



# Universities and their cities

## An economic perspective

Wadim Strielkowski

The history of the interaction between the university and the city goes back to medieval ages.<sup>1</sup> From their very origins in medieval Europe, universities had two main economic purposes: giving representatives of the powerful political and business elites a place to network (and become even more powerful), and preparing the offspring of those elites to take over the family business.

The first purpose is quite straightforward and is still fulfilled by the majority of universities (particularly business schools) nowadays. The second purpose is less obvious and allows universities to regulate the numbers of young entrepreneurs and educate them to become good caretakers of established businesses, in order to sustain the balanced development of the world's economy.

The economic benefits for cities are obvious: the targets of many powerful economic alliances created within the universities' walls are often in the immediate proximity.<sup>2,3</sup> Students create start-ups and provide services within the cities where they reside, which means higher tax revenues and employment rates, positively affecting the quality of life in these cities. Another important econom-

ic benefit for cities is in preparing future business leaders likely to run companies located in the same cities or regions as their universities.

### Universities and cities in the changing world

However, the world is changing, and universities are changing with it. Globalisation has altered the structure and shape of the academic crowd.<sup>4</sup> Many students are now coming from another part of the world in pursuit of a high-quality degree (especially relevant for universities in North America and the EU), and therefore start contributing to these cities in different ways. For instance, international students spend more on housing, food and supplies than locals, who often have their own housing or live with family.

Another important issue is that the rapidly changing world – fueled by global information technologies, open borders and cheaper travel, easier transfer of knowledge and information and higher volumes of production and trade – is posing new demands on students. Ten years ago, it was not common for students to have full-time jobs. Nowadays, students tend to work and spend more because there are more ways to spend money on fashion, housing, technological gadgets, leisure and travelling.

The Old Town Square  
in Prague





Charles University, among the oldest universities in the world



Wadim Strielkowski  
Charles University, Prague

They are also expected to demonstrate at least several years of work experience at graduation in order to qualify for well-paid jobs. Many universities have noticed these trends and have therefore allied with their cities and local economies in order to help both the supply and demand sides. In North America, cooperative education programmes combining students' academic studies and relevant work experience have gained wide popularity and allowed students to build the required experience and contribute to the regional economies.

And this is not to mention university spin-offs, business incubators and start-ups. Students are becoming more entrepreneurial as their universities provide them space and time for developing their ideas, leading to important discoveries and business solutions that impact regional economies. Take pharmaceutical research, for example. It would have been impossible to develop and test so many medicines without the research conducted in university labs.<sup>5</sup>

### Universities in Central and Eastern Europe and the Russian Federation

Central and Eastern Europe (CEE) and the Russian Federation have a slightly different path for cooperation and interaction between universities and their cities. The Communist heritage predominant there limited the involvement of universities in the economic sphere in their cities. University education was provided free of charge, and the only source of income for universities was governmental subsidies. The educational system created under Communist rule focused on the creation of large-profiled universities that would cover the main areas of the socialist economy, especially in the USSR, where giant

agglomerates of universities specialising in, for example, energy or agricultural studies and envisaged to serve specific areas of the Communist economy had been established throughout the 1930s.

The situation changed abruptly in the early 1990s, during the first 10 years of economic transition. All of a sudden, many private universities sprang up, the quality of university education went down and many state-owned universities attempted to engage themselves in various forms of (often dubious) business activities (such as renting university property to businesses like bars, restaurants and hotels, or as offices for enterprises of all sorts).

While the universities from CEE quickly adjusted to the shock from the transformation and adopted educational standards from the "old" EU countries, Russian universities are struggling with the declining quality of education, unclear goals and pressure from the government to adapt to Western norms and standards.<sup>6</sup> Until recently, most universities from the Russian Federation were obliged to cooperate with local industries to prepare their students as future "on-demand" employees. Many Russian universities even had or have compulsory "work placement" for their students during their final year of studies.<sup>7</sup> However, this work placement is often fictional and does not contribute to the development of the workforce, or it helps local businesses access a cheap and qualified labour force.

The situation differs from city to city, of course. In some small CEE and Russian cities where universities constitute one of the largest employers and most powerful players in municipal development, their role in the local economies is enormous (very often, high-ranking university administrators and local politicians share friends and business ties). However, the situation might be different in larger cities, where universities are often less influential. One such example is Prague, which is considered to be the EU's seventh wealthiest city (with the GDP per capita being at about 175% of the EU's average) and is therefore ineligible to receive money from EU funds or to take part in operational programmes improving university education in the Czech Republic. ■

Wadim Strielkowski is Lecturer at the Faculty of Social Sciences, Charles University in Prague.

### References

- Bender, T. (Ed., 1988). *The University and the City: From Medieval Origins to the Present*. Oxford: Oxford University Press.
- Charles, D. (2003). Universities and Territorial Development: Reshaping the Regional Role of UK Universities. *Local Economy*, 18(1), pp. 7–20.
- Puukka, J., & Marmolejo, F. (2008). Higher Education Institutions and Regional Mission: Lessons Learnt from the OECD Review Project. *Higher Education Policy*, 21(2), pp. 217–244.
- Gunasekara, C. (2006). Reframing the Role of Universities in the Development of Regional Innovation Systems. *The Journal of Technology Transfer*, 31(1), pp. 101–113.
- Ischinger, B., & Puukka, J. (2009). Universities for Cities and Regions: Lessons from the OECD Reviews. *Change: The Magazine of Higher Learning*, 41(3), pp. 8–13.
- Strielkowski, W., & Čábelková, I. (Eds., 2012). *Educational Systems of European Union and Russian Federation*. Prague: Charles University, Faculty of Social Sciences.
- Krotova, A., Abramova, E., Lisin, E., & Strielkowski, W. (2013). *Strategic Planning in Education*. Prague: Charles University, Faculty of Social Sciences.

### Acknowledgements

I would like to thank Neal Eiserman for his help and ideas regarding the role of the universities, and Evgeny Lisin for his ideas on the transition of universities in the Russian Federation.