Crossed Wires

By James V. DeLong

The Schools and Libraries Corporation, which runs the new program requiring telecommunications customers to toss \$2.25 billion annually into a pot to subsidize school and library access to the Internet, is off to a roaring start. (See "Computer Games," November 1997.) It has already gathered 30,759 applications seeking more than \$2 billion this year.

But basic flaws in the program are already showing up. In May, AT&T announced it would assess its long-distance customers a 5 percent surcharge to cover the costs of the subsidies, thoroughly riling the Federal Communications Commission. MCI followed suit with its own fee.

The FCC has morphed the subsidy so that it covers hardware, not just services, by agreeing to pay for equipment needed for "internal connections." The program also subsidizes all telephone services, not just Internet connections. As a result, only \$88 million of the \$2.02 billion requested would go for Internet access; \$656 million is for conventional telephony, and a whopping \$1.3 billion would cover those internal connections.

Even the FCC's generous



interpretations have not satiated the program's clientele, though. Five U.S. senators, led by Commerce Committee Chairman John McCain (R-Ariz.) and his committee's lead Democrat, **Ernest Hollings of South** Carolina, complained to the commission about reports that schools are forcing bidders for subsidized services to toss in "no-cost" items as part of their bids before they'll even be considered. The freebies include teacher training, 31-inch monitors, cable services, and carpeting.

The FCC's response, in essence, has been, "Don't worry, be happy." The commission says it is reminding applicants that they are legally obligated not to consider such extraneous matters as no-cost items in their bids, and that any such fraudulent submissions are subject to severe civil and criminal sanctions.

Lawmakers—as well as schools and librariesshouldn't be surprised. The 1996 telecommunications act, which established the Schools and Libraries Corporation, didn't make clear which services would be eligible for subsidies. And once the feds start handing out goodies, disputes about the meaning of regulatory language or the principles of cost accounting automatically become matters of criminal law. The telecommunications revolution is often accused of accelerating

> the pace of modern life. The schools and libraries program certainly reinforces this notion: The arc from initial hype to fodder for prosecutors is short indeed.

Balance Sheet

By Rick Henderson

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▲ Clear Language. California's Proposition 227, the "English for the Children" initiative, passes with nearly 61 percent of the vote. (See "Loco, Completamente Loco," January.) The initiative, which will end most of the Golden State's bilingual education programs, gets one of the largest victory margins of any contested referendum since Proposition 13 passed 20 years ago.

▲ Moon Shot. Hughes Global Services Inc. completes the first commercial flight to the moon. The HGS-1 satellite circles the moon twice before settling in a geosynchronous orbit, where it will provide communications services for government agencies and private customers.

▲ Choice Chances. For the first time, a state supreme court lets low-income students use tax-funded vouchers at private religious schools, as Wisconsin's high court upholds the Milwaukee program. And through the CEO America Foundation, financier Ted Forstmann and retailer John Walton (of Wal-Mart fame) commit \$100 million to underwrite scholarships for impoverished kids. Their antes will be matched by donors nationwide.

▲ Speed Dial. The cost of joining the information revolution plummets. Sprint's Integrated On-Demand Network will provide voice, fax, video, and high-speed Internet transmissions over one line. The network, available to residential customers late next year, will reduce the cost of long-distance calls by 70 percent and deliver Internet connections at 100 times the speed of a typical modem. ION also includes local service, which could obliterate local telephone monopolies.

Dangerous Books

By Jacob Sullum

Specializing in macho, cloak-and-dagger titles like Kill or Be Killed, Build Your Own AR-15, and The Layman's Guide to Electronic Eavesdropping, Paladin Press thrives on controversy. But even for Paladin, the week of April 19 was unusual, with legal trouble associated with two of its books making news on both sides of the Atlantic.

In the United States, the Supreme Court declined to

hear a challenge to a decision by the U.S. Court of Appeals for the 4th Circuit that said Paladin could be sued for aiding and abetting a triple homicide by publishing *Hit Man: A Technical Manual for Independent Contractors.* A hired killer who bought *Hit Man* in 1992 murdered three people a year later, following instructions from the book.

In England, Phillip Luty, author of Expedient Homemade Firearms: The 9MM Submachine Gun, was sen-



▼ Civic Removal. First sex shops.
Then taxis. Now hot dog vendors.
New York Mayor Rudolph
Giuliani's quest to disinfect the Big
Apple targets food and clothing
vendors who sell their wares on the
city's streets. If Giuliani succeeds, he
may move these entry-level entrepreneurs off the streets and into welfare lines.



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▼ Running Scared. Trying to protect their phony-baloney jobs, Republicans cast aside any remaining limited-government inclinations. Before the November election we'll see GOP-led votes to restrict political speech (a.k.a campaign reform), private contracts (HMO regulations), freedom of conscience (the school prayer amendment), and other calls for mobocracy.

▼ No Satisfaction. Onetime London School of Economics student Mick Jagger demonstrates his understanding of supply-side economics. The Rolling Stones cancel the four British concerts on their world tour after the Labor government repeals a 20-year-old tax break for part-time residents who earn money outside the U.K. Jagger says the Stones would have had to pay \$20 million in taxes if they played a single show on British soil.

▼ Excessive Success. The Clinton administration's war on commerce proceeds with the Federal Trade Commission's bizarre antitrust suit against computer chip giant Intel. Message from the White House to America's entrepreneurs: If you deliver goods and services effectively to consumers, we'll see you in court.

tenced to four years in prison for carrying out the instructions in his own book. The Yorkshire Post reports that Luty, after making a submachine gun using readily available materials and tools, asked a photographer to take pictures of it for his book. The photographer turned him in.

Although he acknowledged that Luty did not plan to use the gun against anyone, the sentencing judge said, "The message must go to everyone that making weapons like this in this country is unlawful and will be severely punished." Noting that Luty's book and other Paladin titles can be ordered through the publisher's Web site (www. paladin-press.com), a spokesman for the Association of

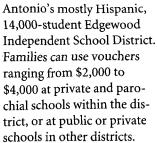
Chief Police Officers told the Post: "We feel particularly strongly that the Internet is especially vulnerable to criminal abuse, and this is the kind of information we don't want available."

School Buy Out

By Lisa Snell

n what amounts to a private universal voucher system, the Children's Educa-

tional Opportunity (CEO) Foundation of San Antonio announced that it will provide at least \$50 million over the next 10 years to give school vouchers to any interested low-income student in San



The program is the first in the nation to offer vouchers to all low-income students in a district, and 93 percent of Edgewood students are eligible. Program sponsors chose Edgewood because it was large enough to offer a meaningful experiment but small enough that they could include every student.

The week the program was announced, CEO's office received 400 inquiries and 170 student applications. The foundation estimates it will send 2,000 Edgewood children to private schools this fall.

Edgewood school district officials express concern over the prospect of hundreds of students leaving the public school system and say the voucher program places the very concept of public education "at risk." State Sen. Gregory Luna (D-San Antonio) called the program "another ruse to destroy public schools," and said it "declares war on public education."

He's right. School officials estimate that losing 200 students would cost the district more than \$1 million. Fritz Steiger, president of CEO America Foundation, argues ▶



QUOTES

"The entrepreneurial vision has taken our country a long way, but it's done so on the back of a lot of people who've gotten stiffed in the end. So at some point—and we may be reaching that point—that vision may have run its course....[i]s the new economy going to produce enough jobs for the people who need work out there?"

—Rock star Bruce Springsteen in the May 28 Rolling Stone. The official unemployment rate at that time was 4.3 percent, a 28-year low.

"It's too bad [Yale researcher and fattax advocate Kelly] Brownell isn't more popular. If you accept that America is entering a Puritan phase, then regulating fat can actually be a less intrusive policy than regulating tobacco."

—New Republic Assistant Editor Hanna Rosin, in a May 18 story favoring a tax on fatty foods

"We're prepared to fill the store with violence and horror to make it legal."

—Richard Kunis, owner of Manhattan Video, in a June 4 New York Times article, explaining how he intends to comply with the city's new restrictions on "sex shops"