equivalent to an analysis of social, economic, cultural, technological and scientific forces at local, national, transnational and worldwide level. This analysis creates the need for the development of an integrated approach that explains the

interconnectedness between the local or national environment, and the global or transnational one, expressed preferably in the form of a complex model of social transformation.

More specifically this implies:

- The translation of the theoretical notion of social transformation into specific indices of social, economic, cultural and technological development, possibly applying benchmarking techniques or upper limits².
- The explicit definition / specification of variables, functions and relationships that enter in such a model.
- The explicit definition / specification of parameters, features, diversities, constraints and limitations.
- The development of analytical instruments that make measurement of such relationships possible³.
- The application of research projects, case studies and comparative studies.
- The continuous monitoring of social transformation parameters.
- The investigation, prediction and evaluation of the effectiveness of policy measures and actions.

The development of this type of holistic, multi-variable and multi-dimensional model, the collection of the background information, the framework, the methodology and the tools of research and analysis are issues that require the interdisciplinary co-operation of social scientists of various branches.

Background for social transformation management: the economics of education and the knowledge society profile

Management of social transformation is successful provided that it reaches a specific objective. In the case of CEE countries and other emerging market economies this objective, though unique for each region, is

expected not to ignore the profile of an economy and a society towards which the global world converges. This implies the existence of such a „global” socio-economic profile which (though subject to changes within time) provides an „ideal” for a society that wants to be competitive in the global economy, irrespective of whether it is already developed or undeveloped, north or south, east or west.

Some of the features of this socio-economic profile are set by the principles of the economic system that is dominant in the global economy. Within this context, in socio-economic terms, the situation that these economies should reach is related to the establishment of a stable market economy on the one hand and a satisfactory level of socio-economic development on the other.

Thus, with respect to the market economy, there should be a guaranteed stability over the operation of the market forces, implying that supply should be able to meet demand (with its peculiarities, which may be partly explained by the fact that demand has been deferred for a long time). With respect to development there should be a guaranteed increase in income (or GDP) per capita, which together with other parameters will provide a viable and sustainable long-term level of development.

It is not doubted easily that both, marketisation and development, require the full employment in the process of production of all the endogenous as well as exogenous factors that are available. In an efficient market system these factors should be directed towards production of goods and services that either directly improve living standards, reflecting demand, or, help indirectly, production of such goods and services⁴. These factors of production are typical: land, labour, capital, human capital are their general categories. However their relative importance is not typical, it keeps changing within time⁵ and it is decisive in structuring the socio-economic profile to

which the developed world globally converges.

As already mentioned, this profile in our days is provided by the shape of the „society of knowledge” which, more than ever before, connects the development process with knowledge (Drucker, 1994). This interconnection seems to provide a satisfactory goal for management of social transformation, justified by means of the theory of human capital – one of the basic themes in the field of economics of education⁶ (Psacharopoulos, 1999).

In its simplest microeconomic form the theory of human capital states that an individual’s income varies according to productivity and that, in general, a person’s productivity is higher the higher his / her level of knowledge, acquired mainly through education. The reasons why a person with higher education is more productive than someone with lower education is found in the consideration of education as a lever that helps in the development of the individual’s skills and abilities properly channelled in the market. This perception turns the ex-industrial worker of a developed society into a „worker of knowledge” (Drucker, 1994).

In its macroeconomic form, the theory of human capital states that an educated society has an accumulated knowledge that makes it more productive since this accumulation (a) reflects more productive individuals (b) acts in a multiplicative way to all the rest of the factors of production (c) allows the society to specialize by creating comparative advantages and (d) produces externalities (such as better health, respect to the environment, social cohesion, democratisation, equal distribution of income, higher propensity to save etc) that increase productivity.

The application of the recent developments of the economics of education in the context of management of social transformation explains why the developed economic order is one in which „knowledge, not labour,

or raw material or capital, is the key resource; a social order in which inequality based on knowledge is a major challenge; and a polity in which government cannot be looked to for solving social and economic problems" (Drucker, 1994).

The interconnection between knowledge, hence education, and development makes necessary for societies in the process of social transformation to set education as a main goal and to seek for more knowledge, especially advanced knowledge, which is offered

mainly by the educational system but also by other institutions well past the age of formal schooling, through lifelong educational processes. The knowledge society as a profile of global convergence seems to be a great challenge for the CEE countries. These have a long educational tradition, rather high standards in education and their relevant indices in this aspect do not differ substantially from those of the economically developed countries, as seen in the following table.

Table 1 Statistics on education on a sample of countries, 1999

Country	Population	GNP/ per capita	Adult Illiteracy Rate %	Adult Years of Schooling	% of age in tertiary education	Public Expenditure in education % of GNP	Pupils/teacher in primary education
Hungary	10,000,000	4800	0.7	9.1	36,7	4,7	10,6
Slovak Rep	5,000,000	3700	...	9,3	28,9	4,3	18,8
Poland	39,000,000	4240	0.3	9,8	50.4	5.0	15.8
Czech Rep	10,000,000	5270	28,7	4,4	18,3
Croatia	4,000,000	4550	1.9	...	29.0	4.2	19.2
Bulgaria	8,000,000	1150	1.7	...	42.7	3.4	17.9
România	22,000,000	1720	2.0	...	23.2	3.5	18.7
Slovenia	2,000,000	9760	0.4	7.1	60.5	5.8	14.1
Albania	3,000,000	1340	16.1	...	14.7	3.1	17.8
Germany	82,000,000	23510	...	10,2	41.3	4.6	17.0
France	59,000,000	22730	...	7,9	52.5	5.9	18.9
USA	282,000,000	34280	...	12.0	23.9	5.1	15.4
Greece	11,000,000	11430	...	8,7	50.5	2.9	15.0

Source: Worldbank statistics

Having this background, it seems that, if not all, at least some of the countries of CEE have a comparative advantage upon which they should rely in order to increase their productivity. However for this to be accomplished they should make some adjustments. These are discussed below.

The role of universities in social transformation management

In the case of CEE, setting the knowledge society as a target is one thing. Defining the type of knowledge is another. Knowledge as a factor of production, or as a new

competitive resource in economics, is fundamentally different from traditional factors, land, labour, capital / technology. Moreover, it differs from what has been traditionally meant by this term in earlier years: Nowadays, general knowledge as a factor of personal development – which in earlier times would represent an ideal for a human being – is not considered to be the target. An individual with wide general knowledge is not assumed as productive as the one that has specialised knowledge, provided though that such a specialised knowledge:

(a) is appropriately channelled in the right position in the production process (or in the economy in general);

(b) is given the chance to prove its effectiveness and efficiency ;

(c) is accompanied by some specific features related to human behaviour and social relations, that, probably, have nothing to do with the individual's specialised knowledge but certainly act as an interdisciplinary supplement to it. This supplement corresponds to a managerial and social aspect of knowledge and helps to connect specialised knowledge with (i) production and (ii) citizenship.

Under such circumstances the countries that are in the process of some social transformation, are expected to provide education which should cover, among other things, the following dimensions:

1. It should go beyond the formal educational system and cover training, in-service training and lifelong education.

2. Given the rapid increase in the context of cognitive subjects, the spectacular changes in the production methods and the development of new jobs, education should give learners adequate knowledge and skills on „how to do things”, „how to apply knowledge” but also on „how to learn”.

3. Taking into account the economic environment, in which the relative importance of the private, the public and the social sector are interchanging, education should be adjusted to make future employees ready to move from one sector to another, not relying on tenure or on state jobs. Though the private sector is expected to increase in CEE countries, the international increasing trend of the social sector should be taken into account. This is expected to play an important role in any state in the 21st century.

4. Given the expected changes in the working environment, education should help human capital's flexibility and prepare individuals to adapt to new working schemes and environments – such as work at a distance, under conditions of high uncertainty and low social security etc.

5. Given the process of CEE economies towards privatisation, education should focus in promoting the human capital's creativity, its decision making ability and the development of managerial skills.

6. Given the characteristics of the worker of knowledge, whose knowledge is highly specialised but also unique (hence useful only in cooperation with other workers that have different skills), education should teach learners to be partners and colleagues. For similar reasons and for promoting development, education should teach learners to respect diversities, accept interdisciplinary, work in team and co-exist.

Within these context, educational institutions and more specifically universities can play a significant role. Together with other (local / national and international) institutions and with other agents of transformation, they can undertake the responsibilities:

- To provide education of adequate quantity and good quality in any field, so as to produce human capital with specialised knowledge well-linked to production.

- To provide this managerial and social supplement to education that will make human capital ready to adjust and to promote social transformation.

However if the University accepts to become an effective agent of transformation, it is necessary to update its own profile and set new terms for playing its multidimensional role as knowledge transmitter, creator of values and attitudes, agent of socialisation and democratisation and producer of active citizenship. Such a shape makes necessary for the university not to rely simply on its role as a centre of excellence but to become:

- a producer of social values and social behaviours,
- a creator, transmitter and disseminator of world thinking,
- an active and positive contributor to the international dialogue,
- an institution that combines technocratic perceptions of expertise with cultural values, a centre that promotes interaction and interdisciplinarity between social and „exact” or soft and hard sciences,
- an agent that promotes relationship and develops partnerships with social actors and other local, national and international social and economic agents.

Conclusions

The spectacular developments of technology and the increased needs for specialised knowledge are reasons that give priority to the so called ‘exact’ or hard sciences, putting into question the usefulness of social sciences, particularly after their failure to predict the radical political transformations of the last decades of the 20th century. However, it would be an injustice for social sciences to be marginalized in the process of social transformation. Social sciences create a scientific and research platform that produce frameworks for holistic as well as sectoral approaches, useful to decision makers, policy institutions and social

transformation agents. Moreover, social sciences help management of any type and form, hence also the social transformation management.

Social sciences consists of a series of branches, which differ substantially among themselves, ranging from very „soft” to „hard”, with fields like economics being among the latter. Collaboration among these branches is expected to produce models and paradigms that are essential for understanding the operation of social transformation. These models, if properly developed, could have a satisfactory predictive capacity, under assumptions and constraints explicitly described.

The role of the scientific field of economics, can be decisive. Being a hard branch, highly based on quantitative methods, yet close to „soft” social sciences branches, this field may provide methodological instruments and techniques that facilitate social sciences in creating the background information for social transformation and in determining the model of social science transformation. The rationale on which econometric models are based is typical for integrated approaches usually applied in the context of studying multi-dimensional economic phenomena.

Furthermore, the inter-disciplinary collaboration of soft and hard branches of social sciences could be decisive in determining the goals of social transformation management. As mentioned above the theoretical background of economics of education may be applied to specify the notion of the society of knowledge and the profile of the knowledge worker. This specification could help social transformation agents and policy makers to proceed to sectoral decisions. Educational authorities, for example, could shape the goals of education accordingly and, within such a framework, the University as a social agent could re-examine its social profile.

Inter-disciplinary collaboration among branches of social sciences, together with collaboration on a trans-scientific level between social sciences and other scientific fields, will provide the links between social scientists and policymakers and will provide

a background for social transformation that will be well adapted to global profiles, well accepted by local and national societies and not at the expense of the regions' comparative socio-economic advantage and national or local cultural values.

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Footnotes

1. Following Castles (Castles, 2000), the notion of social transformation, which is increasingly used in social sciences, provides a framework for understanding the way contemporary processes of global change affect local communities and national societies throughout the world
2. The EU's criteria for membership could be a good example in this direction, possibly supplemented by some more
3. With the help of quantitative methods such as statistics and econometrics.
4. We refer to investment goods.
5. Indicatively, in the 18th century the important factor was land. Later capital was considered as playing a crucial role in development and in the sixties this was substituted by human capital.
6. Economics of education is a rather new field in economic theory. In its mainstream form, it examines education as a field of economic activity, that supplies a series of goods - knowledge, attitudes and socialization- acquired by the learners. Supply of these products needs the employment of factors of production (mainly labour but also land and capital). The output of production is transferred from the educator to the learner through a transmission mechanism known as educational process. The main productive unit is any educational unit/ institution providing formal or non-formal education, covering a rather differentiated range from nursery to university.

The educational product as an economic good satisfies certain needs: It has mostly an indirect usefulness for the learner since it gives him/her qualifications for his/her future life. To a great extent these qualifications determine the learners' opportunities for entering competitively in the labour market and, in this sense, the output of education may be considered as an investment good, in which the individual and the state spends at present with the prospect of a future return.

Abstract

This paper aims to examine the challenges faced by the countries that have recently experienced radical changes in their politico-economic system, with respect to social transformation. More specifically:

The first part of the work (Chapters 2 and 3) examines the boundaries and links between globalisation and regionalisation, two tendencies that struggle to compromise to each other, giving a specific role to the process of managing social transformation with the aim to control the type, extent and directions of development.

The following part (Chapters 4 and 5) examines two fields that stand at the edges of social transformations' management, forming the background which should be constructed for this management to be effective. On the one edge, one finds the need to define, explain and investigate the way in which the new system operates within the global environment, a task in which social sciences seem to play an important role. On the other edge, one meets the need to define the goals of social transformation, described by the profile of the developed society of knowledge. In shaping these goals the role of economics of education appears to be decisive linking productivity and quality of human capital to education.

The last part is devoted to the role of the University, as an institution that could undertake the responsibility of working towards a desired social transformation.

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