

# Interview with Dr. Péter Halmai

**Pál Péter Kolozsi**<sup>1</sup>

Apart from one or two brief diversions, you have been working as a university lecturer and researcher for more than four decades, and almost a year ago you were elected a full member of the Hungarian Academy of Sciences (MTA), which is a clear fulfilment of this career. Why did you choose the university world and career?

My father, who graduated from the Faculty of Economics at the József Nádor Technical University in 1948, was taught by Farkas Heller, perhaps the most important Hungarian economist of the pre-1950s. My father's career was then interrupted after '56 due to his involvement in the revolutionary events, but my interest in social sciences already developed in my primary school years as a result of conversations and experiences at home.

During my university years, I had the opportunity to meet - among others - such notable teachers as economists Ede Teiss, Tibor Erdős, Béla Kádár, Tibor Palánkai, Tamás Szentes and Ernő Zalai. And at the Faculty of Law of Eötvös Lóránt University, Miklós Világgy, Lajos Vékás, and Tibor Király, academics – they all made a deep impression on me.

I was attracted to a career as a university lecturer because of my academic interests and my need for autonomy. It did not promise an easy living, but a deep inner motivation was the key.

Educating interested students and even more so, talent nurturing and mentoring are particularly inspiring tasks. So far, 11 of my students were awarded PhD degrees and three of them habilitated. In 2022, when I was honoured to receive the Prima Award in the Hungarian Science category, I said: "My work is only truly successful when my students outdo me in scientific creativity." I still consider this to be valid.

---

<sup>1</sup> Member of the Editorial Committee of Public Finance Quarterly

One of your primary areas of research is agricultural economics, which was perhaps your most prominent field of expertise at the beginning of your career. Why did you start working on this issue and what were the main findings of your research?

My career as a researcher started in the 1970s. Agriculture had a special role in the economic mechanism of the time. In contrast to the predominance of state ownership in the economy at the time, in this sector there was a significant share of what was then called the collective sector, or private farming. On the other hand, large agricultural enterprises could operate relatively more freely than large industrial enterprises. The cooperatives were able to make extra profits in niche markets with great shortage through their subsidiary enterprises. Another example of relative entrepreneurial freedom was the creation of “associations” established by large companies. I have become interested in this structure as an economist. In contrast to the apologists of “successful agricultural model”, the researches led by me have produced critical results. The book “Agricultural Policy is at Crossroads” published in 1987 clearly showed the fundamental distortion of the structure that was supposed to be successful: a polarised and counterproductive system of too big and too small actors. During the period of regime change, the transformation of the agricultural structure offered exciting research questions. However, I have had a strong interest in the international dimension and the international economy from the very beginning. Therefore, in addition to the national analyses, I started to study the agricultural side of European integration, the system of Common Agricultural Policy (CAP). This is the first supranational regulatory area in European integration, alongside common commercial policy. Works that are also considered as essential in this domain can be seen as the results of the work that has been done. At the same time, every research in the field of agricultural economy in question has been carried out in the field of economics, mainly macroeconomics and international economics.

Your publications in macroeconomics and international economics are outstanding. When you were elected as a Corresponding Member of the Academy of Sciences, you gave inaugural lecture on “The Fading of the European Growth Model”. What are your conclusions on this issue, and how do you see the opportunities and constraints of the European growth model now, in 2023, in the shadow of the coronavirus epidemic and the Ukrainian-Russian war?

European integration has a significant impact on economic growth processes from preferential liberalisation to deeper stages of integration. The exploration of the mechanism of the productivity effects of factor market integration is of crucial importance. Based upon that, the main features of the European growth model can be identified over the last half century. After a period of hidden erosion, the recent financial and economic crisis has made clear that this model is fading. But all this means a new opportunity (and pressure) to act and to change. The redefinition of the

European model and the renewal of Europe's growth potential are also indispensable factors for the renewal of European integration. European structural reforms coordinated at EU level and a growth agenda based on these reforms are required. Only solutions based on economic rationality, international competitiveness and a focus on knowledge-based economy can be effective in the long term. The overall goal of all these efforts should be equitable growth and shared prosperity and at the same time the sustenance of macro-stability.

Europe's process of convergence towards the world's most advanced economy, which prevailed until the 1990s, was brought to an end by the challenges of globalisation in the 2000s, such as the advance of China or the slowdown of the dynamics of productivity. The former challenges called for a rapid and effective response from Europe. We need more flexible processes and institutions, efficiency gains, systems that promote or force innovation, even in higher education.

As an alternative to medium- and long-term growth slowdown, new business models can be expected to emerge at international level, from which responsive economic actors reacting in time expect economic benefits. There is a need to identify the deeper structural problems and to define and implement possible structural reforms at both European and national level. A renewed European growth model can give a new impetus to the development of the continent. At the global economic level, we are currently experiencing a period of intense change from which the most resilient players (those who can adapt easily to changing circumstances and not just passively survive critical situations) can emerge as winners. Increasing productivity, and in particular growth in the dynamics of total factor productivity (TFP) can provide a long-term solution to the problems, for which convergence at European level and the closing up of the least developed regions are essential. The highly developed Member States constitute the target for that.

The success of each society depends to a large extent on its culture of performance and the prevalence of the principle of performance. The extent to which the need for knowledge and innovation is present as a social value, the quality of the operating institutions and the values and cultural factors society members organise their lives around are of fundamental importance. Rationality and the recognition of tolerance can also play a crucial role in society along with the respect for performances. The lack of the former has serious consequences in broader terms, but also for the growth potential of the involved country.

By means of implementing comprehensive reforms, the continent has a realistic chance of returning to the top league of the World. Hungary's objective can be to catch up within Europe. It is important how Europe's finest are positioned in the World field in the future. Success can be achieved through cooperation at European level, as opposed to unilateral competition between states solely based on self-interest.

Economic resilience *is the ability of a country or integration to avoid and withstand shock, and to recover to the level of potential output after a recession.* Resilience is one of the central categories of the European reform processes. The resilience approach can also provide a new compass for national economic policies.

The resilience approach came to the fore after the great financial and economic crisis of 2008 and 2009. *The ability to cope with economic shocks is of exceptional importance both during the COVID-19 epidemic and in the post-COVID period.* Resilience is relevant not only in a static dimension (as the sustenance of the functions of a system during crisis), but it also includes an adaptive dimension and the need to adapt to the conditions of a new environment.

Resilience is a crucial characteristic for the economy, but also for the life paths of individuals. The ability to respond will be even more crucial in the future. I would also recommend it to young people. They should strengthen resilience, the ability to respond actively to the most varied and sometimes unexpected life situations along with (and simultaneously) the essential professional knowledge and closely related skills. It is safe to say that they will need it taking into account the fact that the pace of change is expected to accelerate in the future.

You gave your inaugural lecture as a full member of the Academy of Sciences on 13 October 2022, where you spoke about the paradigm of deep integration. What exactly does it mean, what paths might this theory designate, and what are the possible implications for the Hungarian economic policy?

European integration and the Economic and Monetary Union (EMU) are a still unique, *exceptionally deep* and broad form of regional system. Beyond the financial correlations, EMU also requires integration into the wider integration process. The real economic correlations (regarding trade and growth theory) of integration theory is also inescapable.

Trade integration constitutes the starting point for the developed innovative interpretative framework. Trade theory sees a new generation of regional agreements that include regulatory convergence (and possibly additional ‘deep’ elements) as a ‘*deep*’ (trade) integration, surpassing traditional regional arrangements (aimed at conventional border arrangements).

*Depth is also a crucial dimension for European integration.* On the one hand, it expresses the level (state) of the most advanced regional integration. On the other hand, it indicates the direction of the process: the deepening, ever close integration as a development trend. The interpretation of deep (regional) integration (in a single word: *deep integration*) as a system and as a conceptual framework can make an important contribution to comprehensive theory elaboration.

The aim of the study is to *explore the main substantive features and systemic peculiarities of deep integration.* The following issues are fundamental: What are the economic mechanisms establishing deep integration? How do they work? What are the determining factors of these mechanisms?

In the framework of open market economy analysis, the mechanisms of preferential and discriminatory trade liberalisation, market size and scale effects and furthermore the impacts of factor market integration, as well as broader trade and growth (including dynamic) effects can be systematised effectively. Particular attention needs to be paid to (among other things) the problems of intra-sectoral trade

and productivity spiralling, which are dynamically expanding in the process of integration.

From the above, trends towards *deep integration* are clearly emerging. The increasing depth of integration can all be detected in terms of the areas covered by integration, the closeness of links and the structure of integration. Deep integration has an impact on the involved Member State by means of several mechanisms. In addition to direct trade and income effects, the mechanisms of intra-sectoral trade, trade of services (including financial services), foreign investment of operating capital, production networks, value chains and labour flows are of great importance. *Dynamic effects* need to be highlighted: physical and knowledge-based capital investment, productivity growth, various spiralling effects and synergies.

The *two main dimensions* of the conceptual framework of deep integration are depth and homogeneity. Based on their combinations, the different stages of integration, development stages and configurations can all be analysed within in a systematised framework. Core integration is the central element of the system of deep integration, which is the set of the most advanced integration achievements of all times. Deep integration is a category summarising the characteristics of a system based on “*increasingly tight*” *core integration* (the shell concept). This allows us to formulate the *main features of the system* of deep integration, ranging from deep trade integration and free factor movements to supranational structures.

*Resilience is a fundamental feature of deep integration.* It is influenced by a number of factors, including (inter alia) the functioning of markets, the structural characteristics, trade openness and the institutional system. The effectiveness of the interactions and synergies of the deep integration system is determined by *the intertwined mechanisms* (synchronicity and homogeneity) *of convergence and resilience.*

Integration theory can be reconsidered by using the new analytical framework. As a result, a *deep integration paradigm* can be outlined to describe and explain the dynamics of European economic integration. It also provides a framework for explaining the possibilities of EMU reform, differentiated (unequal) integration and disintegration scenarios.

In other words, it is a theoretical system that is basically oriented towards the developmental lines of integration and their explanation. However, understanding the logic of the deep integration system can also facilitate the better understanding and consideration of the options of national economic policies.

Looking at your professional biography, we can say that you are quite familiar with both the Hungarian and international university life and institutions regarding economics. In which areas do you see opportunities for development in the Hungarian education of economics, and what are the values upon which Hungarian higher education of economics can be built to make it even more successful?

The opportunity for mass higher education is vital to underpin democracy and efficiency for economic growth. Keeping young people interested and motivated in a

world of open communication, social media and information overload is a major challenge. As lecturers, it is also important to shape students' attitudes as well as transfer knowledge. We need to equip them with the competences and knowledge to succeed in the labour market. In the case of today's generation, the possibility of multiple career changes must be taken into account. We must also prepare young people to adapt to change if they are to succeed in their careers

For understandable reasons, the focus has shifted to the transfer of knowledge and the development of skills that can be directly used in business. This is a natural need. But at the same time, at the forefront of economic programmes, it is essential for students to have a high level of economic literacy, especially in macroeconomics, international economics, finance and modern methodological skills. Mathematics and mathematical applications should play a prominent role in economic education. Knowledge of modern theories and high-level methodologies cannot be skimmed from the process of strengthening business education.

You still have a very active professional life, but please tell us what you do for recreation and what your hobbies are.

Beyond my own profession, I enjoy reading historical works, especially from the recent past and the 20th century. I am fond of travelling. I have visited many countries, in some of which I have spent extended periods as well. It is also a good opportunity to study local wine culture. Regarding the latter, I know the domestic scene better. I am a wine knight of Tokaj and also participate in judging committees.

Physical activity is particularly important alongside intense mental work. I swim every day. I live in a family house in Budapest, in a kind of definitive home office. That's why the great lockdown didn't shock me so much. Gardening is also an obvious source of movement. I use the sauna every day. It is also very good for the soul, I highly recommend it to everyone for "stress relief".

I am a fan of music. Primarily classical music, but also "classical rock". I consider Taurus as one of the highlights of Hungarian rock music. Lajos Som, one of the leading figures of the band, was my mother's cousin, so the forefront of Hungarian rock music is very close to me.

However I can only listen to classical music during work: mainly Beethoven symphonies and piano concertos. I recently came across a study that looked into how Western university students' academic performance has evolved when they listen to Beethoven symphonies during their preparation. Well, there was a demonstrable additional performance from the 'Beethoven experience' – perhaps through some kind of spiritual harmony. On the one hand, this is self-justification – I'm on the right track – but on the other hand, it's not entirely good news that I can no longer make use of this factor. Well I'm already using it! ■