Book review

Christian von Hirschhausen, Torsten Beckers and Kay Mitusch (eds.)

Trends in Infrastructure Regulation and Financing. International Experience and Case Studies from Germany.
Cheltenham, Edward Elgar.

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Quite a number of international publishers are aware of the fact that international conferences can be linked to excellent books. So does Edward Elgar Publishing Limited. The publisher presented this book, the result of the international conference on applied infrastructure research held at the Berlin University of Technology in October 2002. It provides an overview of international trends in infrastructure regulation and financing. It also discusses the role of the state and the private sector in infrastructure provision.

The editors state that infrastructure provision is increasingly considered to be a key to structural change and economic growth of both developed and emerging economies. At the same time, however, there is still a lot of discussion on the appropriate theoretical framework and policy recommendations to achieve objectives such as efficiency, fairness, and sustainable development.

Infrastructure research has recently received much attention in economic research and policy throughout the world. Currently, the debate primarily deals with international comparative analysis. Individual countries have to follow these developments, but important issues remain unsolved.

The debate became less ideological. The microeconomic foundations of the debate have been enhanced, building on auction and contract theory, network economics, and institutional economics. This explains the need to get an idea of recent international trends in infrastructure and financing, focused on nationwide studies of traditionally reform-oriented countries and newcomers in the infrastructure sector reform.

This book is divided into four parts. The first part covers theoretical and cross-sectional issues, mainly regulation, vertical unbundling, and financing. Successively we get contributions concerning the analysis of the rational behind the deregulation in network industries, the regulation of network industries by applying the contestable market theory, predatory pricing in liberalised telecommunications markets, rating infrastructure projects according to Basel II.
The second part is dedicated to Germany. This country has, for a long time, avoided reforms in its infrastructure sectors. The various chapters show that reforms are only gradually getting under way, both considering the competition-oriented re-regulation of the network industries and the private participation in financing and management. We explicitly refer to the chapter concerning private infrastructure finance with, as an example, the new second terminal at Munich Airport, and the one concerning the regulation in the German railway sector.

The third part provides evidence from two benchmarking cases of private participation in infrastructure during the 1990s, in the UK and Argentina. The final part of this book deals with an international comparison of reforms in the electricity sector.

To conclude, this book has the advantage that the various contributions add recent theoretical advantages to the empirical analysis of real-world issues in an international context. The editors realised their goal: extending the frontier of analysis of successful and failed reform attempts. This book offers excellent scientific analysis, quite a lot of information about countries and sectors, and elements for a research agenda.