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Review of the achievements of Professor Olivier Blanchard in regard to the award of the title of doctor honoris causa by the Cracow University of Economics

The Cracow University of Economics has shown great determination in pursuing the laudable aim of awarding the title of *doctor honoris causa* to those foreign economists who have made the greatest contribution to knowledge about the transition from command to market economies. In 2007, this honourable title was awarded to Prof. Jeffrey Sachs, and in 2008 to Prof. János Kornai.

Before giving an opinion on the proposal to award Professor Olivier Blanchard the title of *doctor honoris causa* of the Cracow University of Economics, I would like to offer some brief reflections on how economic science has developed as a result of incorporating, as a subject of research, issues connected with the functioning of the socialist economy and the functioning of post-socialist economies during the transition period which commenced at the end of 1989.

The 20th anniversary of the transition in Poland and other post-socialist countries provides an opportunity to ponder which economists have made the greatest contribution to furthering knowledge about the nature and conditions of the transition as well as identifying and understanding its mechanisms. It is also interesting to assess the critique made by various economists of the solutions applied in the area of economic policy and their recommendations for modifying those solutions. It must be emphasised that knowledge about socialist economies developed during the post-war era in a very specific way. On the one hand, most of that knowledge arose in socialist countries and was alien to, and often disengaged from, the canons of mainstream economics. It was largely apologetic of the socialist system and focused on the broad development of normative themes, yet these were not based on a correct analysis of reality and



in this sense were unrealistic and, consequently, of little practical use. Knowledge about socialist economies was a kind of enclave that developed independently of, and separately from, mainstream world economics, which was naturally focused on market economies. There was perhaps even a sort of “iron curtain” separating socialist economics from mainstream economics. Until the 1980s, there were very few economists who took on the challenge of analysing the socialist economy from the perspective of mainstream economics. On the other hand, there did exist a group of economists who attempted to apply the research tools of modern economics to analyse and explain the processes taking place in the so-called socialist economies. In this regard, one should first and foremost mention János Kornai. His achievement was to perceive the limitations of mainstream economics for describing and understanding socialist economies whilst at the same time being able to make his own theoretical contribution. One should also mention here a few other economists from the free world who were involved in analysing the economic systems of socialist and post-socialist countries: Willem Buitter, Christopher Claque, Rudiger Dornbusch, Saul Estrin, Stanisław Gomułka, David Lipton, Kazimierz Łaski, Richard Portes and Gérard Roland.

The commencement of the process of economic change known as the transition presented a considerable challenge for economic science. There were several reasons for this:

- “Western” economists involved in creating stabilisation programmes had very limited knowledge about the initial conditions of the economies that were to be transformed,
- there were no blueprints for transition from a command to a market economy,
- the application of tried-and-tested market solutions to poorly understood post-socialist economies was extremely risky.

What this shows is that, at the beginning of the transition, economic science was characterised by insufficient theoretical (descriptive-explanatory) and practical (normative) knowledge about the functioning of the economies where market reforms had begun. Fortunately, some renowned economists realised this and took on the major challenge of creating a new sub-discipline that may be termed the “economics of transition” or the “economics of transformation”. Professor Olivier Blanchard was undoubtedly one of them. He belongs to that





leading group of economists who, over twenty years ago, began to study issues connected with the market transition and whose achievements in this area have come to be widely recognised and appreciated. Yet Professor Blanchard's academic achievements are not limited to transition issues. He is, first and foremost, a renowned economist, who has won global acclaim for his work in the fields of micro-and macroeconomics in addition to his research on post-socialist economies.

It is standard procedure, when writing an opinion in regard to the award of an honorary doctorate, to present the most important events in the Candidate's life. Olivier Blanchard was born in 1948 in Amiens, France. In 1972, he graduated in economics from the University of Paris Nanterre. He then studied at the Massachusetts Institute of Technology (MIT), where he defended his doctoral thesis in 1977. In that same year he moved to Harvard University, where he was employed as an Assistant Professor until 1981, and as an Associate Professor in the years 1981–1983. In 1983, he took the post of Associate Professor at MIT, becoming a Professor at that university in 1985. Olivier Blanchard was Chairman of the Economics Department at MIT in the years 1998–2003. Since 1995, he has been an adviser to the Federal Reserve Bank of Boston, and since 2004 – to the Federal Reserve Bank of New York. He has been chief economist at the International Monetary Fund since 1 September 2008.

Olivier Blanchard is sometimes associated with the "New Keynesians". As I mentioned earlier, two currents may be identified within his work: mainstream economics and transition economics. In the former, the most important aspects of Blanchard's contribution to modern economics concern:

- analysis of the effects of expectations on financial and commodity markets and the role economic policy plays in this area,
- impact of small individual nominal lags and rigidities on aggregate price inertia,
- definition of the determinants of unemployment and wage levels,
- macroeconomic aspects of reform of commodity and labour markets.

Olivier Blanchard has published several dozen articles in the most prestigious international journals. He is also the author of many books. Let us list here a few of his most important publications:

– *Restoring Europe's Prosperity*, Macroeconomic Papers from the Centre for European Policy Studies, with: Rudiger Dornbusch and Richard Layard. MIT Press, 1986.

– *Lectures on Macroeconomics*, with: Stanley Fischer. MIT Press, 1989.

– *World Imbalances*, Wider World Economy Group, 1989 report, WIDER 1989.

– *Competitive Disinflation, the Mark, and Fiscal Policies in Europe*, International Policy Group at OFCE, Oxford University Press, 1993.

– *Macroeconomics*, Prentice Hall, 1997, 2000, 2003, 2005, 2008.

– *Monitoring the European Central Bank: Defining a Macroeconomic Framework for the Euro Area*, with: Alberto Alesina, Jordi Gali, Francesco Giavazzi, and Harald Uhlig, CEPR, March 2001. Update, 2001.

– *The Consequences of Saying No. An Independent Report on the Economic Consequences of Saying No to the Euro*, with: David Begg et al., London, 2003.

It should be emphasised that Olivier Blanchard also publishes in French. We may list here three examples of his French-language publications:

– *Taux d'intérêt et Chômage*, International Policy Group at OFCE, Presse de la Fondation nationale des sciences politiques, 1993.

– *Pour l'Emploi et Cohésion Sociale*, International Policy Group at OFCE, Presse de la Fondation nationale des sciences politiques, 1994.

– *La Protection de l'Emploi*, with: Jean Tirole, Conseil d'analyse économique, La Documentation française, 2003.

During the 1990s, Olivier Blanchard's research activities were dominated by transition economics and various aspects of the transformation process. As he confessed in *Conversations with Leading Economists. Interpreting Modern Macroeconomics* (Brian Snowdon, Howard R. Vane, 1999, Edward Elgar, Cheltenham, UK – Northampton, MA, USA): "From 1990, I spent a lot of time working on the transformation process in Eastern Europe. I was fascinated by the links between microeconomic and macroeconomic issues and by the interrelationship of economics and politics". For the purposes of this opinion, it is important to emphasise that the book comprises interviews with 14 economists, where Blanchard figures alongside such authorities as: James Tobin, N. Gregory Mankiw, Milton Friedman, Robert E. Lucas Jr, Alberto Alesina, Franco Modigliani, Edward C. Prescott, Robert M. Solow, Paul M. Romer and Mark Blaug. This



attests to Blanchard's high position among the most important representatives of modern economics.

Olivier Blanchard's work on the transition process is hugely significant; it is on an equal footing with other elements of his academic output. Blanchard's research and publications on the transition are characterised by profound theoretical reflections combined with reference to the empirical aspects of economic processes. The canon of world literature on transition issues includes the following works by Blanchard: *Reform in Eastern Europe, Wider World Economy Group 1990 Report* (WIDER and MIT Press, 1991); *Post Communist Reform, Wider World Economy Group 1992 Report* (Wider World Economy Group, MIT Press, 1993); *The Transition in Eastern Europe* (ed. with K. Froot and J. Sachs), Vols I and II (NBER and UCP, 1994); *The Economics of Transition* (Oxford University Press, 1997).

From the Polish point of view, it is worth noting that the first volume of *The Transition in Eastern Europe* contains a chapter devoted to Poland, written by Olivier Blanchard and Andrew Berg, entitled "Stabilization and Transition: Poland, 1990–1991". Indeed, Blanchard has authored other studies on Poland, including: "Economic Change in Poland", with Richard Layard, in *The Polish Transformation: Programme and Progress*, London: Centre for Research into Communist Economies, 1990; "Post-Stabilization Inflation in Poland", with Richard Layard, in *Wage Policy during the Transition to a Market Economy: Poland 1990–91*, World Bank discussion papers (eds F. Coricelli and A. Revenga) 1992; „Transition in Poland”, *Economic Journal* 104, September 1994, reprinted in *The Transition to the Market Economy*, (ed. Paul Hare) Routledge.

When speaking of Olivier Blanchard's connections with Poland, it should be mentioned that he was the external reviewer in the proceedings to award the title of *doctor honoris causa* of the Cracow University of Economics to Prof. János Kornai in 2008.

Especially worthy of attention in Olivier Blanchard's *oeuvre* is his well-known textbook *Macroeconomics*, which is also widely used in Poland. It has been translated into several languages and published in many countries. I should recall at this juncture the much needed and very useful initiative of translating this textbook into Polish, which has been undertaken by two teams of economists from the Cracow University of Economics and the Poznań University of Economics under the supervision of professors Andrzej Wojtyna and Tadeusz Kowalski.



The translated edition of *Macroeconomics* is being prepared in cooperation with Wolters Kluwer Polska publishers and will appear in 2011.

Among Olivier Blanchard's extraordinarily diverse activities, one should mention his participation in academic societies, advisory panels, and his role as an expert, etc. Currently, his most important activities, as listed on the MIT website, are:

- Fellow, Econometric Society, since 1985,
- Member, American Academy of Arts and Sciences, since 1990,
- Research Associate, National Bureau of Economic Research, 1982–,
- Member, Brookings Panel on Economic Activity, on and off, 1986–,
- Davidson Institute Research Fellow, 1997–,
- National Science Foundation grants, since 1979,
- Membre du Conseil d'analyse économique auprès du Premier Ministre, Paris, 1997–,
- Academic Advisory Panel, Federal Reserve Bank of Boston, 1995–,
- Economic Advisory Panel, Federal Reserve Bank of New York, 2004–.

It should be noted that the list of similar activities performed by Olivier Blanchard in the past is much longer.

In 2003, Blanchard was awarded the title of *doctor honoris causa* by the University of Quebec in Montréal.

Blanchard is also very active in the area of publishing and on the academic councils of various institutions. He sits on the advisory boards and editorial committees of many academic journals. The most important of these include:

- Founding editor, American Economic Journal of Macroeconomics, 2007–,
- President, Conseil Scientifique, École d'économie de Paris, 2006–,
- Conseil Scientifique International, Actualité Économique, Canada, 1990–,
- Advisory Board, Centre for Economic Performance, London, 1991–,
- Editorial Board, Economics of Transition, 1995–,
- Advisory Board, Social Science Electronic Publishing, 1996–,
- Advisory Board, International Finance, 1997–,
- Associate editor, German Economic Review, 1998–,
- Advisory Board, CREI, Universitat Pompeu Fabra, Barcelona, 1999–,
- Advisory Council, CAIS, Moscow, 1999–,
- International Advisory Board, NES, Moscow, 2000–,
- Advisory Board, Portuguese Economic Journal, 2000–,

- Advisory Board, Journal of Money, Credit, and Banking, 2001–,
- Research fellow, IZA, University of Bonn, 2001–,
- Advisory Board, Journal of the European Economic Association, 2003–,
- Conseil d'orientation, Institut Montaigne, Paris, 2003–,
- Member, Conseil Scientifique, AXA Research Fund, 2007–,
- Member, Board of the Luigi Einaudi Institute, Rome, 2007–,
- Member, Advisory Board of the Global Economic Symposium, Kiel Institute, 2007–.

Olivier Blanchard's teaching activities are also worthy of the highest recognition – he has been a guest lecturer at many of the world's most prestigious universities. One should also note his involvement in organising numerous academic conferences and seminars, etc.

To sum up, Professor Olivier Blanchard is undoubtedly one of the world's leading economists. This is shown both by his extensive publications and by his diverse and prolific activities as an expert, adviser, opinion-former and organiser. The importance of this output is further highlighted by the fact that the huge theoretical force of Blanchard's work is accompanied by practical elements that are of great significance to the creation and evaluation of modern economic policy. That this renowned economist has devoted so much of his research to transition economies is especially worthy of attention.

All the facts cited earlier speak unequivocally in favour of supporting the motion of the Council of the Faculty of Economics and International Relations at the Cracow University of Economics to confer upon Professor Olivier Blanchard the title of *doctor honoris causa*. The award of this honourable title to such a famous economist will be an important aspect of the celebrations to commemorate the 85th anniversary of this excellent and distinguished university.