

# Career interview with Professor Tamás Bánfi

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## How do you remember the beginning of your professional career?

When I was in my fourth year of college, an important and fortunate series of events happened to me. I did not develop a personal relationship with any of the instructors in the Finance Department during my first three years. I knew everyone and my relationship with them was polite and pleasant. But in the fourth year, we went on a plant visit to the Százhalombatta Thermal Power Plant. I don't know whether it was because the students were not allowed to travel on the bus without an instructor or whether it was simply that the young István Hagelmayer, who had replaced Miklós Riesz as Head of the Department a year earlier, had found time to join us, but the point is that we travelled there and back with him. (I should note here that later the names Hagelmayer and István will disappear. According to the functioning of my brain, only Hági and Pista will remain.) Hági was thirsty and we (me especially) were hungry. I ordered „brass cutlets”, which was considered a cult dish in the eyes (but especially in the mouths) of the Veres Pálné Collegium members, because of the Bajtárs Restaurant in Veres Pálné Street. Ten times out of ten we ate „brass cutlets” there, but its recipe was different from all other restaurants in the country. In short, the dish was juicy and resembled ratatouille. So, I ordered and ate the incomparable „brass cutlets” from the Bajtárs Restaurant. But because I was still hungry, I placed another order and ate that too. That's when Hági noticed me and our lifelong connection began. Afterward, he sent me a message to look him up at the Department. After I entered the Department Head's office, he had me take a seat and, with a serious and suggestive look in his eyes, said, “I have been commissioned to write a paper and I propose that we write it together.” What can one say to that? One can swallow hard, but it is impossible to speak. All I could say was “Thank you, Professor!”. His response was immediate, “Next week, come and talk to me about it.”

After entering the office, I sat down and listened to Hági. By now, I was able to speak and express my opinion, but I had no concrete ideas. But I had a serious question that was important to me: Professor, would it be possible to change the topic of my thesis, based on what you have said, to „Socialist currency convertibility?” The enthusiastic response was, “Of course. You will write about that!”

At this point, the second semester was not yet over. The final semester course in the Finance curriculum was Financial Policy, taught by Hági. More precisely, either he held the class or did not, in which case the class was cancelled, which added to our free time, but which we regretted. For the courses he taught, it was a great expe-

rience. After one of the cancelled classes, he came down the hallway and said with satisfaction: “I was at the Ministry of Finance with Lajos Faluvégi, Deputy Minister of Finance, who supervises the Institute for Financial Research headed by Sándor Kopátsy. It was agreed that from September 1, 1969, two graduate finance students would be admitted to the Institute and transferred to the Department of Finance, thus helping the shortage of teachers in the Department.” In his next class, he asked if anyone was interested in one of these positions. To my surprise, only two of us applied. So, it was not a big competition, and the departmental decision was easy. Our distribution within the Department also came naturally. Based on my topic, I belonged to Hági.

In September 1969, my former classmate and I, together with my new colleague from the department, appeared in front of the Secretariat of the Institute for Financial Research on the 4th floor of the Ministry of Finance building. Just then a gentleman came out and said to me, “Are you here to see me?” We didn’t know Sándor Kopátsy personally, but we answered firmly: “Yes!”. “Follow me!” and we followed him to the director’s office. While the formalities of the official admission were being dealt with, we chatted. It was pleasant. Anyone who knew him would not have been surprised. My diploma average was 4.5 and, according to the law, my monthly salary could only be 1600 HUF for the initial six months, and after six months I received two thousand and something Hungarian forints.

In the first year and a half in the Department of Finance, two significant events happened to me. In 1969, as a freshly graduated economist, I had the opportunity to participate in the National Student Scientific Conference, where I won the first prize with my thesis “The International Monetary System and the Exchange Rate”, for which I received a prize of 2000 Ft. The paper was judged by Sándor Ausch, a man I greatly respected, and was later published in the *Financial Review*, issue 6, 1970. It was the first publication of my life. Before the expected publication, I went to Marx Square every day, because it could only be bought in the postal magazine shop there. In 1970, Hági suggested the title of my doctoral dissertation, “Socialist Currency Convertibility”, which I defended *summa cum laude*.

On 15 December 1970, my life took a major turn. A professor from the Department of Finance had gone to Canada several years earlier. It was then that it was discovered that, although their foreign assignment had expired, it would be extended, and that the chair could no longer be kept vacant but would be filled by someone else. That someone else was me. Sometimes, I wondered how different my career would have been if I had stayed at the Institute of Financial Research. Isn’t it amazing what shapes human destinies?

In addition to the University, Department and Institute, my housing was also an important issue. In September 1969 I became a teacher in the Veres Pálné College, the former teacher did not move out of his “hole”, so I moved in with the fourth-year finance students as the ninth person, and lived there for a year. It wasn’t hard. The following academic year, my former classmates and I rented two rooms and a separate bathroom on the second floor of a family house in the 12th district. I regularly ordered and ate Sunday lunch at the nearby “Makk hetes” restaurant. In the

following school year, as a teacher at the Ráday College, I slept on a bunk bed with Iván Szegvári on the first floor of the dormitory in a room that was, to put it mildly, not very big. We actually only went to the room to sleep.

### **How, where and what did you start teaching?**

On September 1, 1969, I started teaching in the Department of Finance at the Institute for Financial Research, and from December 16, 1970, I continued teaching in the same room and chair as an assistant professor at the Marx Károly University of Economics. From 1974 to 1979 I taught as an adjunct professor, from 1979 to 1998 as an associate professor and from 1998 as a professor.

Pista (i.e., István Hagelmayer) also taught at the Financial Accounting College from the late 1960s. In 1971, he suggested that I take over gradually, which basically meant that I taught all the classes except for the initial one or two. Pista's busy schedule made it burdensome for him, but for me the turnaround was beneficial in two ways. First, I was rapidly gaining considerable teaching experience and second, I was getting paid. Initially there were only full-time students, but at that time the number of finance students was beginning to increase spectacularly. Soon, in addition to the full-time courses in Budapest, full-time courses started in Zalaegerszeg and Salgótarján, together with correspondence courses in the same cities, evening courses in Budapest and intensive courses in Békéscsaba at OTP Budapest.

I have also been on two more permanent educational trips. Between 1989 and 1991, at the persuasion of friends, I taught for two academic years as a university lecturer appointed to fill a temporary shortage of teachers in Pécs. I was present at the University of Kaposvár for a longer period, where I not only taught, but also organised and started teaching finance students with my colleagues from Budapest. Laci Balogh, the dean, was appointed as a teacher of micro- and macroeconomics, accounting and all the finance subjects. Gradually, local teachers took over the teaching of the basic subjects as well as the additional subjects.

The teaching framework is the subject, which determines, or at least limits, the financial topic of the lecture and seminar. Over the decades, I have gravitated towards the subjects of the Theory of Finance, the Theory of Money and the Theory of Financial Policy. I was lucky enough to put together both the lectures and the seminars. I owe all this to Pista, I could not have done this under the patronage of any other teacher besides him.

As time went on, I was not only managing myself, but also others and my colleagues, in addition to directing institutional units and institutions. From 1988, I was Head of Department, from 1995 Director of the Institute of Finance, from 1991 in charge of the Finance curriculum, with the responsibility being added later for determining the direction of the finance curriculum.

### **Publications? Your roles inside and outside the university?**

Economics, if it meets the criteria of science at all, has a weak foundation. Even though I consider the financial sector to be the stronger branch within economics. Having said that, there is no doubt that its history, the current context of the economy and future

trends must be researched, the results must be written down, studied and taught to university lecturers. I have read and written textbooks, papers, studies, books on my own and with co-authors. As a co-author, my first book was “The Failure and Lessons of the Goldilocks System”, published by the Economic and Legal Publishers in 1975.

The chapters of the book I wrote formed the basis of my PhD thesis, which I expanded and tried to meet the criteria for the degree. In 1975 I submitted my thesis on “Currency Exchange Theory and Policy” to the Hungarian Academy of Sciences and successfully defended it in 1976. My book of the same title was also published in 1981 by the Economic and Legal Publishers.

In 1986, together with Martha Sulyok-Pap and János Száz, we wrote a book called “The Bond”. The book sold out and, instead of publishing it for a second time, three years later we released a new book with expanded content, titled “Securities and the Securities Market” with new authors. The new authors were Tamás Bácskai and Zsigmond Járai.

In 1984, Hági and I published the textbook “Theory of Finance and Financial Policy”, published by the Textbook Publishing House. Five years later, in 1989, it was published by the Economic and Legal Book Publishing House with the same title but with changed contents. Unfortunately, between the two books, Hági’s health steadily deteriorated, and it was impossible to stop it, only to slow it down.

The period between the two books coincided with the writing of my academic doctoral thesis, the result of seventeen years of research and teaching. My thesis, entitled “The foundations of monetary theory”, was completed with all the necessary requirements by the end of 1986, submitted in 1987 and defended on 13 September 1988. The award of the academic degree of Doctor of Economic Sciences enabled me to apply for a professorship in the Department of Finance at the Budapest University of Economics and Public Administration, and I subsequently became a professor.

From 1990 onwards, the order of preference for my compulsory and optional works changed significantly. I gave up teaching at college, which had lasted almost twenty years; I spent two years as a university lecturer at the University of Pécs; I became an adviser to the President of the MNB between 1990-1992 and 1995-2001; I was the head of the Corvinbank Rt. I was first a member of the Board of Directors of Corvin Bank, then elected Chairman of the Board of Directors. From 1988 I was the Head of the Department of Finance, from 1995 the Director of the Institute of Finance; and after 1990 due to the enormous changes in the domestic market environment I was forced to adapt the Department for the benefit of my colleagues in the Department and myself.

After 2006, in the last phase of my career, research and publications came to the fore again. On the one hand, my colleagues in the department were adjusting to the new economic system together with me. On the other hand, the average age of the Department had decreased significantly, and individual department tasks had to be reorganized. Last but not least, my membership in the Monetary Council of the MNB from 2006 onwards gave me new and intense impulses.

In the 2010s, the momentum of writing, research and publishing did not diminish, in fact it seems to have increased. I do not exclude the possibility that I am over-

estimating my output during the past decade, but an outside observer can say (write) that this might be true based on the content, but not based on the quantity. For that reason, as a first step, I have decided to collect what I have written in the last forty years, collate it and publish the edited results in a book. As a second step, I intend to write again about the foundation of the narrowest interpretation monetary theory and my views on the controversial categories of macrofinance. The third step is to address the problems of civilization, both the solvable and the unsolvable, outside of finance. As an intellectual supplement, it became my cultural entertainment to write and publish studies of literary history.

I have to tell you about the motivation behind my last published book. After the outbreak of the pandemic, fear influenced the decisions of the political-economic policymakers, but it soon became clear that their policies were not enough. When the fear factor began to diminish (with the invention of vaccines), the influence of greed and the desire for power rose spectacularly. For me, the utterance of one sentence killed my previous minimal optimism: “GDP (GNP) could reach or even exceed pre-plague levels in the next quarter.” This sentence was a self-conscious statement by a chorus of politicians and economists from across the continents (a predominantly male chorus with a few female voices) in December 2020 (at the start of vaccination). A year and a half or two years after the same chorus said that “after the eradication of the epidemic, economic trends must change fundamentally, they cannot continue unchanged.”

Well, everything went on unchanged and continues to go on. In response, I have been given the opportunity to publish a new edition of my book “Apocalypse! and Back in Paradise!” (2021). A large percentage of the sentences written in my book remained unchanged. In the new edition, the changes included the title, the colour of the binding, the addition of forty pages of text and, most importantly, the conclusion. While I can be accused of fomenting doomsday sentiment (I am not alone in this perception), in my defence, no one is interested in what I have written.

I must highlight my membership in the Monetary Council from 1 March 2005 to 28 February 2011. My appointment, together with three others, was an individual decision. The irresolvable conflict between the government (Minister of Finance) and the management of the central bank (Zsigmond Járαι) was mitigated by the appointment of four new Monetary Council members. I have had a good relationship with Zsiga Járαι for a long time, and the dispute about the base rate was not with him, but rather with the staff, who stubbornly insisted on a higher interest rate, ignoring the needs of the real economy. My relationship with the new President was not without problems, but confidentiality is still required or recommended.

### **How would you sum up your career?**

To conclude the short story of my career, I am sure I cannot be dissatisfied. My father’s status as a notary general saved me from being influenced in other directions in my relationship system, I could not have remained neutral. And I must admit, I didn’t even realise the risks. Even if not consciously, the temptations were avoided, and my freedom was preserved. ■