

Report on the Conference on Famous Hungarian Economists of the 20th Century at Pázmány Péter Catholic University*

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On the occasion of the “Day of Science”, the Farkas Heller Institute of Economy of the Pázmány Péter Catholic University organises an annual conference on important theoretical and economic policy topics in the area of economics. On 14 November 2018, the theme of the conference was the work of famous Hungarian economists of the 20th century, with the participation of the academics of the Farkas Heller Institute of Economy of the Pázmány Péter Catholic University (PPCU, FHIE) and the Corvinus University of Budapest, along with Katalin Botos, founder of the Heller Institute and professor emeritus of the University of Szeged.

Péter Ákos Bod (university professor at BCE, Department of Economic Policy) gave a lecture on Lord Péter Tamás Bauer entitled “Individual choice – economic freedom”. *Aladár Madarász* (associate professor at BCE, History of Economic Thought Department) presented the work of Miklós Káldor with the title “Value and distribution”. *Ákos Szalai* (university professor, PPCU, FHIE) talked about János Harsányi, Nobel laureate for game theory.

Katalin Botos, who is also a professor at the Doctoral School of History, PPCU described the life and work of Farkas Heller and Ákos Navratil, establishing a parallel between them. Farkas Heller was the best-known Hungarian economist internationally at the time. His books were study materials, among others in Brazil and Australia, even in the 1960s. Ákos Navratil was a professor at the Pázmány Péter Catholic University. Heller was a representative of mathematical economics, while Navratil gravitated towards the historical school and represented the institutionalist approach. However, they respected each other, and worked together in the Council of the Hungarian Economic Research Institute founded by István Varga. Varga was the subject of the lecture given by *Violetta Mányó-Váróczy*, adjunct professor at PPCU, FHIE. István Varga’s theoretical and economic policy work is outstanding, both as the creator of the Hungarian “currency miracle” and as the chairman of the Economic Commission established in 1956. Of the other academics from the Farkas

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Heller Institute, associate professor *András Schlett* presented the work of Tibor Scitovsky. Scitovsky examined when economic policy decisions can be considered as welfare decisions. One of his best-known theses came to be known as the Scitovsky Paradox: by resolving the paradox, the utility of an economic policy measure can be judged independently from distribution conditions. Later, he increasingly focused on the vulnerable points of “rational science”. Possession provides the basis for the positive sense of identity of modern human beings, and as a result happiness is reduced to utility. Therefore, money is no longer only a medium of exchange, but also serves to measure the value of people, and to prove the social utility of an individual. Another consequence of a money-centred mindset is that earning potential is more highly valued than skills and abilities which just give sense to life.

István Kőrösi, associate professor, presented the audience with the views of István Muzslay, who dealt with the economic teachings of the Catholic Church, while *Klára Katona*, associate professor and current head of the Institute, lectured on the views of the late Sándor Lámfalussy.

Three of the persons presented passed away in the 21st century, lived abroad, and were held in great respect. Nevertheless, economists in the 20th century experienced very different fates depending on whether they remained in Hungary or continued their careers abroad.

It is almost three decades now that the Hungarian Academy of Sciences – before the political transformation – remedied the seriously unfair treatment it meted out in 1949 (under pressure from the political power). In 1989, civilian social scientists who had been deprived of their academic ranks were returned their ranks posthumously. Although this was only a principle-based, retrospective restitution to these economists who died in poverty, often in misery, it was a highly significant step towards restoring the reputation of the Academy. The whole profession celebrated this event with a conference, and after the political transformation in 1990, a volume containing the portraits of these scientists, edited by Antal Mátyás, was published.

To be fair, these scientist also suffered under the other dictatorship, national socialism. Not only were they sidelined, they were also imprisoned or even killed (see the sad fate of Frigyes Fellner; even the letter of safe conduct issued by the governor was not enough to stop the Germans from deporting him to Mauthausen). With the onset of fascism, many Hungarian scientists fled their homes and went to a safer Western country. It was established that “He who wants to be a poet in Hungary is a fool...” or more precisely, any scholar who remained in the country. Then, 1956 also forced out many valuable experts from Hungarian society (e.g. Béla Balassa left the country at that time). Hungarians who went abroad made their carriers. Many made it as far as professor or head of department or chairman

of economic association in America, and enjoyed a great deal of international recognition. Their names – Káldor, Lámfalussy, Tibor Scitovsky, and Balassa – are linked to a number of economic and even financial concepts and their works have been integrated into modern economics. Three became lords in England: Miklós Káldor, Tamás Balogh and Péter Bauer.

Most of them played a role in shaping the economic policy, either in Hungary or abroad (some of them, however, were definitely theoretical scientists). It is no wonder that at the conference of the Farkas Heller Institute of Economy of the Pázmány Péter Catholic University, the scientists in question were grouped as follows: the great creators of individual freedom, economic policy, economy and morality. Obviously, this is only a selection from the list of great scientists, and many relevant persons were left out. However, this excerpt was certainly useful in demonstrating, on the one hand, the differences between the fates of emigrants and that of those who remained and, on the other hand, something else that we consider very important: that they followed different ideological directions of economics. Some of them fought tirelessly against the opposing ideology or scientific approach. Káldor combated monetarism throughout his life. Lord Bauer, however, was knighted as an adviser to Mrs Thatcher's administration. Balogh and Káldor "the terrible twins" – as contemporary critics named them – were recommended to the Queen by the Labour Government... Another lesson is that our great economists in the period between the two World Wars, such as Farkas Heller and Ákos Navratil were able to collaborate "for the good of the country", even though they followed different economic approaches. István Varga's career is a shining example of how our great personalities put their communities before anything else, leaving aside ideological considerations and personal issues. The Heller Institute set an example by the careful selection of scholars to be presented: leading figures of traditional mathematical economics were included, as were economists explicitly representing institutional or behavioural economics. Károly Polányi was not presented in the lecture, however, interestingly enough he was a religious, left-wing community economist who considered the role of the state to be important (it should be noted, however, that he too was an uncompromising advocate of democracy; he firmly rejected dictatorship and was proud of 1956). Among the scientists commemorated at the conference, there were economists relying on the German Historical School, as well as scholars studying the teachings of the Catholic Church. This latter is especially important, I think, since the question of *subsidiarity* is or should be a major priority in international literature and in Hungary's economy policy.

The lecture that *Klára Katona* presented on the late Sándor Lámfalussy, known as an eminent financial expert and "the father of the euro", was particularly topical. It was important to highlight that Lámfalussy rightly saw how much the birth of the

euro was motivated by politics, and what problems that created. He recognised the risks in the financial system, as well as how they emerged in the world during his life. I would add that Lámfalussy had such a clear criticism of international finance, and in good time, which only few were capable of. He criticised uncontrolled liberalisation and full convertibility. He recommended to return to the system of limited convertibility created by the Bretton Woods agreement. He is no longer alone in this; many eminent financial experts have a similar opinion.

The conference highlighted our real values, strengthening our national identity, and also pointed out the fact economics is not a collection of old, confining dogmas, but a living, changing, diverse science. Another important message, delivered by one of the closing lecturers, is that science exists for the people. It must help create conditions in which members of society can be *happy people*.

Selected materials from the conference will be available later this year through publisher Pázmány Press.