1 Public Policy and Universities

1.1 Introduction

Universities are being subject to unprecedented change. Higher education is a large and growing industry worldwide, being reshaped by the processes of globalisation, regionalism, and evolving national contexts. In the global knowledge economy, universities are important institutions, and many governments want to ensure these institutions realise their full potential to maximise the benefits. The complex relationships that surround universities make it difficult to interpret the key drivers of change. That difficulty inhibits the process of clear-eyed planning for the future, both on the part of universities and policymakers.

Many would agree this is a sector that exhibits a high level of ‘blooming, buzzing confusion’, to appropriate from William James. Universities are being transformed by new dynamics between the state and the market, the public and the private, and the domestic and the global. The interactions between universities and the state are being reconfigured. Accelerated and unprecedented changes in the sector tend to exacerbate the problem of interpretation. This presents a fundamental problem. That is, at the very time when people recognise the important role that universities play in the public sphere, they often find it difficult to deduce what can be done to ensure that universities continue to contribute effectively – and, preferably, at their very best – for stakeholders.

It is beyond the scope of one Element to attempt to explain everything that is happening in and around the contemporary university. For this reason, this Element focusses on the interface where universities and the state meet. This focus produces an Element dedicated to the role of government intervention in higher education, which is why this study sits well within the Cambridge Elements in Public Policy series.

The purpose of this Element is to:

1. illustrate the wide range of policy interventions to which universities are subject;
2. show how the relationship between universities and the state is enduring, evolving, and multifaceted; and
3. demonstrate how policy theory can help explain these dynamics.

This is achieved through an analysis that:

1. features a section dedicated to each of the three ‘missions’ of the university, followed by a section considering the university as an institution as a whole;
2. illustrates some of the key contemporary policy debates with select examples from countries with contrasting political systems; and
3. develops a conceptual framework informed by theories and insights from recent public policy scholarship and applies this framework to the study of universities.

We show that:

1. a range of factors shape the contemporary university, such as interests beyond both the nation state and the academy that exercise influence, such as foreign states, industry, and other powerful stakeholders;
2. in the face of rhetoric of the deregulation and internationalisation of higher education, there is a continuing role for the nation state in shaping and supporting the university; and
3. our framework can guide future critical analysis of public policy towards universities and future empirical research – we show this through select case examples.

The application of public policy scholarship to the study of the university aids our understanding of the nature of state intervention and the challenges surrounding effective regulation. This Element’s distinctive structure and focus allow us to address a significant gap in contemporary public policy scholarship. The Element also seeks to make a contribution to the higher education literature. What is presented here is not intended to provide an exhaustive account of all the interactions between government and universities. The concise yet authoritative format means the examples and theoretical approaches included have been selected from a much larger pool of potential content. Although we expect the Element to be primarily of value to academic scholars, it should also be of use to university leaders and to policymakers and advisers in and around government. This is because the insights generated are of interest to all parties involved in the higher education policy process. For those working in universities, this Element should lead to a greater understanding of the role of the state. For those working in government, it should facilitate a greater appreciation of what is happening within universities.

1.2 Expanded Understandings of What Universities Do

We can conceptualise the university as being comprised of three missions: teaching, research, and the third mission of ‘externally facing’ functions (Scott, 2006). This accounts for the expanded range of responsibilities the university has assumed over time. This disaggregation into missions, as depicted in Figure 1, has informed the structure of this Element.
Looking at the history of the Western university, the first such institutions were focussed on the transmission of knowledge through teaching. These institutions, such as the University of Bologna and the University of Paris, which emerged in the eleventh and twelfth centuries, established important traditions and became known as the original universities. Current debates in the teaching mission are explained in Section 3. The second mission of research did not appear widely inside the university until the creation of the University of Berlin in 1810. This is known as the Humboldtian model of the university, where research and teaching took place in the same institution. The model diffused worldwide and was particularly embraced in the United States (Menand et al., 2017). The research mission is the focus of Section 4. The creation of the land-grant universities in the United States in the second half of the nineteenth century heralded the start of a view that universities should be of relevance to stakeholders around them (Key, 1996). This brings us to Section 5, where we consider the third mission. The third mission is an umbrella term used by contemporary higher education scholars. It refers to the ‘externally engaged activities’ of the university. It involves a range of activities, from civic engagements to commercialisation of research. Universities have always interacted with the world around them, but the activities that fall under this category are increasingly managed and measured in their own right. Some are quite remote from and not immediately recognisable (at least in a traditional sense) as either teaching or research.

After we have ‘zoomed in’ to look at each of the three missions in Sections 3–5, we ‘zoom out’ to consider the university as an institution as a whole in Section 6. Section 7 concludes this Element by reflecting on key debates and by highlighting opportunities for future research on public policy and universities.

1.3 The Plurality of Policy Interventions

A traditional view of higher education policy involves one government ministry benignly providing funds to universities for them to teach students and
undertake research. The policymaking behind this was relatively straightforward, with few questions being asked about how funds were spent. This is no longer the case. The complexity of the modern university has met the complexity of the modern state. Within this landscape, a wide range of government activities cross paths with what universities do. This intersection, where universities regularly meet the state, is a deceptively large space that spans ministries, portfolios, policy areas, and political agendas. To illustrate this, we can map out how universities are affected by policy agendas from across the state, well beyond the confines of one ministry. Some of the examples introduced here are elaborated on throughout the Element.

Public servants once would have been occupied with planning student numbers and ensuring there was matching capacity within appropriately resourced public institutions. Although this is still often the case, how this is done has been transformed by new approaches to governance involving innovations such as performance-based funding models (De Boer et al., 2015; Dougherty and Natow, 2015). These changes have also been accompanied by the pressure on policymakers to respond to emerging new agendas, including concerns about freedom of speech on campus; tackling the rise of contract cheating (Draper and Newton, 2017); and designing interventions to address social mobility, equality of opportunity, and affirmative action (Shah et al., 2015; Warikoo and Allen, 2020). Moreover, internationalisation has profoundly changed higher education (de Wit and Altbach, 2021), with ramifications for lawmakers. This includes providing oversight of the growing number of branch campus operations of foreign universities located within their jurisdictions (Clifford and Kinser, 2016).

The funding of student places has also become more complex for the finance or treasury ministry. One trend is the spread of student loan schemes, which are often income-contingent and part-financed from the public purse. They are intended to move more of the costs of a university education from the taxpayer to the individuals who benefit directly from that education. These schemes require more complex accounting to administer than straightforward public spending. Many variables must be managed, such as the repayment rate and threshold, the interest rate, and the level of write off that will never be collected (Chapman et al., 2014; Hillman and Orosz, 2017; Britton et al., 2019). Student loans can also be controversial. For example, in the United States, 40 million people hold student debt totalling $1 trillion, explaining why student loan forgiveness proposals were part of presidential candidate campaign platforms in 2020 (Dynarski, 2021).

Over the last thirty years, what universities do has been of increasing interest to those who influence economic, industrial, and innovation policy. In the
context of the knowledge economy, the outputs universities produce speak
directly to these policy imperatives. This is done in two ways. First, through
their teaching mission, universities produce human capital in the form of
graduate labour, which places universities within the high skills and productiv-
ity agendas (Pelinescu, 2015). Second, through the research mission, univer-
sities produce new knowledge that can be applied to drive innovation (Mintrom,
2009a). This relationship is depicted by the Triple Helix of university–industry–
government, which shows the integral role of the university in processes of
innovation and entrepreneurship (Etzkowitz and Zhou, 2017). These connec-
tions have unleashed a flurry of policy activity upon universities. The interven-
tions are designed to enhance the transfer of knowledge and foster collaborations among universities, government, and firms to generate and commercialise new knowledge for use in industry. Moreover, universities are often allocated a role by policymakers in helping to stimulate the economies of lagging regions within which they are based (Lazzeroni and Piccaluga, 2018; Brennan and Cochrane, 2019).

The business of universities is of interest to foreign ministries, where, in
a world of shifting geopolitics, higher education can be used as a tool of ‘soft
power’ by nation states to exercise influence, build new diplomatic and business relationships, and develop cultural exchanges (Altbach and Peterson, 2015; Wojciuk, 2018). This can be seen in the rise of ‘science diplomacy’ (Flink and Rüffin, 2019) and in schemes such as the UK Government’s Newton Fund (Grimes and McNulty, 2016). Higher education policies can also be constructed with a broad foreign policy dimension embedded within them, such as how the Bologna Process was tied to the underlying interests of the European Union (EU) (Moscovitz and Zahavi, 2019).

Policies pursued by the ministry of the interior or home affairs also have
a bearing on universities. This is because new academics and visitors coming
from outside a given country may require visas to gain entry. In an age of high academic mobility across borders, this is critical for many universities that now view themselves as international organisations. Moreover, through controlling the number of study visas issued, governments determine the number of inter-
national students recruited and therefore significantly influence the customer base of universities within their borders. Some international students may expect a work visa upon completion of their studies, pulling discussions about student numbers into the wider skilled migration debate (Hawthorne, 2018; Beech, 2019). The importance of the border was highlighted during the COVID-19 pandemic in countries such as Australia, where international stu-
dents were restricted from entering, thus exposing the high financial depend-
ence of many universities on this income (Doidge and Doyle, 2020).
Public managers within ministries of business regulation and trade – such as the Antitrust Division of the US Department of Justice – will also find themselves concerned with higher education. This is because market competition and consumer protection have to be upheld while collusion and the mis-selling of degree programmes and student finance need to be policed. In many countries, the number of profit-making higher education businesses offering degrees has been increasing, creating regulatory challenges for policymakers (Salop and White, 1991; Mause, 2010; Tierney, 2012).

We can see there are a plethora of policy debates affecting universities prompted by different components of the ‘machinery of government’. This matters because the concept of ‘departmentalism’ tells us each government department can have a particular ‘mindset’ or an accumulated ‘wisdom’ that shapes how policy is made (Kavanagh and Richards, 2001; d’Ombraim, 2007). Moreover, each policy issue has its own imperatives and is therefore potentially subject to influence by issue-related interest groups. This can explain why the policy interventions universities experience can be the product of several competing, possibly contradictory, priorities. This lack of coherence means university leaders often find themselves responding to conflicting demands from government. The presence of multiple interventions influencing universities in a given territory, rather than a single higher education policy, needs to be acknowledged when undertaking policy analysis in this area.

1.4 Academic Literatures

The relationship between universities and the state is continuously changing, as is the broader context in which both universities and governments operate. In seeking to explore this, we recognise that there are many useful scholarly contributions in the extant literature. Although the focus of this Element is centred on policy analysis, there are two adjacent literatures that help explain why and how interactions between universities and the state are being reconfigured.

The first is the growing importance of knowledge creation and diffusion as the core driver of economic growth. In economics, the arrival of endogenous growth theories – which maintain that improvements in productivity can be attributed to investments in human capital and research and development (Acs and Sanders, 2021) – placed universities as a crucial determinant in the growth process. This is because intellectual capital is now seen as being of rising importance in delivering economic growth when compared to traditional factors such as natural resources, physical capital, and low-skilled labour. The idea of the knowledge economy is more than economic theory; it is a story, a narrative...
that, despite being somewhat illusive, has been extensively told and widely accepted (Brinkley, 2006; Mintrom, 2009a).

This idea of a global race to a knowledge economy has diffused around the world, often advocated by influential international organisations – such as the Organisation for Economic Co-operation and Development (OECD), the World Bank, the World Trade Organisation – who have set a common global direction for government policies (Maskus, 2004; Robertson, 2009). The OECD has been an effective disseminator of the narrative, which has been used to frame policy change around the world (Godin, 2004, 2006). The OECD defines the ‘knowledge-based economy’ as ‘an expression coined to describe trends in advanced economies towards greater dependence on knowledge, information and high skill levels, and the increasing need for ready access to all of these by the business and public sectors’ (OECD, 2005). The narrative is particularly compelling as it issues a call for action to both nation states and individuals. It encourages policymakers to enhance their national economic competitiveness by expanding university participation, as there is the belief that the future workforce needs to be more highly skilled and be able to compete in a global labour market (Craig and Gunn, 2010). The narrative also suggests states need to invest in research and its application to drive technological change and innovation. In some respects, universities have been the beneficiaries of this narrative. Although academics may show disdain towards universities being a facet of the knowledge economy, rather than being for the pursuit of knowledge for its own sake, the narrative has leveraged a considerable amount of money into universities. It is worth thinking how it might unravel if governments and individuals started to question the value of university education or the benefits of publicly funded research.

The literature on Academic Capitalism shows moving universities closer to the market has been consequential (Slaughter and Leslie, 1997; Slaughter and Rhoades, 2004). The political economy context has been transformed, as Jessop (2018) explains, where universities ‘act less like centers of disinterested education and research and more like economic enterprises that aim to maximize their revenues and/or advance the economic competitiveness of the spaces in which they operate’. This development has become more global because of intensifying competition among relevant institutions and the wider economic and political spaces in which they are embedded, and the tendency for actors to follow the latest trends.

The second adjacent literature, which helps explain why and how interactions between universities and the state are being reconfigured, can be placed under the Regulatory Governance heading. We see a trend towards governments around the world intensifying the regulation and monitoring of universities.
This is taking place at a time when the authority of the state, its mode of collective decision-making, its use of bureaucratic command and control steering approaches, and its role in public higher education have been increasingly questioned by interest groups, candidates for political office, and citizens alike. Despite its different forms and foci, public sector reform has been a common experience across the globe (Pollitt and Bouckaert, 2004). In this process, higher education has been subject to the same reform agenda as other sectors, a common theme being the application of New Public Management (NPM) ideas through public policy to universities (Capano, 2011; Dobbins et al., 2011). This has resulted in a shift from a ‘state-control’ to a ‘state-supervising’ model of university steering, which is accompanied by the deployment of performance assessment instruments (see Lumino et al., 2017 and Duque, 2021 as examples). Here, the role of the state has become ‘evaluative’ rather than ‘directive’ (Neave, 2012). This has resulted in new and less hierarchical relationships between government and universities, from which more market-oriented and complex organisational models have emerged (Teixeira et al., 2014).

In this context, many governments, to varying degrees, are prepared to continue financing universities, but they are not prepared to write a blank cheque and pay scant attention to results. Policymakers are increasingly being instructed to produce innovative measures of productivity and quality for universities. The resource provider role places the state in a powerful position. It shifts the relationship with universities from ‘you’ll do what we say you’ll do’ to ‘you’ll do what we pay you to do’.

The extent to which the state can influence universities often rests on the robustness of the ‘mediating forces’ of institutional autonomy and academic freedom. The strength of this ‘buffer zone’, in principle and in practice, varies between countries and is typically a product of political systems and higher education histories. The ‘buffer zone’ means higher education policy often differs from other policy areas – such as compulsory education or policing – where more direct forms of intervention are deployed and regarded as acceptable. Where policymakers do not wish to – or do not have the means to – implement government objectives directly on universities, the indirect steering instruments associated with NPM are very useful. Here, policy involves setting goals and parameters and letting incentives drive university responses.

1.5 The Relevance of the Nation and National Politics

Although overarching trends are evident, the relationship between universities and government varies considerably. Some of these differences can be
attributed to alternative economic systems, such as if we compare the United States with the People’s Republic of China (PRC) on the role of central planning in shaping higher education or the freedom of universities to lobby government. Alternatively, universities may be treated differently after changes in domestic politics, such as a change in governing party or leader. A pertinent example here is the treatment of universities in Hungary during the premiership of Viktor Orbán (Enyedi, 2018). Changes to Hungarian law between 2011 and 2014 saw the government exerting greater central control over the appointments of rectors and chancellors. Following this, the government attacked the Central European University (CEU) by prohibiting it from maintaining its dual Hungarian and American legal identity. This ultimately resulted in the CEU relocating to Austria. Corbett and Gordon (2019) note this can be explained by the incompatibility between the CEU – which was founded in 1991 to promote the democratic values of an open society in former communist countries – and the authoritarian turn in Hungarian politics described by Orbán as his ‘illiberal democracy’. Corbett and Gordon also find this is not an isolated case. The rise of populist governments has seen ten countries in Central and Eastern Europe – all EU members – using legal instruments to restrict university autonomy, with adverse effects for academic freedom. Orbán’s unorthodox policy interventions would continue when, after expelling a US private university, the government invited a state-controlled Chinese university to open a campus. An attractive offer was made to Fudan University in 2021, including donating state-owned land to develop a big-budget campus in Budapest. The offer was made in spite of criticism it would undermine existing Hungarian universities and was a vehicle for Beijing to increase its influence on Hungary and Europe (Komuves, 2021).

This illustrates how many universities operate internationally. It is also a reminder that how universities are treated by the state is not merely about technocratic policy instruments. Rather, it is also determined by more fundamental political attributes such as the quality of democracy and how the state uses the rule of law (Diamond and Morlino 2004; O’Donnell, 2004). Politics, and their bearing on policy, matter. The role of national politics underscores the importance of theoretically informed policy research being undertaken concerning universities at the level of the nation state. This remains an imperative in the context of globalisation.

1.6 Conclusion

As universities and their operating contexts have become more complex, policy interventions have also become more multifaceted. Moreover, whether in the
public or private sector, irrespective of funding sources or the presence of the profit motive, universities require appropriate regulatory oversight. For governments, this presents a set of new challenges to develop policy applicable to this rapidly changing sector. Given these complexities, those studying contemporary universities can sharpen their assessments through deployment of concepts and tools that are the stock in trade of policy analysts. To demonstrate this, Section 2 introduces a selection of theoretical approaches.

2 A Theoretical Framework

2.1 Introduction

Throughout this Element, we apply insights emanating from theories of the policy process. The development of policy theory encompasses a large intellectual discussion featuring a growing range of approaches (Weible and Sabatier, 2018). The format of this Element means only some aspects of this literature can be included. Specifically, New Institutionalism, the Advocacy Coalition Framework, the Narrative Policy Framework, and Policy Diffusion and Transfer have been selected for our theoretical framework (see Figure 2). Taken together, these four theories shed light upon the institutions and interest groups involved as well as the power of ideas and how they spread around the world. These four approaches have been adopted as they are most applicable to the content featured in Sections 3–6. This section introduces each approach in turn with examples of how they have been applied to the study of higher education more widely. It should be noted that other theories of the policy process are suitable for deployment in understanding many different pieces of higher education research, well beyond what is presented here.

2.2 New Institutionalism

In 1983, March and Olsen began a renaissance in the study of institutions with their seminal article, New Institutionalism: Organizational Factors in...