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Corporatism or Competition?: Labour Contracts Institutions and Wage Structures in International Comparison by Coen Teulings; Joop Hartog

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and idiosyncratic view of the nature and operation of the technology based firm, first developing a general intellectual capital description of the firm's resources and then arguing for the special nature and role of technology protected by intellectual property.

Chapters 5–9 present the results of the author's research into patenting in large Japanese companies, offering these findings as a major case study to illustrate the themes of the book, although some comparative evidence for Sweden is also included. This part of the work demonstrates how central IPRs are to firms operating in dynamic sectors such as chemicals, electrical and mechanical goods. Following a detailed record of what was achieved by 24 large firms, the author investigates the strategies for acquiring and exploiting new technologies which were integral to their commercial success. He examines the choice of intellectual property policy between patents and trade secrecy and the use of trademarks to sustain corporate brands beyond the life of the original patent. We are also treated to intimate details of the internal organisation systems used in patent management within several leading Japanese firms. Chapter 9 illustrates the potential of the underutilised source of technical knowledge embodied in patent records, using techniques of patent mapping first developed in the Japanese Patent Office in the late 1960s and later adapted and implemented by large firms.

Chapter 10, titled 'Intellectual Capitalism and Beyond', revisits the main theme of the pervasiveness of intellectual capital as a basis for business profit, even to the extent of eventually permitting the emergence of post-industrial countries for which a main source of wealth is their intellectual capital. Granstrand stresses the need for control of rents accruing from temporary monopoly of information, but offers us no clear directions for reform of the evolving IPR system. In total, this is a book with a grand theme containing much meat, but ultimately it is not adequately pre-digested for the beginning student; even so, it contains a wealth of very useful material to feed graduate students, particularly those involved in industrial economics MBA courses and other postgraduate economics and management study, as well as offering a detailed look at the realities of IP management for professional managers and policy makers.

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*Corporatism or Competition?: Labour Contracts Institutions and Wage Structures in International Comparison.* By TEULINGS (COEN) and HARTOG (JOOP). (Cambridge and New York: Cambridge University Press, 1998. Pp. xiv+346. £40.00 hardback, US \$64.95 hardback. ISBN 0 521 59073 6.)

For a long time, the relatively poor performance of European labour markets in terms of unemployment has been attributed to the presence of various institutions and regulations which have prevented real wages adjusting. This book is another in a line of contributions which sheds doubt on this kind of

assertion. The authors – two highly respected Dutch labour economists – in fact claim that corporatism reduces inequality without impairing allocative efficiency. Their basic argument is as follows: in countries ranked as corporatist on an ordinal scale (such as Austria, the Netherlands and the Nordic countries), inter-industry, firm size, tenure, and union wage differentials are small than in less corporatist countries (the United States, Canada, and the UK). Since these differentials arise due to rents, the reduction in equality does not prevent allocative efficiency. The mechanism by which corporatism achieves this is through the establishment of *ex ante* nominal binding contracts which obviate the need for inefficient *ex post* negotiation once it emerges that rents have been created. Any adjustment to intervening shocks is effected by corporatist institutions (rather than local bargaining units) and therefore can be absorbed with fewer adverse labour market consequences.

This argument is set out in a synopsis and eight main chapters with an assessment and an agenda for research by way of a final statement. The main evidence for their contention is presented in the first chapter in which estimated hybrid earnings equations for eleven countries are presented. It emerges that rent-related differentials are smaller for more corporatist countries. The next three chapters are mainly theoretical and deal with corporatism, norms and institutions, and union behaviour, respectively. In each case, an attempt is made to extend standard models to shed light on the evidence presented earlier. The following three chapters are more empirical and examine wage differentials and rent-sharing, tenure wage profiles, and unemployment and wage flexibility, respectively. The aim here is to examine in greater depth the mechanisms generating the findings presented earlier. The penultimate chapter is a fairly detailed presentation of corporatism at work in the authors' home country.

Before coming to an opinion on this book, I would point out the following. First, I found it quite hard-going. It begins with a synopsis and then a chapter entitled 'What we observe and what we claim'. I would recommend reading the synopsis at the end! The book is pitched at quite a high level. The reader would need to be quite an experienced economist to follow the argument. There are a lot of one or two line remarks which require you to stop and think it through before you can proceed. Second, on the empirical side, apart from the earnings equations in the first chapter, the evidence presented on different types wage differentials is predominantly for the United States, yet the countries ranked as not being corporatist are the latter, Canada, the UK, Australia and France. The book would have benefited from a more even coverage. On the question of the effects of corporatism, the material presented is quite comprehensive as the authors admit, they do not cover the effects on overall economic performance. Third, there is always the thorny issue of how to categorise countries and one can always quibble with the ranking of a particular country (in my own case the classification of France as non-corporatist). However, in view of the centrality of the issue to the argument presented, this kind of complaint can always be advanced by detractors. Fourth, in response to the question of why, if wage-setting mechanisms are not

responsible, has European unemployment been persistently high, the authors present a fairly short-shrift answer that it is due to the social security system. Regrettably the brevity of this response and the two pages devoted to its justification do not sit well with the tone and rigour of the rest of the book.

These remarks aside, the book is a systematic and wide-ranging attempt to show that institutional structures can have beneficial effects on social welfare without harmful side effects. It represents an extension of earlier work in demonstrating the irrelevance of certain types of labour market rigidity and emphasises that 'corporatist institutions provide a second-best answer to deviations from a first-best world' (p. 319). The authors underline the notion that institutional structures have an historical and social context and what may work in one country need not work in another, due to the interdependence of labour market institutions and other social and economic structures. On these points, the book reinforces my own views on the operation of labour markets in Europe. Whether others holding opposite views will be persuaded to change after reading this book I cannot say. In my opinion, it is a book that should be read by all labour economists on both sides of the Atlantic.

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*Changes in Income Inequality within U.S. Metropolitan Areas.* By MADDEN (JANICE F.). (Kalamazoo, Michigan: W. E. Upjohn Institute, 2000. Pp. xiii+201. US \$34.00 hardback, US \$15.00 paperback. ISBN 0 88099 204 2, 0 88099 203 4.)

In this clearly written book, Madden aims to identify and quantify the relationships between household income distributions and characteristics of US metropolitan economies. The book builds on her earlier work on the Philadelphia economy, which experienced lower growth in income inequality during the 1980s than the rest of the United States (Madden and Stull, 1991). Madden's foci are on poverty rates, household income inequality and wage inequality between 1979 and 1989 within US 'metropolitan statistical areas'. It is a particularly welcome addition to the literature given that the geographical unit for analysis is not determined by political or administrative definitions, but instead by the degree of economic and social integration of counties which can be seen as representative of individual, local economic markets. The author puts emphasis on three factors that she argues are most likely to influence changes in inequalities within metropolitan areas: local labour markets, the geographical structure of the metropolitan area, and changes in the labour force's demographic and skill composition.

The strength of the book lies in the messages about recognising the importance of the demographic breakdown of the workforce. As this is a supply-sided study that focuses on the characteristics of the labour force, it may not be surprising that her results point to a number of policy recommendations pertaining to antipoverty policies and address issues such as job