

## Introduction to the special issue on Jaroslav Vanek by Derek C. Jones



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Jaroslav Vanek is a giant in the broad field of participation and employee ownership (PEO). As the contributions to this special issue will underscore, he was a great economist, a top theorist and a hugely inspirational figure. His major work, the *General Theory of Labor-managed Market Economies* (Vanek, 1970) helped to put firmly in place the theoretical bedrock for a cornerstone dimension of the field of PEO. Soon after his passing on November 15, 2017, the editors of this journal felt it would be appropriate to have a special issue of the journal devoted to his life's work and achievements. In part because I am a former student and friend, I was very grateful to be invited to edit this issue. Before providing a brief introduction to the essays that follow, since many readers may be unfamiliar with the man, I would like to first outline some of the key aspects of his life and career.

### His life and career [1]

Jaroslav Vanek was born in Prague, Czechoslovakia, in 1930; he died at the age of 87. His father worked in the Czech Ministry of Labor and Jaroslav graduated from the Prague Gymnasium (high school) in 1949. Soon afterward the family fled for political reasons into Germany, where they at first landed in a refugee camp in Munich, before eventually settling in Geneva and Paris.

The hardships of the Second World War and the communist takeover of Eastern Europe instilled in Jaroslav a lifelong desire to make the world a better place, including at first social justice and eradication of poverty, and later protection of the environment and development of renewable energy. Desire to increase the welfare of ordinary people led to an interest in economics, and he earned a degree in the field from the University of Geneva in 1954. He stayed on in Geneva to work as a professional economist. While there he met Prof. Charles Kindleberger of MIT who invited Jaroslav to MIT to pursue a doctorate in economics under his supervision, which he earned in 1957. He then taught economics at Harvard University.

Jaroslav left Harvard for an economics position with the US State Department in Washington, DC, in 1963, and then came to Ithaca in 1964 to take a position with the Department of Economics in the College of Arts and Sciences at Cornell where he remained for the rest of his professional career. He was a visiting professor at many universities and institutes including Belgrade, Yugoslavia; Louvain, Belgium; Wassenaar, Netherlands and The Hague, Netherlands. For most of his life he was the most famous living Czech economist.

His early work focused on international economics, one notable book being "Maximal Economic Growth" (Vanek, 1968). That work, as well as much of his work on labor management, displayed his preference and aptitude for an explicative approach based on elegant geometry. In the late 1960s and early 1970s, he turned his attention to the economic analysis of labor-managed firms (LMFs) as an alternative to investor-owned (capitalist) firms.



While the four essays in this issue will examine and assess some of that body of work, two central features of Jaroslav's belief system were that: (1) all current economic systems were characterized by the absence of political and economic self-determination and thus in a state of disequilibrium; (2) in turn, this disequilibrium must lead to societies evolving toward self-managed economic systems [2].

This unvarying optimism was evident when he acted as a consultant, which he did for several governments, notably Peru and Turkey. After the implosion of the USSR, he also gave advice to many transition countries including Russia. For the most part, despite his boundless enthusiasm when advocating self-management, his optimism and advocacy fell on deaf ears. On one personally memorable occasion (in December 1990), I witnessed Jaroslav on the floor of the Russian Duma regale the assembled Parliamentarians on the diverse attractions of a self-managed economy. But his entreaties to immediately and comprehensively introduce legislative measures to move the Russian economy in the direction of self-management were met with profound skepticism. In his native, Czechoslovakia, he was similarly uncompromising in advocating a program of *complete* self-management. Again, while one might congratulate him for sticking to his guns, ultimately this principled advocacy was unsuccessful.

Later in life he turned away from formal economics and toward activism. He had a lifelong interest in appropriate technology combined with cooperatives, as a way to address economic inequality in the world. He started the "Ensol" solar energy cooperative and began involving his family and graduate students in a flurry of low-tech solar inventions ranging from very large inflated parabolic discs and simple one-pot solar ovens. Jaroslav would also develop prototypes to harness wind and wave power. In 1986, as the work continued and attracted interest from around the world, Jaroslav and Wilda created the Sustainable Technology and Energy for Vital Economic Needs (S.T.E.V.E.N.) Foundation not-for-profit to fund continuing research and outreach abroad. Longtime Ithacans may remember the shiny Mylar-lined parabolic solar collectors which were visible at their home at 414 Triphammer Road in the 1980s and 1990s. At the same time he did not eschew his scientific work in economics altogether, though the outlets for his work in his later life were seldom mainstream journals, as was the case during his heyday when he was a widely recognized and deeply respected professional economist.

A warm welcome and stimulating company always awaited visitors at his home in Ithaca where one would invariably experience the central importance of the extended Vanek family in his life. Many generations of graduate students and overseas visitors benefited from the hospitality of the Vaneks either at their home or at the numerous picnics that were organized at the various parks in Ithaca. But these social occasions offered little down time as Jaroslav would quietly take charge and ensure that time spent on trivial pursuits was minimized, while his remarkable energy ensured that intellectual discourse was clearly the main order of the day. And all of this was organized without any pomp and ceremony, by a gentle man who eschewed consumerism in his daily life.

### **The contents of the special issue**

The special issue contains four contributions each by scholars who have been strongly influenced by Jaroslav Vanek. Indeed, in their accounts, John Bonin, Greg Dow and this author provide concrete examples of this influence on their professional activities as well as sometimes colorful anecdotes of their interactions with Vanek. The first three essays by Bonin, Dow and Ellerman are mainly theoretical pieces, while the essay by this author takes a different tack.

John Bonin provides an excellent and comprehensive review of Vanek's work on labor management. He carefully documents the key papers and the main contributions of Vanek's

body of theoretical work in that area. He also shows how Vanek's major works, in particular the General Theory, helped to nurture important work by many other scholars, including the Nobel Laureate James Meade. Thus Vanek's work played a pivotal role in helping to establish the area as an important subfield within economics. He also shows how, especially during the 1970s and 1980s, Vanek's theoretical work on labor management helped to cross-pollinate the theory of the LMF, and arguably lay the embryonic intellectual foundations for emerging fields in economics, such as the economics of organizations. His work may have also been important in attracting other nonmainstream economists, such as Bowles and Gintis to contribute to this area.

Dow highlights how his reading the provocatively titled General Theory [3] (Vanek, 1970) helped spark his own lifelong interest in the field. At the same time from the get-go he was always uncomfortable with the maintained assumption in Vanek's work (notably Vanek, 1970) that LMFs maximize income per worker. Thus began a quest by Dow to reconstitute the theory of the LMF with new foundations. A particular emphasis was to understand why if LMFs, have many advantages (such as often higher productivity than their capitalist counterparts) LMFs are so rare. His subsequent body of work, originally stimulated by Vanek's tour de force, has grappled with that question. In his contribution to this special issue Dow provides an excellent overview of the key economic forces that he sees as contributing to the underrepresentation of LMFs around the world [4].

David Ellerman has devoted much of his professional life to theoretical and practical work concerning self-managed and employee-owned firms. His contribution to this issue is focused on two of the thorniest alleged issues in LMFs. He emphasizes that the alleged perverse supply response is the logical outcome to the particular assumptions that underpin the Ward-Domar-Vanek model. He shows how similar perversities could occur under comparably equivalent assumptions in a capital-controlled firm. He argues, persuasively to this editor, that the real reason for the continuing obsession with this alleged problem by many economists, is the "...ideological need to find something "wrong" with the idea of workplace democracy." While he believes that the other issue he examines, the Furubotn-Pejovich horizon problem, is more real, Ellerman discusses the way in which it can be readily addressed, namely through a system of internal capital accounts. He points to the existence of such an institutional feature in real-world firms, for example, the Mondragon worker cooperatives. Equally he identifies a number of problems with an alternative proposed solution to the horizon problem, that of membership markets.

In my paper I provide an assessment of the intellectual impact of the work of Jaroslav Vanek in the field of PEO. To that end, I pursue two approaches, a *qualitative* and a more *quantitative* (bibliometric) approach. In the first approach, I briefly evaluate the quality of his output in the field of PEO, document diverse ways in which his work has influenced different actors and also discuss themes including his influence on policymakers. In my bibliometric analysis, I compile and analyze citation data on matters including citation patterns over time and which authors have most frequently cited Vanek's particular works (notably his "General Theory"). As such I provide some evidence to support the previous qualitative assessment of the enormous importance of Jaroslav Vanek to the field of PEO.

## Conclusion

After reading the contents of this special issue, I would hope that the reader would realize that the economics profession and social science more generally owes a substantial intellectual debt to Jaroslav Vanek. While this is more obvious with respect to researchers within the field of PEO, on closer inspection, it is also the case concerning mainstream economics, especially in some fields that implicitly at least owe much to Vanek's work, e.g. the economics of organization. Moreover, I would hope that readers would gain an appreciation of what a

remarkable man Vanek was. In particular, as John Bonin puts it (Bonin, 2020) "...Vanek's own scholarship exhibits an intellectual integration of mind and heart that is showcased in his advocacy for a more humane, more participatory, and more equitable workplace." I share John's sentiment that in memory of Jaroslav Vanek, "...we all strive to ensure that those twain continue to converge in the future."

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### Notes

1. I am indebted to the obituary in the *Ithaca Journal* (November 17, 2017) for some of the factual material reported in this piece.
2. See, for example, Vanek (1971).
3. Since Keynes' General Theory of Employment, Interest and Money (Keynes, 1936), few works in economics have used similar language.
4. By contrast Vanek's focus was always narrower. The key for him was the need for a supporting structure. See, for example, the interview with Vanek reprinted in Vanek (1995).

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