

Innovation, Imitation And Adaptation: The Experience Of Fifteen Years Of Upscaling Hungarian Economic Higher Education¹

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ABSTRACT: Part One of the paper is devoted to the structural features of changes in higher education in terms of contents and space as well as organizational structure. Part Two is devoted to the analysis of status quo and perspectives. From this, in Part Three recommendations and suggestions follow. The major finding is that approximation to the West European standards has already replicated the structural weaknesses of those systems. The mismatch between ideology and bureaucracy- inspired changes in higher education on the one hand, and labor market demand in the medium to long run on the other has intensified and is likely to grow in the future.

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Higher education of economics and business administration in Hungary has reached a point of no return, when the decision of the Constitutional Court as of October 2005 has made only minor modifications in the Law on Higher Education. Thereby it resisted the initiative of the opposition and most of the representatives of universities, having aimed at a full-scale reversal of Hungary's joining in the European system of two level higher education, the so-called Bologna Process. The substance of the latter is, that in all participating countries British-US style 3+2+3 years of education emerges, thus making cross-national mobility of students and faculty possible and the mutual recognition of degrees automatic. The latter implies a breach with the Continental tradition of variety and an approximation to the Anglo-Saxon tradition. This is manifest also in terms of names of the degrees: B.A, M.A. and Ph.D diplomas being granted to those leaving the respective levels. Also in line with the UK/US practices, the previous rigid lines of study – where M.A levels required unconditionally a B.A level degree of the very same area – give way to more flexibility. It is hoped that this restructuring will allow for more variety and ensure compatibility across the institutions and participating countries.

This decision – itself a sign of processes that has recently become known under the term of 'Europeanization' – is going to imply a sea change in most of the post-Communist countries and particularly in Hungarian higher education. The latter used to be organized under entirely different principles and procedures. Having retained the Prussian traditions under Communism, higher education was divided into two fields. Colleges were conceived to serve the immediate interest of the business community by preparing their graduates for practical jobs, with only a slight introduction to general principles and academic studies. Despite this fact, the best graduates from colleges often continued their studies, mostly besides work, at the university and post-graduate levels. By contrast, universities have remained elitist and academically oriented. Although enrollment rates

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went up from about 2 per cent of the cohort of 18-25 years olds to about 5 per cent by 1989, this was still significantly below the numbers typical of Western Europe.

The social pressure emanating from democratization, the perceived need to emulate West European/EU practices in all walks of life, as well as the very real need of the economy and of the buoyant business community, international and local alike, for properly trained specialists, understanding the workings of the market economy all contributed to the unprecedented quantitative expansion of higher education. Likewise the need to retrain medium age and elder specialists, typically holding engineering, agricultural or humanities degrees created a very real social – and effective – demand for economic education. Private schools and semi-private initiatives of existing universities, as well as the quickly growing new faculties entered into this promising market, with numerous MBA, EMBA, second degree and other courses offered in great quantities.

This is not the place to analyze why this quantitative expansion has failed to follow any – even tentative – plan or vision, as the expansion of higher education has not been confined to economics and business studies, law and public administration.³ Similar tendencies emerged across the board, especially in the humanities, but also in engineering and in previously little known and supported areas, from psychology to film-making, communication and IT. For understandable reasons the unrestricted quantitative expansion had its repercussions. On the one hand policy-makers across the board boast as their accomplishment, that „we have opened the doors of the universities”, meaning that in place of the previous 2-5 per cent currently over 40 per cent of the cohort of 18-25 year old are enrolled to universities and colleges in 2005. Meanwhile, if for no other reason, because of the validity of the Gauss curve describing the probability distribution of mental abilities, quality of the degrees have experienced a free fall. Unsurprisingly shortages of the early transition period have been giving way to oversupply. The mismatch between nominal qualification and labor market performance has grown, with an ever growing number of university and college leavers ending up in jobs requiring lower qualification. The pay edge of university degrees against college and trained skills has been diminishing dramatically by the 2000s/Galasi and Varga,2005/.

This story is, to a large degree, a replication of the West European experience. Education followed social and ideological considerations/of equal opportunities, of equal access, of regional equalization, of promoting social mobility etc/. By contrast, the labor market, followed the paradigmatic changes induced by the widespread use of ITC across the board, from macroeconomic theories through business organization to everyday life/more on that in: Hámori,ed,2005/. For this reason the mismatch has been growing, reflected inter alia in the ever longer waiting period for university and especially college leavers until they can enter their first job/currently 9-12 months with economics and business degrees/. But also the ever growing number of jobless people with higher education/Simonyi,2006/ is a warning sign for policy-makers and analysts alike.

In the following I shall attempt to present in a nutshell the evolution of economics and business education and come back to the above sketched more general level of policy analysis in the normative concluding part of this essay.

³ More on that on the critical analysis of /Polónyi and Tímár,2001/.

Changing Patterns of Economic Higher Education

Economic higher education in Hungary used to be concentrated to the Karl Marx - from 1986 Budapest – University of Economics. Unsurprisingly nearly each leading personality of the academe, of government/in the economic portfolios/ and of business and banking have been graduates of this institution. The BUES – later joined by the College of Higher Education, and finally the former University of Gardening – was rebaptized in September 2004 as Corvinus, and functions – in line with the stipulations of the Law on Higher Education – as a multi-faculty multi-disciplinary institution. The synergies though, that emerged from the reorganizations seem less than trivial, for insiders and outsiders alike. The lead institution was surrounded by several colleges, such as of Finance and Accounting, Foreign Trade, Home Trade and Tourism. These – organized originally along the Prussian ideal mentioned above – formed the Budapest Business College in an attempt to retain their de facto independence, status and also preparation for the Bologna process.

This traditional waterhead of the capital city has been countered by the *proliferation of faculties* of economics and business, as well as of colleges across the country. By the time of writing 21 institutions have been granted by the Hungarian Accreditation Committee, an interdisciplinary and independent academic regulatory agency, the right to issue economic degrees. The newcomers are basically of two types. One group is the descent of previous regional affiliations of the „core” institutions, such as the College of Business in Szolnok/an offspring of the College of Foreign Trade/. The Faculty of Economics and Business in Pécs, already over 30 years old, is also an outgrowth of the regional branch of the BUES, established in the former capacity back in 1968. The other part of this group is constituted by the faculty of regional universities, previously not having had business education. These include the economic faculties in Debrecen, Szeged, Győr, Sopron. In some cases the reorientation of universities with a focus on heavy engineering, as in Veszprém and Miskolc, or having legal but not economic higher education, as in Szeged, constitute the second half of the first group. Finally mention should be made of the „greenfield” institutions, generated basically by regional/local demand and ambition. These are based either on the omnipresent teachers’ training colleges, or on the equally ubiquitous, but declining colleges for agriculture. The Kodolányi College of Székesfehérvár and the Nyíregyháza College may serve as examples. But many previous institutions adjusted to the new conditions by launching, first part time, then full-fledged, business courses of various sorts. For one, the former Academy of the Trade Unions, has transformed itself into the International Business School, one of the first fully private business schools in Hungary. Previously existing institutions granting managerial degrees as a second diploma, have been extended. The prestigious Budapest University of Technology extended its activity to the economic education area so much that even the name of the school was changed into Budapest University of Technology and Economics. From among the local initiatives Kaposvár was perhaps the most successful, attaining university level for the merged colleges/an economics faculty was indispensable/. In sum, students receiving an economic degree of one sort or another each year, has increased *tenfold* in the 1990-2005 period. This includes such greenfield initiatives as the Budapest College of General Business Administration.

Despite this impressive quantitative development, it would be hard to question the continued leading role of Corvinus and the capital city in general. Not only each major

research institute, not only of the Academy of Sciences, but also of more business oriented units, such as Kopint-Datorg, GKI, Financial Research Inc., Ecostat, Institute for Economic Growth, ICEG-Europe, as well as of research units of banks and consultancies are invariably located in Budapest. While the disadvantage of provincial institutions have clearly been diminished owing to the IT revolution – electronic subscription to leading libraries e.g help students overcome locational disadvantages – and also owing to growing involvement in EU-related/and financed/ projects, *the drift between quality and quantity, core and periphery has remained*. Mobility among students increased, and the establishment of new doctoral schools has helped ease the regional overconcentration, however the crux of the problem remained. Exchange programs of universities, involvement in Tempus, Socrates and other EU initiated exchanges has though helped many students and junior faculty to acquire foreign experience/in study and work, as well as conference participation/. However, the probability of having a guest professor of truly international standing, or merely not being in comand of Hungarian/thus contributing to active language skills of students/ remained disproportionately higher for those in the capital city.

As far as the *contents of the curriculum* is concerned, the transition phase was dominated by lecture notes and textbooks produced domestically/locally, usually by the professor running the course/following the continental practice. With the passage of time, and also relying on interntional experience, core/basic courses tended to adopt Hungarian editions of *internationally used textbooks*, such as of Samuelson and Nordhaus, Mankiw, Krugman and Obstfeld for macro, Hal Varian for micro, Giddens for sociology. The switch was made all the easier, since the Budapest Corvinus University adopted the standard macro/micro approach, complemented with comparative economics, already back in 1986⁴. The curricula of others tended to take over or follow with a lag whatever was done in Budapest. It is equally important to recall, that contrary to some ideology-loaded retrospectives, the curricula of the pre-1990 period was not plain rubbish. Contrary to a number of other ex-Communist countries, goulash communism in Hungary has allowed for the very gradual but palpable professionalization of most of the disciplines taught for economists. While students of each faculty, be that medical or music, were expected to pass exams of the „ideological disciplines” of Marxism/replicated for earning MA and Ph.D degrees/, economists were expected to know „their trade”, be that marketing or finance, logistics or industrial organization. In each of the areas listed above *textbooks were based on their Western counterparts*, and nobody could follow unless familiar with concepts of marginalism. *Regular exchanges of faculty*, participation in international fora allowed them to capitalize and adjust to contemporary standards. Also in macroeconomics, reliance on econometric methods required and allowed for the use of standard mainstream analysis. Furthermore a special three semester course was offered on *non-Marxian economics*, introducing basically all the major schools and concepts of Western thinking. While the ritual references to their deviation from Marxian views could not be spared, the quality of the work was acknowledged by the fact, that the revised and extended version was published several years prior to systemic change by one of the leading academic publisher of the globe/Mátyás, A. 1985/.⁵ In sum, whatever we think about the level and quality of contemporary economic *research* in Hungary, with the benefit of hindsight⁶, economic

⁴ More on that in Zalai/1990/.

⁵ Tellingly in its series entitled 'Radical economics'.

⁶ This is an intricate issue, which I tried to address in some detail in an extensive study published several years ago/Csaba,2002/.

higher education, in its major lines, tended to be on par with *continental* European standards.⁷ This is not to idealize the latter, or to revoke our criticism pertaining to its mismatch with labor markets and parallelly losing ground to the Anglo-Saxon academe. However this circumstance made the restructuring of economic higher education in Hungary much less painful and more gradual than in most other post-Communist countries.

It is in this context that quantitative and *regional expansion* as well as joining the Bologna process and *Europeanization* in general need to be addressed. This expansion took place in a period, when *financial restrictions* tended to dominate across the board. Furthermore the deconcentration of resources also meant, that the traditional lead institutions suffered disproportionately, since resources have been splintered for setting up new, not yet tested institutions across the country. Library resources tended to be scarce, thus the split between new opportunities and financially constrained realities has widened by the year.

The process, on the whole, has proven to be *ambiguous*, as in other countries of the region. On the one hand, joining in the research and exchange projects, opening up with association and accession to the EU has provided major incentives for faculty to produce output and also teaching in line with international standards. Publishing abroad has become rather general, though the quality/level of the journals/books varied understandably. Meanwhile the growing teaching load as well as financing of research basically via projects has turned fundamental and theoretical *research unrewarding and marginalized*. The standardization of curricula has helped though the mobility of students, however research profiles of individuals and institutions tended to be lost. Research at universities in general tended to be relegated to secondary place, with so-called „normative financing”, i.e the funding of the colleges according to student numbers rather than academic excellence, has further contributed to the decline of academic morale.

Under this angle the *changing mix of competition and cooperation*, both domestically and internationally, comes to the fore. In order to be competitive, Hungarian universities must also play by the rules and make best use of the grossly improved chances of student exchange, faculty mobility and research projects financed by external organizations, including business associations. On the other hand, they are unlikely to remain important players unless they regain their lost/or never existed/ research profiles. They must be able to co-operate, in both research and training, but also to be able to find their competitive edge. What used to be their edges – such as the bridging position between East and West, or the ability to teach according to US standards, or a curriculum/promotion procedure in line with US practices– are *irrevocably lost*, also for such elite institutions as CEU. Unless universities will be able to develop truly novel research capabilities, cutting edge research and a climate favorable- rather than hostile – to academic excellence, unless they rely on academic performance criteria, rather than

⁷ This used to be the case of the inter-war period: while many people trained then in Hungary made later world fame, these invariably left the country before making their academic careers/as e.g. Lords N.Káldor, Th. Balogh, and Th. Bauer, or in the US, T.Scitovsky, B.Balassa, W.Fellner, J.Harsányi, the Nobel winner.

on arbitrarily constructed meaningless rankings⁸, in assessing their accomplishment, the declining trend can hardly be reversed.

Challenges of the Future

Having arrived into the safe haven of the European Union Hungarian economic higher education faces new challenges. Approximation to continental European standards has, by and large, been accomplished. In a way, the country has become a victim of its own success, insofar as taking over West European practices, such as emulating the concept of the „servicing university”, which sees the turning away from the Humboldtian ideas as a must, and meeting a variety of non-academic requirements of mass society as a component of the welfare state/Hrubos,2004/ has already been implemented.

If only we were to compare the average unemployment rate of the European Union, especially of the euro area, which was 9.8 per cent in 1996-2000 against 8.4 per cent in 2001-2004 and 8.6 p.c in the third quarter of 2005, against the respective Hungarian numbers of 8.0 per cent for 1996-2000, 5.7 per cent in 2001-2004 and 6.4 per cent in the third quarter of 2005/all data from: ECB: *Statistics Pocket Book*. Frankfurt/M., October,2005,p.41/ any impartial observer should feel uncomfortable at seeing the official overzeal in emulating those less efficient practices. One of the commonplaces of research on employment and growth is the one related to human capital theory and relating the quality- rather than the mere length – of study to the success in labor markets, both in terms of wages and in terms of job satisfaction. Also the Lisbon Strategy of the EU, in its revised form of March 2005, considers the creation of more jobs through the adjustment of higher education to labor market demands, thus contributing to the better employability of people, as a major task to be mastered by the EU member states.

If this is the case, the current order of implementing reform measures should be reversed. First: universities, at least the leading ones, *should be empowered for truly cutting edge research.*, Else they will be relegated to advanced level secondary schools, where knowledge is not being created, just being merely reproduced. As the latter may well be financed by the student numbers – a potential option I would also doubt – research universities *can no longer be financed as units of public administration*. And conversely: as long as the British practice of financing lead universities more lavishly than the rest of the schools is introduced, „normative financing” is a direct trigger of ever declining academic standards and ever growing quantitative orientation. The base for differentiation can be nothing but the *academic accomplishment of faculty*, reflected in conventional academic terms and measurable through customary methods of scientometrics. The latter include the number and quality of publications/especially abroad and in English language/, monographs published by others than the respective in-house publisher, impact factor, citation indices and the like. These „centers of excellence”, to use the EU parlance, deserve more public funding, whilst the rest may

⁸ At the time of finalizing , two such rankings were published. One, compiled by the Academy of Sciences/in: *Világgazdaság*, 4 November,2005/ relies on self-evaluation/perception by students, the other one, published in the weekly *Heti Válasz*, no43/2005 relies on a variety of factors, such as parents' and employers' assessments, as well as on student opinions. None of these employ the traditional criteria of academic accomplishment, not even the *Financial Times* criterion of annual earnings in 5 and 10 years after leaving school.

want to follow suggestions on the „enterprising” univerty, although these too under the limits set by quality assurances.

Meeting labor market criteria can by no means be taken as given⁹ under the current continental European arrangements. First curricula tend to be shaped by *ad-hoc considerations*, such as individual interest/background of the faculty, and mostly not even a minimum of quality control is being secured. The latter would require *regular assessment by external experts* of the content, structure and output indicators. For the time being student predispositions, often aimed at minimizing efforts rather than maximizing skills/long term views, shape both structure and student numbers. In the Hungarian case empirical analyses/Adler,2005,p.51/ have indicated not only the unsustainability of the current institutions issuing college and university degrees, but also the structural oversupply in the humanities and the social sciences, as well as the inadequate presence of private capital.

Unfortunately first attempts in the context of the 1995 adjustment package to introduce *tuition fees and cost contributions* have foundered on an adverse social reaction fuelled by the then opposition forces. Ever since public discourse continued to see higher education as a major channel of social mobility as well as the major component of welfare provision to be extended by the state. This discourse denies though the long standing findings of sociology, proving the private good character of higher education as well as the indication coming from the proliferation of private fee paying courses and institutions across the board/not only in the financially more rewarding consultancy and finance areas/. With the introduction of the student loan system in 1999 the major counter-argument, i.e of equal access, has been addressed adequately. Also the number of fee-paying students have exploded in the public universities. Therefore by 2005 over 50 per cent of all university intakes originate from students in forms of fees and contributions, in a system that is theoretically free of charge. By contrast, as the above quoted analysis of the Secretary of State for Labor/Simonyi,2006/ explains, besides low qualification the *inadequate quality and inappropriate structure* of college and university degrees constitute a stumbling bloc for employing more people in better jobs, according to the new Lisbon Strategy slogan. In other words, the current system provides *neither equity nor efficiency*.

It is unfortunate to note – on the base of countless conferences devoted to the subject – that the idea of *life long learning has remained mostly an empty slogan* in the workings of the universities and colleges. Rather than preparing their audience for the qualities needed for the above ideal, i.e. teaching them general, abstract skills, theories, ways of how to address previously unheard or simply unconventional questions, how to find the sources they may need, and strengthening the analytical and personality featurers needed for those, requirements of the firs workplace figure high on the agenda. Not only remote provincial colleges believe, that carreeer building equals to the re-introduction of the medieval practice of industrial apprenticeship. Likewise cooperation with businesses exist mostly – nearly exclusively – in areas where entrepreneurs find *cheap labor* for meeting their low to medium skill research needs immediately. While the latter form is not to be rejected, this is *not* what university-business relationship in Scandinavia or Japan, i.e in the globally most successful cases, are all about. In sum, both in terms of

⁹ Cf Polónyi and Tímár/2004,p1071/

teaching input and in terms of organizational forms, misunderstandings seem to have shaped ongoing practices in most of the cases.

In a third consideration the proper *balance between the local and the global* needs to be reflected upon. In the Hungarian case both extremes, to be avoided, could be observed. On the one hand we could see countless cases where the challenge of transnationalization – over and above the EU levels – have triggered seclusion. The latter translates into national and local *exclusionist* tendencies in terms of staff, teaching materials and incongruity to mainstream academic developments. In a non-negligible amount of courses one could observe, in the course of accreditation, but also through sheer observance via internet, that mainstream ideas continue to be portrayed as extremes, and radical/critical/heterodox approaches are introduced as standard-setting, from macroeconomics through international economics and finance, not to speak of public policy or sociology, to mention two major borderline areas. By contrast, we also had experience – not least at my mother institution the CEU until about 2000/2001 – of fostering the attitude of an *enclave*. This happened by sustaining institutional and institutional isolation from the „events on the ground” or simply „outside the fences”, and cultivating a culture of dissimulation, exceptionalism, and non-integration. For obvious reasons the spillover and synergy effects that otherwise accrue from having centers of excellence on the ground, might, for both cases, be minimal. Furthermore with the evolution of the structure and content of the curricula at the local lead units, the replication of red brick UK or midstates US universities has clearly ceased to be an accomplishment by the early 2000s. While it is relatively easy to overcome the latter, sustaining signs of the former may be one of the roots of why many of the degrees from those schools do not sell on the labor market. This is a plain warning already now, when young graduates may be intrinsically attractive as low wage employees for any employer, basically irrespective of the trajectory of the individualized career plan.

A related but separate challenge is to *avoid bureaucratism and other traps inherent in EU-related activities*. In the preceding two decades EU has been seen, with a large degree of justification, as the bastion of modernization, an anchor to be followed basically under any circumstances. This situation has changed in general and in higher education in particular. At the general level the unfolding crisis of EU policies and institutions, culminating in the rejection of both the Constitutional Treaty and of the Financial Perspective for 2007-2013 in the second quarter of 2005, support broader considerations not allowing the EU to play its anchor role any longer in the new member-states/Csaba, 2005/. At the level of higher education EU countries face similar or worse problems, at least on the continent, as Hungary. Furthermore the capping of EU funds by the net contributors, coupled with the inability of incumbents to reform expenditure priorities, has turned EU decision-making *even more cumbersome* and time consuming than before. In short, if a decade ago a 3 page draft ensured quasi-automatic financing in 70 per cent of the cases, by now 10 applications, 50-60 pages each, may yield one project actually financed.

This may become a *compelling constraint* for the entire continuum. At the lower end, smaller and less skilled universities may lack both the personnel and the administrative capacity to deal with such projects efficiently. Facing this may lead to self-exclusion, not only from the projects, but also from the civilizing and educating functions of international cooperation. The latter include the possibility to acquire tacit knowledge and research skills, joining in networking. This is about everything which is the real point

of the entire EU exercise, and all could be missed. At the higher end of the spectrum, the lead institutions are already deeply involved in global networking, in project writing and cooperation with multinational business. If they opt for EU as a replacement of the former – be that for reasons of prestige, politics, short-sightedness or inflated expectations in terms of funding – then they are obviously missing the point, opting for the suboptimal. Being active in several universities I can easily conceive both as a very real threat, at least in terms of *opportunity costs*. While in an ideal case scenario the EU itself would differentiate, by narrowing the priorities and simplifying the criteria of evaluation, in the real world scenario the procrastination and the waste of scarce administrative resources, as well as of research capabilities/spent on administration/ seems to stand a chance of more than 50 per cent probability for the years to come.

Can Expansion Be the Way Ahead?

Facing the difficulties each institution tends to have *three basic options*. One is „wait and see”, which translates into a passive strategy, accepting erosion, while trying to mobilize social and press support, and find excuses rather than solutions for the lack of measurable performance. This is the most likely variant in most of the colleges. The second option is „defending the accomplishments”, that implies at the end of the day giving up/closing down inefficient units, joining in consortia as junior partners, accepting de facto a submissive role that may end in complete integration/subordination to a big brother. This has already been observable – and actually fostered by regulators – in a number of provincial colleges that were actually merged into the lead institution of the area, such as the Agricultural College in Mosonmagyaróvár. Finally there is the „management dream” solution, that of unconditional and ceaseless *expansion*.

One of the commonplaces of management sciences is the contention, that anything that does not grow is likely to contract. For this reason – but also for reasons of remuneration, normally related to unit size, prestige and power – managers, not only in industry and banking, but also in the university and college area tend to think big. More properly: the bigger the better instinct is often being translated into a growth *ideology*, or into an open *power game*, with all of its beauties and disrespect for anything else, including efficiency. The merger craze of the 1997-2000 period, ending up in some conspicuous failures, such as DaimlerChrysler or Deutsche Bank, might have served as warning examples. But most academics do not read business related news, while their ambition is limitless.

Let us observe at the very outset the fact, that there is no „economies of scale” in research in most of the areas. This holds for economic research/as distinct from the administrative tasks of managing large numbers of undergraduates in their various capacities/. We would rarely find Nobel winners or other school-molding personalities speaking in the huge auditoriums of some of the industrial complex type of universities in continental Europe. There is, however, *synergy*, provided that departments can and do cooperate on academic projects and teaching, if there is a lively intellectual atmosphere, provided that making both ends meet do not take up most or all of the 24 hrs available for faculty members. Thus the development of core research and related curricula at the advanced level, fostering the role of the *university as a research center* via internal and international conferences and other form of – not necessarily formal – interaction may create a fertile soil for productive academic intercourse. But these type of activities can

hardly survive on their own, especially if their respective areas are detached from the core research interest of /and teaching lines of/ existing faculty. In the latter case synergies remain imaginary.

Under this angle an ill-considered expansion may be *the gravest threat to both quality and viability* of the institution. All expansion other than organic is ill-conceived. For instance, joining forces with others only to be bigger, or to acquire the necessary amount of faculties, or the diversity stipulated by regulation, will produce failures only. Likewise the quest for ever larger student numbers, irrespective of quality, of financing/other than through fees/¹⁰, of physical infrastructure can only lead to the continuation of *declining academic standards*, observed at public universities over the past 15 years or so. Fostering cooperation with those very unlike the mother institution, in terms of profile and priorities, can only backfire. No synergy can be expected from purely administrative mergers, with completely unrelated, but closely located institutions forced into a formal union, as is the case with most city-wide/and neighborhood-inclusive/ universities.

The promising solution, in line with industry/banking experience, can be found only in the combination of *consolidation and very gradual expansion* of the lead institutions. Consolidation means slimming cure as well, focusing on the basic competences, outsourcing non-essentials in line with established industrial organization principles. Consolidation means creating security for senior faculty combined with regular assessment by externals and other forms of *quality controls*/such as the minimum number of academic publication required for a given period of time/. It also means *regular turnover* in the faculty, quite in line with industrial practice, but quite opposite to the arrangements enshrined in the current Law on Civil Service. Turnover means the opening up of mobility for young and talented faculty, and the relocation of academically less able persons to intellectually less innovative, though organizationally important positions, such as the university administration/as separate from the academic senate/. Being promoted to Director of Student Affairs, of Procurement, of Disciplinary Committee, of External Relations, or of Press, Special Operations or Business Relations does not debase a mid-aged colleague who will never publish a book or a cited contribution to any academic journal, still is an asset to the college community. More reliance on open advertising of jobs, prohibition of direct promotion/to full professorship/ in the mother university, an obligatory contingent for foreign faculty may all contribute to bringing about more mobility and quality control than currently is the case.

Expansion should be very gradual, if for no other reasons because of the currently observable overexpansion of the sphere, cited several times above. This may help avoid the indiscriminate hunt for paying students, irrespective of their quality and orientation. It may also avert the similarly indiscriminate recruitment waves that are induced by rapid expansion at one point, when quality assurances can not be validated. Later, by contrast, insiders can thwart the inflow of new blood, recreating the ossification that haunts much of the European university establishment. Instead the broadening of financing sources, to foundations, civil associations, alumni, and of course foreigners,

¹⁰ Fees mostly can not be raised high enough to cover the full cost of tuition, at least at the undergrad level. However at MA/Ph.D levels, and also in line with public and private sponsoring and fellowships this may become a must for any institution caring about quality. The student loan construction of banks has also developed into a viable business by now.

would be important. Changing the currently *over-restrictive laws of inheritance and of taxation*, if the donation is channeled in higher education, can open up uncalculable resources, as long universities and academe remain the most trusted social institutions all across Europe.

Last but not at all least the need to *cooperate with the business community much more closely than before* and in other than traditional forms has become a must. It is so from both the input and the output side. No amount of alumni support and civil initiative can replace the *serious and long run commitment of business* in opening up the necessary amount of funding for any serious university. For the area of economics and business studies, this is less pressing, than for say, the humanities, or medical sciences, but the soaring costs of books, computers and of office space make this choice an imperative. This area is easier to „sell” to the business community, thus more effort should be directed towards this end.

On the output side, the business community has an immediate interest in improving the quality and thus the *employability of university and college leavers*. Therefore – over and above the above listed ongoing projects in support of more practical orientation of training - a major injection of funds for quality education can be expected, if appropriate forms can be found, and if the preconditions in terms of taxation are being brought about. As reforming the systems of public dues has become an imminent task in most of the EU countries, old and new, this step is actually more feasible than it might have looked only a few years ago.

From the university perspective it is important to realize that the traditional opposition to business interest, once considered to be a *conditio sine qua non* of the behavior of any intellectual, is no longer sustainable. Indeed, it is self-destructive in the contemporary period. One of the underlying problems of European education has been the full nationalization and the ensuing forced uniformization of higher education. While the latter policy followed ideological prejudices rather than sound empirical-sociological and economic analyses, the outcome has become a society where inherited social capital and other forms of tacit knowledge, not related to formal system of education, but to family circumstances and upbringing, as well as social status that form the criteria to be a champion in the Hungarian business world.¹¹ In other words, the social equalizing function has not been working.

By contrast, the *vulnerability of the academic community to the public sphere*, where the populist turns in politics has rendered university education and spending on research on something commonly called as the „cultural lobby”, thus a legitimate object of constant budgetary cuts, has come to the fore. And while it is perhaps true, that a degree of marketization in the sphere is inevitable¹², this will take a long time, for structural and psychological reasons alike. Meanwhile the need to act is imminent, and this includes the pressing need of *diversifying funding* as an eminent way of securing academic independence and quality control at the same time.

In my personal experience working with „practical men” has been the best way to overcome mutual prejudices, acquire first hand knowledge over issues of mutual concern, and develop *the understanding and the atmosphere of trust* that any strategic

¹¹ Cf the book of Laki and Szalai/2004/.

¹² Maybe not so far reaching, as proposed in/Bokros,2004,pp215-218/ would suggest.

cooperation requires. In so doing improvement of the curricula may happen without introducing forms of tutelage, and the willingness to fund R+D that might not be of immediate profit, can also evolve. This is, under Hungarian conditions, perhaps more than a hope, but surely less than a certainty.

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