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John C. Harsanyi [Ideological Profiles of the Economics Laureates]

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Abstract

John C. Harsanyi is among the 71 individuals who were awarded the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel between 1969 and 2012. This ideological profile is part of the project called “The Ideological Migration of the Economics Laureates,” which fills the [September 2013 issue of *Econ Journal Watch*](#).

Keywords

Classical liberalism, economists, Nobel Prize in economics, ideology, ideological migration, intellectual biography.

JEL classification

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John C. Harsanyi

by Daniel B. Klein, Ryan Daza, and Hannah Mead

John Harsanyi (1920–2000) was born in Hungary. He was an only child born of parents who converted to Catholicism from Judaism (Weymark 2008, 247). He graduated from the Lutheran Gymnasium in Budapest, alumni of which include John von Neumann. The year Harsanyi graduated, 1937, he won the First Prize in Mathematics at a nationwide competition for high school students. With the influence of Hitler's Germany on the rise in Hungary, Harsanyi decided to study pharmacy in order to obtain a military deferment and thus avoid forced labor on behalf of the Hungarian army—but when Germany invaded in 1944, he was consigned to a labor unit. Fortunately, Harsanyi managed to escape just as his unit was being deported from Budapest to a Nazi concentration camp. He found refuge in a monastery cellar provided for him by a Jesuit priest he had known (Harsanyi 2009, 223-224).

Harsanyi studied philosophy and developed a principle of rule utilitarianism, favoring a society that would “recognize morally protected individual rights and personal obligations that must not be violated except in some very rare and very special cases” (Harsanyi 1985a, 55). Harsanyi's early economic work focused on welfare economics (Myerson 2008), but he won the Nobel Prize in 1994 along with Reinhard Selten and John Nash “for their pioneering analysis of equilibria in the theory of non-cooperative games.”

After World War II, Harsanyi was able to return to the University of Budapest, where he earned his Ph.D. in philosophy in 1947. Between 1947 and 1948, he served as a junior faculty member at the University Institute of Sociology.

There, he met a student and his future wife, Anne Klauber. Harsanyi, an anti-Marxist, “felt compelled to coin bad jokes at the expense of my Communist colleagues” (Harsanyi 2009, 224). He soon found, however, that his views were making Hungary increasingly dangerous for him: “Eventually, the political situation no longer permitted them to employ an outspoken anti-Marxist, as I was, and in June of 1948 I had to resign from the Institute” (ibid.). Klauber stayed behind to finish her studies, but, Harsanyi says, “Anne...[was] continually harassed by her Communist classmates, who urged her to break up with me because of my political views. ... [T]he harassment made her realize, before I did, that Hungary was becoming a completely Stalinist country. The only sensible course of action was to leave Hungary” (ibid.).

Harsanyi and Klauber slipped across the Hungarian border in 1950 and managed to get to the American zone in Vienna. They eventually made their way to Sydney where they were married in 1951. Because Harsanyi’s English was not good and his Hungarian university degrees in pharmacy and philosophy were not recognized in Australia, he had to work in a factory while taking night classes to earn a master’s in economics from the University of Sydney, which he completed in 1953. He earned the Rockefeller Fellowship in 1956, which allowed him to come to the United States and earn his Ph.D. at Stanford. There, Harsanyi began working with his dissertation advisor, Kenneth Arrow, who recommended that he study mathematics and statistics. In 1958 his visa expired and he had to return to Sydney. With recommendations from Arrow and James Tobin, Harsanyi returned to America through an appointment at Wayne State University in Detroit in 1961. Finally in 1964 he moved to a position at the University of California at Berkeley where he spent most of his career (Harsanyi 2009, 224-228).

Of his dangerous early life, Harsanyi said:

These experiences of course gave a special bias to my interest in social and political questions, because I realized how important it is to live in a democratic society, and more important, in a liberal society in which people are free to express their opinions, free to associate with other people, and free to lead the life they want to lead. (quoted in Haas 1994)

Roger Myerson summarizes Harsanyi’s philosophy:

[W]e must imagine ourselves in an initial position before social roles have been assigned, when we could only anticipate getting the role of someone drawn at random from the whole population. Thus, ethical decision-making involves an essential element of risk, and we naturally

get a social welfare function equal to the average utility of all members of society. (Myerson 2008)

Much of Harsanyi's work was on welfare and utility. John Nash's work on cooperative and noncooperative games inspired Harsanyi to begin mathematically analyzing game theory (Harsanyi 2009). Harsanyi developed Nash's formulations to include asymmetric information, such as in negotiations (Haas 1994).

When Harsanyi worked with nine other game theorists to advise the United States in negotiations with the Soviet Union, he said, "We discovered that we couldn't advise them on this matter because these negotiations represented a game with incomplete information, in which each side knew little about the other side" (quoted in Haas 1994). Harsanyi proceeded in later years to develop game theory with an eye toward making it more effective in real-world situations.

On specific policies, Harsanyi, ever valuing democracy, looked favorably upon governmental efforts to increase voting participation (Harsanyi 2001, 398). He also saw great appeal in disarmament, but thought that unilateral disarmament would be detrimental (*ibid.*, 399).

Always driven by larger sociological issues, Harsanyi also applied game theory to moral analysis of societal organization:

[O]nce our game-theoretical model of society makes proper allowances for moral and ideological motivations, we must conclude that social institutions are *neither* mere expressions of the common moral values of the society *nor* mere expressions of the interests of the strongest group. Rather, they always represent a *compromise* among many different social interests and many different moral concerns and political ideologies. In some societies they will come closer to representing a moral consensus of the society than in others. In such societies, many of these social institutions will have a strong *prima facie* claim to moral authority—*just as Rawls has suggested*.

In other societies, the moral depravity of existing social institutions may be overwhelming. But, even in a very corrupt society, *some* laws and institutional rules will be morally binding under normal conditions. (Harsanyi 1978, 227-228, emphases in original)

He continued:

But it is important to understand that in all but the most depraved societies, civil disobedience must be the *exception*, rather than the rule; and justification of armed resistance must require even more exceptional circumstances. ...

In actual fact, the moral force of our social institutions is our main defense against tyranny, and against a state of barbarism like Hobbes's "state of nature" with a war of every man [*sic*] against every man—as well as against a civil war, a state of affairs not much better than that. (Harsanyi 1978, 228)

Harsanyi believed that if a people truly sought the common good, reason would show the correct moral code was the rule utilitarian one (Harsanyi 1985a, 55). He presumably saw himself as applying such utilitarian analysis in his opposition to socialism.

Harsanyi noted that capitalist workers are freer than those in a socialist society, in that they have more options for employers—socialist workers "face one all-powerful employer, the government, which combines all political power with all economic power" (1977, 427). Harsanyi emphasized "the great importance that the existence of a number of alternative employers in capitalist countries has for our civil liberties" (*ibid.*).

In a paper intensely critical of the socialist philosopher G. A. Cohen, Harsanyi strongly criticized academic defenders of socialism:

Unlike Dr. Cohen, I find our historical experiences in this matter to be rather disappointing. After many years of socialism, in most socialist countries, the profit motive, together with black marketeering and bureaucratic corruption, seems to be as powerful as ever; nationalism, anti-semitism, color prejudice, male chauvinism, and ideological intolerance are extremely common; and, even though the demand for luxury consumption is largely frustrated by the unbelievable inefficiencies of the socialist economy, the very demand for luxuries and the corresponding shallow materialistic attitudes are certainly no weaker in socialist countries than they are in the capitalist West. I for one can nowhere discover the glorious face of the "New Socialist Man." (Harsanyi 1977, 428)

In the same paper, Harsanyi writes: "I find it rather surprising how little appreciation is shown by most socialist writers for the great importance that the existence of a number of alternative employers in capitalist countries has for our civil liberties" (1977, 427).

On "fairness" and political institutions, Harsanyi wrote:

[S]ociety has a very important interest in having its members respect each other's basic rights and institutional obligations—in other words, in having its members observe the basic standards of justice.

Yet, this coin also has another side. Preoccupation with minor violations of our rights, real or apparent, and the widespread passion for litigation so prevalent now in the United States, are highly counterproductive social practices. Indeed, not only is it often socially preferable if people put up with minor injustices, instead of engaging in endless litigation, it is often socially *desirable* to have social institutions whose very success depends on having some ‘unfair’ practices built into them.

For instance, the effectiveness of the free enterprise system (and even that of a socialist system) crucially depends on the fact that a successful business executive will be promoted and an unsuccessful one demoted. Yet, this is often ‘unfair,’ because this success or failure may be unrelated to the business executive’s own effort and ability, and may be a matter of sheer luck. Likewise, in many parliamentary systems, a cabinet minister must take political responsibility for his subordinates’ mistakes, regardless of whether he is really responsible for them by common sense criteria or not. (Harsanyi 1985b, 126).

Harsanyi adds:

Again, it is hard to deny that proportional representation is the ‘fairest’ electoral system, and the only one really ‘fair’ to small parties. But this is not necessarily a convincing argument for proportional representation. From a utilitarian point of view, a question much more important than such ‘fairness’ considerations is, ‘which particular electoral system is more likely to yield a stable and effective government, one able to take unpopular measures when they are called for on economic issues, on minority rights, on foreign policy and defense, etc?’ On this score, it seems to me that two-party systems, with the two parties from time to time alternating in government, have been in most cases far superior. (Harsanyi 1985b, 127)

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Friedrich A. Hayek

by Daniel B. Klein

Friedrich A. Hayek (1899–1992) was one of the leading classical liberal thinkers of the twentieth century. The works that are most notable for his political thought are *The Road to Serfdom* (1944), *Individualism and Economic Order* (1948), *The Constitution of Liberty* (1960), the three volumes of *Law, Legislation and Liberty* (1973; 1976a; 1979), and *The Fatal Conceit* (1988). Hayek's scholarship also reaches into psychology and the history of ideas. In 1974 he shared the Nobel Prize with Gunnar Myrdal.

Hayek experienced two ideological migrations in the classical liberal direction. The first was dramatic and came when Hayek was in his early to mid twenties. The second was gradual and not dramatic, taking place during the several decades of his fully mature years.

Hayek served briefly in the Austrian army during the First World War and enrolled at the University of Vienna in 1918. He described the political outlook of his generation:

We felt that the civilization in which we had grown up had collapsed.
We were determined to build a better world, and it was this desire