

Widening Horizons: The Views of the Hungarian Politician and Economic Adviser József Bognár on Modernization in the Era of Globalization

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ABSTRACTS

The approach of the communist world to the building of communism underwent a transformation in the post-Stalinian era. The communist ideology shifted towards deradicalization, embracing pragmatic incrementalism. Communist parties sought to establish their legitimacy based on the successes of catch-up and accelerated modernization. In order to achieve this, they allowed increased influence from experts in the field of economics during the practical implementation of “scientific socialism”. Concurrently, capitalist and communist globalization ideologies vied for influence among the new states of the Third World. During this period, József Bognár emerged in Hungary as a prominent economic policymaker who played a central role in formulating and promoting the New Economic Mechanism. Bognár was a public intellectual and academic generalist who advocated for the modernization of Hungary’s economic structure based on realistic capabilities rather than ideological goals and gained international acclaim also for his expertise in fostering economic growth in developing countries. This paper presents József Bognár’s journey of thoughts and experiences in economic development. In exploring his views, it also discusses his endeavours and initiatives in institutional development intended to support the propagation and realization of his goals in economic strategy and enhance the influence of expertise on policymakers.

Die Strategie der kommunistischen Welt für den Aufbau des Kommunismus hat sich in der poststalinistischen Ära gewandelt. Die kommunistische Ideologie wurde deradikalisiert und einem pragmatischen Inkrementalismus unterworfen. Die kommunistischen Parteien versuch-

ten, ihre Legitimität auf einen erfolgreichen Aufholprozess und eine beschleunigte Modernisierung zu gründen. Um dies zu erreichen, gewährten sie Wirtschaftsexperten einen zunehmenden Einfluss auf die praktische Umsetzung des „wissenschaftlichen Sozialismus“. Gleichzeitig wetteiferten kapitalistische und kommunistische Globalisierungsideologien um Einfluss in den neuen Staaten der Dritten Welt. In dieser Zeit trat Jozsef Bognar in Ungarn als prominenter Wirtschaftspolitiker hervor, indem er eine zentrale Rolle bei der Entwicklung und Implementierung des Neuen Ökonomischen Mechanismus spielte. Bognar war ein öffentlicher Intellektueller und akademischer Generalist, der für die Modernisierung der ungarischen Wirtschaftsstruktur auf der Grundlage ihrer vorhandenen Potenziale und nicht durch die Verfolgung ideologischer Ziele eintrat. Er erlangte internationales Ansehen aufgrund seiner Expertise bei der Förderung des Wirtschaftswachstums in Entwicklungsländern. Im Artikel werden Jozsef Bognars Konzepte sowie seine Erfahrungen im Bereich der Förderung wirtschaftlicher Entwicklung vorgestellt. Außerdem werden seine Bemühungen und Initiativen bei der Umgestaltung von Institutionen diskutiert, mit denen er die Verbreitung und Verwirklichung seiner wirtschaftspolitischen Ziele fördern und den Einfluss seines Fachwissens auf politische Entscheidungsträger stärken wollte.

1. Introduction

During the era of the Soviet-style system in Hungary, József Bognár (1917–1996) emerged as one of the most prominent and highly respected figures. His extensive political, administrative, and scientific positions, coupled with his close personal connections to the leadership of the ruling Hungarian Communist Party (the Hungarian Workers' Party, later known as the Hungarian Socialist Workers' Party [HSWP]), earned him considerable recognition. Additionally, he was hailed as a leading economic policymaker and gained international acclaim for his expertise in reforming planned economies and fostering economic growth in developing countries.

József Bognár's political career skyrocketed immediately after World War II within the Independent Smallholders' Party. He ascended the ranks of his party, joining the coalition government and eventually serving as the mayor of the Hungarian capital. In each communist government preceding 1956, he was responsible for domestic and foreign trade. During the Hungarian Revolution that year, he served as deputy prime minister in Imre Nagy's coalition government. However, when a new government led by János Kádár was installed to reinstate the Soviet-type regime, Bognár declined a ministry position and instead joined an economic committee coordinated by economist István Varga. This committee focused on developing a government programme that aimed to rectify the shortcomings of previous economic policies and the planned economic system.

Bognár's identity became closely intertwined with the reform of the command economic system during this period. He earned recognition as an economist among a select circle of reformers and developed crucial ideas, such as the significance of agricultural development versus industrial growth in specific phases of modernization. He also played a central role in the elaboration and propagation of the New Economic Mechanism, which

combined the planned economy system with market elements and paved the way for further reforms in the 1980s, which resulted in the decomposition of the Soviet system. As an economic expert, Bognár gained prominent positions in public administration and academia from the early 1960s. Besides being President of the Institute for Cultural Relations, he was the only non-communist member of the Economic Working Group of the HSWP Central Committee and Chairman of the Planning and Budgetary Committee of the Hungarian Parliament for two decades. He was later Chairman of the World Economic Council, founding father and Director of the Institute of World Economics, and a department head at the Hungarian Academy of Sciences. In short, Bognár maintained a constant presence in the political, scientific, and public spheres, actively contributing to domestic and international economic policy forums.

Bognár's adaptability to changing circumstances became evident through repeated commitments to the Soviet-type regime. Despite his political loyalty and close personal ties to influential figures like János Kádár and economic politician Rezső Nyers, he maintained his status as an outsider to the HSWP. This unique position, combined with his numerous assignments, provided him ample opportunities to express expectations and criticisms towards the political leadership. As an economic policymaker and academic generalist rather than a specialist, he possessed a remarkable ability to comprehend complex processes.

Bognár approached his role as an ideologist in a broad sense, presenting problems for discussion and seeking to infuse politics, economics, and society with his evaluations of the national and world economy – both as it was and as it ought to be. He did not overtly question the Leninist ideology that, under the auspices of the Soviet Union, a new world order based on new principles could be established. As a leftist, he was concerned until his death with the more equal distribution of the world's resources. However, analyses based on factual evaluations of the political and economic reality – “rationality” as opposed to “ideology”, as he worded it – eventually led him to engage in outspoken criticism of the economic policies of the Soviet system and to the recognition of the limits of the Soviet civilizational plan.

This paper aims to present József Bognár's journey of thoughts and experiences on economic development mostly on the basis of his writings. In order to integrate the exploration of his views, I also present his endeavours and initiatives in institutional development that were meant to serve the propagation and the realization of his goals in economic strategy and enhance the influence of expertise on policymakers. The second half of the twentieth century was an era when experts in various fields exerted growing influence on policymaking, both in the West and East. It was also a period when capitalist and communist globalizational ideologies competed to broaden their spheres of influence among the new states of the Third World.

Bognár's attention similarly encompassed not only the modernization of communism and its application to the process of catch-up to developing countries but also the economic, political, and technological aspects of globalization. Through his works, we can see that he was convinced that globalization was indispensable for economic progress.

Over time, however, he came to realize that instead of two conflicting alternatives, there was only one option. Well before the dissolution of the communist realm, he understood that integrating into the inevitable process of globalization entailed temporarily aligning with the mechanism and adapting to the rules and institutions of the capitalist global system in order to transform it over time.

2. Bognár's Ghanaian Commission and the Modernization of Undeveloped Countries

In the politically and militarily polarized world that emerged after World War II, establishing connections with undeveloped countries that had gained independence from colonial ties was considered promising for the state socialist camp in terms of increasing its political and economic influence. Concurrent with the favourable shift in political power, the communist world system could expect access to new markets and sources of raw materials through engagement with the so-called “Third World”. In the 1950s, the Soviet Union, Poland, and Czechoslovakia quickly experienced a significant increase in machine exports in this direction, marking an encouraging start.¹ At that time, the dynamics of the economies of the Soviet-type regimes exceeded the global economic average, so their model of modernization, especially for emerging African countries, offered an alternative economic development. Simultaneously, the new relationships established with the Soviet Union and other members of the Council for Mutual Economic Assistance (CMEA) expanded the political sphere of action for these countries' new governments.

By the 1950s, Hungary's foreign trade relations had undergone a radical transformation. Under the new Soviet-type regime, 70 to 80 percent of the country's total foreign trade was conducted through long-term barter agreements within the communist world system.² As one of the poorest members of the Eastern bloc in terms of essential raw materials, Hungary relied on its allies, primarily the Soviet Union, for two-thirds of its material imports. Therefore, in addition to imports, the country was also interested in participating in joint explorations initiated in the territory of its allies, strict cooperation in state socialist integration, and finding ways to acquire materials considered scarce within its world system from outside sources.

Although Hungary had already been involved in the construction of a power plant in Egypt during the early 1950s to supply energy to the Hulwan steelworks and had increased its cotton imports from Egypt, it took a few years longer than other Eastern European countries to initiate connections with developing countries due to the eco-

1 F. Molnár, *Az iparosítás és a külkereskedelem összefüggése a gazdaságilag elmaradott országokban* [Industrialization and Foreign Trade in Under-Developed Countries], in: *Közgazdasági Szemle* [Economic Review] (1957) 8–9, p. 948.

2 I. Pető, S. Szakács, *A hazai gazdaság négy évtizedének története 1945–1985. I. Az újjáépítés és a tervutasításos irányítás időszaka* [The Hungarian Economic History of Four Decades 1945–1985. Volume I, The Era of the Reconstruction and the Centrally Planned Economy], Budapest 1985, pp. 651–668, especially 659.

conomic recovery period following the 1956 revolution. Seeking a way out of international political isolation, the HSWP, led by János Kádár, initiated the expansion of economic relations with both certain capitalist countries of the developed West and some developing countries, notably Iran, Indonesia, India, and Egypt, which were also considered to be within the capitalist world system. In addition to recruiting political allies, which was the primary reason for the newly conceived openness, the developing countries were seen as potential markets for Hungarian machinery and equipment exports.

In the summer of 1961, the president of independent Ghana, Kwame Nkrumah, visited Eastern Europe to seek political and economic supporters for the modernization of his country. Nkrumah was a proponent of African unity and socialism and regarded from the perspective of the Communist Bloc as the flag bearer of the anti-imperialist struggle in the Third World. During his stay in Budapest, he came across a book written by József Bognár that discussed Hungary's experiences with the Soviet-type centrally planned economy. The impact of this work led Nkrumah to specifically request József Bognár, rather than any of the numerous economists and experts available internationally, to develop an economic plan.³ The Seven-Year Plan had to ensure the rapid economic development of Ghana according to the Soviet-type model. Nkrumah's invitation redirected Bognár's attention to the modernization of developing countries, a new horizon of research in economics and politics previously unconsidered in Hungary. This request enhanced Bognár's reputation both on the international stage, as the first expert from a state socialist country to be given such a task, and within party circles and among economists in Hungary.

Bognár arrived in Ghana in January 1962 and, together with two Hungarian colleagues, spent four months there. They supplemented information gathered in Hungary with locally obtainable data and practical experiences.⁴ Two additional one-month trips enabled them to further familiarize themselves with the country's social and economic conditions. Upon his return (to Hungary), Bognár concluded that despite the country's political independence, Ghana's economy could only be transformed over a long period of time, and modernization would require significant financial sacrifices. Bognár emphasized the analysis of factors beyond the economy following the Swedish economist and sociologist Gunnar Myrdal.

According to this view, the major obstacle to increasing productivity for Ghana was the pre-feudal relations in the country: "Centralized state power is the most dynamic factor in eliminating atavistic social heritage and creating the conditions for economic development", stated Bognár.⁵ However, he noted that the Ghanaian state, unlike the Soviet-type regimes, was not sufficiently strong and experienced to carry out economic

3 J. Bognár, A gazdaságilag gyengén fejlett országok növekedési problémái a ghanai tervezés tükrében [Growth Difficulties of the Under-Developed Countries in the Light of the Development of an Economic Plan For Ghana], in: *Közgazdasági Szemle* (1962) 7, p. 820.

4 T. Bácskai, A kreatív közvetítő [The Creative Mediator], in: *Társadalomkutatás [Social Researcher]* (1997) 1–2, pp. 152–155.

5 Bognár, A gazdaságilag gyengén fejlett országok, p. 822.

and social modernization. Consequently, he concluded, planning should be done with large margins of error, and the implementation of any plan could easily fail.⁶

One of Bognár's main findings was that planning could not be extended to every aspect of the economy. In the case of Ghana, Bognár suggested focusing on the modernization of agriculture to initiate development. Development could only be initiated by focusing on gradualism and balancing social and political forces. The sources of accumulation necessary for take-off could partly follow the communist accumulation based on the central role of the state and nationalization of different assets. However, foreign loans and aid played a much larger role in Ghana and elsewhere in the Third World. Communist countries, he thought, could contribute to this process with loans provided exclusively for governments, which, alongside technical assistance, could enable the construction of crucial facilities with low interest burdens.

Since undeveloped countries needed to finance many unproductive investments to kick-start economic growth, such as infrastructure, healthcare, and education investments, they also had to establish more productive investments to ensure profits for loan repayment and import coverage. According to Bognár's plan, these investments should be directed towards the development of agricultural production and establishment of light industry rather than follow the more general conviction that industry should be developed in the first phase. In order to reduce dependence on foreign countries, he suggested, such nations needed to first strive for greater self-sufficiency in production and focus on improving the terms of trade from the exports side through long-term contacts. Bognár's proposal offered an opportunity for developing countries to move away from the monopolies operating in the capitalist world market and approach the communist world system.⁷

3. Directing Hungary's Cultural and Scientific Relations

Following Nkrumah's visit to Hungary in 1961, Bognár was appointed as President of the Institute of Cultural Relations, based on János Kádár's proposal.⁸ Bognár held this position, leading Hungarian cultural diplomacy, until November 1969. During his tenure, he undertook numerous trips, participated in planning consultations, and provided recommendations for economic policies. His primary task was to establish an institution similar to the Soviet All-Union Society for Cultural Relations with Foreign Countries (*Vsesoiuznoe Obschestvo Kul'turnoi Sviasi s zagranitsej*, VOKS) that would consolidate and coordinate Hungary's cultural and scientific relations within a new institutional framework. This also involved establishing bilateral agreements for cultural and scientific exchanges.

6 Ibid., p. 829.

7 Ibid., p. 836.

8 Hungarian National Archives (hereafter HNA) 288. 5/244, Minutes of the HSWP Political Committee, 26 September 1961.

Despite the increase in bureaucratic responsibilities, the coordination of cultural and scientific foreign relations by the institute gradually facilitated the acceptance of the necessity of openness in various areas that still had remnants of Stalinist autarky and had not yet escaped the limits of the communist world. This allowed for increased opportunities for scientists, scholars, and artists to build connections and travel. The establishment of foreign relations became a regular practice of ministries, expanding the number of individuals sent abroad to gain experience or fulfil other assignments. By the time Bognár left his position, some one thousand people per year were making official trips abroad, not including those who travelled to state socialist countries for mutual cooperation.

The restructuring of the Institute of Cultural Relations aimed to centralize the control of cultural foreign relations, but its expanded scope primarily thrived in areas where there were no existing institutions responsible for such connections. The development of relations with socialist countries, which was considered the ideologically primary direction of foreign relations, and the exploration of technical and scientific opportunities in the Eastern direction, which was impelled by political directives, encountered various obstacles. These included bureaucratic difficulties, organization of the implied inter-bloc visits, and the lack of direct contact between institutions and scholars of the communist countries.⁹

Notably, the institute expanded Hungary's network of connections, primarily through cultural agreements with Western countries. Also, collaboration with the "South", referring to developing countries in the Middle East and Africa, emerged as a prominent direction in the early 1960s. These contacts, which increasingly captured Bognár's personal interest, multiplied. Hungary's "development guidelines" and specialized knowledge in areas such as mining, water management, healthcare, and education became valuable export commodities.¹⁰

Initially, Bognár believed that the fundamental assistance to be provided to developing countries should involve acquainting them with Hungary's example of a planned economy and the Soviet-type model, which was in full accordance with Moscow's ideological and power interests. However, in response to the challenges of economic development and in the light of his personal experiences in Ghana, the focus shifted to the advisory activities of a wide range of experts who could be deployed within international projects. Concrete examples of "intellectual assistance" were sought instead of propagandistic results.¹¹

By the mid-1960s, the institute had signed twelve cultural and eleven technical-scientific agreements with developing countries. Closer and more complex cooperation, however, primarily developed with Hungary's traditional partner, Egypt, while relationships with

9 HNA XIX-A-33-b box 31, Minutes of the Executive Board, 30 October 1963.

10 P. Apor, Magyarország és a harmadik világ kapcsolatai, 1948–1990 [The Relationship between Hungary and the Third World 1948–1990], in: S. Horváth, G. D. Kecskés, M. Mitrovits (eds.), Magyarország külkapcsolatai (1945–1990) [Hungary's Foreign Relations (1945–1990)], Budapest 2021, pp. 569–590.

11 HNA XIX-A-33-b box 49, Report on the Hungarian People's Republic relationship with the developing countries, 1965.

most African countries remained one-sided. Numerous obstacles hindered them, and despite political intentions, Hungary could only provide limited financial resources for investments in these countries.¹² Additionally, there was a shortage of experts who were proficient in the required languages and showed an interest in the region. Nevertheless, despite the difficulties, by the end of the decade, three-quarters of the 213 Hungarian experts whose deployment the institute had facilitated were working in Algeria, Cuba, or Nigeria.¹³

4. The Afro-Asian Research Centre

While preparing for his trip to Ghana, Bognár formed a small research group to collect data and conduct preliminary studies with financial support from the Hungarian Academy of Sciences (HAS).¹⁴ In 1963, based on the work of this group of economists, HAS established the Afro-Asian Research Group, later known as the Afro-Asian Research Centre. This marked the beginning of systematic research on developing countries in Hungary under Bognár's supervision. The centre and its scholars soon also became well known for their expertise outside the Communist Bloc.

Through his travels and meetings with economic consultants from international organizations, Bognár was aware that numerous research institutes in the West specialized in the economic development of underdeveloped nations, particularly in former colonial countries. In order to compete with them, he believed it was necessary for communist countries to have well-prepared advisors. Thus, he advocated for cooperation among these countries in research and planning for the development of underdeveloped nations, even considering their more limited financial resources. In 1966, researchers from the Afro-Asian Research Centre already participated in a joint conference of Africanists from Eastern Europe.¹⁵ In just a few years, the centre grew into an interdisciplinary think tank. It collaborated with external scholars and regularly published studies in various foreign languages, focusing on different aspects of the economies of third-world countries. Instead of proposing a specific modernization model, the centre examined growth opportunities based on the social and economic conditions of each country.¹⁶

As the head of the centre, Bognár gained a reputation in international circles through the results of his research group and his advisory activities. He published a comprehensive monograph, *Managing Economic Growth in Developing Countries*, which earned in-

12 Z. Prantner, *Jemen és a szocialista országok 1955-1970 [Yemen and the Socialist Countries 1955-1970]*, in: *Mediterrán Dolgozatok [Mediterranean Papers]* (2009) 2, pp. 174–193.

13 HNA XIX-A-33-b box 21, Guidelines for sending experts in developing countries, 16 January 1970.

14 Hungarian Academy of Sciences (hereafter HAS) Archives V. 102 box 185, Minutes of the Permanent Committee of Economics, May 1963.

15 HNA XIX-A-33-b box 55, The Afro-Asian Research Group of HAS.

16 Bognár, *A gazdaságilag gyengén fejlett országok*, pp. 839–840.

ternational recognition.¹⁷ Bognár's main work on the developing world, while considering modernization methods, did not view growth as the ultimate goal for these countries, which he was convinced was the scope for Hungary to determine. Bognár recognized that the modernization of developing countries was more complex than that represented by previous growth models, whether capitalist or communist. He took into account historically shaped conditions, such as global economic dependence, social formations, and population growth. He emphasized the differences and diverse paths that these countries could follow, weighing the difficulties and possibilities. He acknowledged that the initial optimism in the 1960s had waned due to the intensification of global connections. The gap between rich and poor countries was widening rapidly, even with national independence and assistance from the communist world. Bognár warned that this process could ultimately lead to a disaster for humanity. However, he also believed that recognizing the danger provided hope for progressive forces to gradually establish a new global market mechanism.

Bognár believed that catching up with developed countries could be achieved in the long run. He and his fellow researchers at the Institute (e.g. Béla Kádár, Mihály Simai, and Tamás Szentés) agreed with Gunnar Myrdal's views that the key to effective modernization in the Third World lay in creating a balanced and gradual development as well as activating international cooperation and aid. However, until a desirable degree of industrialization was reached, developing countries needed to maintain close relationships with capitalist nations and integrate themselves into the capitalist world order. They required contacts with developed economies for access to markets, expertise, and financial resources to compensate for low accumulation, even though trade barriers might be necessary to protect domestic industries.

Foreign trade, according to Bognár, played a critical role in development. Import-saving economic policies, such as the domestic processing of raw materials and protection of domestic industries, could reduce dependency on developed countries until a certain level of development was reached. However, joining the world market would become necessary for competitiveness. Bognár proposed more equitable relations between developed and developing countries as a key element of the new global market system and suggested that the relationships formed with Eastern European countries could serve as a model. He envisioned changing the structure and conditions of loans provided to developing countries based on the model of loans employed among state socialist countries to avoid draining profits from the developing economies through investments and loans. Bognár also emphasized the importance of increasing aid funds and redistributing global incomes, similar to the recommendations of the Geneva World Trade Conference. International institutions were assigned a prominent role in the distribution of support and monitoring of modernization processes. He advocated for representatives of these institutions to become part of the management of multinational corporations operat-

17 J. Bognár, *A gazdasági növekedés irányítása a fejlődő világban*, Budapest 1967 (published in English as *Economic Policy and Planning in Developing Countries*, Budapest 1968).

ing globally, with representatives from developing countries to represent their specific interests. He believed in the internationalization of the entire aid system, proposing the establishment of global clearinghouses supervised by the UN to facilitate efficient coordination of offers and demands. The role of international institutions would be to promote rational economic action globally, ensuring the broad utilization of global resources in the interest of humanity as a whole.

During the transitional phase in developing countries, revolutionary changes were not expected. Political leadership needed to carefully select economic issues to address in order to avoid social upheavals. Bognár emphasized the importance of economic policy concepts guiding decision-making rather than relying on complex plans that had caused harm in communist industrialization. He believed that strategies did not need to be overly detailed but should outline the main directions. Leaders of newly independent countries should pursue a compromise-oriented yet consistent policy, considering both ideal actions and political feasibility while taking into account society's capacities.

Held in Budapest in 1968, the second conference of researchers from CMEA countries studying developing countries focused on development problems in African countries. The conference discussed the issues addressed in Bognár's book, including the experiences and possibilities of rapid modernization as well as strategies to be pursued towards these countries by the Eastern bloc. The participants concluded that comprehensive planning encompassing the entire national economy in these countries had failed. They found that a long-term plan, on average, remained valid for only eight months in the new states due to the uncertain political environment,¹⁸ and they recognized that the experiences of Soviet-type economic planning could not be directly applied. Plans needed to align with the specific conditions of each country and its likelihood of avoiding political crises. Bognár himself spoke against planning as the only way to create a centralized economy and achieve accelerated modernization. Others suggested reducing the reliance on plans and focusing on investment-oriented projects.

While the conference participants could not agree on whether planned economic development was possible under capitalist conditions or only after a social revolution in the future, they did accept that it was not the task of communist researchers to "develop recommendations for improving the implementation of plans for these countries" – rather, their task was "constructive criticism to facilitate the development of a non-capitalist, socialist alternative".¹⁹ Cooperation between state socialist and developing countries could involve long-term agreements, loans for local processing of raw materials, the establishment of joint ventures, and consultations.

These conclusions represented a significant departure from communist propaganda and the expectations of the 1950s. Experts, including Bognár, recognized that the communist realm could not be extended to these countries, at least not in the foreseeable future.

18 B. Kádár, *Gazdasági tervek és a végrehajtás problémái a fejlődő országokban* [Economic Plans and Implementation in the Developing Countries], in: *Gazdaság* [Economy] (1969) 4, p. 114.

19 *Ibid.*, p. 116.

They acknowledged that contacts with state socialist countries had thus far played only a limited role in the modernization of undeveloped economies.

5. Reforming the Soviet-type Planned Economy Model in Hungary

As the failures of development plans became evident in the Third World, the sustainability of the Soviet-style modernization based on a command economy system also posed challenges in Eastern Europe. József Bognár, a proponent of reform plans introducing the New Economic Mechanism in Hungary, aimed to transform the planned economy to achieve long-term economic growth and balance on the basis of technological improvements. His views on the growth opportunities of Hungary and developing countries shared a common thread: the rejection of complex plans as the sole focus for moderately developed economies, like those of Hungary and the Third World. Bognár believed that economic growth, closely tied to social modernization, relied on expanding foreign economic relations. In this “overcrowded era of interdependencies”, he argued, small economies, whether developing or developed, were ultimately influenced by international circumstances. Even during the initial, more autarkic phase of Soviet-style economic transformation and modernization, Hungary, as a small economy with limited resources, did not sever all ties with the world economy.

As Minister of Trade in the early 1950s, Bognár advocated for increased exports of traditional goods, particularly agricultural products. However, the prioritization of industrial development over agriculture within the domestic economy hindered this goal. The CMEA played a crucial role in this prioritization by providing necessary raw materials for economic development and foreign markets for Hungarian industrial products. During the period of extensive economic development, a tripartite system of products emerged, categorized according to their suitability for the domestic, communist, or global market. Within the concept of foreign trade under the New Economic Mechanism, Bognár considered the phase of import-saving industrialization complete. He emphasized the importance of gradually aligning “domestic economic norms (value relations and incentives) with world market norms” to enhance Hungary’s competitiveness in the global market and boost exports. To achieve this, he advocated for an exchange rate adjusted to costs, the approximation of domestic prices to world market prices, the decentralization of export activities, the liberalization of imports, and the establishment of collaborations with foreign companies, even if it meant temporary imbalances in foreign trade due to increased imports.

The convergence of norms among the three types of markets as envisioned by the economic reform required the development of new mechanisms and an emphasis on export-oriented development policies within the economic integration of Eastern European countries. This transformation needed to occur gradually and with the support of all member states in the communist camp. However, it was also an inevitable change; as Bognár noted,

*[...] different socio-economic systems not only have inherent self-development but also change under the influence of impulses and competition from the world, that is, from foreign socio-economic systems. In this sense, the two confronting socio-economic systems reciprocally need each other.*²⁰

Bognár predicted that the introduction of the New Economic Mechanism would lead to “a change in society’s perception of itself and the world”.²¹ It would alter the possibilities for actions by economic actors. At the same time, it was vital for the Hungarian economy to define its own goals, behaviour, and dynamics in line with the rapidly progressing and transforming world economy. The period of intensive development demanded swift responses to changes and placed significant responsibility on economic actors, decision-makers, and economic experts involved in decision-making.

6. The Council of World Economics

The New Economic Mechanism brought about a shift in perspective, recognizing economics as a scientific discipline capable of monitoring economic processes and providing policymakers with valuable insights into the complexities of the domestic and global economy. Towards the end of the 1960s, the Hungarian party leadership displayed a willingness to explore scientifically grounded alternatives. In an effort to connect expert opinions with economic decision-making, the government established the Council of World Economics, with Bognár assuming the role of its president in 1969. Under Bognár’s leadership, the council aimed to continue the discussions of a closed circle of economic experts and politicians initiated during the reform process about economic policies.

The council comprised party and state leaders, company executives, and renowned economists. Analytical teams initially provided by the Afro-Asian Research Centre and also led by Bognár were responsible for preparing discussion materials. Consequently, the centre gained new responsibilities, focusing on the international aspects of Hungary’s foreign relations. In 1973, in order to expand the research capacity of the council, the Institute of World Economy was established, based on the Afro-Asian Centre. This expansion, along with a parallel development in the institute’s organizational framework, signified a broadening of its research profile. The emphasis shifted towards key players and important processes in the world economy, moving beyond the modernization of the Third World and anti-imperialist struggles. The most significant change was the role of the institute, which now involved “providing analyses for decision-making in

20 J. Bognár, Új mechanizmus és külkereskedelmi koncepció [The New Mechanism and the Concept of Foreign Trade], in: *Közgazdasági Szemle* (1967) 1, p. 166.

21 *Ibid.*, p. 167.

economic planning, formulating foreign trade concepts, and supplying the party and the government with specialized background studies”.²²

The Institute of World Economy quickly gained recognition both within Hungary and abroad. Its research primarily focused on compiling global economic forecasts, tracking developments in Soviet-type and capitalist economies, analysing East-West economic relations, and examining relevant phenomena such as inflation, world resources and their distribution, population growth, and food supply.²³ Unfortunately, the minutes of the Council of World Economics were not preserved. However, the reports and papers of the institute, published in different languages or accessible among the documents of the governmental Committee for International Economic Relations, reflect Bognár’s perspective supported by rigorous scientific arguments, particularly regarding the vulnerability and limited scope of action for small, open economies, as well as the need to adapt Hungarian economic policies to the demands of the new era in the world economy.²⁴

7. The New Era of the World Economy

In the 1970s, József Bognár shifted his focus from the issues of the Third World to exploring new horizons. After advocating for an export-oriented economic policy in Hungary and the expansion of international economic relations, he began examining potential paths for the Hungarian economy within the communist world system and the options available to developing economies in terms of global economic development.²⁵ Bognár called attention to the formation of a new era in the world economy caused particularly by a series of crises (the collapse of the Bretton Woods agreements, oil price shocks, recession, inflation, etc.) in the capitalist world economy,²⁶ as well as to the unavoidable repercussions of these events on Hungary’s economy. He highlighted that these crises were not the sole cause of the new era in the world economy; rather, they were part of a complex development crisis involving political, security, demographic, and environmental components worldwide.

Bognár emphasized that as world trade relations strengthened, interdependencies between economic integrations, continents, and states also increased. He addressed the concept of globalization when it emerged in international academic literature, introducing terms such as “new era in world economy”, “global economic transition”, “interdependencies”, and “global problems” to Hungarian economics and public discourse

22 HAS Archives VIII. 226. box 6, Institute of World Economy, 17 September 1986.

23 M. Simai, *A VKI első negyven éve* [The First Forty Years of the Institute of World Economy], in: M. Szanyi (ed.) *Válság és megújulás. Múlt, jelen és jövő a világgazdaságban* [Crisis and Renewal. Past, Present and Future in the World Economy], Budapest 2013, pp. 9–16.

24 I. Kőrösi, *Bognár József akadémikus tudományos munkássága és szellemi öröksége* [József Bognár’s Scholarly Achievements and Legacy], in: *Közgazdasági Szemle* (2017) 5, pp. 546–561.

25 Bognár also addressed the new era in the world economy in his inaugural speech at HAS on 19 December 1974.

26 See I. T. Berend, *Economic History of Twentieth-Century Europe. Economic Regimes from Laissez-Faire to Globalization*, Cambridge 2016.

to describe the emergence of globalization.²⁷ He believed that global interconnections extended beyond the realm of economy and international exchange, asserting that political crises and social disturbances could have far-reaching impacts. The interdependencies he frequently referred to as key characteristics of the new era align with Anthony Giddens' later definition of globalization as "linking distant localities in such a way that local events are influenced by occurrences taking place many miles away".²⁸ However, Bognár attributed the triggers of globalization to ongoing processes in the world economy. With the emergence of the new world economic situation, other global problems closely related to it needed to be addressed. Bognár viewed the world economy as an undivided whole despite its composition of capitalist and Soviet-type social and economic systems and varying levels of development in the Third World. Global economic relations and the global division of labour restricted the actions of these systems, as strong interdependencies mitigated any one-sided exploitation of economic capabilities and power imbalances, compelling participants in the global economy towards collective actions.²⁹ Furthermore, for Bognár, these different systems could converge during their development. "Fundamental" issues, such as those related to non-renewable resources, risks associated with technological advancement, population growth, the indebtedness of the poorest countries, and environmental problems, could not be resolved solely through bilateral agreements or cooperation between the two world systems. They required a global collaboration.

According to Bognár's conclusions, the transformation of the institutional order of collective action and international relations would soon commence because "the interests of all three participants in the global economy favour change"³⁰ despite their differing motivations. Capitalist countries faced various pressures while developing nations with natural resources sought institutional consolidation, and state socialist countries also had significant economic interests in the emergence of the new system.³¹ Poor countries hoped to avert disasters through the new economic system. Bognár consistently stated, One of the major driving forces of today's economy is the rapid industrial application of inventions and innovations produced by the scientific revolution. Isolation would practically mean limiting the spread of inventions and technological achievements from outside the communist world, hindering our development.³²

Bognár advocated a different form of globalism to the economic liberalization proposed by the neoconservative reaction to the general crisis of the world market economy in the

27 J. Bognár, *Világ gazdasági korszakváltás* [The New Era in the World Economy], Budapest 1976.

28 M. B. Steger, *Globalization. A Very Short Introduction*, Oxford 2003, p. 10.

29 J. Bognár, *A nemzetközi kapcsolatok új rendszeréért folyó küzdelem* [The Struggle for the New System of International Relations], Budapest 1977, p. 21.

30 J. Bognár, *Új tényezők a nemzetközi gazdasági kapcsolatok rendszerében* [New Conditions in the International Economic Relations], in: *Közgazdasági Szemle* (1975) 1, pp. 189–192.

31 *Ibid.*, p. 202.

32 Bognár, *Világ gazdasági korszakváltás*, pp. 80–81.

1970s.³³ This would be built on “rational” economic and political decisions, prioritizing sustainable development over liberal values. Bognár firmly believed that international cooperation could and would promote material progress worldwide. As early as 1967, he discussed the food problem of the developing world and highlighted the need for a new global market mechanism based on the material interests of the free market. However, with regard to matters affecting the future of mankind, “in emergency situations, and in issues of extremely great interest or of big danger, the new order will act to resolve the problems and eliminate the danger through the cooperation of national governments at the international level”.³⁴

In October 1976, as Vice President of the Hungarian Peace Council, Bognár co-organized the World Development Conference held in Budapest. There, he presented the perspective of developing countries on the new order of international relations.³⁵ In addition to discussing their conditions and evaluating their progress, he emphasized that these countries were forming a new centre of power in the world due to their numerical superiority and growing consciousness. Bognár believed that through the collective international actions of the Third World, such as the UN acceptance of new principles in the international economic order, the pressure exerted by developing countries could bring about a new world order based on equality.

Regarding Hungary, Bognár asserted that the new era in the world economy demanded a more determined continuation of the path outlined by the foreign economic strategy of the New Economic Mechanism. As successful modernization in Hungary relied on effective adaptation to global requirements, he stressed the need for

*[...] changes in the economic structure, new incentive systems, efficient organizations, and responsiveness, to improve the competitiveness of export-oriented Hungarian companies in terms of quality, price, credit availability, and complex services, enabling them to compete with capitalist companies and corporations appearing in the global market.*³⁶

This competitiveness, linked to technological and managerial modernization, was only achievable and sustainable through the regular reconsideration of decisions in response to changing economic conditions and a re-evaluation of global market relations. Instead of considering export and import activities with the capitalist world as supplementary, Hungary should strive for reintegration into the trends of the world economy. Bognár consistently warned Hungary’s political leaders that if the country’s economy failed to adapt to the global market and diverged from the world economy system, it would result in the end of modernization and the decline of the country.

33 J. Bognár, *Fejlődés és együttműködés századvégi fordulópontjai* [End-of-Century Crossroads of Development and Cooperation], Budapest 1980.

34 Bognár, *Új tényezők*, p. 196.

35 Gy. Bognár, *Fejlődési béke-világkonferencia Budapesten* [World Peace Conference in Budapest on Development], in: *Külügyi Szemle* [Foreign Affairs] (1976) 4, pp. 86–95.

36 J. Bognár, *Világgazdasági korszakváltás*, p. 103.

8. Integration into the Global Economy

József Bognár's scientific career reached its pinnacle in the 1980s when he became the director of all economic institutes of HAS. He also held key positions within the Hungarian Academy. Alongside his academic roles, he maintained his political functions, some of which he had held for decades. Leveraging these, Bognár implemented his economic policy proposals, taking advantage of the wave of economic and governmental reforms that re-emerged in the early 1980s. These reforms were a continuation and further development of the reforms initiated in 1968 but later halted. As mentioned (above), Bognár advocated for an export-oriented economic policy to bridge the technological gap between Hungary and Western developed economies. This entailed intensifying foreign trade relations and expanding economic collaboration. Meanwhile, Bognár and other reform economists in Hungary realized that the Eastern bloc was incapable of the necessary transformation to strengthen economic exchanges with the outside world. Consequently, Hungarian modernization and resolving the country's debt crisis depended on enhancing relations outside of communist integration. While there had been hope of reforming CMEA in the previous decade, the focus in the 1980s shifted away from Eastern economic integration and towards adapting Hungary to the world economy. Bognár's active involvement in various academic, political, and public forums played a significant role in this economic shift and in the discourse around it.

In 1980, Bognár became a member of the Club of Rome, and he was later invited to several international academies within the Western scientific community. These platforms provided him with opportunities to further develop his ideas on the sustainable development of the global economy and the establishment of a new global order. In the introduction to his main written work in the 1980s, *End-of-Century Crossroads of Development and Cooperation*,³⁷ Bognár emphasized the interconnectedness of modernizing underdeveloped countries and advancing humanity within a global context:

*It is almost irrelevant whether we start from the global world problems and then address the serious issues of the Third World, or if we explore and seek paths and possibilities for the Third World's development and progress, which will lead us to alternative paths of global development.*³⁸

According to Bognár, and contrary to the Club of Rome's suggestions, the solution to global problems should still rely on a growth-based model. The goal was to achieve a type of development that involved lower economic dynamics and reduced material and energy consumption. Recognizing that restraining economic growth in the world economy would disproportionately affect poorer countries, Bognár proposed an alternative approach. This approach, while preserving profit maximization through the capitalist mechanism, aimed to change the distribution of resources in favour of the most disad-

37 Bognár, *Fejlődés és együttműködés*.

38 *Ibid.*, p. 7.

vantaged while also minimizing environmental impacts. Bognár argued that intervention in the global economy involving all three worlds (First, Second, and Third) was necessary. Tools such as redistribution, aid, and debt restructuring should be employed to promote rational growth. Due to the ineffectiveness of spontaneous processes in the free market, Bognár believed that only a high-level world conference and international consensus could facilitate the acceptance of intervention methods. Such a conference could adopt a multi-decade, multi-phase plan with mutual guarantees.³⁹

Bognár considered lower-level international consultations insufficient for solving global-scale problems. Although the food conference organized by the Club of Rome was held in Budapest between 27 and 30 September 1983,⁴⁰ which was a success for Hungarian diplomacy and for Bognár himself, its participants lacked the necessary political or economic power to take significant action. Therefore, the conference primarily focused on analysing the situation and formulating proposals.

Bognár, along with other analysts, examined why previous plans to solve global food issues had not been successful and discussed ways to promote the modernization of developing countries so that they could achieve self-sufficiency in food production. Bognár emphasized the wasted two decades and how this delay had negatively impacted development conditions.⁴¹ He proposed addressing the world's food supply within the existing global economic structure while recognizing the insufficiency of international organizations in terms of power, influence, and funding.⁴² Bognár suggested that developed countries should patronize selected developing economies, providing comprehensive assistance through a patronage system to facilitate societal modernization while maintaining national identities. This type of aid provision would last for several decades. Additionally, an international fund could be established from surpluses generated by the restrained global production, which could be distributed accordingly. Developing countries, on the other side, would need to commit to agricultural development, shifting away from the consumption-oriented industrial policies of the 1960s and 1970s.

The communist world system, as Bognár saw, could participate more intensively in the world economy due to its development, which would allow for a more prominent role in the catch-up process of underdeveloped countries. He acknowledged the potential negative impact of Cold War tensions in the 1980s on cooperation between the West and the East. However, he remained optimistic, believing that the interests of humanity would ultimately lead to a return of relaxation and emphasizing the importance of “thinking in

39 Ibid., p. 330.

40 I. Rosta: A tudomány történetéből. Világproblémák, globalizáció. A Római Klub három jubileuma 2008-ban [From The History Of Science. Global Problems, Globalization. Three Anniversaries of the Club of Rome in 2008], in: Magyar Tudomány [Hungarian Science] (2008) 1, pp. 1516–1521.

41 P. Vándor (ed.), Élelem hatmilliárd ember számára [Food for Six Billion People], Budapest 1985.

42 Bognár, Fejlődés és együttműködés, p. 131.

a global dimension".⁴³ Bognár argued that international economic relations should not be subject to political crises but rather required continuity and security.⁴⁴

Amid the new economic era described by Bognár, he observed the acceleration of economic internationalization. By the 1980s, multilateral relationships among the three worlds had increased.⁴⁵ Although domestic economies experienced significant changes, rendering the relationships among state socialist countries dependent on global economic impacts, Bognár expressed disappointment that the necessary changes within the CMEA in terms of structure and accountability had not occurred. These changes would have facilitated the integration of the communist camp with the world economy. As mentioned, regarding economic reform plans in Hungary, Bognár firmly believed that Hungary's transition to a period of intensive economic development necessitated its entry to the global market, even if a new economic era had not yet formed.⁴⁶

Bognár acknowledged that Hungary's membership in the communist economic realm had certain mutual economic advantages, as it shielded the country from certain aspects of the capitalist world economy. However, he also noted that it had accumulated significant negative consequences alongside its earlier advantages.⁴⁷ Consequently, he argued that trade with the West should be governed by the same rules as trade with the East. If a new international order promoting the resolution of global problems were established, it would also ensure cooperation and "convertibility" between the two systems.⁴⁸

After the economic difficulties of the 1970s, the Hungarian communist leadership did not develop a foreign economic concept that considered the impact of international interconnections on the country's opportunities for modernization. The regime was, however, forced to join some international (capitalist) organizations, like the International Monetary Fund and the World Bank, in order to be able to fuel the economy. Bognár observed a lack of consistent development strategies both in economic policy and in the actions of economic leaders, which were characterized by a combination of bold decisions and hesitation.⁴⁹ He recognized the particular challenges that state socialist regimes, including Hungary, faced in adapting to the conditions of the world market. These countries' structures and interest relations, he observed, were prone to rigidity, while intensive modernization required significantly more dynamic and diverse international relations than had been established during *détente*, which intermittently replaced Cold War tensions.⁵⁰

43 Marx és korunk kérdései. Jubileumi Marx-konferencia [Marx and the Problems of Our Times. Conference], in: *Közgazdasági Szemle* (1984) 1, pp. 104–105.

44 Az 1980. évi Széchenyi-emléknapokról [About the Széchenyi Commemorative Days], in: *Közgazdasági Szemle* (1980) 11, pp. 1367–1368.

45 Bognár, *Fejlődés és együttműködés*, p. 20.

46 *Ibid.*, p. 273.

47 *Ibid.*, p. 275.

48 *Ibid.*, p. 279.

49 J. Bognár, A külgazdasági tényező változó szerepe a szocialista gazdaság fejlődésében [The Changing Role of the Foreign Trade in the Development of the Socialist Economy], in: *Valóság* (1986) 3, p. 1.

50 *Ibid.*, p. 4.

In 1986, Bognár cautioned that the lack of transformative capacity could lead not only to lagging behind but also to a political crisis.⁵¹ These ideological antecedents led him to become involved in the advisory bodies of Károly Grósz's and Miklós Németh's communist governments, which were engaged in the rearguard battles of the Soviet-type regime in Hungary and eventually navigated the political transition leading to new circumstances in both politics and economics within Hungary and its relations with the world and globality.

9. Conclusion

When examining József Bognár's career, it becomes evident that he delved into the Hungarian experience with the Soviet-type system and explored the potential for transferring the accelerated modernization model to a less developed context of the Third World. Through this process, he came to understand and promote the idea that modernization goes hand-in-hand with globalization, and that the fulfilment of modernization relies on the unification of world systems. Over time, he also recognized that the communist world system could not serve as a blueprint for propelling poorly developed national economies forward; at most, it could provide alternative forms for foreign economic relations. However, Bognár remained unwavering in his noble vision of a more equitable global order, even though he believed that development could not be accelerated, not even amid the rapid transformations of the new era of the world economy. Consequently, during the transitional phase, the sole viable model was the world system grounded in the mechanisms of a free market – that is, of the First World – which, facilitated by globalization, fostered the integration of the Second and Third Worlds.

51 Ibid., p. 6.