

BOOK REVIEWS

Pál Czeglédi – Judit Kapás
Economic Freedom and Development
Akadémiai Kiadó, Budapest 2009, 230 pp.
ISBN 978 963 05 8677 1

Those who are familiar with the work of Judit Kapás and Pál Czeglédi, both professors at the University of Debrecen's Faculty of Economics and Business Administration, recognize that writings under their authorship not only contain a great amount of accumulated knowledge, but are also interesting reads. The authors have proved to be able to entertain their readers from a wider professional circle with various international and domestic articles and monographs, in which economic issues are put in new perspective. In their work, professional literature is analyzed critically and improved in an elegant and accommodating way. I would like to point out that Judit Kapás and Pál Czeglédi, who are well-known members of the new institutional economic school of Prof. László Csaba, member of Hungarian Academy of Sciences (HAS), are exceptionally good at creating simple and convincing theoretical models of economic concepts which aid the understanding and further development of these issues.

Their new book entitled *Economic Freedom and Development* nonetheless astonishes even those economists who are familiar with the previous works of the two authors. As a result of their heroic effort in the last few years, the writers have provided an overview of the concept of economic freedom and development and have suggested a new method for measuring economic freedom in practice. Although part of their research has been studied by others (for example Prof. Tamás Szentés, member of HAS and professor at Corvinus University of Budapest, who comprehensively analyzed several aspects of the economics of development), the authors' work is exceptional since they have opened a new movement in Hungarian economic thinking. Equally important nowadays is that their unique approach

brings the Hungarian and international science of economics closer to one another.

The writers have sought answers to the question of how economic institutions enhance economic development. This issue has been raised by many well-known theoretical economists, and answers are proposed from various schools of economics. Thus a justifiable question arises: what makes the book, *Economic Freedom and Development* unique? Essentially, the author's approach to answering this question. They have dual objectives. Firstly, they have sought to establish a scientifically valid theoretical framework for the relationship between economic freedom and development. Secondly, they suggested employing a new index number – the Economic Freedom Measure – in order to objectify their results utilising the tools of econometric and statistical methods. The two objectives are not given equal weighting. Establishing the theoretical background is granted absolute priority by the authors, since they are convinced that the science of economics lacks sufficient theoretical background to unravel the relationship between economic freedom and development. The endeavour of the writers to fill this theoretical gap is, in my opinion, admirable. The multifaceted approach used by the authors raises new and challenging questions and highlights surprising economic associations. One good example is the linkage of the new institutional economics and entrepreneurship by the Austrian School, which provides a step forward in the understanding of the fundamentals of economic development.

The structure of the book reflects the authors' attitude towards scientific research and their opinion on the role of science. The work consists of building blocks of theories competing with one another, reflecting the Kuhnian philosophy of science, and an approach that facilitates the recognition and understanding of logical coherences. In one sense, the authors also clearly follow the philosophy of Popper in that they believe that empirical verification can only follow the foundation of a strong theoretical background of scientific theories. It does not, however, work the other way around, as many examples from the practice of international organizations have proved.

In the first chapter of the book economic development is introduced briefly by reviewing the stances of the neoclassical and the new institutional schools. Later the authors review the advantages of the theoretical framework they establish, and this is followed by a summary of the economic and philosophical traditions relating to economic freedom. Their review mixes Adam Smith's market philosophy with the Kirznerian and Hayekian outlook of the Austrian School, and the new institutional school's approach which emphasizes the social environment. This is the theoretical background that supports the content of the second chapter, which introduces the two most common measures of economic freedom: the Economic Freedom of the World (developed by The Fraser Institute) and the Index of Eco-