

Let the Customer Decide

Mark A. Jamison, University of Florida

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Who would you trust more to make information technology (IT) buying decisions for schools -- schools or someone that regulates utility companies? Congress and the Administration just gave the nod to utility regulators. Why? Well, a funny thing happened on the way to telecommunications competition and deregulation.

The policy makers praised the Telecommunications Act of 1996 as a pro-competition and pro-deregulation bill. But it's not turned out that way.

The Act gave regulators hands-on control of many things they have never before regulated. A case in point: The Act asked utility regulators to develop a school and library subsidy fund for IT. A group of these regulators, called the Federal/State Joint Board, just decided that this fund should be \$2.25 billion per year. This is great for schools and libraries with enough money for everything else.

But what about those needing new roofs, more drug education programs, or more chairs? Under this plan, the regulators are forced to say they can have funding only if it is used for IT and not for things needed to make their IT effective.

Mythology Becoming Law

How is it that lawmakers gave utility regulators power over school spending? According to Professor **Milton Mueller** of **Rutgers U**, this is mythology becoming law. About 90 years ago, **AT&T** figured out that it could make more money as a monopoly than competing with other telephone companies. AT&T coined the phrase "universal service" to describe how a single telephone system (AT&T's) could let all customers talk to each other. Until then, customers of competing telephone companies generally couldn't call each other.

The government agreed with AT&T until about 20 years ago when an impetuous **MCI** challenged the

idea. To defend its monopoly, AT&T resurrected the term "universal service," but this time said it was a goal that everyone should have subsidized phone service from one company. AT&T lost the single-company argument, but the subsidy idea stuck.

Myth Becomes Conventional Wisdom

Today, the idea that everyone needs subsidized communications services is conventional wisdom. Policy makers often believe that telephone subsidies are necessary to get 95% of the nation's households to buy something they really need -- a phone. Now that people are buying all kinds of other communications services like Internet, policy makers are naturally turning to subsidies to make sure that customers keep buying these new things that they need. This includes special subsidies for schools and libraries.

Are special subsidies needed to get people to buy something they need and are already buying? Some people think so, but the evidence is pretty weak. During May 1996, about half of all public schools and libraries had access to the Internet. That's better than the nation in general. Also, at current growth rates, almost all schools and libraries should be connected to the Internet in two to four years.

Let the Educators Decide

What should policy makers do? As capable as utility regulators are, and as imperfect as schools are, educators are still in the best position to understand their own needs. A national discount plan is an inefficient use of money.

If I were Congress, I would be upset that my pro-competition and pro-deregulation bill hasn't been that. I would do a clean up bill that would take utility regulators out of the business of deciding what schools and libraries should be doing.

If I were the **Federal Communications Commission**, I wouldn't wait for Congress to act. I would declare "mission accomplished" and phase out the \$2.25 billion.

Mark A. Jamison is Director of Telecommunications Studies, Public Utility Research Center, Warrington College of Business Administration, University of Florida (Gainesville, FL). He may be contacted by e-mail at <jamisoma@dale.cba.ufl.edu> or by phone at (352) 392-2929.