

## Jacques Drèze's Intellectual Journey

Jean Drèze

When a close friend passes away, there are always some regrets. One of them, for me, is that I read so little of my father's work. From that point of view, I am not well placed to write about his intellectual journey. But I have a sense of it, based on dinner-table conversations in my youth and also from overhearing his discussions with visiting economists from time to time. Here are some personal memories of this journey – more detailed accounts are available elsewhere.\*

The journey began with a long detour. Jacques had no particular inclination towards economics – he wanted to be a forest guard. Incidentally, it was by promising to buy him a patch of hunting ground in the Belgian Ardennes that my father's uncle Henri persuaded his brother Jules (my grandfather) to give up his studies and join him as an associate in the small bank he had founded – a decision my grandfather regretted later on. Jules and my father both loved nature, and forests in particular. Jules' love of nature landed him in a bank, and my father's nearly turned him into a forest guard.

Perhaps it was my no-nonsense grand-mother, Hélène, who called this off and persuaded Jacques to study philosophy instead – Thomist philosophy (the philosophy of St Thomas Aquinas) to be precise. Quite likely, his elder brother José, a brilliant student, was also an inspiration. Alas, José died at the tender age of eighteen in a trekking accident. My father dropped out and worked for some time as my grandfather's assistant in the family bank. From there it was only a small step to economics when he resumed his studies, initially at the Université de Liège in Belgium.

The real journey began when Jacques won a scholarship to do a PhD in Economics in the United States, in 1952. The vibrant academic culture there was a revelation for him. He was deeply influenced by his thesis supervisor at Columbia University, William Vickrey, an under-appreciated oddball in the profession. Another early mentor of his was Franco Modigliani, who became a lifelong friend. Jacques met and often befriended many other distinguished members of the country's leading economics departments – in Columbia, Chicago, Boston, Pittsburgh and other places. He could have become one of them and enjoyed a flourishing career in the US. Instead, he returned to Belgium where he soon created a modern research centre of the sort he had seen across the ocean – the Centre for Operations Research and Econometrics (CORE).

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\* See particularly Jacques Drèze's interview with Pierre Dehez and Omar Licandro in Samuelson, P., and Barrett, W.A. (eds.) (2007), *Inside the Economist's Mind: Conversations with Eminent Economists* (Oxford: Blackwell).

At that time, Belgium's leading university in Leuven was a family shop of the Catholic Church. The state of affairs there is well conveyed by an anecdote I found in my father's notes a few days ago, dated 1960. Soon after joining the Université Catholique de Louvain (the francophone branch of the bilingual university located in Leuven, later packed off to Louvain-la-Neuve) as a statistics teacher, he wanted an assistant. There was no provision for that, so he was advised to see the Rector, who doubled as a Bishop. When he sought an appointment, he was told that there was no question of it – he had to present himself at the Rector's office at 8 AM and wait for his turn. After listening to him, the Rector said, "Alright, I will give you an assistant – do you have someone in mind?" My father mentioned one Luc de Voghel, who seemed competent. "Oh, is he related to Professor Franz de Voghel?" asked the Rector. Jacques answered yes, they were father and son. "Then let's hire him," said the Rector. That was the end of the matter.

It is in that medieval environment that CORE was created in 1966. Over time, it became a shining light for the academic world in Belgium and a model for economic research centres in Europe. CORE attracted leading economists worldwide and became a unique space where they not only worked together but also had a lot of fun. In between academic seminars and discussions there were many fine barbecues and picnics. The economists, of course, were almost all men in those days, but their families were very much part of the CORE universe. The collaborative intellectual and social life that developed around CORE at that time is difficult to imagine today.

I have vivid memories myself of those heady days, because we belonged to that large family as growing boys (myself and my four brothers). It was not unusual to have 20 or 30 guests at home for an animated dinner. My mother Monique won their heart no less than my father. My brothers and I used to take them one by one to the basement to test their table-tennis skills. Everyone brought something to eat and then we all tucked in.

Economic research at CORE, at that time, consisted mainly of advanced mathematical economics and econometrics – proving theorems, that sort of stuff. My dad had a passion for general equilibrium theory and also for decision-making under uncertainty, the topic of his PhD thesis. Game theory and Bayesian econometrics were other thriving fields to which he and others at CORE made important contributions. The growing use of sophisticated maths in economics had, I suspect, an intoxicating aspect. Mathematical economics had a life of its own, not always well connected with the real world. And it was mostly micro, not macro.

Then, in the early 1970s, some sheikhs and heads of state in West Asia (then called the Middle East) decided to stop playing second-fiddle to western multinationals and set their own price for oil. The post-war era of rising prosperity, moderate inflation and low unemployment in western economies came to an end. Unemployment, inflation and sometimes both ("stagflation") started haunting them to no end. Inflation is a *bête noire* of the public, and also of powerful financial institutions, so it became the main enemy. The axe of unemployment

falls on a powerless minority, making it comparatively tolerable. But this tolerance of unemployment bothered my father a lot. I suspect that he also faced some tough pillow-talk questions from my mother – “Jacques, what are you going to do about this?”

That was the impulse behind my father’s long-lasting involvement with macroeconomics, and employment issues in particular. Of course, he did not abandon mathematical economics. Rather, he tried to bring econometrics and mathematical economics to bear on economic policy in a more practical way than he had done earlier. All this preoccupied him until the end of his life. On a number of occasions, he tried (always in collaboration with others) to advocate concrete proposals for economic revival in Europe. Some of them, like wage subsidies at the low end of the scale, had an impact, others fell on deaf ears.

In theoretical terms, the problem with involuntary unemployment was that it did not fit so easily into the sort of general-equilibrium models Jacques had been working with for so long. In these models, demand was always equal to supply in equilibrium (indeed, it was part of the *definition* of an equilibrium). Some economists started analysing unemployment as a “disequilibrium” phenomenon. Others preferred to look at it as an aspect of “temporary equilibrium” with price rigidities and quantity rationing. In this train of thought, Jacques was deeply influenced by Edmond Malinvaud’s Yrjö Johansson Lectures, *The Theory of Unemployment Reconsidered*, published in 1977. Temporary equilibrium acquired an important place in his toolkit.

The economic crisis of the 1970s was a time of gloom, but the positive energy of the 1960s (the decade of the civil rights movement in the US, May ’68 in Europe, and all that) was still in the air to some extent – I certainly remember it from my exhilarating days in High School. Among the inspiring ideas of that time was “autogestion” – self-management of enterprises (today, workplace democracy might be a better term). I think it is in 1974 that my father happened to spend some time at Cornell University in an office vacated by Jaroslav Vanek, one of the leading scholars of self-management at that time. Browsing through Vanek’s books, he developed an interest in self-management. Sure enough, he analysed it in a general equilibrium framework. His work on this topic was later presented in a short book called *Labour Management, Contracts and Capital Markets*, published in 1989 (Jacques Drèze’s own Yrjö Johansson Lectures). Unfortunately, the boring title and my father’s reluctance to “market” his work deprived that fine book of the attention it deserved.

From the early 1980s onwards, I lost touch with my father’s work. I had left for India and started a new life there. As you might guess, my father had something to do with it – just a kind of hint that India might be an interesting place for me, but that was enough. I know for a fact that many other people made decisions that changed their lives after a conversation or encounter with my father. Why he had that sort of charisma I am not sure, but perhaps he simply inspired confidence because of his kindness, wisdom and honesty.

In spite of the distance, and of my odd failure to keep up with his work, I had an inkling of my father's intellectual preoccupations, notably from his periodic visits to India with Monique. After retiring at the tender age of 60 to make space for others, and sailing around the world with my mother for the occasion, Jacques became increasingly involved in an ambitious project of integration of microeconomics with macroeconomics, the two estranged branches of mainstream economics. Microeconomics builds on a theory of individual decisions by economic agents, macroeconomics deals with impersonal aggregates like inflation and unemployment, and there is (or was) little connection between the two. Ideally, we should be able to connect the aggregates with individual decisions – that is the motivation behind the long-standing quest for “the microeconomic foundations of macroeconomics”. In Jacques' mind, of course, general equilibrium was a potential bridge between the two. Building that bridge became an absorbing endeavour.

This effort was due to culminate in a *magnum opus* where everything would fall into place – a kind of “general general equilibrium model” that accommodates uncertainty, quantity rationing, incomplete markets, imperfect competition and so on. The proposed title of this book was *Uncertainty and Economic Policies: General Equilibrium, Incomplete Markets and Macroeconomics*. In his 2007 interview with Pierre Dehez and Omar Licandro, Jacques said: “My vision is that the extended model is susceptible of encompassing macroeconomics” – no less. As age sapped his energy, he did not manage to complete the book. But important fragments of it are available in various articles and manuscripts (some co-authored with others, notably Jean-Jacques Herings and Pierre Dehez), as well as in various lectures, especially his three-part lecture series on “The Economics of Uncertainty” delivered at CORE in 2016 on the occasion of the Centre's 50th anniversary. One day, perhaps, these fragments will come together.

There is a paradox in my father's life that intrigues me. His whole life was built around cooperation and all the good things that emerge from it – friendship, learning, beauty, sports, fun, adventure. But his academic work was largely based on general equilibrium models where people's actions are limited to self-interested transactions of marketable commodities (labour management is one important exception). In these models, the economy is effectively analysed in isolation from social and political life. No doubt many economists feel that this is the price to pay for bringing rigour to the analysis of economic transactions. But it has the effect of missing some of the most important drivers of human wellbeing and social progress. I wonder what my father felt about this, and I wish we could discuss it.