

of three to one years. The Kiss scheme obeys the vulgar acronym (Keep It Simple Stupid), unlike the relatively unfocussed ruminations of Kwoka.

Noam's paper on the regulation of quality is in this reviewer's view the most important and interesting of the collection. He sets out, with his own experience on the New York Board of Commissioners, to define a simple and comprehensive scheme of quality control for telecommunications. It involves construction of a quality index including as many dimensions as found to be important to customers, weighted by importance. Standards of quality are similarly defined by the regulator. Variance of performance is also entered. The firm has to achieve a score of zero, i.e., underperformance on some measures is balanced by overperformance on others. Financial penalties are imposed for failure, in terms of prices, rate of return allowed or rebates to affected customers. Performance standards can be given a time trend for expected improvement. Noam intends this system to apply only to firms regulated by public policy, not to those in a market environment. I would suggest that this may not necessarily be appropriate in that services such as telecommunications are bedevilled by externalities of interworking. He himself mentions the problem of customers who choose a low level of quality and low price, thereby compromising the standards enjoyed by those who interface with that customer, and those who perform use the same channels (p. 179). The old engineering cry of system integrity is often seen by economists as merely a self-serving demand for gold plating of services. But minimum standards will have always to be regulated. It is not a question of monopoly bottlenecks (p. 187) but of inextricable interdependencies between suppliers and users, as Noam's examples point out clearly (pp. 167-8, 179).

In sum, this collection contains a number of mildly interesting papers, as well as a few that do not appear to make a real contribution. But none of the papers, except perhaps that of Noam, round on either the regulators or the regulated in analysis that suggests that we live in anything but a reasonably close approximation (not worse than third best) to the best of all possible worlds. Perhaps it's the truth.

REFERENCE

1. John Nightingale, 'Regulating telecommunications pricing: information requirements of the CPI-X rule', *Prometheus*, 8, 1, June 1990, pp. 80-95.

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Serendipity City: Australia, Japan and the Multifunction Polis by *Walter Hamilton*

(ABC Publications, Sydney, 1991), pp. ix + 228, \$29.95, ISBN 0-73330087-1.

The Clever City: Japan, Australia and the Multifunction Polis by *Ian Inkster*
(Sydney University Press, 1991), pp. xi + 180, \$17.95, ISBN 0-42400182-9.

Bonsai Australia Banzai: Multifunctionpolis and the Making of a Special Relationship with Japan edited by *Gavan McCormack*

(Pluto Press, Sydney, 1991), pp. vii + 228, \$16.95, ISBN 0-949138-64-9.

The somewhat vague and idealistic proposal by Japan in January 1987 to build a futuristic, international city in Australia may not have been embraced by the