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István Varga
the organiser of science and an economic politician

Theses of a Doctoral (PhD) Dissertation

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I. Background of the research - objectives

István Varga was born in Budapest, three decades after the Austro-Hungarian Compromise of 1867. He was also educated in Budapest, obtaining a degree in economics as well as a doctorate in political science shortly after World War I. Early in his career, he became part of the economic movement whose members not only acquired a “Western” way of thinking but did their best to adapt it to the Hungarian context.

István Varga was an outstanding economist. During his work of several decades thanks to his wide vision, and thanks to his excellent teachers and later on his colleagues, he left behind a rather extensive life-work consisting of close to 900 articles and studies covering approximately 10,000 pages. Nevertheless, I think that we owe him researching the parts of his life-work that have not been processed or have been processed only partially so far, in spite of the fact that more than 50 years passed since the decease of Mr. Varga!

It is an interesting issue why Prof. Varga did not prepare a synthetizing volume series or book series from its large number, but shorter writings covering some specific topics, based on his individual approach. Probably several different answers may be given to this question. Partially this is due to his character. Since “each economic event, statistical data and even the daily news he read or heard triggered in his mind a chain of ideas”.¹ Versatility was rather characteristic of his social-scientific approach. Prof. Varga „crossed the borders of economics, he opened it in the direction of sociology and psychology.”² On the other hand the age, the economic-political era he was living and working in was very volatile. Due to the fact that Prof. Varga „lived through several serious crises of the Hungarian economy in the 20th century, he so-to-say became the expert of economic disasters.”³ Nevertheless, in spite of the circumstances „he was able to serve the ideals and objectives in a manner that allowed him to remain faithful to his career, nation and belief.”⁴

¹ Egon Kemenes: István Varga = Hungarian economists between the two world wars. Antal Mátyás (editor) Akadémiai Kiadó, Bp. 1994. p. 235

² Zsuzsa Bekker: István Varga (1897-1962). In: Economic theory readings – Hungarian Economic thinking (editor: Zsuzsa Bekker), Aula Kiadó, 2002. p. 752

³ Egon Kemenes: István Varga = Hungarian economists between the two world wars. Antal Mátyás (editor) Akadémiai Kiadó, Bp. 1994. p. 248.

⁴ József Bognár. Introductory study = Changes, shifts and crises in the economy. Ádám Schmidt and Egon Kemenes (editor) KJK, Bp., 1982. p. 17.

Present study basically serves a double purpose. On one hand it wishes to clarify the role of Prof. Varga in the naturalisation and reviving economic research of scientific level within Hungary. On the other hand, it covers in detail the hard life of the economist and his extraordinary career, in the course of which, during the periods of crises, he worked as an economic politician and as an economic political expert in the areas of developing economic plans and reform concepts. During his work he always kept in mind that the joint objectives of theory and practice is to realise practical goals of the highest level and to implement economic progress as disturbance free as possible.

However, it is also a sad fact that he was several times unworthily placed into neglected positions during his life, and subsequently, when the political power thought that the expertise and experience of Prof. Varga is needed, it placed him into leading positions again.

II. Applied methodology, the structure of the dissertation

Studying the career of Prof. István Varga is an interdisciplinary task, since analysing his personal documents, domestic and foreign correspondence, the notes that were prepared on his lectures, his publications and his political role undertaking allows approaches of different types.

During my source and data collection activity lasting for several years I tried to visit all those institutions, where I assumed that I will find information and documents that refer to or that are connected to the person of Prof. István Varga. During my entire research I focused on carrying out data collection in a comprehensive way.

In the course of researching the intellectual heritage of Prof. István Varga I visited several archives and libraries, I studied the documents that are stored there and which may be linked to Prof. Varga.

Among others I carried out research at the following places:

- In the library of Varga István Commercial and Economic Technical College and Vocational School located in District III of Budapest, the majority of the heritage of the economist are kept in the István Varga – Separate Collection of this library,
- in the buildings of the National Archives of Hungary,

- In the Historical Archives of the Hungarian State Security,
- In the National Széchényi Library,
- In the Szabó Ervin Library of Budapest,
- In the Apáczai Csere János Community Center and Library located in Solymár,
- In the library of the Eötvös Loránd University,
- in the library of the Corvinus University of Budapest and
- in the Library of the Hungarian Academy of Sciences.

The study as regards its structure consists of 7 main parts, also:

In the introductory chapter of the study, I explain the motivation behind choosing this subject for the purposes of the dissertation, and I give a detailed exposition of my research methodology.

Chapter 1 deals with the development of Hungarian statistics as a scholarly field. Besides discussing the international background, I overview those aspects that contributed to the implementation of regular research activity in Hungarian economics. I also examine Varga's seminal role in this virtual breakthrough in 1927.

Chapter 2 is on the foundation and activity of the first independent economic research institute, which operated in the form of an association, and whose establishment by Varga was motivated by personal reasons, as well as on Varga's market research and work on periods of economic boom that he performed at the institute. The appendix included in the dissertation, containing Varga's full list of works, is provided to help the identification of his writings, since some of his research findings could never be published, while some of his papers were published either anonymously or under a pseudonym, or under the name of the institute.

Chapter 3 discusses Varga's activity as an economic policy maker, as well as those times of crisis when political power rendered his expertise and experience useful and put him in a leadership position. Sadly enough, however, there were also periods in Varga's life when he was unfairly sidelined, and he also had to reckon with the unexpected outcomes of his acts of goodwill.

Chapter 4 takes Varga's acknowledgements in chronological order.

In the closing chapter, I give a summary of my new findings. Finally, the conclusion discusses the reasons why Varga's work and his oeuvre of nearly 10,000 pages may have been forgotten almost in their entirety.

Part 7 of the study consists of the bibliographic list of the relevant literature, publications and internet sources that had been used.

III. New and novel results

Thesis I

Year 1927 was a turning point in the history of domestic economy research. This was so on one hand, because “external” theoretical and practical experts had been also involved in the organisation processes of the state institutions, and on the other hand because of the fact that Prof. István Varga already at this time started to organise an independent research institution.

According to my opinion the domestic initiatives and the international experiences jointly facilitated the starting of econometric research activities of scientific level, and the related organising activity of Prof. István Varga.

During the period that followed World War I, in the area of economic thinking, the reflections concerning the theoretical and practical problems had been also reshuffled, since the traumas had to be endured not only by the Hungarian economic life, but by the international one as well. It may be said that the spreading of European economic prosperity research received a huge impetus from the years of crisis that followed the war, moreover, the League of Nations repeated in 1927 again its announcement made in year 1925, according which it is necessary to establish such economic prosperity research institutions, which elaborate economic-statistical methods, and which – in addition to this – project to the future the different factors that lead to the changes of economic life and their impacts.

The deficiencies existing in the area of statistics became increasingly apparent in Hungary after the war. It was clearly evident that the official statistical organisations were not flexible enough, and thus they could not provide any solution for the problems that were raised as a consequence of the new situation.

Following the examples of abroad, in addition to the official statistical service and the teaching of statistics at the university, the appearance of the research institutions co-operating closely with these institutions took place at the end of the 1920ies in Hungary.

Prof. Varga obviously wanted to place the numerical presentations of the impacts in the service of better understanding. This was the reason why he started to organise establishing the Hungarian Institute for Economic Research in November 1927 with the support of Arthur Belatiny, the President of the Budapest Chamber of Commerce and Industry. Already the choosing of the name was not by chance, since Prof. Varga did not want to narrow down the activity of the institute exclusively to economic prosperity research.

Thesis 2

The Communications of the National Economic Statistical and Economic Prosperity Research Committee published in its first year were ended with Number 4. The tasks that were allocated to the activity scope of the Committee were taken over starting with 1930, by the Hungarian Institute for Economic Research that was led by Prof. István Varga.

The Minister of Hungarian Royal Trade Affairs passed its presidential decree No. 3.910 on the day of July 12, 1927 on the organisation of the National Economic Statistical and Economic Prosperity Research Committee. The activity scope of the Committee covered different economic statistical tasks, economic prosperity research and monitoring the development of prices, and in addition to this to inform the public through announcements.

The Hungarian Institute for Economic Research Alliance since its foundation was supported by the Central Statistical Office. However, for the Alliance - after the termination of the National Economic Statistical and Economic Prosperity Research Committee it was indispensable from the aspect of successful operation to implement its activities in co-operation with the Central Statistical Office, which activities primarily focused on researches studying the development of economic prosperity and preparing the economic forecasts. Due to undertaking the additional tasks it was also necessary to modify the Articles of Association of the Alliance. Looking at the illustrious list of names of the members of the Alliance it may be declared that the decisive personalities of Hungarian economic thinking did acknowledge and support the work of the Hungarian Institute for Economic Research and they also participated in its work.

Thanks to his excellent organisation capabilities Prof. István Varga has everlasting merits in starting domestic economic research and in operating the Hungarian Institute for Economic Research. The Institute that was established on the basis of foreign examples succeeded in adapting itself to the Hungarian tasks. During its 20 years of existence the Institute had undergone an enormous development. The related data reflect well this change: the first economic status report consisted only of 46 pages, as a result of its development during these couple of years the report covering the first half of year 1942 already consisted of 221 pages. In addition to information provided in text form, the quantity of materials that were regularly processed and presented in tabular format also increased. The Institute undertook an important role both in exploring the international situation and in highlighting the internal development trends of the country.

According to my opinion without the scientific education, wide interest, international vision and strong critical sense, as well as the objectivity of Prof. Varga, the Institute could not have developed so spectacularly.

Thesis 3

The works that contain and summarise the original thoughts of Prof. István Varga do actually exist. Prof. Varga was an extremely versatile individual. He published his studies recognising the transition between social sciences in the publication series of the Hungarian Institute for Economic Research.

It is important to mention that the results of certain researches that were done by the members of the Institute had to be managed confidentially, since the institution carried on data collection, they prepared studies and expert opinions for the government, the different ministries and the National Bank as well.

The possibility of identifying the works of Prof. István Varga is served by the complete Varga bibliography that is included in the appendices of the study, since his analyses and findings were not/could not be published in each case, and it also happened that his writings were published without a name or under a pen name, or even in the name of the institute.

For example, the economic status reports of the Hungarian Institute for Economic Research were edited by Prof. Varga and the text of 21 issues were also written by him, except some of their sub-sections. The total number of pages written by him, together with their belonging tabular materials is approximately one thousand.

Thesis 4

Prof. István Varga as the leader of the Hungarian Institute for Economic Research also made efforts to carry out a kind of school establishment. A number of his colleagues and students became scientists.

Under the leadership of Prof. István Varga the colleagues working at the Hungarian Institute for Economic Research organised regular meetings not only within their workplace, but also outside its walls – in basements, coffee-houses, occasionally with the participation of the university students in university classrooms – on which occasions they discussed the

Hungarian and the international economic events, and they talked about theoretical issues or introduced different books. In these creative workshops very valuable theory and experience exchange were going on.

It may be assumed that as a result of continuous and often informal meetings a very special, personal relationship evolved between Prof. István Varga and his students and his colleagues.

Professor Varga monitored the work of his former colleagues and his former students even after the termination of the Institute in August 1949, who did not forget to express their gratitude for his attention and often they mentioned by name and offered their books and studies published in their forewords to Prof. István Varga.

It is sufficient just to think about the careers of e.g. Rudolf Andorka, Tamás Fügedi, Gyula Hajpál, László Halabuk, and not lastly Béla Balassa as evidences of the everlasting merits of the Varga-type scientist education.

Thesis 5

Whenever the ruling political management needed the recommendations of Prof. István Varga, either as an economic politician or as an economic political expert, under all circumstances they could count on him. Throughout his entire life he tried to serve the interests of his country.

The League of Nations organised in Switzerland a conference on July 2, 1931, on the occasion of which they were looking for the reasons of the economic crisis. The representatives of the economic consulting bodies and economic research institutes came from altogether 14 countries to the meeting held in Geneva. Hungary was represented by Prof. István Varga, as the Director of the Hungarian Institute for Economic Research, and he introduced at this event in detail the Hungarian situation in his lecture.

In May 1943, the Minister of Finance officially established the Hungarian Economic Information Committee, the task of which was to prepare the plans that followed World War II. All the leading economic politicians participated in the Committee: The Secretaries of State of the ministries, the leaders of the National Bank and of the Statistical Office, and naturally several members of the Hungarian Institute for Economic Research as well. The Committee of 33 members operated in sub-committees and they discussed the documents prepared, at plenary sessions. The person presenting the issue of the transitional economy was Professor István Varga. Due to the fact that Prof. Varga participated in developing the concept

that assumed the victory of the alliance forces, the Gestapo arrested him and he was kept in prison for more than a year.

Just only after a few days of being released he filled in the position of Secretary of State in the Ministry of Reconstruction starting with the middle of June 1945.

Prof. István Varga was assigned to different tasks by the ministry, in one person, as the President of the Material and Price Office and the Director of the Hungarian Institute for Economic Research he knew very well the Hungarian situation. His significant role in elaborating the process of stabilisation is proven, although it is true that he agreed to publish his drafts of 1946 as the joint programme of the political parties only after thorough discussions.

At the time, when Prof. Varga accepted the President position of the Economic Committee in 1957, even then, he demanded that experts, who are outside the different political parties, who have different political views be involved in the elaboration of the economic programme of the government.

Varga always thought that the appropriate way of developing and implementing the shorter term and longer term economic concepts is consensus-based.

IV. Scientific activity connected to the topic of the study

Publication activity

In almanacs:

Violetta Mányó-Váróczy

History of subjective market research focusing on the Hungarian agriculture

In: Development strategies – Financing alternatives. Edited by: Klára Katona and András Schlett, Heller Farkas Könyvek 1. Budapest, Pázmány Press, 2014. pp. 209-222.

ISBN:978-963-308-194-5

In journals:

Violetta Mányó-Váróczy:

Economic forecasts of Dr. István Varga: or the signs of crisis in year 1929

Ipari Magazin: Gazdaság, Kereskedelem, Szolgáltatás XIV. 2014/3-4 pp.30-31.

Violetta Mányó-Váróczy:

In each other's eyes... or the story of the friendship of István Varga István and Béla Balassa

Ipari Magazin: Gazdaság, Kereskedelem, Szolgáltatás XII. 2012/4 p. 14.

Violetta Mányó-Váróczy:

The role of Dr. István Varga and the place of the Hungarian Institute for Economic Research in the history of economic research in Hungary

Heller Farkas Füzetek X 2012/1-2 pp. 129-148.

ISSN 1785-2455

Violetta Mányó-Váróczy:

The role of Dr. István Varga in the history of economic research of Hungary

Ipari Magazin: Gazdaság, Kereskedelem, Szolgáltatás XII.:(2012/3) p. 16.

Violetta Mányó-Váróczy:

Views and reality: The thoughts of István Varga on the judgement of the development of the quality of life

Heller Farkas Füzetek VIII 1 pp. 119-121.

ISSN 1785-2455

Through the Internet:

Violetta Mányó-Váróczy:

The role of István Varga in the history of Hungarian economic research

[www.http://bestblatt.eu/ipari-magazin](http://bestblatt.eu/ipari-magazin) (2012)

Violetta Mányó-Váróczy:

The biography of Dr. István Varga

<http://viszki.hu/index.php/hu/iskolankrol/iskolatortenet/nevadonk>

Prepared upon the request of the Varga István Commercial and Economic Technical College and Vocational School in year 2011

At conferences:

Violetta Mányó-Váróczy:

Chapters from the history of Hungarian economic research.

It was presented at conference VIKEK held on March 6, 2015, in Szeged, under the title of 'The establishment and dissolution of multi-national states within Central-Europe VII'.

Violetta Mányó-Váróczy:

Subjective feelings versus objective facts – or the thoughts of István Varga concerning some economic circumstances.

It was presented in the poster section of the conference of the Pázmány Péter Catholic University, Faculty of Law and State Sciences, Heller Farkas Institute of Economics, held on November 27, 2009 under the title of "Is Hungary really different?".