

Kim, Yun K.

Book Review

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Book review

Flaschel, Peter and Alfred Greiner (2012): *Flexicurity Capitalism: Foundations, Problems, and Perspectives*, New York (240 pages, hardcover, Oxford University Press, ISBN 978-0-19-975158-7)

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This book provides an important discussion of an alternative form of capitalism, flexicurity capitalism. Flexicurity capitalism emphasizes labor market flexibility such as the freedom of firms to fire and hire workers but also ensure that workers can obtain a job and income via institutional setup to avoid human degradation due to unemployment. Flexicurity capitalism could solve important economic problems such as coordination and incentive problems, the problems traditional socialist society experienced (which the authors call Eastern type socialism). Flexicurity capitalism opens the possibility of a more humane form of capitalism, which is more competitive and flexible than a traditional socialist society.

The authors combine and synthesize the ideas of Marx, Keynes, Schumpeter, Kalecki, Tobin, and Goodwin. Their work is a very rigorous investigation utilizing modern dynamics system theory, and this is an important and unique contribution to the study of alternative forms of society.

Chapter 1 starts from the Classical Goodwin growth cycle. The conflict between capital and labor generates the cyclical process of wage share and employment. This conflict-based cyclical process is not sustainable and desirable since it is accompanied by periodic mass unemployment and human degradation as a consequence. The authors show that appropriate minimum and maximum wages agreed upon by both workers and capitalists generate more moderate long phase cycles, less severe depressions, and less human degradation. Contrary to the rather exclusive emphasis of the original work by Marx and Goodwin on conflict for reproducing capitalism, there is an important role for cooperation and consensus between workers and capitalists for a more sustainable system.

Chapter 2 builds a macrodynamic model that incorporates Kalecki's seminal idea of unemployment as a disciplinary mechanism (the authors call this Kalecki's reserve army mechanism). The authors discuss diverse feedback structures that may contribute to stability or instability of the system, and possible scenarios that allow upper and lower bounds of the system from the global point of view.

Chapter 3 provides the core of the authors' vision and constructs a rigorous formal model developing the principles, economic structure, and dynamics of flexicurity capitalism. The authors argue that a sustainable and desirable system is possible under flexicurity capitalism if the society is supported by a proper educational system for skill formation, equal opportunity, and citizenship education in a democratic society. The authors also discuss the selection, education, and reward systems for the elites that are consistent with the idea of flexicurity capitalism.

Chapter 4 develops a model of the current form of capitalism (unleashed capitalism in the authors' terminology), focusing on the feedback channels between the financial

market, the labor market and the goods market to understand the dynamics of the economy. This final chapter of the book's main discussion is an important prerequisite study for moving towards flexicurity capitalism since it points out the problems with the current form of capitalism.

This book provides an important and unique contribution to the rigorous study of alternative forms of capitalism. Since this book is based on an ongoing research program, it also points out many future research problems for a diverse set of economists. If there is a shortcoming, it is naturally the unanswered questions, and they are mostly future research problems stated by the authors. For example, to really understand the viability of flexicurity capitalism, we need to understand how such systems can deal with Keynesian types of business fluctuations, Schumpeterian creative destruction, and speculative behavior in financial markets. More detailed microeconomic study of the formation of the elite group is desirable in the future. It would also be helpful to see more detailed institutional discussion of how government can act as an employer of first resort and hence ensure full employment. I also wonder what kind of transition we could expect from the current form of capitalism described in chapter 4 to flexicurity capitalism described in chapter 3.

As history has shown, the form of the society we live in evolves over time. I believe that the authors provide an important discussion of a possible future evolution that preserves the virtues, but also curtails the undesirable properties, of the current form of capitalism. This is an exciting early phase for a very valuable research program.