

## Recent Books in Regulation

### *Airport and Air Carrier Regulation*

AIRPORT REGULATION, LAW, AND PUBLIC POLICY: THE MANAGEMENT AND GROWTH OF INFRASTRUCTURE, by Robert M. Hardaway; with contributions by James Spensley, Scott Hamilton, Michael Bell, Jalal Haidar, and G. Kellam Scott (Westport, Connecticut: Quorum Books 1991) 264 pages \$49.95.

Hardaway and his contributors review airport regulation from 1903 onward, covering the following topics: the power to regulate; airport planning; airport financing; operations and certification; noise regulation; airport security; First Amendment freedoms; civil rights; the economics of airport regulation; and antitrust. In the 1980s, airline deregulation succeeded in increasing airline productivity and making air travel available to the masses. Nonetheless, Hardaway tells us that due to several factors the United States faces an airport crisis during the 1990s. First, the dramatic rise in air traffic, combined with declining availability of suitable land for airport expansion, is straining the capacity of the existing infrastructure. Second, uncoordinated imposition of local noise restrictions and capacity limits by major airports is impeding the free flow of traffic and commerce, thus creating economic inefficiencies. Third, government policies from 1985 to 1988 permitted the consolidation of many competing carriers into a handful of dominant carriers, thereby limiting competition. Hardaway concludes by offering nine prescriptions to avert the crisis. Among them are the following: Congress should use its preemption power to promulgate a national noise policy that would apply fair and uniform noise regulations to all airports; airport gates and terminal space should be retrieved, preferably through antitrust action, and then distributed through a market system that insures the most efficient use by all potential competitors; and the monopoly of airport resources by dominant carriers should be broken up by vigorous antitrust action.

### *Banking, Corporate, and Financial Regulation*

CORPORATE FIRST AMENDMENT RIGHTS AND THE SEC, by Nicholas Wolfson (Westport, Connecticut: Quorum Books 1990) 184 pages \$42.95.

In the 1970s, the Supreme Court for the first time ruled that commercial speech is protected by the First Amendment. However, the Court did not grant it the full range of protection afforded to political and artistic speech. Wolfson examines the SEC's powers over corporate information and concludes that the

Court should not make a distinction between political-artistic speech and corporate speech. Wolfson argues that much of political speech concerns economic self-interest; consequently, he finds no fundamental difference between it and corporate speech. Wolfson proposes that the SEC's regulation of proxy statements, prospectuses, investment advisory literature, and hostile takeover information should all be subject to the full protection of the First Amendment.

THE POLITICS OF THE FINANCIAL SERVICES REVOLUTION, by Michael Moran (London, England: MacMillan 1991) 168 pages.

Moran documents the transformation of the manner in which the financial services industries of Great Britain, the United States, and Japan were regulated during the 1980s. He states that initial deregulatory measures were cut back in favor of more regulation. This new regulation was the product of the scandals that shocked the industry and of changes in the social composition of the financial community. While, as the author concedes, the limited size of this book does not permit detailed technical analysis of all the changes that occurred in the industry, it does provide a concise overview of the political, social, and economic implications of these changes.

### *Communications*

AFTER THE BREAKUP: U.S. TELECOMMUNICATIONS IN A MORE COMPETITIVE ERA, by Robert W. Crandall (Washington, D.C.: Brookings 1991) 187 pages.

Crandall traces the telecommunications industry from its inception through the aftereffects of the 1982 consent decree to divest AT&T. He examines the costs and benefits to residential and business consumers of AT&T's breakup and concludes that, on balance, efficiency gains have offset efficiency losses. Gains are attributed to increased productivity in the telephone industry, lower equipment prices, etc. Losses, however, have not been insignificant, and have been caused by the absence of fully compatible equipment and the erosion in economies of scale. Crandall concludes by discussing two of the problems that remain in the industry: continuation of regulation in markets, especially for local service, where there are increasing numbers of competitive vendors; and the related issue of inequities in phone service costs (i.e., local telephone rates have risen while interstate rates have declined sharply).

**PRIVATIZING THE ECONOMY: TELECOMMUNICATIONS POLICY IN COMPARATIVE PERSPECTIVE**, by Raymond M. Duch (Ann Arbor, Michigan: University of Michigan Press 1991) 304 pages \$39.50.

Of late, nations have increasingly privatized public enterprises and lowered entry barriers to industry. These policy changes raise two important political questions that are the central themes of this book: First, does government ownership actually affect performance of firms? Second, how does one explain cross-national variation in the degree to which privatization and liberalization policies have been adopted? Because almost all telecommunications industries have been state-owned, this sector was considered an ideal subject for the study of economic performance under government ownership. The author, after conducting a comparative analysis of telecommunications policies in France, Germany, and the United Kingdom, challenges the notion that government ownership of firms per se has a significant impact on performance. He argues that a better explanation for economic performance is the degree to which management is subject to political constraints—which, contrary to conventional wisdom, may be limited in a government owned setting and considerable in a privately owned setting.

**THE 1991 WORLD ADMINISTRATIVE RADIO CONFERENCE: ISSUES FOR U.S. INTERNATIONAL SPECTRUM POLICY**, by Congress of the United States, Office of Technology Assessment (OTA) (Washington, D.C.: U.S. Government Printing Office, GPO Stock Number 052-003-01265-1 1991) 144 pages \$6.50.

This OTA background paper examines U.S. preparations for the 1992 World Administration Radio Conference (WARC-92) to be held in Spain in February. The authors conclude that major advances in technology, shifts in world politics, and a fragmented U.S. policy process threaten U.S. international competitiveness and leadership in radio-based communication technologies and services. The paper is intended to inform Congress of the domestic impacts of international decisions on radio spectrum allocations. Senate ratification of the final acts of WARC-92 is required since the agreements reached at the conference will have international treaty status. Because the most desirable parts of the radio frequency spectrum are almost completely allocated and many bands are heavily used, finding room for new services should be difficult. Nonetheless, the conference will seek ways to designate radio frequencies for many advanced communication and entertainment services, including new mobile radio services, digital audio broadcasting, high definition television, and communication in space.

TELECOMMUNICATIONS AND RURAL DEVELOPMENT: A STUDY OF PRIVATE AND PUBLIC SECTOR INNOVATION, edited by Jurgen Schmandt, Frederick Williams, Robert H. Wilson, and Sharon Strover (Westport, Connecticut: Praeger Publishers 1991) 272 pages \$49.95.

This study is the third in a series of projects conducted by a team of faculty and students at the University of Texas at Austin. The editors note that telecommunications policy in rural areas has not often been studied in advanced industrialized nations, and this work aims to fill that vacuum. Findings are divided into several research areas. The first considers telecommunications applications in United States rural businesses. The second assesses the use of telecommunication for delivery of public services from sources such as the U.S. Department of Agriculture. The third asserts that many of the benefits of telecommunications for rural areas will be realized only if the small independent or cooperative telephone companies remain healthy and progressive. The editors conclude by offering 16 policy recommendations focused on aggregating demand for telecommunications services. These include devising complementary community development activities for adjacent areas, facilitating centralization in certain circumstances, ensuring access to advanced network capabilities, and incorporating the magnet principle in local development.

#### *Economic Activity and Policy*

THE RISK OF ECONOMIC CRISIS, edited with an introduction by Martin Feldstein (Chicago, Illinois: The University of Chicago Press 1991) 207 pages \$32.00.

This volume of essays undertakes to answer the questions, "Under what conditions are financial markets vulnerable to disruption?" and "What economic consequences ensue when markets break down?" In the introductory essay, the author discusses both the major financial problems of the 1980s and the lessons to be learned from these failures. Fifteen other essays by academic and government experts in finance are included. These essays address the origins of financial crises in domestic capital markets, the international origins and transmission of financial and economic crises, and the transition from financial crises to economic collapse.

*Employment Policy and Labor Relations*

THE PAPER CURTAIN: EMPLOYER SANCTIONS' IMPLEMENTATION, IMPACT, AND REFORM, edited by Michael Fix (Lanham, Maryland: University Press of America 1991) 364 pages \$56.00.

Analysts from organizations such as the Urban Institute and the RAND Corporation consider whether the 1986 Immigration Reform and Control Act (IRCA) has reduced the flow of undocumented immigrants into the United States. Topics addressed in analyzing IRCA's implementation include: the legal and political constraints facing the Act's executors; the record on employer sanctions in key industries such as the agricultural sector in California; IRCA-related discrimination; and how the Immigration and Naturalization Service has adjusted to its expanded mission under the Act.

*Environmental Policy*

CLEAN AIR ACT 1990 AMENDMENTS: LAW AND PRACTICE, by John-Mark Stensvaag (New York, New York: Wiley & Sons 1991) \$135.00

The 1990 Amendments to the Clean Air Act made many major revisions to the statute. Stensvaag's book is a timely guide for those affected by the amendments; it presents the entire revised Act, explains what the changes are, why they were made, how the regulatory system will enforce them, and how businesses may comply with the amendments. The book is divided into eight parts: introduction to the prior act and summary of amendments; ozone, carbon monoxide, and particulate nonattainment program revisions; new standards for conventionally fueled vehicles and new fuel requirements; hazardous air pollutants; acid rain; the new Title V permit system; ozone protection; and enforcement amendments.

HARNESSING SCIENCE FOR ENVIRONMENTAL REGULATION, edited by John D. Graham (Westport, Connecticut: Praeger Publishers 1991) 242 pages.

One of the most hotly contested and intellectually stimulating areas of regulatory policy has been the role of "regulatory science." Especially in environmental and toxic substance regulation, agencies have come to rely very heavily on scientific risk assessments. This book examines three institutions created specifically to improve regulatory science: the Chemical Industry Institute of Toxicology (CIIT), the EPA Science Advisory Board (SAB), and

the Health Effects Institute (HEI). Initial chapters, written by past leaders of these organizations, describe their creation and structure. Later chapters evaluate their efficacy in six case studies: unleaded gasoline, vapors, perchloroethylene, formaldehyde, nitrates, and carbon monoxide. In a concluding chapter, Graham argues that such institutions are a "moderately successful" bridge between the pressing demands of regulators and the slow, objective pace of scientific research. He also asserts that in the coming years the burden of scientific uncertainty will fall increasingly on industry, and that industry consequently will make increased demands upon institutions like CIIT and HEI.

### *General Regulatory Policy*

THE ECONOMIC CONSEQUENCES OF LIABILITY RULES: IN DEFENSE OF COMMON LAW LIABILITY, edited by Roger E. Meiners and Bruce Yandle (Westport, Connecticut: Quorum Books 1991) 247 pages.

This book considers the possible consequences of statutory tampering with common law liability rules. The main vehicle for conducting this examination is price theory. The focus is on individual decision making—how incentives faced by individuals are affected by liability rules. The book relies on several case studies, covering topics such as Superfund, sleepwear fire retardancy regulation, the relationship between the S&L crisis and FDIC insurance, and the history of automobile air bag regulations. The editors conclude that legislative attempts to remedy alleged defects in the common law are not well grounded, and that they move the market away from efficient outcomes.

SYSTEMATIC ANALYSIS IN DISPUTE RESOLUTION, edited by Stuart S. Nagel and Miriam K. Mills (Westport, Connecticut: Quorum Books 1991) 304 pages \$59.95.

Non-adjudicative approaches to resolving disputes have become increasingly popular. The success of alternative dispute resolution (ADR) is tied to its capacity to satisfy participants' wishes—be they for a decision that remains private, is made more quickly, or at lower cost. The editors explore the theory and practice of ADR and discuss the various options it makes available. Dispute types covered include: family and neighborhood disputes; litigation disputes; policy making disputes; and international disputes. An interesting feature of the book is its treatment of microcomputer based systems to assist in settling disputes.

*Government and Legislation*

FEDERAL BUDGET & FINANCIAL MANAGEMENT REFORM, by Thomas D. Lynch (Westport, Connecticut: Quorum Books 1991) 232 pages \$45.00.

Lynch writes the introduction and conclusion to this book of nine original essays devoted to critiquing and reforming the federal budgetary and financial management systems. Expert contributors offer advice in areas such as resolving budgetary deadlocks, accurately forecasting the federal budget, and improving financial management of the federal government.

POWER AND SERVICE: A CROSS-NATIONAL ANALYSIS OF PUBLIC ADMINISTRATION, by Hardy Wickwar (Westport, Connecticut: Greenwood Press 1991) 224 pages \$49.95.

Wickwar investigates what governments do to, for, and with people; how governments treat their lands and the resources on, in, around, and above them; and how governments relate to their citizens through the exercise of power, law, and political judgment. He presents a European model and then analyzes variants in relation to differences in geography and history. In so doing, he distinguishes between continental countries where people tend to accept the state as very important and "island" countries where people do not. He also considers the reasons that some states have decided to leave the provision of certain services to private social institutions, whereas other states provide these services publicly.

THE PROMOTION AND REGULATION OF INDUSTRY IN JAPAN, edited by Stephen Wilks and Maurice Wright (New York, New York: St. Martin's Press 1991) 370 pages \$65.00.

The emergence of Japan as a corporate and technological giant has spawned efforts to examine the reasons for its success. An example of such efforts, this book catalogs research that was funded by Britain's Economic and Social Research Council. The editors, together with twelve British and Japanese specialists on government-industry relations, share preliminary empirical observations and conclusions. They focus on three areas: promoting new industries; managing the decline of depressed industries; and the routine activity of governmental regulation of the behavior of firms. Sectors studied include pharmaceuticals, shipbuilding, and U.S. and Japanese telecommunications. Some of the recurring themes include: the importance of foreign influences in domestic politics, and the extent to which Japan's domestic policy has become and

will become internationalized; the continuing preference for informal, non-legal relationships between Japanese government and industry; and the extent to which Japanese governmental ministries conflict.

THE STATE OFFSHORE: PETROLEUM, POLITICS, AND STATE INTERVENTION ON THE BRITISH AND NORWEGIAN CONTINENTAL SHELVES, by Brent F. Nelsen (Westport, Connecticut: Praeger Publishers 1991) 272 pages \$47.95.

The discovery in 1965 of oil and natural gas in the North Sea presented Great Britain and Norway the major challenge of efficiently extracting mineral resources that were up to two thousand meters below the sea's surface. Each nation has responded uniquely to this challenge. But generally there have been three levels of intervention used by both states at various times: minimal intervention—the state distributes offshore territory to private entities, and protects workers and the environment; regulatory intervention—the state oversees every aspect of petroleum development; and participatory intervention—the state acts as an entrepreneur. Nelsen conducted numerous interviews with politicians, corporate executives, and ministry officials to determine the reasons for the varied levels of intervention. He concludes that the level of state intervention has been governed by the interaction of several factors, including adherence to precedent (how similar situations were faced in the past), and the relative bargaining strength of pressure groups and the state.

### *Health, Safety, and Consumer Protection*

ECONOMICS OF FOOD SAFETY, edited by Julie A. Caswell (New York, New York: Elsevier 1991) 356 pages.

In this series of essays, economists provide technical analyses of the supply and demand issues related to the economics of food safety. On the demand side, essays consider integration of the riskiness and healthfulness of food products into models of consumer demand. On the supply side, discussion centers around alternative regulatory programs and the impact of food safety and healthfulness as a marketing tool on food consumption patterns and competition in food markets.



*Industrial Policy and Antitrust*

R&D COOPERATION AMONG MARKETPLACE COMPETITORS, by William J. Murphy (Westport, Connecticut: Quorum Books 1991) 272 pages \$45.00.

Joint ventures have become increasingly popular as instruments of strategic action. However, experience shows that many of these ventures have not been successful. Murphy contends that our understanding of the strategic management of joint ventures must be improved if the hoped for benefits of cooperation are to be realized. In this work, he examines the management of a specific type of cooperative action that has become critically important to company and national competitiveness: the cooperative research venture. By examining cooperative ventures in four case studies—The Chemical Industry Institute of Toxicology, The Microelectronics and Computer Technology Corporation, Sematech, and U.S. Memories—Murphy explores the need for joint participants to forge a consensus for action.

THE THEORY OF CONTESTABLE MARKETS: APPLICATIONS TO REGULATORY AND ANTITRUST PROBLEMS IN THE RAIL INDUSTRY, by William B. Tye (Westport, Connecticut: Greenwood Press 1990) 160 pages \$39.50.

The theory of contestable markets holds that the threat of entry is equivalent to actual competition if a market is perfectly contestable. As a market becomes less contestable, the threat of entry becomes less credible. Perfect contestability via "hit-and-run entry" is achieved if three conditions are satisfied: 1) there are no barriers to entry; 2) there are no barriers to exit (no sunk costs); and 3) there are asymmetric time lags in bringing products to the market. Tye conducts a comprehensive analysis of the application of the theory of contestable markets to the problem of achieving an efficient transition to deregulation in regulated industries. He discusses vertical mergers into contestable markets. Using insights gained when the theory was employed in the rail industry, Tye draws conclusions concerning a range of regulatory and antitrust issues affecting all industries.

*Social Policy*

AFFIRMATIVE TALK, AFFIRMATIVE ACTION: A COMPARATIVE STUDY OF THE POLITICS OF AFFIRMATIVE ACTION, by Augustus J. Jones, Jr. (Westport, Connecticut: Praeger Publishers 1991) 200 pages.

This book focuses on what happens after a decision has been made to implement a program of affirmative action. Specifically, Jones investigates why Alachua County, Florida, regarded as politically conservative, has been more successful than Gainesville, Florida, viewed as liberal, in accomplishing affirmative action goals. He concludes that the differences between the two communities' enforcement efforts could be ascribed to variations among the following factors: the communication systems used by community leaders to implement their affirmative action programs; the resources (staff, skills, money, and authority) that enforcement personnel have at their disposal; the attitudes and action of top policymakers; the organizational structure set up to implement hiring goals; and the political and social contexts in which city and county officials operate.

ESSENTIAL INDUSTRY AND THE NIMBY PHENOMENON, by Denis J. Brion (Westport, Connecticut: Quorum Books 1991) 240 pages \$49.95.

The "Not in My Back Yard" (NIMBY) phenomenon characterizes the views of many residential property owners who wish to keep various types of facilities (dumps, drug treatment facilities, utilities, jails, etc.) out of their neighborhoods. Brion argues that the pejorative connotation that NIMBY carries is both unfortunate and unwarranted. He seeks to expose the underlying problems for which NIMBY is a symptom. In particular, he examines the impact of siting decisions on those who will be neighbors of a potential project and the political stalemate that so often results when they become aware of the nature of this impact. Brion proposes a solution that involves both expanding the focus of political and constitutional debate to include the notion of communality and narrowing the traditional conception of the right to property.

TORT LAW AND THE PUBLIC INTEREST: COMPETITION, INNOVATION, AND CONSUMER WELFARE, edited by Peter H. Schuck (New York, New York: Norton & Company 1991) 320 pages \$24.95.

In this volume of essays, experts discuss tort law reforms, the behavioral effects of tort law, and the interaction of tort law with other modes of risk allocation. These essays address relationships between liability law, safety regulation, insurance, health care providers' behavior, technological innovation, corporate decision-making, domestic politics, international trade, and consumer interests. Many lessons are drawn from comparisons with tort law practices employed in Canada, the United Kingdom, and the European Community countries. Contributions by Scott E. Harrington, Susan Rose-Ackerman, W. Kip Viscusi, Michael J. Moore, Robert E. Litan, Roberta Romano, Patricia M. Danzon, Michael J. Trebilcock, Donald N. Dewees, David G. Duff, Giulio Ponzanelli, Linda Lipsen, Glenn Blackmon, and Richard Zeckhauser.

*Trade*

GLOBAL COMPETITION IN CAPITAL GOODS: AN AMERICAN PERSPECTIVE, by Robert S. Eckley (Westport, Connecticut: Quorum Books 1991) 200 pages \$39.95.

Eckley investigates the American capital goods industries—machinery, electrical and electronic equipment, and the like—and their competitiveness in global markets over the last twenty years. He conducts case studies of seven leading American companies that represent principal segments of the capital goods industries and in the process illustrates developments in this sector of the world economy. A discussion of how America may regain its competitiveness in the global market in these industries concludes the study.

THE WORLD TRADING SYSTEM AT RISK, by Jagdish Bhagwati (Princeton, New Jersey: Princeton University Press 1991) 165 pages \$16.95.

Bhagwati outlines increasing challenges to the General Agreement on Tariffs and Trade (GATT) principle of multilateralism, citing managed trade, aggressive unilateralism, particularly by the U.S., and regionalism, as divisive factors. He asserts that these challenges arise from a growing sensitivity to "unfair trade" and from the feeling that the GATT-based multilateral trading system is not coping with new developments. After defending the previous utility of GATT, Bhagwati proposes suggestions concerning how the Uruguay round might be successfully concluded.

