BOOK NOTES

VIDEO MEDIA COMPETITION: REGULATION, ECONOMICS, AND TECHNOLOGY

Edited by Eli M. Noam

New York and Guildford, Surry: The Columbia University Press, 1985. Pp. 468, references, contributors. $40.00 hardcover.

The American video industry is experiencing revolutionary change. In the thirty years since television entered the home, video has exploded into an industry of home satellite dishes, sixty channel cable systems and fiber-optic transmission. In *Video Media Competition: Regulation, Economics, and Technology*, Eli M. Noam compiles a series of articles on various aspects of the video world. The book provides an exhaustive study of a little known industry.

Video Media Competition examines a variety of video systems, including cable television, direct broadcast satellites, and video cassette recorders. The book discusses their relative costs, efficiencies, strengths, and problems. *Video Media Competition* does not investigate the programming carried by these systems, but rather focuses on the technological features of each broadcasting mechanism. Although some of the chapters may only interest economists, *Video Media Competition* draws the reader into the complex world of video systems and regulations while providing a unique look at a state-of-the-art industry.

The present video industry is a multi-faceted giant that includes cable television systems, master antennas for apartment complexes, video cassette recorders, satellite reception dishes, and other systems that transmit video entertainment and other programming including free broadcast television and motion pictures. Forty million households have access to these systems, a number that will increase to over sixty million by the mid-1990's. A crazy-quilt of government regulation controls this dynamic entity with little federal authority and great local power over franchises and revenue. The federal government moved to increase its authority in 1984 with legislation that attempted to bring some order to a chaotic industry. This infant industry continues to expand into more cities and rural areas, adding new services and products and creating vertical and horizontal integration within and between different video systems. Noam brings together thirteen articles on various aspects of the industry and attempts to piece together the video industry puzzle.

Noam presents the essays in *Video Media Competition* in three areas: Empirical Studies of Media Competition, The Regulatory Issues in Media Competition, and The International Outlook. The book includes chapters written by scholars, bureaucrats, businessmen, and lawyers. This diverse collection of viewpoints enables the reader to gather views on the new industry from a variety of perspectives. Brief critical analysis follow many of these main articles. The majority of the book is within the Empirical Studies area. Because so little data is available on the video industry, Noam has attempted to gather as much data as possible to enable decision makers to use the book as a basis for policymaking. He does devote part of the book to the regulatory aspects of the industry and its global outlook, but fewer pages than are afforded to the analytical, empirical studies section.

The Empirical Studies of Media Competition section presents an immense statistical analysis of video systems and media markets. The modern video market consists of a variety of complex components, including a half-dozen major broadcast systems, each of which is unique in method of transmission, capital costs, profitability, present distribution, and future potential. Noam includes articles on many of the systems, providing a broad analysis of the industry. The two largest segments are cable television, currently in forty million households, and video cassette recorders, owned by fifteen million households. One problem with the Empirical Studies section is that the authors bandy about acronyms until the reader simply gives up attempting to distinguish MMDS from LPTV and SMATV. Despite this occasional confusion, the eight articles include a wealth of information and statistical evidence for those interested in creating or investing in video systems.

The first article, by Jane B. Henry, briefly explains each system and its broadcasting mechanisms. Among her catagories of analysis are subscriber cost, number of transmissible channels, market sizes, and distribution costs. Henry avoids the statistical avalanche that pervades the Empirical Studies section and introduces the reader to a simplified blueprint of a complex world.

A source of controversy and authors' criticism in *Video Media Competition* arises from the lack of comprehensive industry data. Douglas Webbink and Mark Nadel lucidly observe this problem in well-written comments from the Empirical Studies section. Readers of *Video Media Competition* must recognize the present analytical limitations, which include a shortage of empirical evidence, the industry's youth, the bewildering variety of systems in place or proposed, and the mixture of state and federal regulation. Despite these research difficulties, the authors generally succeed in examining the video industry in order to provide a basis for future study and investment.

The second section, The Regulatory Issues in Media Competition, provides the most interesting material for lawmakers and lawyers involved in the video industry. Each chapter examines current regulation of the industry and explores future challenges to that regulatory structure. The short, analytical comments reinforce the articles with thoughtful critiques and present many insightful observations.

Each of the four chapters analyzes specific regulatory issues in the video industry. Henry Galler examines the current video market with its regulations, licenses, and spectrum limitations. The constitutionality of broadcast licenses also receives attention. Michael Botien critiques the Federal Communication Commission's attempt to regulate a dynamic industry by placing all participants at a theoretical equal starting point, which may create problems for those already in business while benefiting late comers. Lawrence J. White describes the FCC's rejection of the merger of two pay-cable giants, why it was a poor decision, and how the two companies effectively merged shortly thereafter. Stanley M. Besen and Leland L. Johnson investigate FCC regulations limiting broadcast station ownership within local markets and theorize that multiple station ownership may be more efficient, and hence, more profitable.

While these chapters can be easily comprehended, readers seeking black letter law or specific aspects of local or federal regulations will be disappointed. *Video Media Competition* fails to provide any in-depth discussion of recent legislation on the video industry, and the statutes cited are only referred to in general terms. Anyone seeking a legal review of the video industry must turn to a supplementary resource.

One particularly enjoyable portion of the Video Regulation section is the comments. While three of the commentators provide valuable critiques of the chapters, Henry Levin presents a particularly outstanding analysis of the main chapters. Levin focuses on the inconsistent use of markets as a data base and the industry's lack of reliable data. He also discusses each chapter's conclusions and finds them to be too extensive considering the limited data base.

The third section of the book, The International Outlook, provides details on the video industry's power in Europe and the Third World. Helmut Schafer argues for increased video access throughout Europe by ending rigid state control over program production and distribution. Ernest Jouhy investigates video's effect on the Third World. As in the developed countries, television is becoming a substitute for traditional cultural activities and also provides for effective distribution of state sponsored messages. While Jouhy's data is limited, his analysis on the cost of a television in the Third World in both monetary and cultural expense focuses on particularly disturbing results.

For all of *Video Media Competition's* exhaustive data and analysis, the introduction stands as the single best section. Eli M. Noam previews the theme and content of all thirteen articles, guiding the reader to areas of particular interest. He explains an intricate industry, providing statistics on specific segments of the field while relating their importance to the whole video industry and offers his own views on the future of the industry's various components. Noam's introduction unifies in a concise and simple manner the many tangents that the book pursues.

Several groups would benefit from reading *Video Media Competition.* Legislators and lawyers interested in the video industry will gain insight into the industry as a whole. Industry investors may also find this book valuable, as it includes growth projections, data on installation costs, marginal profit estimates, and break-even points. The book contains little for the lay reader. The articles on regulation and the international outlook may be of some interest, but the bulk of the book is economics, data, and theories on a very technological industry. This writer feels that the statistical analysis is at times overwhelming. While the book proposes to gather information on the video industry, after wading through the mass of data the reader is left waiting for solid proposals on policy and future regulation. A sequel to *Video Media Competition* devoted to a debate on the future of the video industry and the role to be played by all parties and competing systems would be a valuable complement and of great assistance.

In conclusion, this collection of articles provides a review of the modern American video industry, its problems, regulations and future potential. While not all of the video systems will prosper or survive, the video industry appears to have a positive outlook for the foreseeable future. It is an industry that promises a new body of law for tomorrow's lawyer. *Video Media Competition* thoroughly investigates a very dynamic system, one which will enjoy enormous growth and have a great impact on the American public.

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POLITICAL CRISIS/FISCAL CRISIS: THE COLLAPSE AND REVIVAL OF NEW YORK CITY
by Martin Shefter

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Professor Martin Shefter of Cornell University discusses the cyclicality of political crises and the resultant fiscal crises in New York City in *Political Crisis/Fiscal Crisis: The Collapse and Revival of New York City.* Concentrating on the 1975 financial upheaval, he analogizes to previous political/fiscal crises occurring since the days when Tammany Hall controlled the municipal government in New York City. The author's analysis of past problems reveals a similarity between the events causing the 1975 crisis and the Tammany Hall crisis. He does not see fiscal crises as strictly modern occurrences, but demonstrates that they have existed since the flight of immigrants into urban centers during the 19th century. Shefter's book breaks down into a three part analysis, describing the history of political/fiscal difficulties of New York City, the 1975 crisis, and the outlook for the future.

Shefter's analysis presupposes that "fiscal crises are distinctively urban phenomena." He arrives at this conclusion by examining the various methods of urban deficit financing. Unlike the federal government which can issue more money to float its debt, American cities must rely on tax revenues and the issuance of notes and bonds. Shefter proposes that political crises in American cities create subsequent financial crises. A cyclical pattern of political problems leading to financial troubles is set in motion when municipal officials try to win votes through concessions made to political alliances. As the expenditures used to assuage the political alliances accumulate, deficit spending increases, causing a financial crisis. As top political officials are discredited for their lack of financial savvy, new officials gain control because of their political and financial reform initiatives. The discredited political machine incorporates these new reforms into its platform, which provides the stimulus for the machine to win the next election. The gravaman of Shefter's analysis of American cities is the cycle of political turmoil leading to fiscal mismanagement.

The author discusses Tammany Hall, a former Democratic political machine in New York City, as the archetypical political machine. Tammany Hall rose to its dominant position in the 19th century through arrangements with leading groups in the city who had a stake in municipal affairs. These alliances developed not out of free choice but because the major interests had no other viable alternatives. The choice of following the labor movements or New York City's upper class was less desirable than supporting the machine and its patronage system because of fears of unknown changes in the power structure. Although the machine survived attacks, the reform vanguard instigated changes which at times led to fleeting control of City Hall. The three groups that elected such reformers represented business interests which pushed for sound fiscal policies, new ethnic groups which wanted political recognition, and middle class professionals who sought to extend their influence. However, after the election of a reform coalition, the Democratic machine would assimilate the divergent political forces in the next election and thereby attain political control once again.

Shefter feels that the legacy of Tammany Hall proves that the cycle of political crisis leading to fiscal crisis is not strictly a modern phenomenon. Having established the history of these cyclical crises, the author moves into the modern era which is the focus of his book. According to Shefter, reform movers during the 1960's were the source of New York City's fiscal crisis in 1975. As in previous cycles, the municipal government's fiscal policy emerged as the center of controversy in the elections. The influx of blacks and Puerto Ricans, like other immigrants before them, enabled the reformers to gain a substantial electoral voice. Further support came from influential people in Washington, D.C. and the city's business elite who sought improvements in the city's infrastructure. Three prominent groups came under attack: the city's Democratic Party machine, Robert Moses' public works "empire," and the municipal welfare system.

Sparked by the civil rights movement, black leaders demanded changes in the municipal government's agenda, just as new immigrants had done before. Other groups seeking recognition at this time were the municipal employee unions. Civil service unions became increasingly powerful during the 1960's, making them important factors in city elections. Shefter calls the alliance of black leaders and municipal employee unions a "fusion element." He distinguishes the "fusion element" from other reform movements on the basis that previous reforms had relied on citizen committees.

By accommodating different political forces, Mayors Lindsay and Beame won election in 1965 and 1973, respectively. However viable their political administrations were, their financial dealings proved to be disastrous. The political crises of their administrations created the fiscal crisis of New York City in 1975. In attempting to maintain their political alliances, Lindsay and Beame spent more than the city received in taxes and state and federal aid. Shefter believes three factors led to the fiscal crisis. First, about one million blacks and Puerto Ricans moved into the city, while an equal number of whites left. This flight to the suburbs reduced the city's tax revenues, thus placing a severe strain on the social welfare system. Second, federal grant-in-aid programs that required matching funds from the city burdened the budget. Third, changes in the composition of political organizations forced Mayors Lindsay and Beame to spend excessively in an attempt to appease various political factions. These factors culminated with the closing of the credit market to New York City in March of 1975.

The city's deficits became so large that the creditors doubted whether the securities could be redeemed. New York City faced imminent bankruptcy. Rather than default on its loans, the city accepted stringent bail-out programs using money provided by New York banks, the state government, and the federal government. Although not natural allies, the city's bankers, municipal union leaders, and public officials came together to prevent a disaster.

Shefter feels that three power groups have emerged from the fiscal crisis: the municipal government's private creditors, the city's public creditors and fiscal monitors, and Mayor Edward I. Koch. The enormous personality of Mayor Koch makes him the most visible of the three and therefore enables him to divert attention from the creditors. He has alienated many potential black supporters and municipal employee unions, yet at the same time he has gained approval from the business community. In 1981, through an arrangement with city Republicans, Koch ran for re-election as the GOP nominee as well as the Democratic nominee. Shefter states that Koch has endured two terms in office because he has met the four imperatives of urban growth: (1) mobilizing the electoral majority, (2) promoting economic growth, (3) maintaining the city's credit, and (4) moderating political conflicts. Koch's strong following will not help the next mayor of New York, however, because Koch's strength is his personality and not his political alliances. Shefter suggests that the next mayor will have to contend with the contrasting concerns of the business community and the unions. The ability to balance the city's business concerns with its uniform personnel and municipal employees will be critical to the future of New York City. The author provides a commentary for the future by stating that the concerns of business will become the business of politics in New York.

Shefter's final chapter questions whether cities can be democratically governed. Before responding to the question, he proffers some general conclusions. First, in an urban environment, political crises often manifest themselves as financial crises. Second, the cyclical fiscal crises of New York City suggest that the city's difficulties in the mid-1970's were manifestations of recurrent strains in the political economy of American cities. Third, the sequence of events from 1968 to 1975 was similar to previous machine/reform dialectics. Finally, American cities fall into two groups. In the Sunbelt cities, local business elites dominate politics, while in the Snowbelt cities, the local political system enjoys some autonomy from the hierarchies of civil society. Shefter concludes that maintaining a city's credit is imperative and that fiscal imperatives are more powerful than the democratic impulse in American cities.

In *Political Crisis/Fiscal Crisis: The Collapse and Revival of New York City*, Professor Shefter provides a rational view of how New York City came to the edge of declaring bankruptcy. His thesis that the political turmoil of the Lindsay and Beame administrations led to the fiscal crisis of 1975 is well-documented. The author continuously asserts his main theme that political and fiscal crises are not new events. Shefter uses New York City as his focus, but never dismisses the possibility that similar events have occurred in other major cities across the United States.

The author appears to suggest that the lessons of history must be learned in order to avoid another fiscal disaster in a major urban center in the United States. Shefter suggests that given the right circumstances, a new mayor of New York may be tempted to revert to past policies of excessive spending to gain political advantage. The author supports this theory by stressing that the city has not rebounded as quickly as many had expected, while the fiscal watchdog agencies continue to exert enormous pressure on the city's budget. However, Shefter asserts that the slow fiscal rebound is countered by the mayoralty of Koch, who has brought more power back into the mayor's office. As the lessons of the past fade in voters' memories, the author fears that new politicians may try old tricks to gain election.

Although the vast majority of the book rests on solid theses which are equally well-grounded, Shefter concludes with a distressing thought. In balancing the business side of government against the electoral side, the author believes the concerns of creditors will prevail over democracy in American cities. Whether this will actually happen is debatable, but Shefter needs a foundation on which to base his conclusion. This ending leaves the reader questioning why the author suggests that financial creditors will be "calling the shots" in our nation's cities. Even though corporations have enormous power and influence in our society, individuals still have a voice in government through the right to vote. Using Shefter's reasoning, coporate creditors may cause the end of the democratic process. The author should not initiate a new discussion in the closing of his book without providing a thorough explanation for his beliefs.

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