

Hookah bars at odds with state's new smoking ban/4



CAROLINA JOURNAL

A MONTHLY JOURNAL OF NEWS, ANALYSIS AND OPINION FROM THE JOHN LOCKE FOUNDATION

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Easley Ethics Forms Omitted Rental Income

More than two years' income on his Raleigh home was never reported as required

BY DON CARRINGTON
Executive Editor

Former Gov. Mike Easley failed to list income from the rental of his Raleigh home on at least three consecutive annual economic interest statements — a violation of state ethics laws.



Former Gov. Mike Easley

The home on East Lake Drive was rented for \$1,500 a month for three years while Easley served as governor. Failure to file a complete Statement of Economic Interest is a Class H felony.

Top state officials must complete the statements and submit them to the State Ethics Commission, which was created in 2007. Before that, officials submitted economic interest statements to the N.C. Board of Ethics.

The statements Easley signed in 2007 and 2008 required him to list each source of income of more

RALEIGH



The Easleys bought this home on East Lake Drive in Raleigh when Easley was elected the state's attorney general. When he was elected governor, the Easleys moved into the Executive Mansion. (CJ photo by Don Carrington)

than \$5,000 he or his wife had received in the previous calendar year. The form he signed in 2006 required him to report each source of income larger than \$10,000 for the previous year. In each case, he listed his salary, the salary of his wife Mary, and income from stocks they each held. He did not list any rental income.

Easley signed each statement certifying that he had read it and that to the best of his knowledge and belief it was "true, correct, and complete."

The economic interest statement also included this highlighted text on the same page of the docu-

Continued as "Easley," Page 2

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How Much Does Your Congressman Cost?

\$4.3 million spent in 3rd quarter by N.C.'s 13 House members

BY DAVID N. BASS
Associate Editor

The 13 members of North Carolina's U.S. House delegation spent \$4.3 million in taxpayer funds to run their offices during the third quarter of 2009, including costs for leased hybrid cars, snacks, and bottled water, congressional receipts and expenditures for the third quarter show.

The records, published online in November for the first time, give taxpayers a bird's-eye view of how lawmakers use their congressional allowances, which range as high as \$1.9 million annually.

In the past, the disbursements, prepared by the Chief

Administrative Officer of the House, were available only in hard-copy format.

Receipts show that Tar Heel congressmen paid their staffs \$3.13 million in the third quarter, devoted about a quarter-million dollars to travel, and spent \$13,277.64 on food, drinks, and bottled water. They also paid \$56,000 a month in district office rent and \$2,259.22 a month for leased vehicles.

Meanwhile, both Republican and Democratic leaders in the House paid six-figure salaries to more than one-third of their staffs and spent reams of cash on food and decorating their offices.

Although open-government advocates credit House Speaker Nancy Pelosi, D-Calif., for making the records easier to access, some criticize Congress for substituting unclear line-item descriptions for the more detailed information available in past reports.

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George Stephens, Jeff Taylor
Michael Walden, Karen Welsh
Hal Young, John Calvin Young
Contributors

Jacob Burgdorf
Adrienne Dunn
Kamen Nikolaev
Editorial Interns

Published by
The John Locke Foundation
200 W. Morgan St., # 200
Raleigh, N.C. 27601
(919) 828-3876 • Fax: 821-5117
www.JohnLocke.org

Jon Ham
Vice President & Publisher

John Hood
Chairman & President

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Easley Omitted Rental Income on Ethics Forms

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ment with Easley's signature:

North Carolina law establishes a fine of \$250 for failure to file a complete Statement of Economic Interest. In addition, it is a Class 1 misdemeanor to knowingly conceal or fail to disclose required information, and a Class H felony to provide false information on a Statement. Such actions can also subject an official to disciplinary action in connection with his or her employment.

Failure to disclose economic interests fully and accurately was one factor in the federal prosecution of former state lottery commissioner Kevin Geddings. Geddings, convicted by a jury in 2006 for depriving the public of honest services, is now serving time in a Georgia federal prison.

Easley did not respond to requests by *CJ* for comment.

Easley and his wife Mary bought the Raleigh home on East Lake Drive in 1993 after he was elected to his first term as the state's attorney general. They moved into the Executive Mansion in 2001 when Easley became governor. The Easleys remodeled the home in 2008 and moved back in after his term as governor ended in January 2009.

In addition to the Raleigh home, the Easleys also have homes in Southport and on Bald Head Island. They also own a lot in Cannonsgate, a Carteret County waterfront development.

A Raleigh man who rented the Easley home in 2004 told *Carolina Journal* that he paid Barker Realty Inc., a Raleigh-based property management firm, \$1,500 per month for a period that included the entire calendar years of 2005 through 2007. Barker Realty's Web site indicates the firm charges 8 percent of the gross rent for managing property.

Barker's payments to Easley would have exceeded the \$5,000 income-reporting threshold for 2006 and 2007 and the earlier \$10,000 threshold for calendar year 2005.

Beth Carpenter, an assistant to Ethics Commission Executive Director Perry Newson, told *CJ* that rental income above the \$5,000 threshold must be included for each property. She said her office does not distinguish between gross income and net income. When *CJ* informed her that Easley did not declare any rental income on three consecutive statements, she said, "That would have been something that should have been included."

Campaign rented home first

Information about Easley renting his home first surfaced in October at the State Board of Elections hearing investigating the finances of Easley's 2000 and 2004 campaigns for governor. Multiple witnesses confirmed that Easley was renting his home to his political committee. That rental was also

done through Barker Realty.

Easley's campaign expenditure report lists payments of \$1,600 paid to Barker Realty in March 2003 and \$1,750 paid to Barker in September 2003.

Michael Hayden, Easley's finance director for the 2004 campaign, testified to the elections board that he lived at the Easley house for several months in 2003, then moved to an apartment complex in late 2003.

Neither Hayden nor any other witness who testified at the elections



Beverly Walker, Easley assistant

board hearing explained how rental payments flowed between the campaign, Barker, and Easley's personal accounts. Barker Realty owner William Barker was reluctant to discuss details about the Easley home and told *CJ* he turned over his files on the home to the U.S. Department of Justice.

During Easley's tenure as governor, his assistant Beverly J. Walker, a state employee, handled some personal finance matters. Walker testified to the elections board that she handled rental income checks for Easley's home. Walker also notarized Easley's signature on his economic interest statements filed in 2006 and 2007. Easley's general counsel Ruffin Poole notarized Easley's signature on the statement filed in 2008.

Home repairs

Another controversy involving the Easley home arose after McQueen Campbell testified to the elections board that he personally paid for repairs at Easley's home. Campbell, a

pilot with access to several aircraft, already had testified that he frequently flew Easley to campaign events at no charge, a violation of campaign finance laws.

Campbell said that when he sought reimbursement from Easley for the repairs, the governor suggested that Campbell bill the Easley campaign for aircraft flights to disguise the nature of the transactions. In 2005, Campbell submitted bills totaling \$11,077.50 to the campaign committee; the committee then paid Executive Aircraft Services, a company owned by Campbell and his family.

Statements matter

The importance of honest and complete answers on economic interest statements came to light in 2006 during the Geddings prosecution. A federal grand jury indicted Geddings in May 2006 for illegal activities associated with his successful quest to gain an appointment to the newly established North Carolina Education Lottery Commission.

In October 2006, the trial jury found Geddings guilty on six counts of depriving the public of his honest services. The charges were related to the use of mail and wire communications as part of a fraud.

Among the specific counts was the charge that Geddings submitted a Statement of Economic Interest that failed to disclose recent income he had received from lottery vendor Scientific Games.

A federal judge sentenced Geddings to four years in federal prison, two years probation, and a \$25,000 fine. He is serving a sentence in at the Federal Correctional Institution in Jessup, Ga. He is expected to be released from prison in late 2010. *CJ*

Share your CJ

Finished reading all the great articles in this month's *Carolina Journal*? Don't just throw it in the recycling bin, pass it along to a friend or neighbor, and ask them to do the same.

Thanks.



Congressional Offices Cost Taxpayers \$4.3 Million in Third Quarter

Continued from Page 1

The disbursements once included specifics right down to equipment model numbers, but the current version includes only identifications such as "habitation expense" and "office supplies."

"It's still extremely vague," said David Williams, vice president of public policy for Citizens Against Government Waste, a Washington-based watchdog organization. "People and taxpayers really want to know the details. Politicians are really afraid of that. For years they've gotten away with spending money on these trinkets."

Others say that Pelosi's transparency overtures may score few points with voters in the 2010 mid-term elections, which current polls put at a statistical dead heat between Republicans and Democrats.

"It might not matter," said N.C. State political science professor Andrew Taylor. "I'm not sure the average voter really understands these things and is able to make use of any additional information that is available to them."

Tar Heel budgets

Rep. Sue Myrick, R-9th District, had the highest total expenses for the third quarter. She spent nearly \$8,000 to rent two district offices — one in upscale south Charlotte, the other in downtown Gastonia.

Myrick tied District 11 Democratic Rep. Heath Shuler for spending the most on travel — about \$30,000 — among the delegation.

Rep. Howard Coble, R-6th, had the highest-paid chief of staff, Edward McDonald, at \$42,102.75 in the third quarter. McDonald's 2008 earnings almost matched Coble's \$174,000 annual salary for 2009.

Most Tar Heel representatives paid their staffs roughly a quarter-million dollars. Reps. G.K. Butterfield, D-1st, and Virginia Foxx, R-5th, paid the least, at \$197,000 apiece.

District 8 Democratic Rep. Larry Kissell spent \$8,841.63 for lodging during the quarter. Almost half of that came from a trip his chief of staff, Susan Powell, took in June.

"Our chief of staff is located in the district. When she goes to Washington, D.C., there is [a] lodging expense," said Haven Kerchner, Kissell's spokes-

Amount spent to maintain N.C. congressional offices in third quarter of 2009

Myrick	\$384,958.92
McHenry	\$381,500.90
Etheridge	\$346,995.26
Kissell	\$333,895.05
Coble	\$333,790.94
Foxx	\$332,709.89
Price	\$328,744.38
Jones	\$326,936.65
Shuler	\$324,863.72
McIntyre	\$319,123.08
Watt	\$306,009.37
Miller	\$272,038.80
Butterfield	\$258,630.93

Source: Chief Administrative Officer of the U.S. House of Representatives

woman, when asked by *Carolina Journal* about the trip.

Four lawmakers opted to lease cars rather than request mileage reimbursements for private vehicles. Rep. Mike McIntyre, D-7th, leased two 2009 Chevrolet Malibus, one of them a hybrid. Myrick also leased a hybrid — a 2009 Honda Civic.

A spokeswoman for Rep. Brad Miller, a 13th District Democrat, said leasing a 2008 Ford Escape saved taxpayers \$2,487.65 this year compared to the cost of mileage reimbursements for a private vehicle.

Shuler didn't lease a vehicle but spent several thousand dollars on rental cars. Shuler's spokesman did not respond to a request for comment.

Compared to their peers, a handful of congressmen spent pennies on the dollar in certain categories. Price, for instance, spent \$350.28 on franked mail, a taxpayer-funded service for members of Congress meant to encourage correspondence with constituents. Several other members spent tens of thou-

sands of dollars on the mailings.

Leaders spendthrift

The state delegation's costs pale in comparison to budgets for congressional leaders on both sides of the aisle. Pelosi paid six-figure salaries to one-third of her employees, for a total payroll during the quarter of \$1.12 million.

Pelosi's counterpart, Republican House Leader John Boehner of Ohio, had a half-million-dollar payroll, and 17 of 29 staffers received six-figure salaries.

Boehner also spent \$27,000 on snacks and drinks, while Pelosi devoted almost \$4,000 to decorating her office.

Rep. Jim Oberstar, a Minnesota Democrat and chairman of the House Transportation and Infrastructure Committee, was the most spendthrift on salaries among nonleadership members, even paying one of his administrative assistants a six-figure salary.

Sunlight criticism

Pelosi in June ordered the disbursement records published online, shortly after evidence surfaced in Great Britain that members of Parliament lived high on the hog on the taxpayers' dime, including reimbursements for home repairs and pornographic movies.

"The House is making every effort to operate in a transparent manner, and online publication of these reports will expand accountability to taxpayers and the press," Pelosi said at the time.

But critics say the records are actually a step back in government accountability, since they are less detailed than previous reports.

"When taxpayers had information, that whole thing blew up [in Great Britain]," Williams said. "People are just begging for that here. People want as much detail as possible."

Taylor said Congress could improve government accountability by simplifying the legislative process and making it easier for constituents to track legislation.

"That's the kind of transparency that would likely have a positive effect, not incremental stuff on the edges," he said. *CJ*

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Chapel Hill's Hookah Bliss Plans to Defy New N.C. Smoking Ban

By DONNA MARTINEZ
Contributor

CHAPEL HILL

The owner of a Chapel Hill hookah bar says he will defy the state's new smoking ban that has ensnared his business but exempted other types of smoking establishments.

Adam Bliss, owner of Hookah Bliss, believes the ban is discriminatory. He will continue to sell hookahs and alcohol beginning Jan. 2, the day it becomes illegal to smoke in most North Carolina bars and restaurants.

"You can come in and have a smoke and have a beer and enjoy the rock 'n' roll music that I play," said Bliss, whose bar is one of a handful across the state where flavored tobacco is smoked through a pipe filled with water. The activity traces its roots to India. "We are going to stay open and we are going to do business as usual," he said.

Tobacco shops, cigar bars, guest rooms in lodging establishments designated as smoking rooms, nonprofit private clubs, and performers acting in TV, film, and theatrical productions were exempted from the ban. Hookah bars weren't, despite Bliss' campaign to protect his industry.

Failure to comply may bring penalties. Tom Konsler, Orange County's environmental health director, expects enforcement to be complaint-driven. He said the county's first response to a complaint would be to talk with the owner. If complaints continue, a warning letter would be sent. Another complaint will trigger a second warning letter. The third and subsequent violations could trigger a fine of up to \$200 per day.

"We're hoping not to test that," Konsler said. Last month, more than 300 local restaurants and bars were sent information about the law's requirements. Konsler said the county is



Hookah Bliss owner Adam Bliss, above, says hookah bars should have the same exemption to the state's new smoking-ban law as cigar bars and private clubs. (CJ photo by Sara Burrows)

aware of Bliss and that a representative will visit him in the next week or two to discuss his plans.

"I'll talk with them when they get here," Bliss said.

Bliss said he faced three choices: continue operating as usual and risk being fined, stop selling alcohol to fit the definition of a tobacco shop rather than a bar, or close his doors altogether.

Since alcohol accounts for 20 to 25 percent of his sales, eliminating beer would send the bar into a nosedive it might not survive. Beer sales are particularly brisk on weekends in a college town, and Bliss doesn't want to give up a profitable product. He says dumping beer would also hurt his customers because he'd have to raise prices on other things.

Closing the doors of his 2 1/2-year-old business would devastate Bliss. At risk is roughly \$70,000 in cash invested or still owed. Giving up would also put him on the unemployment line. Half a dozen part-time employees would join

him there.

January ushers in the latest chapter of the hookah bar saga. Bliss spent two months arguing his case while legislators negotiated the bill's details. He says hundreds of supporters sent e-mails and made phone calls, including a regular customer who made the case for the bar from his deployment in Iraq. "We had quite a grass-roots campaign going on. It wasn't just me and a couple of hookah bars raising hell," Bliss said.

Bliss thought he'd won the support of Sen. Ellie Kinnaird, D-Orange. He said he worked with her assistant to create an exemption. On the evening the bill passed the Senate, Kinnaird called and told him she had not introduced the exemption at the request of a sponsor.

Bliss was stunned. He told her

she was, in effect, closing down a viable business. Kinnaird's response wasn't what he wanted to hear. "This is as close to a quote as I can [recall] — 'I know it will be difficult.'

"I said, ma'am, you don't know anything. You're sitting in an office paid for by people like me and you're telling me you're going to take my business away — tough noogies?"

Kinnaird stands by her support of the smoking ban. She said she tried hard to help Bliss, knowing he'd put his life savings and vision into the business. "But when I went to the sponsor of the bill, Dr. [William] Purcell [D-Anson], he asked me not to put it in because he said it would weaken the bill."

Kinnaird said she also heard from medical professionals who were opposed to an exemption they believe would encourage young people to start using tobacco. "We always like to have vigorous businesses in our community, but of course when you have to weigh in the balance one part of the good that it's going to do as opposed to the other, then sometimes that's what happens," Kinnaird said.

In late December, the *Asheville Citizen-Times* reported that Hookah Joe's, a hookah bar in Asheville, also plans to defy the smoking ban. When told that Bliss intended to keep his business operating even if it violated the law, Kinnaird said it's his choice to make. "I have nothing to do with that. He's a private citizen and can do whatever he wants. It does not involve me in any way," she said.

Bliss' last stand may come in a courtroom. He's talking with hookah bar owners in Asheville, Fayetteville, Winston-Salem, and Boone about pooling funds to hire an attorney to fight the law. CJ



Hookah Bliss, located on Franklin Street in Chapel Hill, is one of several establishments in North Carolina that deal in flavored tobacco smoked in a water-filled hookah, which has its origins in India. (CJ photo by Sara Burrows)

Lecturing in classical liberal thought?

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Forced Annexations Pit Towns Against Residents in Western N.C.

BY KAREN WELSH
Contributor

ASHEVILLE
Incorporated towns and cities throughout Buncombe County continue to fight over perceived boundary lines known as their “spheres of influence,” dragging unwilling residents of unincorporated areas into what’s becoming a turf war.

With the prospect of securing bigger coffers from an enlarged tax base, the City of Asheville and the Town of Woodfin are prime examples of how forced annexation has produced an aggressive, winner-take-all mentality pitting nearby municipalities against one another.

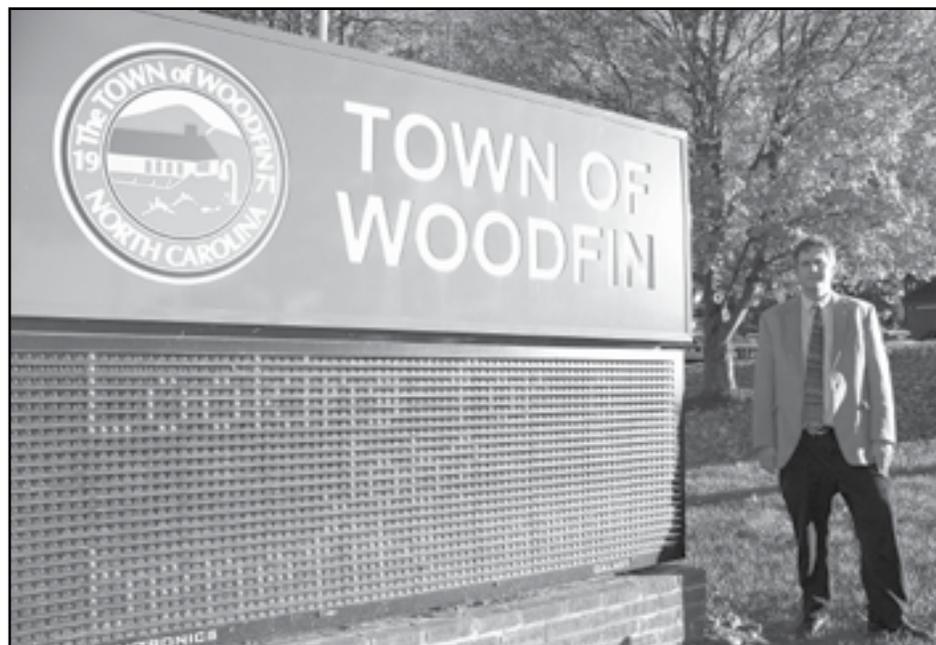
Woodfin Town Administrator Jason Young said his tiny hamlet sought to acquire areas surrounding the town because aldermen were worried that Asheville would annex first, putting at risk the town’s fire service, currently provided by the West Buncombe County Fire Department.

“In our neck of the woods we have fire districts that serve most of Buncombe County,” he said. “We were afraid an annex would mean a drop in tax revenue for West Buncombe County.”

Young said the town’s board formally announced plans to annex parcels involuntarily in Erwin Hills and Leicester last spring. The board recently conducted meetings, where angry members of the public lashed out at town leaders.

Leicester resident Betty Jackson attended the meeting, making an impassioned plea for her tiny community.

“We will not have this off our chest until you stop trying to forcibly annex us,” she stated. “I ask you, I beg



Woodfin Town Administrator Jason Young, above, says his town sought to annex surrounding areas for fear Asheville would annex them first. (CJ photo by Karen Welsh)

you, I implore you one more time — mayor, aldermen, walk away from this. Just walk away from this. You don’t have to do this. It’s not right.”

Erwin Hills resident Megan Richardson asked the Woodfin leadership to consider how unfair and unjust the annexation law stands at the present time.

“You are forcing taxes on a community that did not elect you,” she said. “It’s taxation without representation. You are stealing our hard-earned money.”

Longtime Woodfin Mayor Jerry Vebaun claims so many people came forward and opposed the idea of annexation that the town stopped proceeding on the idea and decided to talk with officials from the City of Asheville about a formal annexation agreement concerning the areas.

Although both entities are talking, public meeting documents provided by City of Asheville Manager Gary Jackson reveal a basic mistrust between the city and town.

According to the report, City of Asheville Attorney Robert W. Oast Jr. said negotiations between Asheville and Woodfin started in 2005.

During that time, “staff from Woodfin and Asheville developed a line that essentially extended Asheville’s and Woodfin’s common boundary to the west and east, with reference to roads, ridgelines, and other topographical features.”

Although the proposal never was adopted formally, it was “incorporated into a draft agreement provided to Woodfin in 2007.”

The document also states both areas have crossed each other’s proposed boundary lines knowingly and have annexed county properties voluntarily and involuntarily.

Although Woodfin would have preferred slower growth, Mayor Vebaun said the City of Asheville had published other areas it wanted to annex that effectively would circle Woodfin and choke its ability for future growth. He said he’s willing to annex the land before allowing that to happen.

“They forced our hand to annex certain areas sooner rather than later,” he said. “We have to stand for what we believe in and hold our ground. Annexation is a strange animal. I’ve never cared for involuntary annexation, but sometimes you have to do what’s best for the town.”

This attitude — conquer or be

conquered — has left county residents, such as Jackson and Richardson, feeling as if they are being pulled apart.

“They are gobbling up the land to widen their tax base,” Richardson said. “It’s not an altruistic move on either of their parts. It’s completely selfish. It’s so blatantly wrong and we are caught in-between.”

“It’s ridiculous and we don’t even have a vote. America was founded on freedom. We should have a right to vote and a say in the process. If we claim to be a democratic nation and we go to war for it, then we should be practicing democracy at home.”

Jackson agreed. “We’re in a tug of war between Asheville and Woodfin,” she said. “Both of them have looked over our territory. They are coming up with an annexation agreement on how they are going to divide it up right now.”

Jackson said the one thing that makes her angry is the leadership of both areas has failed continually to ask Leicester residents what they would prefer.

“Those of us who live in the community are not being allowed to participate in the discussion,” she said. “The leaders from both Asheville and Woodfin are claiming their negotiations are ‘not public meetings.’ However, our stance is they need to rise above the

law to a higher conscience. Even though the [forced annexation] law is there,” she added, “it doesn’t make it right. It doesn’t make it correct. The law is harsh. It’s very cruel, and we would like to see them

stop hiding behind the letter of the law.”

Although Woodfin has backed away temporarily from forcibly annexing Erwin Hills and Leicester, Jackson said the issue remains alive. She has joined www.stopwoodfin.org, a self-described “nonpartisan grass-roots organization of citizens who are opposed to forced annexation by the Town of Woodfin,” to help fight the local battle.

In turn, the group has decided to join with other organizations around the state that oppose involuntary annexation to bring the fight to state legislators in Raleigh.

“It’s not a dead issue, and we are not letting our guard down,” Jackson said. “We’re keeping our eye on both municipalities. We are watching what they are doing. We have hooked up with other anti-annexation groups across the state to get this law abolished. We’re very interested in making it happen this year.”

CJ

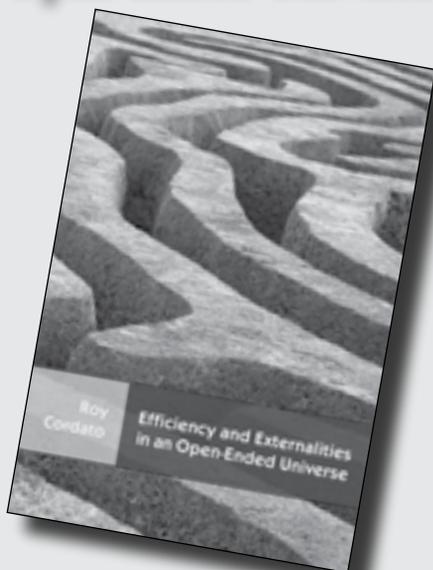
Residents in areas forcibly annexed call it taxation without representation

BOOKS AUTHORED BY JLF STAFFERS



By Roy Cordato
Vice President for Research
John Locke Foundation

Efficiency and Externalities in an Open-Ended Universe



“Cordato’s book is a solid performance, demonstrating impressive mastery of both the Austrian and neoclassical literature.”

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N.C. Briefs

Unemployment doubts

North Carolina's 10th straight month of double-digit unemployment should raise doubts about the president's latest promise of economic stimulus. That's the reaction from the John Locke Foundation's top budget analyst as the state released its latest unemployment figures.

"The Obama administration told us a federal economic stimulus package would help cap unemployment at 8 percent," said Joseph Coletti, JLF fiscal policy analyst. "So much for that promise. Now that national unemployment has reached double digits — and North Carolina's rate has topped 10 percent for almost the entire year — the president is pushing for another round of government spending. President Obama and his advisers don't seem to know the first rule of holes: when you find yourself in one, stop digging."

The N.C. Employment Security Commission's latest report lists the state's unemployment rate at 10.8 percent for November, down one-tenth of a percentage point from the adjusted October rate of 10.9 percent. North Carolina now ranks No. 10 in the nation in unemployment.

JLF: Sunlight builds trust

Government agencies that shine light on their work use resources more wisely, find potential budget savings more easily, and give taxpayers more reasons to trust them. The John Locke Foundation's top budget analyst reaches that conclusion in a new Policy Report.

"Government at all levels needs to be more open and accountable to voters and taxpayers," said Joseph Coletti, JLF fiscal and health care policy analyst. "Greater accountability depends in part on being more open about how government spends its money and what it gets for that spending. Accountability also depends on an open process of developing laws and regulations."

Recent North Carolina history is "rife" with examples of problems linked to government business conducted behind closed doors, Coletti said. "From the recent controversy surrounding former Gov. Mike Easley's financial dealings to the scandal associated with the unexpected hole in the State Health Plan's budget, this state has suffered when politicians have tried to hide the public's business from scrutiny."

Coletti's report focuses on three aspects of open government: financial, process, and regulatory transparency. CJ

Cowell Proposal Brings Risks to Pension

New program designed to target state pension fund investments to North Carolina

BY SARAH OKESON
Contributor

State Treasurer Janet Cowell has delayed her plans to put up to \$250 million of the state's \$66 billion pension fund in investments that would "support the well-being of the state of North Carolina" amid questions about how the program would be run.

Cowell had planned to select which companies would get the investments, known as "economically targeted investments," by Dec. 8, but that hasn't happened.

"We expect the proposal review and subsequent due diligence for the hiring of a manager for the Innovation Fund to take a few more weeks," said Heather Franco, a spokeswoman for Cowell.

Some political observers had questioned Cowell's initial timetable. The proposals were due Dec. 1, giving her only a week to review them. The \$250 million will come from money that is currently in other investments in the pension fund.

Economically targeted investments are common in other states, but this would be the first time that North Carolina's pension fund has used them. Twenty-one states use their pension money in economically targeted investments to pursue goals like increasing affordable housing and creating jobs, according to a report in 2008 from Florida's Office of Program Policy Analysis & Government Accountability.

ETIs have had some spectacular failures, and some authorities on public pensions have questioned North Carolina's plans for the money.

"I suspect this is as a result of a constituency who wants the money available for certain projects they couldn't get through the legislature," said Charles Heatherly, a former North Carolina deputy treasurer.

Ed Regan, the executive director of the North Carolina Retired Governmental Employees' Association, said the association has not taken a position on the proposed investment, but generally prefers that the state stick to a classic approach to investing.

"We would much rather see investment decisions made based on return to the portfolio and is the level of risk reasonable," Regan said.

Cowell is looking for firms that have made at least three North Carolina or regional economically targeted investments or have invested in at least 25 private companies with significant operations in North Carolina. Potential bid-

ders must be managing at least \$1 billion in assets.

It is unclear how many firms would meet the qualifications.

Chris Tobe, a senior consultant for BCAP and trustee for Kentucky Retirement Systems, said the wording in the state's request for proposals would appear to favor a small number of companies.

"There are not a lot of firms that can do North Carolina only," Tobe said. "You have a very limited number of people who can do it."

Carolina Journal has requested copies of the proposals but has not received them.

Edward Siedle, a former attorney with the U.S. Securities and Exchange Commission, said public pensions are supposed to operate in the sunshine since they involve public money.

"It's common for funds to drag their feet on responding to public records requests and to structure their process to avoid unwanted scrutiny," said Siedle, who runs a company called Benchmark Financial Services in Ocean Ridge, Fla., which audits pension plans.

Franco said the primary objective of the Innovation Fund "is competitive risk-adjusted rate of return consistent with the performance objective of the Private Equity Investment Program. The secondary objective would support the economic well-being of the state of North Carolina."

Heatherly said these two goals can be in conflict.

"It's like the Bible says,"

Heatherly said. "You can't serve two masters. You'll be true to one and unfaithful to the other."

Guidelines issued in 2008 by the U.S. Department of Labor for pension plans putting money into ETIs say that "fiduciary consideration of non-economic factors should be rare."

During her campaign for treasurer, Cowell told the Durham left-wing People's Alliance that her job as treasurer would be to make sure that retirees have the ability to have a sound retirement.

"While I may consider investments that further other objectives, I will not support specific industries or businesses to further any political or social cause," Cowell said.

The Florida report said that New York City, California, and Vermont have had good experiences with ETIs. New York City rehabbed apartment buildings in low- and moderate-income neighborhoods, and the investments outperformed the Lehman U.S. Aggregate Bond Index.

California put \$975 million in companies with little access to capital, and Vermont funded a real-estate project.

But other states have lost money with ETIs. Kansas repealed a requirement that the state make ETIs after the pension fund lost money in a steel mill and a savings and loan. The Connecticut Retirement and Trust Funds lost \$20 million after buying a large part of a firearms company that subsequently went bankrupt. CJ



Realtors' Kent Recounts 24-0 Record Against Land Transfer Tax

By DONNA MARTINEZ
Contributor

A tale of a dark and snowy night is usually reserved for mystery novels. But for Tim Kent, outgoing executive vice president of the North Carolina Association of Realtors, the impact of a winter's night in Avery County is key to the story of the narrowest victory over the land transfer tax he's battled for three years.



Tim Kent, outgoing executive vice president, N.C. Association of Realtors

achievement and an example of how a committed effort can have a dramatic impact.

Snow fell heavily on Feb. 3, 2009, in the mountains of western North Carolina. Because of the bad weather, results of the election were phoned in to Avery County officials that night. Initial reports said the tax referendum had passed by 25 votes, but after a canvass turned up errors in the count from two precincts, the result was reversed. The final tally showed voters actually had rejected the transfer tax by 35 votes.

RALEIGH

Kent characterized NCAR's clean sweep over the home tax — 24 wins and no losses, including the 35-vote win in Avery — as the organization's greatest

The razor-thin defeat was starkly different from the many landslides against the 0.4 percent tax. If approved, the tax would be levied on the sale of raw land and residential and commercial property. On 24 occasions in 23 counties, North Carolina voters have defeated the effort, many by more than a 2-to-1 margin. (see chart)

In two cases, the anti-tax vote was nearly unanimous. In November 2007, just 3 percent of Graham County voters and 7 percent of Harnett County voters said yes. Gates County voters have said no twice. The second time, the no vote grew from 59 percent to 70 percent.

"Had the tax been approved in all of those counties, it would have had a \$60 million-plus impact annually for people trying to sell property in those counties," Kent said. "Had those taxes been approved, can you imagine how much more difficult it would be now to try to sell your house?"

Kent rejects criticism that NCAR's push is more tied to helping Realtors than their customers. He said



sell their property."

While Avery County's vote was the most suspenseful, Orange County's May 2008 vote was the most challenging for Kent. The hotly contested Democratic presidential primary pushed turnout among Chapel Hill's college students and other young people — people who don't typically own property — to an unusually high level.

Orange County's progressive political establishment was also out in force. "The university community was actively working in support of the land transfer tax, the county commissioners in Orange County appropriated \$100,000 as part of a public information campaign, so it was a very challenging political environment," he recalled. Despite it

all, Orange County voters defeated the referendum 66 percent to 34 percent.

State legislators gave counties the authority to impose, with voter approval, the transfer tax or a 0.25 sales tax, but not both. Kent cautions against thinking the 24-to-0 track record renders the transfer tax dead. Ten counties have passed the sales tax, leaving 90 counties in the transfer tax pool. Kent isn't aware of any county planning to add the transfer tax to the ballot in 2010, but he keeps his eye on several groups, including the North Carolina Association of County Commissioners.

NCACC was key to the legislative push that gave local governments the authority to put the two taxes on the ballot.

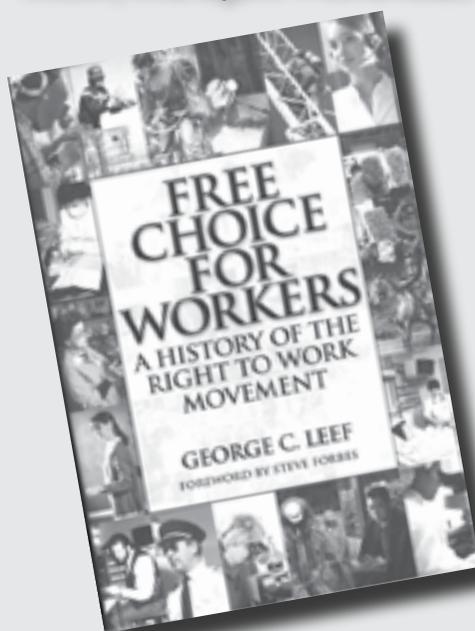
The NCACC Web site shows the group wants counties to have authority to impose the tax without voter approval. The site lists the following as NCACC's Priority Goal for the 2009-10 legislative biennium:

"Seek legislation to allow all counties to enact by resolution or, at the option of the Board of Commissioners, by voter referendum any or all revenue options from among those that have been authorized for any other county, including local option sales taxes, prepared food taxes, impact fees and real estate transfer taxes; and to preserve the existing local revenue base."

Kent also points to the retirement announcement by a legislative heavyweight. "It's important to note that Sen. David Hoyle [D-Gaston] has twice sponsored legislation to repeal the local transfer tax option," Kent wrote in an e-mail. "With his announced retirement, Home Tax opponents have lost a valuable ally in their efforts." CJ

Kent points out the transfer tax hurts home buyers, not those who sell homes

Free Choice for Workers: A History of the Right to Work Movement



By George C. Leef
Vice President for Research at the
John William Pope Center for Higher
Education Policy

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Hayward: Reagan Worked Hard to Look Like he Wasn't Working

BY CJ STAFF

RALEIGH

He left office more than 20 years ago, but the late President Ronald Reagan still exercises a major influence over American politics and public policy. Steven Hayward examines that influence in his two-volume narrative history of the 40th president, *The Age of Reagan*. Hayward, F.K. Weyerhauser Fellow in law and economics at the American Enterprise Institute and senior fellow at the Pacific Research Institute for Public Policy, discussed Reagan's impact with Mitch Kokai for Carolina Journal Radio. (Go to <http://www.carolinajournal.com/cjradio/> to find a station near you or to learn about the weekly CJ Radio podcast.)

Kokai: Why does Reagan have so much of an influence over our politics and public policy?

Hayward: Well, I think he is just a large figure in every sense of the word. His personality was large, but especially his politics, and I think he ranks with Franklin Roosevelt as the other dominant, pivotal president of the 20th century. I mean, he changed our course in a number of ways, but over the last 20 years, since he left office, ... a bit of confusion has arisen about him. Liberals start to like part of him, while disliking other parts, and conservatives sometimes want to remember the good parts and forget some of the more difficult parts of the Reagan administration, and have sort of lost their focus a little bit on him. So I wanted to write a long book that told the whole story, and not just parts of it, and directed our attention to some of the frustrations that are still frustrating to conservatives today. You know, how do we control big government? How do we restore the Constitution within its proper bounds? Those are questions Reagan wrestled with, with some successes, and with some failures, and with some ties.

Kokai: You called it a long book, and for those who haven't seen it — actually, the two books together, if I count correctly, there's about 1,500 pages on Ronald Reagan. What are some of the main things you learned during the course of your research that most people don't really know about Reagan?

Hayward: Right. Well, I would say about both candidate Reagan in the '70s and then President Reagan is part of his art was concealing how hard he worked, and how much he knew, and he did that for some odd reasons. One, he wanted Americans to have the feeling that the president had things under control, so one of his favorite jokes was, "You know, they say hard work never killed anyone, but I say, why take chances?" Turned out he worked really hard, often until midnight, read-

"[Reagan] said in his first inaugural address that the government now operates in ways that extend beyond the consent of the governed, that great phrase from the Declaration of Independence, so he understood our problems. It's not just bad policy, but bad constitutionalism."

Steven Hayward
American Enterprise Institute



ing documents, marking up speeches, writing his own speeches, and lots and lots of letters.

He was also a very disciplined person, in his practice, so people would say, "Gosh, Reagan doesn't say anything in meetings." And sometimes he did say a lot in meetings. That wasn't universally true. But one of the reasons he didn't say things in many meetings is that he didn't want to read what he'd said in a newspaper the next day, because he hated leaks and knew that if he said anything important in a meeting, it would be in the paper the next day. That takes some real discipline on the part of a president to understand that.

So, you know, I think people who like to point to Reagan as their example ought to study really hard how he prepared for his speeches, the structure of his speeches — they're often shorter than a lot of political speeches that people make today, like, you know, Bill Clinton, who can rival Fidel Castro sometimes, right? You know, there's that — Reagan made it look so easy that I think we think that it should come easy to the rest of us, and it really doesn't. He had to work very hard to be as good as he was.

Kokai: For those of us who are involved in this public policy world, it might also be interesting to note that Ronald Reagan, though known as — among those on the Left — as an "amiable dunce," or a fellow who didn't know much about things, really was very interested in the principles involved in policy, and the work of Bastiat and Hayek and those sorts of folks.

Hayward: That's an extremely important point. I think what you'd say is Reagan was not an intellectual in the sort of ordinary sense we think of that term, but he was a man of ideas, and that's a hugely important point. You know, he was a sponge for reading interesting studies and articles by leading conservative thinkers. He picked from a lot of conservative thinkers to have important posts in his administration. One of the best examples was Jeane Kirkpatrick, the [United Nations] ambassador, whom he picked because he loved her article in *Com-*

mentary magazine ... on "Dictatorships and Double Standards." She was a Democrat, still, and [he] lured her over to the Republican Party. So he was very much alive to the world of ideas, and I think that also was a very important thing.

He wasn't just a politician of tactics. I think the most important point about Reagan, if you look closely, is he really understood what he was trying to do as restoring the Founders' understanding of our Constitution, and how the government ought to operate. In the 1970s, he used to like to say that even the way we now have administrative government and bureaucracy, that writes laws for us, has, he wrote, in effect repealed portions of the Constitution. He said in his first inaugural address that the government now operates in ways that extend beyond the consent of the governed, that great phrase from the Declaration of Independence, so he understood our problems. It's not just bad policy, but bad constitutionalism.

Kokai: Some people who follow politics today and some of those who are listening to this program will say, "Gee, Reagan, Reagan, why are we hearing so much about Reagan?" What do we need to know about President Reagan and what he did that can affect and influence what we do today?

Hayward: Well, one of the things I point to in the book is what I'm calling, nowadays, Reagan's unfinished agenda. In his second term, he understood that he had not been fully successful in controlling the growth of spending and the growth of government, and he worried that successive presidents after him would be even less resolved than he was to try and control the growth of government. He turned out to be completely right about that for presidents from both parties. So starting in 1987, he said, "I think we need to have five constitutional amendments." Two he'd talked about a lot: a balanced budget amendment and a line-item veto for the president, so they could strip out pork barrel and earmarks, and things like that. But he had three others. He wanted a supermajority requirement, like two-

thirds, for Congress to approve any tax increases. He said we ought to have a constitutional spending limit, so the federal government cannot spend over a certain amount of our economy, because they want to do more and more of that all the time. Then, finally, he said we ought to have a constitutional ban on wage and price controls. Now that's the really interesting one, to me, because in the late '80s, nobody was talking about bringing back wage and price controls. But here today, under President Obama, we're controlling the wages of bankers, and if he has his way, we'll soon be controlling all the prices of the health care sector, and not just some of the prices, as we do now.

Kokai: Speaking of wage and price controls and the Obama administration, an interesting story I heard about Ronald Reagan was that he delivered a speech to some former advisers, back in the late '70s, before he became president, talking about how any Democrat who's elected to be president, even if they want to govern as a moderate, they're never going to be able to do it. What can you tell us about what he said about Democrats elected to be president?

Hayward: One of the things about Reagan that made him, I think, successful, especially in his first term, is that he campaigned very clearly on what he wanted to do. He said, "I want to cut taxes. I want to shrink government." And he was very specific about his ideas. By contrast, the last three Democratic presidents — Jimmy Carter, Bill Clinton, and now Barack Obama — all campaigned as moderates, very vague about what they wanted to do, and even in the case of Carter and Clinton, who had some moderate instincts, the interest groups in their party, and the liberal leadership on Capitol Hill, pulled them relentlessly to the left. So, yeah, I mean, the Democratic Party — it's impossible to govern as a centrist for very long, in the Democratic Party. The only reason Bill Clinton was able to move to the center is because he had a Republican Congress that made it possible. He wouldn't have governed that way if the Democrats had kept control of Congress.

Reformers and Old Guard Knock Heads on Wake School Board

By DAVID N. BASS
Associate Editor

RALEIGH

Wake County school reformers began December with high hopes. Their handpicked school board candidates had coasted to four victories in the fall elections, upending the ruling majority on the board and giving conservatives control of school policy for the first time in decades.

The new ruling coalition pulled no punches in its first meeting Dec. 1, quickly acting on campaign promises to scrap the school district's diversity busing policy, end mandatory reassignments to year-round schools, and boost parental choice.

And this time, unlike in the past, they had the numbers to do it.

But their plans met stiff resistance in short order. Opponents fear the reformers intend to revive racially segregated schools. The foes turned out in force at two raucous meetings in December — and they weren't happy.

Despite a hostile crowd that frequently booed, jeered, and accused the board of pushing racist policies, the new majority elected Ron Margiotta, the school board's lone conservative voice for years, as chairman.

They also nixed early-release Wednesdays, a policy that some parents criticized as unfriendly to family calendars; ended spending on a controversial school site in northeast Raleigh; and hired a lawyer to conduct a performance audit of the school system's contracts with Tharrington Smith LLP, the school board's long-time legal firm.

But members delayed action on several fronts. Rather than immediately pass a resolution in favor of neighborhood-based schools, they opted to send it to a policy committee for review.

The majority also faced criticism for failing to distribute to the public copies of the proposal before the Dec. 1 meeting, instead displaying it on an overhead projector.

And the new majority backtracked on plans to stop new year-round schools from opening.

Forty-eight speakers addressed the board during a three-hour public comment period Dec. 15. Only a handful spoke in favor of the new agenda.

"This board's stated policies are rooted in the same small-minded and racist policies of the Jim Crow South," said Raleigh resident Gary Dismukes.

Other parents suggested that supporters of the conservative major-

ity wanted the public school system to fail.

"If you adopt policies that cause our schools to segregate and cause families to flee to the private schools and cause our test scores to plummet, it will make national news," said Matthew Brown, a spokesman for Concerned Citizens for African-American Children. "We will be taken off the lists of best places to live, and you will be blamed for it."

In a telephone interview, Margiotta said that he expected the opposition. "It's like a dying gasp," he said. "They don't want to see the changes that are coming, changes that are good for families and taxpayers."

Conservative candidates swept three elections in October by double-digit margins. In a runoff election Nov. 3, a fourth candidate won three-fourths of the vote, securing a majority on the board.

As evidence that most Wake County parents support the new agenda, Margiotta pointed to polls by the conservative Civitas Institute and liberal Public Policy Polling

showing broad opposition to diversity-based busing.

Kristen Stocking, founder of a parent group that backed the four conservative candidates, said she understands the angst of some parents and hopes to build bridges with the opposition.

Even so, she said, the opposition's hostility is "coming across as irrational and argumentative," Stocking said. "It's not productive."

Efforts to conduct a performance audit of Tharrington Smith's legal services degenerated into a verbal skirmish among board members at the Dec. 15 meeting. The debate soon became partisan.

The new majority wants to hire Raleigh lawyer Thomas Farr to handle the audit. Board member Kevin Hill, who was chair until Margiotta ousted him, objected to Farr's ties to the Republican Party.

Farr is a registered Republican and regular donor to Republican candidates. The board's current attorney, Ann Majestic, is a registered Democrat. Campaign records show that Wade Smith, one of Tharrington Smith's lead attorneys, has given thousands to Democratic candidates over the last two decades.

Margiotta said the audit is meant to find new ways to be more efficient and cost-effective.

"We looked for a well-qualified, well-respected firm," he said. CJ



COMMENTARY

Skills vs. Substance: 21st Century Smackdown?

How do we prepare kids for the rigors of the modern marketplace? The 21st century skills movement, helmed by the influential Partnership for 21st Century Skills, P21, wants education reconfigured to teach students such skills as creativity, critical thinking, and problem solving.

Many, from corporate luminaries to educational leaders, agree. Founded in 2002 with help from the U.S. Department of Education and the National Education Association, P21's membership roster is stacked with blue-chip corporations Dell, Apple, Intel, and Microsoft (among others). But a scrappy, decidedly noncorporate coalition of educators and policymakers is hitting back, charging P21's intensive skills focus crowds out academic content, depriving students of essential knowledge at a pivotal time in American education.

Who's right? In an increasingly competitive global job market, the objectives of the 21st century skills movement sound eminently reasonable, even imperative. Our digitized culture owes its birthright to entrepreneurial creativity; a mercurial marketplace demands critical thinkers and complex problem solvers.

In addition, many corporate leaders worriedly foresee a shortfall in science and technology competencies, fueled partly by American students' failure to keep pace internationally.

P21's opponents agree on the importance of skills. But skills don't develop apart from dense academic content, they say. In a statement released this fall by the Washington, D.C.-based organization, Common Core, critics — including Democrats for Education Reform's Kevin Chavous, American Federation of Teachers president Randi Weingarten, and Harvard professor Paul Peterson — applauded P21's goals, but said the group's methods "marginalize knowledge" by limiting time on core subjects.

That's ill-conceived, noted P21's opponents, since "skills can neither be taught nor applied effectively without prior knowledge of a wide array of subjects."

How are American students doing with subject knowledge in all-important math and science? On the most recent PISA test assess-

ing 30 Organization for Economic Cooperation and Development countries, American teens averaged 474 points in math, well below the OECD average of 498; 23 countries outperformed the U.S. In science (evaluating applied science knowledge), American teens averaged 489 points compared to the OECD average of 500; 16 countries outperformed the U.S.

P21's critics aren't worried just about our yawning knowledge gap. They also allege that P21 was established to give tech companies an inside — and profit-boosting — edge with schools. A December *Education Week* profile of P21 examined this charge, noting \$35,000 in annual dues enables P21's members to "access 'early intelligence' about where the education system may be headed in order to help ensure that products and services align with that vision." In fact, P21 has done little to cement its status as an independent, substantive education resource; according to *Education Week*, the organization formerly shared an address with a tech lobbying firm and outsourced

daily operations to a marketing and communications company run by P21's president.

Nowhere is P21's influence more keenly felt than in North Carolina. The first state nationwide to create a Center for 21st Century Skills in 2005, North Carolina has unleashed numerous 21st century initiatives, including Learn and Earn, literacy coaches, even a pilot science class on genetic counseling.

The state reformulated its K-12 mission using P21's framework; in 2007 the State Board of Education adopted teacher standards based on 21st century skills. Thirteen states have joined North Carolina as P21 partners.

Our infatuation with P21's slick skills credo should end. No one disputes the need for technologically literate, creative students with well-developed critical thinking and problem-solving skills.

But we're deluding ourselves if we think kids will ever grow into competitive workers in this century — or the ones that follow — without first acquiring a rich store of knowledge. CJ



KRISTEN BLAIR

Kristen Blair is a North Carolina Education Alliance Fellow.

N.C. School Systems Slightly More Parent-Friendly

BY CJ STAFF

RALEIGH

North Carolina school districts earned more C grades and fewer D's in the John Locke Foundation's latest assessment of "parent-friendly" schools. That's a sign of progress to the JLF analyst who graded all 115 public school districts for a recent Spotlight report.

"The good news is that the number of overall D grades dropped from 27 school districts to 19 districts this year, while the number of C's climbed from 64 to 75," said Terry Stoops, JLF education policy analyst. "The bad news is that most districts are still earning C's and D's. No district earns an overall A grade,

and the number of B's dipped slightly this year from 19 to 17."

This is the second year that Stoops has assigned each school district a

"parent-friendly" grade, so it's the first time he's had a chance to note signs of progress or back-pedaling. The Clay County public school system raised its grade this year from B to B+, securing the No. 1 ranking in the state. Cherokee County earned the only other B+, ranking No. 2. Fifteen other districts earned a B or B-, while 75 earned some form of C. Nineteen districts earned D grades, while Bertie, Hoke, and Vance counties joined the Weldon City Schools in earning F's.

Nine school systems improved by a full letter grade since Stoops issued his 2008 report. Henderson County schools tie for the state's No. 7 ranking after raising their grade from C to B. Durham, Edgecombe, and Warren County public schools joined the Thomasville City Schools in improving from F to D

Top 20 Parent-Friendly North Carolina School Systems

School District	2009 Grade	2009 Rank	2008 Grade
Clay	B+	1	B
Cherokee	B+	2	B+
Elkin	B	3	B
Ashe	B	T-4	B
Polk	B	T-4	B+
Surry	B	6	B
Henderson	B	T-7	B
Dare	B	T-7	B
Lincoln	B	T-7	B
Camden	B	10	B
Rutherford	B	11	B
Macon	B	12	B
Davie	B	T-13	B
Martin	B	T-13	B
McDowell	B-	15	B-
Madison	B-	T-16	B-
Iredell-Statesville	B-	T-16	B-
Cleveland	C+	T-18	C+
Alleghany	C+	T-18	C+
Mooresville	C+	T-20	C+
Union	C+	T-20	C+
Richmond	C+	T-20	C+
Mount Airy	C+	T-20	C+

Source: John Locke Foundation

in the past year.

Meanwhile, marks for six school systems dropped by a full letter grade. Catawba, Carteret, and Yancey counties all dropped from B grades to C's, while Hoke and Bertie dropped from D's to F's.

"With no threat of losing clientele to competitors, many schools and school districts behave like the monopolies they are," Stoops said. "These school districts focus on strengthening the organization's position and goals, rather than meeting the needs of their clientele. One need not look further than the low regard that many teachers and administrators have toward parents to find evidence of this organization-first mentality."

As in 2008, Stoops found differences in district-to-district comparisons based on geography and school district size. "School districts in western North Carolina generally fared well in the 'parent-friendly' rankings, with seven of the top 10 districts being located in the west," he said. "In contrast, districts in the Triad, Triangle, Charlotte, and northeastern North Carolina tended to fare poorly."

"In general, smaller school districts proved to be more parent-friendly than large school districts," Stoops added. "Most of the top-performing school districts enrolled fewer than 10,000 students."

The rankings are based on 11 different measures in the four categories of school administration, teachers, safety, and performance. The measures include end-of-grade reading and math scores, four-year graduation rates, and school crime statistics. Also included are statistics linked to teacher turnover and teaching vacancies, the percentage of each school system's staff devoted to jobs outside classroom teaching, and results of a Teacher Working Conditions survey.

Stoops converted the numbers into letter grades. He assigned each school district four individual-category letter grades and an average final grade. "This report develops a system that's designed to show the extent to which North Carolina's school districts provide children a sound, basic education in a stable and safe environment that is responsive to the needs of children and concerns of parents."

Further research could help school leaders learn more about the steps they can take to become more parent-friendly, Stoops said. "We need to know more before we can pinpoint the combination of factors that contribute to success, but the school districts that fared well in this ranking were generally small districts with stable, high-performing teaching staffs."

School districts should focus attention on their parent-friendly rankings, Stoops said. "It would be easy for teachers, administrators, and staff to believe the schools belong to them," he said. "Ratings for parent-friendly schools shift the attention back to the families the schools were designed to serve." CJ

Districts with D grades dropped from 27 in 2008 to 19 in 2009

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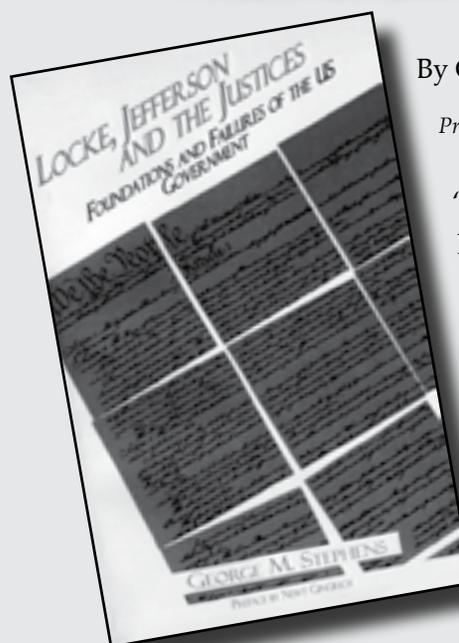
The Triad regional page includes news, policy reports and research of interest to people in the Greensboro, Winston-Salem, High Point area.

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Locke, Jefferson and the Justices:

Foundations and Failures of the U.S. Government



By George M. Stephens

Preface by Newt Gingrich

"This book is about American politics and law; it is also about the roots of the Contract with America. A logical place to find the intent of the Founders is in Locke, [and] Stephens makes a contribution to highlighting this."

Newt Gingrich
Former Speaker
U.S. House
of Representatives

Algora Publishing, New York (www.algora.com)

North Carolina Stands Pat in Effort to Win 'Race to the Top' Grant

By JIM STEGALL
Contributor

RALEIGH

Would you bet \$400 million that North Carolina's education laws and policies are among the most innovative and reform-oriented in the country? That's how much the state stands to win as it competes against at least 37 other states for a share of the Obama administration's \$4.35 billion "Race to the Top" education grant competition.

But while other states scramble to drop restrictions on charter schools, toughen standards, and adopt new measures of teacher and principal effectiveness to improve their chances of winning a share of the pot, North Carolina's top education leaders are content to stand pat with the hand the state now holds.

The Race to the Top initiative is the centerpiece of the Obama administration's education agenda. It's designed to encourage states to adopt reform efforts, such as national standards and assessments; better use of data in education decision making; improvements in teacher and principal training, evaluation, and distribution; and specific measures to turn around the lowest-achieving schools.

Participating states are supposed to show the U.S. Department of Education that they have laws and policies in place that allow those things, and a plan for using the federal money to do them even better.

The administration will award points to states for such items as "ensuring successful conditions for high-performing charter schools and other innovative schools" and "improving teacher and principal effectiveness based on performance." Other states have responded to the competition by loosening restrictions on their charter schools or eliminating caps on the number of charter schools allowed, or by experimenting with pay-for-performance plans and other innovative teacher compensation schemes.

North Carolina's leaders, on the other hand, seem to feel confident that the state's current laws and policies are already innovative enough. In a Dec. 11 address to leaders of the North Carolina Association of Educators, the state's largest teachers' union,



President Barack Obama announces the Race to the Top competition in Washington in July as Secretary of Education Arne Duncan looks on. (U.S. Department of Education Photo)

State Board of Education Chairman William Harrison said, "When I first saw the guidelines, I thought they were crafted for North Carolina." Harrison told the group that the program seemed to be pushing states along "the path we are already on."

Referencing the program's requirements for a teacher evaluation system aligned with high standards, Harrison said, "We are the only state that comes close to having an aligned teacher evaluation system." State Superintendent of Public Instruction June Atkinson added that North Carolina's recent successes in raising test scores will also help, since the scoring rubric rewards states that can show success with their current efforts.

But there is at least one area in which North Carolina will not fare well, based on the state's current laws and policies. Of the 500 total points a state could earn, 40 depend on how well the state "ensures successful conditions for high-performing charter schools." Race to the Top guidelines make clear that a limit on the number of charter schools allowed, such as North Carolina's cap of 100 charter schools, will

cost the state some of those points.

States earn points based on "the extent to which their laws do not prohibit or effectively inhibit increasing the number of high-performing charter schools." North Carolina's cap of 100 charter schools has been in place since the charter school law first passed, and the legislature has declined numerous opportunities to raise or remove it. The cap will make it difficult for North Carolina to argue that its laws do not prohibit an increase in high-performance charter schools.

Another possible concern for North Carolina is the 58 points available for "teacher and principal effectiveness." The guidelines appear to favor states that link pay to performance, an idea that always raises the hackles of teachers' unions. North Carolina has no such system, but is apparently working on at least a pilot plan as part of its Race to the Top application.

In her December address to NCAE leaders, Atkinson tried to reassure the union that any reform linking teacher pay to performance would be based on multiple factors. "I would never want us to move to a system of evaluation of teachers that is based solely on student achievement," she said.

In the end, North Carolina may get an assist from other states that fail to adopt reforms. California Gov. Arnold Schwarzenegger, whose state could win more than \$700 million in Race to the Top funds, called a special session of the legislature to enact a bill that would expand the number of charter schools, allow parents to move their children more easily from low-performing schools, and include student performance in evaluations of teachers and principals. But the effort has bogged down due to strong opposition from the powerful state teachers' union.

Teachers' unions are also blocking Race to the Top-oriented reform efforts in New York, and Florida's two largest teachers' unions are refusing to co-sign the state's application (required to maintain eligibility) until they get new contracts to their liking.

If North Carolina wins a share of the Race to the Top funding, it will be in spite of its charter school cap and largely due to the inability of other states to reform their laws and policies. CJ

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Only weekly early release in state

'Wacky Wednesday' Policy Unusual for N.C. Districts

By JIM STEGALL
Contributor

RALEIGH

One of the first acts of the Wake County Board of Education's new majority was to end the controversial policy of releasing students one hour early on Wednesdays. The early-release policy, officially known as "Wake Wednesdays" but often called "Wacky Wednesdays" by its opponents, was meant to allow teachers time to collaborate with one another on lesson plans and come up with solutions to common problems.

In practice the program proved to be highly unpopular with parents, who were forced to make extra arrangements for child care and transportation one day a week.

The move to drop the program infuriated representatives of one teachers' organization. Jennifer Lanane, president of the Wake County chapter of the North Carolina Association of Educators, the state's largest teachers' union, brought a contingent of teachers to the board's Dec. 1 meeting to express their disapproval. In a blog post later that evening she attacked the board's actions, saying "some extraordinary decisions were made that will affect Wake County children for a long time."

Teachers' union activists often argue that teachers could be more effective if they had more time without students during the day to work with their colleagues on common problems. In a presentation to the board

earlier this year, Lanane defended the early-release program, saying, "Teachers need collaborative time to look at the data, to look at where students are and then to find out what their team needs to help student achievement rise."

But how much time do teachers and other education professionals really need to collaborate? A glance around the state at policies and practices in other school districts reveals none so generous as the now-defunct Wake Wednesdays plan. In most districts teachers are expected to handle their professional collaboration before or after school, during their planning periods, or on teacher workdays scattered throughout the school calendar.

And while some districts schedule early-release days, none does so on a weekly basis.

Chapel Hill-Carrboro City



Schools schedules a delayed opening one Thursday each month to allow teachers and staff time to collaborate, or for professional development. As in most districts with formal early-release policies, school principals develop a plan for using the time and submit it to their district central office for approval.

District spokeswoman Stephanie Knott says that the program has been in place since the 2005-06 school year. At first school start times were delayed by only 90 minutes, she explained, but it was increased to two hours the following year at the

request of teachers and administrators who wanted more time to complete their planned activities, and parents who found the 90-minute delay awkward.

Johnston County Schools has a "practice," rather than a policy, of scheduling five early student-release days a year for teacher collaboration, planning, or professional development. The days are spread out so that there is at least one in every quarter of the school year. School plans are approved by the central office. The length of time given teachers varies from school to school due to the staggered bus schedule, but is typically about two hours.

Theo Helm, a spokesman for Winston-Salem Forsyth County Schools, says his district has "no standardized practice" for early-release time, leaving it up the schools' principals or site-based management teams

(made up of teachers and administrators) to decide what arrangements are best for that school. He says that those arrangements do not involve releasing students early.

Cumberland County Schools has no short days for students. Their teachers are expected to collaborate before or after school, or during their daily planning periods. However, according to Superintendent Frank Till, teachers in "Title I" schools (schools with a higher percentage of economically disadvantaged students) sometimes meet on Saturdays to work on problems common to their schools. Federal Title I funds are used to pay teachers extra for this Saturday work.

Over in Guilford County, teach-

ers get four early-release days a year built into the schedule. As in other districts, the schools write their own plans for using the time and have them approved by the central office. Haley Miller, the district's manager of media relations, says that the district's regional offices also plan professional development activities for teachers for use on teacher work days, or after regular school hours.

Asheville City Schools have an unofficial practice of scheduling four early-release days a year for "structured professional development for staff," usually based on a district-wide theme. Communications Director Charlie Glazener emphasized that these days were "not for teacher work or catch-up time." He also said, "I was a little bit amazed when I saw they (Wake County Schools) were releasing students an hour a week."

Glazener cited recent changes to the state's school calendar law as one of the driving forces behind the move to early-release days. That law stripped five teacher work days from the calendar, restricted what districts could ask teachers to do on other work days, and set start and end dates that in effect removed local control over much of the calendar. In an effort to keep parents informed about upcoming early-release days, the Asheville school district sends out programmed phone calls to parents a few days in advance of each one.

The state's second-largest school district after Wake, Charlotte-Mecklenburg Schools, has no specific policy regarding student early release for teacher collaboration. CJ

Wake County practice forced parents to make special arrangements for child care

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The Wilmington regional page includes news, policy reports and research of interest to people in the coastal area.

It also features the blog Squall Lines, featuring commentary on issues confronting coastal N.C. residents.

UNC Spending: Much More Than Instruction

By JENNA ASHLEY ROBINSON
Contributor

RALEIGH

When it comes to reform, sunshine is the best disinfectant. In the coming months, the Pope Center will be exploring finances of the UNC system in order to understand better whether the system is acting properly as a fiduciary of taxpayer money.

Let's start with university expenditures. Expenditures illustrate universities' priorities, making them a good gauge of the campuses' fidelity to the wishes of taxpayers.

Although the federal government collects data from universities each year, finding those data and organizing them in a meaningful way is tricky. Data are available on the Integrated Post-secondary Education Data System (IPEDS) Web site of the Department of Education, but without careful research and considerable patience, the information isn't very meaningful. It took some effort to compile the table, which will tell you how much the universities in the UNC system spend on instruction, research, and other categories.

Universities classify most of their operating costs as "educational and general expenditures," which include all money spent directly on instruction plus additional costs related to student education. On average, educational and general expenditures represent 72 percent of all expenditures at public universities. (These core expenses generally exclude auxiliary enterprises, independent operations, and hospitals.)

Unfortunately, schools have a lot of leeway in reporting data. For example, a department can decide whether

School	Instruction	Research	Support Services	Other	Total
UNC-CH	\$25,327	\$12,667	\$7,060	\$17,286	\$62,340
UNCSA	\$11,987	\$0	\$11,149	\$13,984	\$37,120
NCSU	\$11,263	\$7,989	\$4,756	\$11,458	\$35,466
ECU	\$10,626	\$947	\$3,293	\$5,655	\$20,521
WSSU	\$8,598	\$235	\$5,176	\$6,335	\$20,344
ECSU	\$5,691	\$543	\$5,513	\$8,236	\$19,983
UNCA	\$7,386	\$252	\$3,709	\$8,545	\$19,892
NCCU	\$8,991	\$596	\$4,787	\$5,351	\$19,725
UNCG	\$7,571	\$827	\$4,430	\$6,662	\$19,490
NC A&T	\$6,273	\$1,946	\$4,417	\$5,662	\$18,298
WCU	\$7,169	\$178	\$3,337	\$6,804	\$17,488
UNCC	\$8,256	\$1,299	\$2,745	\$4,825	\$17,125
UNCW	\$6,755	\$1,283	\$3,259	\$5,402	\$16,699
FSU	\$6,176	\$205	\$4,037	\$6,281	\$16,699
UNCP	\$6,218	\$52	\$3,978	\$6,179	\$16,427
ASU	\$6,406	\$147	\$3,567	\$5,053	\$15,173

Source: Integrated Post-secondary Education Data System

its professors' public service and research activities are budgeted separately — or simply included in faculty salaries. According to economists Andrew Gillen and Rich Vedder, "some 'instructional costs' likely include research activities, at least those funded by the institution through low teaching loads for faculty."

Despite these problems, we can make some observations.

- Costs per student vary widely. They range from \$15,173 in total at Appalachian State University to more than \$60,000 at UNC-Chapel Hill. Even within expenditure categories, there is remarkable variety. For example, UNC Wilmington spends more on research than does East Carolina, despite the presence of more doctorate-level pro-

grams at ECU. In many cases, it's unclear why expenses vary so much.

- At most UNC schools, more is spent on research, public service, and institutional support than on instruction directly. For example, at North Carolina State University, noninstructional expenditures are nearly double instructional expenditures. UNC School of the Arts, however, spends no money on research at all, and instruction is very expensive. (Total general and educational expenditures per student at UNCSA exceed the total at N.C. State.)

- Institution type matters. For the most part, per student expenditures are highest at universities that the Carnegie Foundation for the Advancement of Teaching classifies as "Research Universities" — like UNC-Chapel Hill and N.C. State. Both instruction and support services are more expensive on a per student basis at such schools (UNCSA is a high-cost outlier). Some of those expenses can be explained by the presence of medical, law, and graduate schools, which require laboratory space, intensive instruction, and specialized equipment.

But why are expenditures per student nearly \$23,000 more at UNC-Chapel Hill than at N. C. State? Both are research universities with "very high" research activity.

How much of these expenditures are paid for by students through tuition? That varies widely but is relatively low in all cases. At UNC-Chapel Hill, tuition covers only 8 percent of the total. At Appalachian State, the figure is 27 percent. CJ

Jenna Ashley Robinson is campus outreach coordinator for the John W. Pope Center for Higher Education Policy (popecenter.org).

Campus Briefs

Professor Mike Adams of UNC-Wilmington spoke to more than 100 students and members of the public at N.C. State University in early December. His speech, "The State of the Revolution," detailed successful efforts to improve speech codes on campuses.

Adams is a columnist for TownHall.com and a criminology professor at UNC-Wilmington. An outspoken opponent of leftist causes, he is the author of *Welcome to the Ivory Tower of Babel* and *Feminists Say the Darndest Things*. Adams' speech was hosted by the NCSU College Republicans and sponsored by the John W. Pope Center for Higher Education Policy.

While Adams is concerned about a number of issues, he highlighted efforts to free campuses from speech codes restricting expression that does not conform to prevailing ideologies. Adams began his speech by saying, "Back in August of 2005, I gave a speech calling for a conservative revolution on our college campuses. I suggested many things that could be done to launch such a revolution."

Adams went on to detail victories for free speech over the last five years at Wake Forest University, UNC-Greensboro, UNC-Wilmington, and Appalachian State University. Those schools have modified their speech codes to allow more freedom of expression. Adams gave credit to the Foundation for Individual Rights in Education (FIRE), the Pope Center for Higher Education Policy, and the Alliance Defense Fund for those victories.

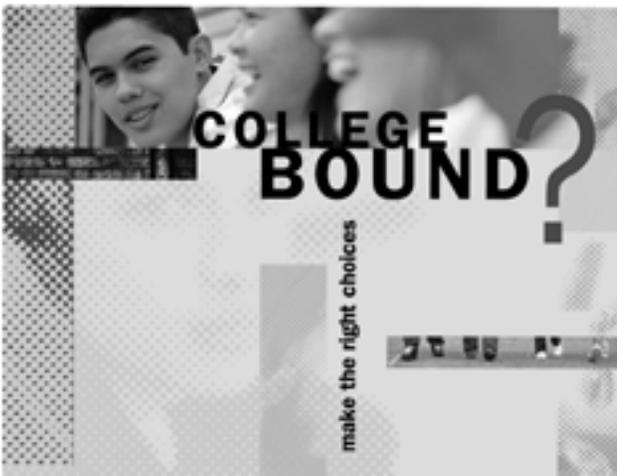
Adams' next step will be to expose university "centers" across the state. Over the years, many schools have created centers that focus more on promoting advocacy — indoctrination, he said — for favored groups rather than providing education.

"I envision a day when the administration is forced to cut back on other indoctrination programs.... I imagine a day when we decide that divisive identity politics have no place on a university campus," Adams said.

Earlier this year, Adams spoke at UNC-Chapel Hill about diversity and affirmative action on campus at an event sponsored by Youth for Western Civilization. CJ

Compiled by Jenna Ashley Robinson, campus outreach coordinator for the John W. Pope Center for Higher Education Policy (popecenter.org).

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COMMENTARY

Privatize UNC School of the Arts?

In a new paper published by the Pope Center, author Max Borders questions whether taxpayer support of the University of North Carolina School of the Arts is a wise use of public funds. He concludes that there is little identifiable public benefit from the school and that it ought to be privatized.

In "The UNC School of the Arts: Should It Be Self-Supporting?" Borders makes a persuasive case that fine-arts education can and should stand on its own, independent of government funding.

Relatively few North Carolinians know that the state has a fine-arts school, much less anything about it. UNCSA is located in Winston-Salem and has a student body of 1,161, including 289 who are of high school age (and attend free of charge). On a per student basis, it is the most expensive in the entire UNC system, spending \$24,943. The next most costly institution is research-heavy UNC-Chapel Hill (\$21,444 per student), followed by N.C. State University (\$18,284).

The high cost is explained, at least partly, by the need for small classes and the expense of instruments and equipment. The entire state budget for UNCSA is about \$30 million annually. That's a small amount in comparison with the whole UNC system, but Borders argues that the school shouldn't be immune from cost scrutiny just because there are bigger fish that might be fried.

Only two other states have such institutions (New York and Massachusetts). UNCSA was founded in 1965, the brainchild of former Gov. Terry Sanford. Sanford thought that the state needed to escape the stereotype of being a "cultural wasteland."

The idea was that having a state-supported fine arts conservatory somehow would catalyze an artistic renaissance in the state. But it's doubtful that the school had any such effect. It's one thing to have a school for training musicians, dancers, and filmmakers; it's quite another to have a rising public desire for fine-arts performances and exhibitions. Very few of the

graduates of UNCSA are employed in North Carolina.

There is a national labor market for artistic talent, just as there is for other kinds of expertise. Well-trained musicians, dancers, and others (and UNCSA produces well-trained performers) will go where they can make the best living. Evidently, most find that it isn't in North Carolina.

And let's face it: people's tastes are not affected by the presence of a fine-arts school in Winston-Salem. Those who like NASCAR or basketball aren't going to start going to operas just because some of the singers were trained in the state.



GEORGE LEEF

Rather than providing a benefit to the public generally, Borders contends that the school confers individual benefits only to its students. They get a highly subsidized education, with tuition far below what private conservatories charge, while only a small segment of the North Carolina population ever attends a performance.

Overwhelmingly, the education of artists and performers in the United States is not accomplished through government institutions. Nearly all music conservatories and arts schools are privately run and financed. Therefore, shouldn't state taxpayers be relieved of the expense of UNCSA by privatizing it? Borders maintains that they should be.

Ideally, the school would be sold to some group with an interest in fine-arts education. That would not only save tax money, but would also probably lead to greater efficiency and innovation, Borders shows. Until then, the low tuition rates should be increased to levels commensurate with private schools.

Borders points out that some other states, most notably Virginia and Michigan, are moving away from state funding and control of their university systems. That is a model for privatizing UNCSA; with the state's budget deep in red ink, this is a great time to start. *CJ*

George Leef is director of research at the John W. Pope Center for Higher Education Policy in Raleigh (popecenter.org).

Apart No More? Nation's HBCUs Heading Into an Era of Change

By JAY SCHALIN
Contributor

RALEIGH

As the economic downturn grows longer and more severe, it's hard to find any proposals to cut costs that can be taken completely off the table. Programs that were recently considered untouchable have now been placed under the budgetary microscope.

In a couple of states — Mississippi and Georgia — government officials even have started questioning the status of public HBCUs — historically black colleges and universities. By doing so, however, those officials might only be speeding up a process of HBCUs becoming mainstream that is complete in West Virginia and is well under way in North Carolina.

HBCU is an official designation given by the federal government in the Education Act of 1965 to all institutions of higher education that had been created primarily to educate African-Americans. Such schools are eligible to receive special types of federal funding. Colleges that were either founded after 1964 or had a predominantly white student body at that time are not considered HBCUs.

HBCUs do not discriminate in admissions. They are open to everybody who meets their admissions criteria, and most public HBCUs have significant nonblack populations.

In Mississippi, Gov. Haley Barbour recently proposed that the state's three HBCUs be combined into one. His intent was to save money by eliminating duplicate programs and administrative positions. The idea was met with a loud outcry by the schools' supporters.

An *Inside Higher Ed* article quoted one black educator, Julius Chambers (the former president of North Carolina Central University) as saying the move "is obviously a slap at black colleges."

Barbour's plan is not likely to produce the savings he anticipates without a serious reduction in the services provided. Because the three schools are geographically dispersed, combining programs to cut costs will mean that many courses and majors previously offered simply will be unavailable on some of the campuses.

Earlier in the year, Georgia state Sen. Seth Harp suggested that two public HBCUs join with two non-HBCUs in the same cities: Savannah State with Armstrong Atlantic State and Albany State with Darton College. His proposal was greeted immediately

with an adverse reaction as well.

Yet his proposal would likely result in considerable savings (although no action has been taken on it thus far). By combining schools in the same city, the mergers would allow the schools to eliminate many duplicate positions in the administrations, some of them with six-figure salaries. And there would be no reason to get rid of academic programs if departments are combined.

Although any proposal negatively affecting HBCUs is likely to encounter some political resistance, major changes might be inevitable. For instance, in West Virginia, the state's two public HBCUs gradually have become predominantly white. Bluefield State College is now only 12 percent black, and West Virginia State University is only 17 percent black.

In North Carolina, which has the most four-year HBCUs in the country, there have been no such proposals — yet. But at all five of the state HBCUs, the proportion of nonblack students has risen above 10 percent. In some specific programs, such as N.C. Central University's law school, African-Americans are now a minority.

These changes are likely to affect two UNC schools the most. The percentage of black undergraduate students at Elizabeth City State University has dropped to 79.7 for the 2009-10 school year, while at Fayetteville State University, it has fallen to only 72.1 percent.

These two schools share an important difference from the other three HBCUs in North Carolina. While the other three universities are in either the Triangle or Triad, where there are multiple UNC campuses, ECSU and FSU are the only public universities within a reasonable commuting distance in their regions of the state.

The Fayetteville area also has several military bases, which may explain why FSU is the most racially diverse of the five UNC HBCUs. Cooperation between the UNC system and the military is growing, and the high probability of future joint endeavors suggests there will be a greater military presence on campus.

ECSU also has added a couple of programs that should increase the nonblack campus population. One is a branch of UNC-Chapel Hill's pharmacy program. The other is an aviation school. *CJ*

Jay Schalin is a senior writer with the John W. Pope Center for Higher Education Policy (popecenter.org).



Opinion

A Realistic Way to Think of College Administrators: Self-Interested

A recently filed lawsuit alleges that officials at the SUNY (State University of New York) College of Agriculture and Technology at Cobleskill deliberately lowered academic standards in an effort to increase enrollment and student retention. Then, when a dean complained about the policy, he was demoted in retaliation.

I'm not going to take a position on the merits of the suit, but if the allegations are true, they'll buttress a position that I have strongly taken for years — that we should think of college administrators, public or private, as no different from other self-interested decision makers.



GEORGE LEEF

Whoa! Are you saying that the professionals who work for the education of young Americans in nonprofit institutions are no different from the profit-hungry people who inhabit the world of business?

Exactly. I'll come back to that point later.

The SUNY-Cobleskill story was recently reported in the Dec. 2 edition of *Inside Higher Ed*. Here are the crucial elements:

Dr. Thomas J. Hickey became dean of the school in 2006. Two years later, he found out that the provost

had instituted a policy change lowering the threshold for mandatory academic review of freshmen from a GPA of 2.0 to 1.0. That is, academically weak students would not get a serious warn-

ing, evidently to avoid alarming them about their situation and perhaps causing them to drop out.

Moreover, Hickey maintains, the school has for a decade been admitting students with such low ability that many were simply incapable of doing college-level work. The upshot: SUNY-Cobleskill was so eager to get and keep students, even perilously weak ones, that it made a mockery of academic standards.

The school denies the allegations and calls them "baseless." Possibly so, but they have the ring of truth. SUNY-Cobleskill wouldn't be the first college to lower its standards and make it easier for students to hang on despite weak academic performance.

Temple University professor and former vice provost Stephen Zelnick, for example, wrote in the *Chronicle of Higher Education* that academic demands at his school "went slack" in the mid 1990s "when Temple decided to open its doors to all and sundry in order to pay its bills."

Even without taking such overt steps as lowering the GPA at which the student finds himself in danger



of dismissal, there are subtle ways for colleges to increase student retention. One way is to allow or encourage grade inflation. If your main concern is keeping students enrolled rather than upholding

academic integrity, let professors know that low grades will be frowned upon. Norfolk State University even dismissed a professor who persisted in giving students the grades they actually earned.

Another way is to water down the curriculum so that difficult courses become optional. For instance, students might fulfill their math requirement with a course like "Consumer Math" that doesn't call for math capabilities beyond those that high school students should have.

Colleges have for decades been making adjustments designed to keep students — especially marginal ones — happy, enrolled, and continuing to pay tuition. SUNY-Cobleskill has had the bad luck to get caught red-handed, if the allegations are true.

Now back to that point about educators. Many people think that those who work for nonprofit institutions do so selflessly. That is, they act for the overall good and put aside considerations of their own good. Politicians are the paradigm case. They're elected by the people and work for that nonprofit entity known as government.

Presumably, elected officials will do whatever is best for the public.

Several decades ago, however, economists began to question the view that personal interest disappears once a person takes a job with the government or other nonprofit institution. This public choice theory encourages us to drop the unrealistic assumption that people turn angelic once they enter the nonprofit world.

Assuming that Hickey's suit against SUNY-Cobleskill isn't based on a fabrication, it illustrates the point that education professionals can and sometimes do put their own interests ahead of students'. Educators and administrators in nonprofit schools don't magically lose their self-interest. They may care about how much students are learning, but they definitely care about enrollment numbers.

When a public college has low retention and graduation rates, it looks bad, and that might lead to budget cuts. The better a school maintains the façade that it is a great success, the less likely that taxpayers and politicians will question whether the money spent on it is being used wisely.

That's why this suit doesn't surprise me. Keep in mind the public choice axiom that officials act primarily to advance their own interests, and you'll better understand what goes on in higher education. CJ

George Leef is director of research for the John W. Pope Center for Higher Education Policy (popecenter.org).

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Town and County

Boone water supply

An engineering study shows that a proposed water intake to supply Boone on the New River near the Ashe/Watauga county line would not impact stream flows adversely. The report is a major step toward gaining approval for the controversial project, reports the *Winston-Salem Journal*.

Both Boone and neighboring Blowing Rock are approaching the limits of their water supplies. In 2008, Boone voters approved a \$25 million bond referendum to build the additional water intake on the South Fork of the New River and make other necessary improvements to its water system. The water intake would draw in up to 4 million gallons a day, including up to a half-million gallons to Blowing Rock. The engineering study found that the water flow of the river was about 75.5 million gallons a day.

"It very directly affects Ashe County," said Mia Hartsook, who lives in Fleetwood in Ashe County and is a critic of the proposed intake.

"The people of Ashe County feel this is affecting us, and we're not getting our voice represented."

The project requires approval from the U.S. Department of Agriculture, the N.C. Department of Environment and Natural Resources, and other agencies.

Durham pothole repair

Durham sets a goal to patch potholes in city-maintained streets within three days. It has met that goal less than half the time over the past two years, reports the *Durham Herald-Sun*.

Every year, the city measures its performance on a number of metrics to determine the quality of the services it's delivering. These are reported to the City Council's Audit Services Oversight Committee and later the full city council.

For pothole repair, the service standard is that all potholes should be patched within three days of being reported. This happened only 44 percent of the time during the 2007-08 and 2008-09 fiscal years. It took more than 15 days for 14 percent of potholes to be repaired.

The city's audit also found that the Public Works Department did not always fully track potholes. Some public works personnel were also not aware of the three-day standard. *CJ*

Yadkin Jail Raises Issue of Judge's Power

By SARAH OKESON
CONTRIBUTOR

YADKINVILLE

As Yadkin County wrestles with the issue of a new county jail, its location, and its zoning, the chronic issue has raised questions over just how much authority a Superior Court judge has or should have.

The current jail, built in 1968, is antiquated, with cells opened by brass keys and only cold water available in much of the facility. The state Department of Health and Human Services has said all but one of the cells in the 29-bed jail are unfit for prisoners.

Superior Court Judge John Craig III has been prodding the rural county in the northwestern part of the state to build a new jail. County commissioners voted in 2006 to do that but haven't because of legal and political squabbles. Craig has scheduled a hearing Jan. 8, telling county commissioners in November that he could fine them, remove them from office, or jail them until they agree "to properly carry out the duties of their office and get the jail project underway without further delay."

He has also thrust himself into a disagreement among county commissioners about the location of the jail. Should it be built in downtown Yadkinville, which is the county seat and where the jail is the hub of activity, or outside town where the county already owns land and has spent more than \$500,000 on architectural fees and property surveys? Craig prohibited a county committee studying the jail issue from meeting to discuss an alternate site, saying that its plans "would have the same effect of staging a coup against the official board."

Craig, whose actions have raised questions over the limits of his authority, declined to talk with *Carolina Journal*. Yadkin County resident Larry Long said he has filed a complaint with the state Judicial Standards Commission about Craig. The commission wouldn't confirm that a complaint had been filed.

"He does not have this authority the way I look at it," Long said. "If he has this authority, every county in this state is in trouble. I think he stepped way out of line with what he can do."

Bob Orr, the executive director of the North Carolina Institute for Constitutional Law, said such actions by a judge usually would be prompted by a lawsuit filed by someone challenging the conditions of a jail.

"It's pretty unusual where the judge unilaterally starts driving the commission," said Orr, who is also a former state Supreme Court justice. "[This] may be OK, but I don't know."

The state Department of Health and Human Services has been citing the jail for years for deficiencies ranging from inoperable toilets to fire safety



A lingering conflict over where to locate a new jail to replace the current Yadkin County Jail, shown above, has put the county at odds with a local Superior Court judge. (CJ photo by Sarah Okeson)

problems. A grand jury that inspected the jail in 2006 found it inhumane.

In August 2007, the state closed the jail, which didn't have air conditioning, because temperatures inside were above 90 degrees. The jail reopened, but most of it was shut down again in August 2009 because of plumbing problems, many cells without hot water.

Kim Clark Phillips, former chairwoman of the Yadkin County Board of Commissioners, said Craig once sent an inmate to the prison in Raleigh instead of the county jail because the conditions were so bad.

"He was furious," Phillips said. "He said, 'I'm not sending anybody there.' These are people awaiting trial. Most of them are nonviolent criminals. Most of them are minor crimes."

County commissioners voted 3-2 in November 2006 to build a new jail, and Craig has been monitoring their progress, or rather lack of it.

Commissioners decided to build an \$8.2 million, 150-bed jail on land the county owns near Hoots Road, about four miles from the courthouse. They raised taxes to pay for the jail and got bidders for the project.

The Austin Company, located across the street from the jail site, and 13 individuals sued the county, saying the land was zoned improperly for a jail. Kevin Austin, vice president of The Austin Company, is the chairman of the Yadkin County Republican Party and was elected a county commissioner in 2008. He has abstained from voting on the jail plans but remains an opponent of the Hoots Road site.

Austin said employees at his family's company, which makes control cabinets and electrical supplies, are worried about visitors to the jail.

"Do they steal someone's catalytic converter and then buy a crack rock?" Austin asked. "I don't know how well-founded these concerns are, but they definitely are concerns. It could lead to our company leaving the area."

In July 2008, Judge Richard Doughton of the Yadkin County Su-

perior Court ruled that the rezoning of the jail was improper, but county commissioners voted again to put the jail on the Hoots Road site. Fifteen people filed another lawsuit in December 2008 to challenge the second vote to rezone. They paid legal fees in part by hosting chicken and barbecue dinners and holding a raffle and yard sale.

"Once the first lawsuit was filed, it was a power struggle," said Peggy Boose, a plaintiff in both lawsuits. "They [the commissioners] didn't want anybody to oppose their decision."

Craig decided the second lawsuit, which upheld the rezoning of the property. The plaintiffs asked Craig to recuse himself from the case, citing his involvement with the relocation of the jail, but he refused, writing that the plaintiffs "have not met their burden of demonstrating objectively that grounds for disqualifying the undersigned Superior Court Judge actually exist."

Orr, the former state Supreme Court justice, said Craig may not have had a conflict in the case.

"If the question is whether the new zoning is valid or not valid, I don't know that there was a conflict," Orr said. "I don't know that another court would reverse him."

Downtown Yadkinville has few businesses, and the courthouse is the hub of the downtown.

Commissioner Tommy Garner said he is pushing for a government complex on Hoots Road.

"The courthouse is overcrowded, doesn't have enough room," Garner said. "Judge Craig said something that made me think he was on the verge of condemning the courthouse."

Heather Graham, the daughter of County Attorney Jim Graham, owns about 1½ acres near the jail site, but Jim Graham said that didn't factor into the county's decision about where to put the jail.

The Yadkinville town board passed a resolution to keep the jail downtown, saying property values could decline if county services are moved out of town. *CJ*

Court Rules Against Union's Public Facilities Ordinance

By MICHAEL LOWREY
Associate Editor

RALEIGH

In 2006, Union County adopted an adequate public facilities ordinance (APFO) to help pay for school construction. In a Dec. 8 ruling, the state's second-highest court ruled that the county lacked the legal authority from the General Assembly to impose such an ordinance, which it described as amounting to an impact fee for school construction.

Frustrated by its inability to obtain approval from the General Assembly for a school impact fee, Union County in 2006 imposed a moratorium on approving new subdivision plans to allow time to draft an adequate public facilities ordinance. Under the ordinance, proposed new subdivisions are evaluated to determine their impact on the schools that would serve the development. Before a development can be approved, the schools that would serve it must be deemed to have adequate capacity.

If schools are judged not to have enough capacity, the county can deny the application or impose conditions upon the development. Possible conditions include requiring developers to build new schools, making a "voluntary mitigation payment" to the county, or delaying the development until sufficient school capacity otherwise becomes available.

A number of landowners and developers sued Union County over its adoption of the APFO. After a Superior Court judge ruled in favor of the county, they brought the matter before the N.C. Court of Appeals.

On appeal, Union County argued that its authority to impose an APFO comes from three separate sections of state law — those covering a county's police power, its zoning authority, and its power to regulate subdivisions.

The Court of Appeals did not agree, finding that none of those statutes allowed for imposition of an APFO.

The appeals court first addressed whether a county's police powers, which allow it to regulate or prohibit "acts ... or conditions detrimental to the health, safety, or welfare of its citizens," allow an APFO.

The courts have at times upheld under this provision local government actions that restrict the use of land. However, because the General Assembly has enacted separate statutes giv-

ing localities the authority to regulate zoning and subdivisions, the appeals court found that it should look to those laws.

The appeals court in turn drew a distinction between zoning ordinances and subdivision ordinances. Subdivision ordinances are concerned with the creation of new lots or separate parcels of land.

Under state law, however, zoning ordinances may only "regulate and restrict the height, number of stories and size of buildings and other structures, the percentage of lots that may be occupied, the size of yards, courts and other open spaces, the density of population, and the location and use of buildings, structures, and land for trade, industry, residence, or other purposes."

Counties may also use zoning to address the adequate provision of schools. When read together, these provisions do not allow counties to impose adequate public facility or-

dinances. "Although defendant is entitled to use its zoning authority to facilitate the efficient and adequate provision of schools, it must achieve this goal using the tools authorized by the zoning statute," wrote Judge Barbara Jackson for the appeals court.

The county argued that it could impose an APFO under its authority to regulate the subdivision of land. N.C. Gen. Stat. § 153A-331(a), for example, states that such regulations "provide for the orderly growth and development of the county... in a manner that will avoid congestion and overcrowding and will create conditions that substantially promote public health, safety, and the general welfare."

Other sections specifically call for the "the construction of community service facilities in accordance with county plans" and reservation of school sites.

The Court of Appeals was again not persuaded, noting that *Durham Land Owners Association v. County of Durham* (2006) concluded that counties were primarily responsible for providing adequate school capacity.

"Defendant may not use the APFO to obtain indirectly the payment of what amounts to an impact fee given that defendant lacks the authority to impose school impact fees directly," Jackson wrote.

The case is *Union Land Owners v. County of Union* (09-35). CJ



COMMENTARY

Charlotte's Eastside Quandary

Charlotte's Eastland Mall made the news a lot in 2009, though rarely for positive reasons. In May, a *Wall Street Journal* front-page story described the 1.1 million-square-foot shopping center's decline. In November, the Charlotte City Council decided against buying the now half-abandoned eastside mall.

It's not that council members had a problem with the city becoming the landlord and redeveloper in chief. It's that the existing owner wanted too much money — \$23 million — for the property. The city thought that a fair price was closer to a third of that amount.

Retail follows income. And it's hardly surprising that there's a glut of retail space in east Charlotte. When Eastland Mall opened in the 1970s, shoppers from the nearby middle-class neighborhoods filled its stores. Thirty-odd years later, the same houses in those neighborhoods are still there. It's just that they aren't filled with middle-class families anymore.

Put bluntly, few middle-class families live in houses like those around Eastland. They've moved on to bigger and newer digs. The average size of a new house built in 2006 was 2,469 square feet. In 1970, it was more like 1,400 square feet.

Not that 1960s and '70s housing is even that comparable to what's being built today. The "open concept" hadn't been popularized yet.

Typical houses built back when Richard Nixon was president had large formal living rooms and smaller, but still substantial dens. The bedrooms were small. Closets were almost nonexistent. Houses rarely had two full baths, and, in any case, the bathrooms were tiny. And there may not be spiffy hardwood floors under those carpets.

At the center of any city plan for revitalizing the Eastland area is, unsurprisingly, transit. The city wants to run a \$450 million, 10-mile street car line from Eastland down Central Avenue through Uptown Charlotte to Beatties Ford Road on the west side of the

Queen City.

Street cars aren't really much of a transportation solution. They are no faster than the buses currently serving the area and are many times more expensive. Nor does the Charlotte Area Transit System have any idea of how to pay for the line.

Even if the line is built, it's difficult to see how street cars stabilize the area. The city's vision undoubtedly would involve condominium developments along the major streets near the mall.

But there's a finite amount of land — often just the width of a strip shopping mall with not much parking in front — along those thoroughfares that could be redeveloped easily before you get to those existing neighborhoods. And no one in Charlotte is talking about razing square miles of obsolescent housing.

Any true solution must encourage middle-class families to buy those small, 30- to 50-year-old houses and turn them from outdated into outstanding. That means many individuals and families making substantial investments — gutting kitchens and adding rooms — in properties.

That wouldn't be an easy sell, and is certainly something the city has completely failed to accomplish over the past decade or more. It would require Charlotte, Mecklenburg County, and state officials to address some issues that largely have been ignored. Like making sure the area is safe from crime. And making sure Charlotte-Mecklenburg Schools, which are on the brink of full-scale flight by white and middle-class black families, offer a high-quality education to all students.

Perhaps most importantly, Charlotte and Mecklenburg will have to keep tax increases in check — paying a premium in taxes for the privilege of rehabbing an old house is asking a lot, regardless of the proximity to shopping. Let alone empty storefronts. CJ



MICHAEL LOWREY

Michael Lowrey is an associate editor of Carolina Journal.

Local Innovation Bulletin Board

Transit Costs Up

The Chicago Transit Authority wants to cut service while increasing fares. The Windy City's transit service's move is hardly surprising, writes Wendell Cox in *New Geography*, as the country's transit systems have problems containing costs.

While Chicago is as dependent upon transit as any U.S. city other than New York, CTA's modern ridership peak was in 1979. In 2007, it spent 13 percent more, after adjusting for inflation, to operate its system of trains and buses than it did in 1979 while carrying 2 percent fewer passengers. Had the system's costs grown only as fast as inflation, it would have had \$400 million available.

CTA's experience is hardly unique. Between 1982 — when a portion of federal gas taxes was dedicated to transit funding — and 2007, transit ridership measured in passenger miles traveled has increased by 44 percent. Inflation-adjusted transit spending, meanwhile, doubled. By comparison, the inflation-adjusted cost of both automobile and air travel per passenger mile traveled both decreased over the same period.

The problem, says Cox, is that most U.S. transit systems don't have an incentive to control costs, as they are effectively monopolies.

"The antidote to monopoly is competition, and transit costs cannot be controlled without it," says Cox.

The whitest cities

The cities generally regarded as best planned, most progressive, and best models for small and medium-sized cities are Portland, Seattle, Austin, Minneapolis, and Denver. These metropolises share another feature, writes Aaron M. Renn in the *Dallas Morning News*: They are also far whiter than most other large U.S. cities.

Portland, Seattle, Austin, Minneapolis, and Denver all draw substantial amounts of young, white, college-educated whites. In none does the core county of the urban area come up to the national average in percentage of African-Americans in the population.

And the whitest of them all is Portland, which is widely regarded as the model for the progressive, smart-growth development.

Many of these cities do better attracting foreign immigrants. Minneapolis, Portland, and Austin, for example, have more foreign-born residents than African-American

residents. Still, that's not a high hurdle, and these cities lack the diversity of places like Las Vegas or Orlando.

"The relative lack of diversity in places like Portland raises some tough questions the perennially PC urban boosters might not want to answer," says Renn.

"For example, how can a city define itself as diverse or progressive while lacking in African-Americans, the traditional sine qua non of diversity, and often in immigrants as well?"

This lack of diversity may actually promote the adoption of smart growth policies, which are modeled after European practices.

"It's easy to have Scandinavian policies if you have relatively Scandinavian demographics," says Renn.

The myth of the compact city

Proponents of compact development are pushing the idea of rebuilding American cities to achieve higher densities as a means of reducing greenhouse gas emissions.

Such development policies would represent a huge intrusion into private property rights, personal freedom, and mobility while having an uncertain impact on greenhouse gas emissions, writes Randal O'Toole in a new paper for the Cato Institute.

The concept of compact development is not new. It has gained increased prominence under the Obama administration, with the secretaries of transportation and housing and urban development having signed an agreement recently to require cities to adopt compact development policies.

Secretary of Transportation Ray LaHood admits that the idea is to "coerce people out of their cars."

"Compact development is an indirect and risky way of reducing greenhouse gas emissions," says O'Toole.

To achieve reductions, people must respond in the ways that planners hope. Reduced greenhouse gas emissions from reduced driving must not be offset by increased emissions from additional stop-and-go traffic. And the costs of such unintended (and intended) consequences as less-affordable housing, congestion, and reduced worker productivity must not be greater than the benefits.

O'Toole suggests a revenue-neutral carbon tax would be a more efficient means of reducing carbon emissions. CJ

Meck Sixth Locality to Approve Same-Sex Partner Benefits

By MICHAEL LOWREY
Associate Editor

RALEIGH

Mecklenburg County will become the sixth locality in the state to offer domestic-partner benefits to employees in same-sex relationships. The policy change goes into effect in 2011, reports *The Charlotte Observer*.

The Mecklenburg County Commission voted 6-3 to extend the benefits, with all of the commission's Democrats voting in favor and all the Republicans voting against.

Carrboro, Chapel Hill, and Orange County now provide benefits to both

same-sex and unmarried heterosexual couples. Durham County and Greensboro also provide benefits to same-sex couples.

The cost of providing the benefits would depend on the number of employees signing up. Human Resources Director Chris Peek estimated it would cost the county about \$400,000 if 1 percent of county employees signed up, a rate that is somewhat higher than other localities that offer the benefit.

The move came two weeks after a report by Diane Juffras, a professor at the UNC School of Government, noted that state law allows local governments to provide health insurance and other benefits for employees' dependents as a means to "foster the hiring and retention of a capable and diligent work force."

ABC board issues

Local alcohol beverage control boards made the news frequently in December. The Mecklenburg County ABC board is under investigation for a \$9,000 employee dinner that was paid for by a liquor company. In New Hanover County, meanwhile, the *Wilmington Star-News* reported that the county's ABC administrator made nearly \$250,000 last year.

North Carolina operates a unique system for the sale of liquor. While the state enjoys a monopoly, 163 local ABC boards actually operate the stores. As such, they also set their own pay and ethics policies.

"We don't have any operational control over them at all," said state ABC Commission Chair Jon Williams to WRAL-TV. "Those 163 local boards are individual government offices."

In the case of the New Hanover County ABC board, it decided to

pay Administrator Billy Williams a \$214,760 salary plus a \$30,000 bonus in fiscal 2008-09. His son, Billy Williams, is the board's assistant administrator, and was paid a \$106,600 base salary and also awarded a \$20,000 bonus.

In Mecklenburg County, London-based Diageo, whose brands include Johnny Walker scotch and Smirnoff vodka, paid for a dinner for 28 county ABC employees at a steak house where the cheapest entree goes for \$32.95.

The state ABC commission has a policy that prohibits vendors from giving local ABC boards "anything of value."

"We shouldn't have done it," said Parks Helms, chairman of the Mecklenburg County Alcoholic Beverage Control Board and a former Mecklenburg County commissioner, to *The Charlotte Observer*. "We made a mistake."

Governments tweeting

Among the latest social-networking rages is Twitter, a service that lets a user send short (140-character) messages on the Web or via text messages.

Local governments are among those that are making use of the free service, though not always to its full potential, reports the *Greensboro News & Record*.

The City of Greensboro has been using Twitter for about a year and half to send out information about meetings. It sent out six messages in November and eight in the first half of December.

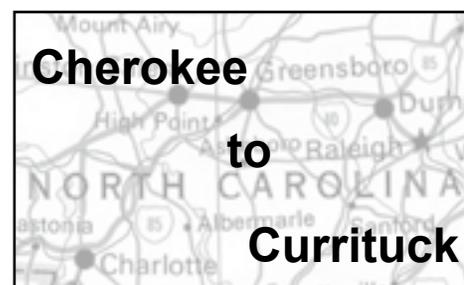
Guilford County, meanwhile, was very active on Twitter until June. It's stopped sending out Twitter messages, called tweets, for now until the county's Web site is redesigned.

Several Triad new-media advocates are impressed by the government's efforts.

"It's better if it's not all one way, just pushing information at people with no give and take, no interaction," said Ryan Shell, a Greensboro blogger and marketing communications specialist.

"If you look at what the Triad Health Project, Goodwill, or United Way are doing on Twitter, on Facebook, you'd be amazed. They're doing it so well," said Sue Polinsky, a local Web designer.

"So why can't my government do the same thing? Maybe the mayor doesn't want to blog, but the city could manage one tweet a day." CJ



Greensboro City Council in Choppy Waters Over Aquatic Center

By SAM A. HIEB
Contributor

The Greensboro City Council recently decided to take a swan dive into a taxpayer-supported, \$18 million aquatic center. But the council violated a basic rule of safe diving — always judge the water's depth.

The newly elected council upheld a funding proposal for the aquatic center passed by the previous council during a last-minute, lame-duck meeting.

The previous council's proposal, voted on just hours before the new council and Mayor Bill Knight were to be sworn in Dec. 1, would use \$12 million from a \$20 million city parks and recreation bond passed in the November 2008 election, then use revenues from Guilford County's hotel-motel tax to cover the approximate \$6 million shortfall in the aquatic center's construction costs.

But immediately after the new council was sworn in, Danny Thompson — a political novice elected on a platform of fiscal conservatism — made a motion to rescind the previous council's vote.

Some council members expressed displeasure that such a motion was made during a supposedly ceremonial meeting. Thompson's motion failed after a heated debate, but the issue was put on the agenda for the next meeting.

The aquatic center was inserted on the parks and recreation bond at the last minute at the insistence of former council member Mike Barber. Critics maintained that when voters passed the bond, many might not have realized they were voting for an aquatic center.

Proponents say the aquatic center



The new Greensboro City Council upheld funding for a controversial aquatic center approved during the previous council's last lame-duck session. (Photo courtesy City of Greensboro)

could serve as a regional competitive and diving venue with an economic impact that could reach \$14 million.

At a June meeting, city engineer Butch Simmons told the council that costs were starting to rise and a shortfall was more than likely. But council supporters kept insisting that an \$18 million venue could be built for only \$12 million due to the competitive bidding atmosphere in a down economy.

But as the bids continued to come in, it became apparent that the type of competitive swimming facility supporters envisioned would have to cost at least \$18 million.

Council members scrambled to find an alternative funding source and came up with the idea to use the county hotel tax to fund the shortfall.

There were a couple of problems with that plan. For starters, revenues from the tax are designated for improvements to the Greensboro Coliseum, the city's main economic driver for entertainment events. If hotel tax

money were diverted to the aquatic center, then scheduled improvements to the coliseum would have to be delayed, even though the coliseum will play host to the Atlantic Coast Conference men's and women's basketball tournaments over the next several years.

The controversy escalated when Tony Wilkins, a member of the War Memorial Commission — the body overseeing the coliseum complex — posted a memo on his blog citing a footnote in a city report on the hotel tax fund's balance.

The footnote states: "Beginning FY 08-09, City is loaning funds to Hotel/Motel Tax Fund to pay a portion of debt service due to decline in revenue FY 01-02 to date."

That set off a debate in the media and blogosphere about exactly where the money would come from to repay the shortfall in the hotel tax fund. At times, the council members themselves didn't seem to know.

All of which led up to the showdown at the Dec. 15 meeting. Proponents of the aquatic center — which included many members of Greensboro's thriving swim community — showed up en masse to urge the council to approve the funding plan.

"You know there's going to be an economic impact with this project," said Marc Bush, former president of the Greensboro Sports Commission.

"This project will help address an economy that has taken a beating," said Scott Lineberry, a diving coach who added that Greensboro has "one of the most talented groups of young divers in the country."

Other speakers said they were in favor of an aquatic center, but they were opposed to taxpayers footing the bill.

"It looks to me like this aquatic center could become a money hole," said one speaker. "How far can you keep straining the taxpayers?"

Discussion among council members was no less animated. Those arguing in favor stressed that funding and maintenance would be borne not by Greensboro property owners, but instead by out-of-towners.

"This is foreign money coming in," said council member Nancy Vaughan. "It's kind of like the ultimate user fee."

Council member Zack Matheny, a staunch supporter of the aquatic center, apologized for the previous council's last-minute meeting and acknowledged that there "could have been more communication with the public" on the issue.

But he still supported the aquatic center, insisting that the hotel tax represented "private dollars." CJ

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Book review

Whatever Happened to Growing Up and Moving Out?

• Joseph Allen and Claudia Worrell Allen, *Escaping the Endless Adolescence: How We Can Help Our Teenagers Grow Up Before They Grow Old*, New York: Ballantine Books, 2009, 251 pages.

BY HAL YOUNG
Contributor

At the reception following Max's bar mitzvah, the 13-year-old's father raised the toast, "Today you become an adult ... yeah, right." Everyone laughed, including Max, but clinical psychologists Joseph and Claudia Allen found the contrast between the traditional ceremony and the modern reality very pointed. Their book, *Escaping the Endless Adolescence: How We Can Help Our Teenagers Grow Up Before They Grow Old*, looks at why teenagers seem to be backing away from adulthood, so often that the Allens say the age of 25 is "the new 15."

Where once the achievement of a driver's license at the earliest possible moment was the goal of every teen, now many shy from the responsibility it carries, rather than grasping for the independence it offers. As many as 10 percent of twentysomethings have moved back in with their parents for economic or other reasons, according to a recent survey. Yet society's belief that adolescents are hormone-driven and unable to assume adult roles without decades of formalized training is false, the Allens say, and it needs to be replaced with an appreciation for teenagers' capabilities and practical means to cultivate them.

The authors attempt to exonerate parents for this state of affairs, but they clearly show parents are responsible for their children's maturation. The problem may be that parents share the societal attitude that it's OK to "take care of things" for their teens even if that means hindering their development. The school system doesn't help, creating an unhealthy "bubble" of adolescents being socialized by their peers rather than by adults. A credential-driven business world has shut the door on many opportunities for young people to gain useful experience before graduating from high school or college, leaving students at loose ends and despairing of ever gaining adulthood through the multitudes of hoops erected in their path. Outrageous behavior like early sexual activity, substance abuse, or petty crime may be lunges at "adult" behaviors that can be attained immediately, rather than postponed for a decade in the misty future.

The Allens don't identify the chicken vs. the egg here, but if pressed they probably would point to the changes in American communities since the Civil War. In rural society, teenagers were expected to handle meaningful roles on the family farm or with the family business, or to fulfill similar roles with the neighbors. Shifting from an agricultural to an industrial economy demanded more formal education — in 1900 only 11 percent of eighth-graders went on to high school — and labor unions encouraged longer schooling to reduce the pool of young workers.

Now, rather than contribute to their family and community, teenagers find themselves largely surrounded by other teenagers. How would an adult feel about a job which only simulated "real work" day after day? they ask. That's the high school experience. It offers a future some students

find bleak, and others rebel against.

The Allens' recommendations are "not complex, but ... not obvious." At the basic level, they urge steps to "put adulthood back into adolescence," bringing teens into the adult world wherever possible, giving them challenges to master, and letting them suffer real consequences. The professors point out that students accustomed to arriving at class five minutes late without repercussions are dismayed to find that airlines operate with different rules. This can be taught to high schoolers, too.

It is not a blood-and-thunder kind of parenting book, though. Frankly, they say, few parents have the time to carry out high-intensity disciplinary regimens while taking care of work, family responsibilities, and other demands. "In contrast to parents' highly limited time to spend on parenting," they write, "a teenager ... who wants to do something other than what his parents want is often able to devote something close to 24 hours per day, seven days per week to figuring out a way around parental rules. Adolescent creativity in such situations knows few bounds."

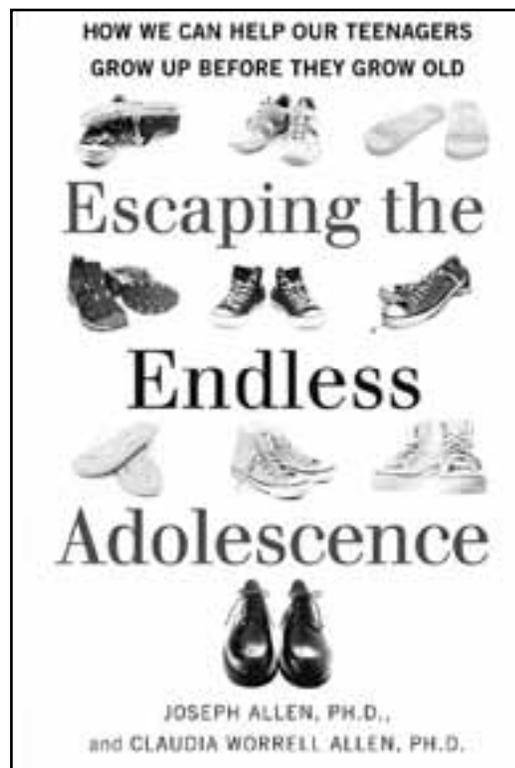
The Allens' key is to build adult-to-adult relationships with teenagers. In situations with strong parent-child relationships, often the children internalize their parents' values and act accordingly, even in the absence of strict and enumerated rules. "Discipline," after all, comes from the same root as "disciple" — a common observation in the Christian education community — and it calls for constant adult-level interaction, even if frequently rejected.

They single out the educational system for radical change, treading a fine line between the value of classical education and the "school as job training" model. Certainly our own state's "Learn and Earn" program already makes a tacit ac-

knowledge that undergraduate coursework frequently duplicates high school classes, so why not go ahead with college if you're motivated enough. In fact, the Allens propose abandoning the concept of high school as a four-year program and adopting a content-mastery model, with exit exams that allow students to receive a diploma as soon as they demonstrate a sufficient basic education. There is a whisper that a fundamental body of literacy and citizenship is most appropriate for teenagers, leaving the detailed studies of literature, history, and science for college or even later, rather than letting watered-down high school coursework delay entry into productive life.

There are some unanswered questions and omissions in the book. The authors, though parents of teenagers themselves, gather most of their information from their clinical settings. The composite case studies they give are frequently students already in trouble with authorities, involved with social services, or in foster care or group settings. They don't address the role of fathers or their absence, and since there seem to be more boys than girls in the examples they give, that would be an interesting ground for inquiry. There is little discussion of the impact of religious community, though what is said is positive.

Overall, though, the Allens offer a reasoned and practically attainable approach to making adolescence a time of training and growth, rather than one of passivity and stagnation. CJ



Slave Omar ibn Said Important Figure in North Carolina History

Sometimes, historical scholarship tells us more about the present than the past.

A North Carolina slave, Omar ibn Said (1770-1864), has received a lot of attention lately, as he wrote the only American

slave narrative in Arabic. Although the available evidence suggests that no more than a couple of hundred slaves were devout Muslims, some have claimed that anywhere from 10 percent to 30 percent of all slaves practiced Islam faithfully.

Said steadfastly adhered to Islam, the story goes, "throughout his long years, along with the openness towards other 'God fearing' people."

Much about Said's life is left unsaid, however — probably because it complicates the simple and anachronistic presentation of a modern-day multiculturalism in the antebellum South.

While in Africa, Said was a devout Muslim. He gave alms, prayed five times a day, regularly attended the local mosque, and even made a pilgrimage to Mecca. In 1807, he was captured and shipped to Charleston, S.C.

Shortly after purchasing Said, his first master died. His second master was so cruel that Said absconded. A slave patrol found him praying in a country church near Fayetteville. In jail, Said wrote Arabic on the walls, and people visited the jail to see his elegant handwriting. Cumberland County Sheriff Bob Mumford introduced Said to James Owen, a former state legislator and one-term congressman.

With Said's permission, Owen purchased Said from the cruel Charleston master.

For seven years, Said practiced Islam openly. He read the Quran and observed Ramadan. Said soon expressed interest in Christianity. With curiosity, he listened to Owen's daily Bible readings and asked for an Arabic translation of the Bible.

For a slave, Said was fortunate, and he knew that. "O ye people of

North Carolina . . .," he wrote in his autobiography, "have you among you any two such men as Jim and John Owen. What food they eat they give me to eat. As they clothe themselves they clothe me."

Sometime between 1819-22, Said professed Christianity and joined the Presbyterian Church, where he was baptized. He missed few Sunday services. Although he denounced the slave trade and considered God to be the only sovereign, Said is reported to have encouraged missionary efforts to Africa and believed Providence had placed him in America.

The evidence suggests that Said genuinely converted to Christianity and did not, as some modern scholars claim, "steadfastly hold on to Islam." Most scholars do not mention reports from Northern missionaries or explain Said's written and spoken statements that reflect Christian doctrine and principles.

Those who do mention them dismiss the missionary reports, written by four people over three decades, as uninformed claims; they've called Said's own statements nothing more than an insincere outward conversion.

It is unlikely, however, that Said, a house slave, fooled the entire Owen family for more than 50 years. And why would he want to? Jim Owen allowed Said to read the Quran and pray to Allah; he worked sparingly; and his Arabic literacy made him a local celebrity. He did not have to convert to placate Jim Owen.

In their evangelical fervor, to be sure, missionaries often exaggerated the success of their outreach efforts. Ralph Randolph Gurley, for one, seems to overstate Said's religious enthusiasm. However, Said's words, written in Arabic, reinforce much of what the whites described.

Omar ibn Said is an important historical figure — not because he brings to light a hidden yet substantial number of Muslims during the antebellum era, but because an honest study of his life reveals that many mold history into what they wish it had been and use that distorted past to forge America into what they hope it to be. *CJ*

Dr. Troy Kickler is director of the North Carolina History Project (www.northcarolinahistory.org).



TROY KICKLER

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Short Takes on Culture

Chesterton Witty, Intellectual

• *The Everlasting Man*
By G.K. Chesterton
Ignatius Press

One must be careful what one reads. That's what Christian apologist C.S. Lewis remarked after reading G.K. Chesterton's *The Everlasting Man*, for it steered the young atheist toward Christianity. Lewis' comment and the recent revival of New Atheism (which is little more than repackaged arguments) prompted me to read Chesterton's 1925 publication.

Chesterton argues that critics are too close to the church to evaluate it properly. They should step back from their personal beliefs and look at the big picture. Only then, Chesterton argues, will they see the church's beauty and stop being reactionaries.

As a rebuttal to the evolutionary theories in H.G. Wells' *Outline of History*, Chesterton describes the uniqueness of man and Christ. He argues that "the more we look at man as an animal, the less he will look like one."

Starting with caveman art, the apologist points out that religion dealt with symbols and advanced language and knowledge. He then contends that Christ's critics selectively choose from the Gospels and turn the Son of God into whatever they fashion him to be. He was more than human, writes Chesterton; Christ claimed, unlike Muhammad or Buddha, to be God and was the point at which Heaven and Earth met.

Whatever one thinks about its conclusions, *The Everlasting Man* is witty. It's an early 20th-century example of how literary giants, such as Chesterton and Wells, waged intellectual battle.

— TROY KICKLER

• *Can We Get Any Closer?*
Jim Lauderdale
Sky Crunch Records

Two-time Grammy winner and Iredell County native Jim Lauderdale is one of Nashville's most sought-after songwriters and prolific recording artists. With his 18th album, *Could We Get Any Closer?*, Lauderdale revives his recent pattern of alternating traditional country and bluegrass sessions.

This time, he's clearly in string-band mode, and this outing ranks among his best efforts.

Unlike his newgrass contemporaries, Lauderdale's sound doesn't incorporate rock or jazz but instead infuses an old-timey foundation

with honky-tonk, folk, and gospel elements. The record features memorable melodies and fine chops — led by Lauderdale's inviting Piedmont Carolina twang.

There are plenty of highlights, but I give top marks to "Tennessee Dawn," a midtempo waltz co-written with Grateful Dead lyricist Robert Hunter. (Then again, 2004's *Headed for the Hills*, with Hunter and Lauderdale collaborating on all the tunes, is my favorite Lauderdale record.)

"I Took a Liking to You" will have you catching your breath, and in "That's Why I'm Here With You," you can almost hear a Bob Wills "Haaw!" in the background.

If you enjoy smart, traditional American music, you can't go wrong with *Could We Get Any Closer?* And in April, be sure to check out Lauderdale at Merlefest in Wilkesboro. He'll perform several shows with his band and rejoin Elvis Costello's excellent string ensemble, The Sugarcanes.

— RICK HENDERSON

• "Hoarders"
A&E Network
Mondays, 10 p.m.

Most of us know people who tend to "hoard," but probably none of us would like the characters in "Hoarders," the A&E cable network's latest reality show.

Each week, A&E's cameras take you into the homes of world-class hoarders, such as Chris, who's mourning the loss of a stillborn child but will lose her two older children if she doesn't clean up her house.

Then there's Dale, an "artist" whose depression after the loss of two jobs manifests itself in compulsive dumpster diving. No surprise that bedbugs and cockroaches started creeping out of the piles of stuff stacked up in his apartment.

A&E calls in professional organizers to deal with the mess, as well as psychologists to help characters deal with the underlying issues that are the root cause of hoarding.

It's not an easy task. Anxiety levels run high as organizers dicker with the hoarders over the smallest of items. Dale, for example, was aghast that anyone would even consider throwing away a miniature wooden ironing board.

If you think your house is messy, watch "Hoarders." I guarantee you'll feel better about yourself.

— SAM HIEB CJ

Book review

Rogue a Story of Accomplishments

• Sarah Palin, *Going Rogue: An American Life*, New York: HarperCollins, 414 pages, 2009, \$28.99.

By MELISSA MITCHELL
Contributor

As I started to read Sarah Palin's book, *Going Rogue: An American Life*, Palin visited Fort Bragg for a book signing. The local media reported that hundreds attended the signing, but the John Locke Foundation's Karen Palasek volunteered at the event, and she tells me that there were in fact between 1,600 to 2,000 attendees. In reading the book, I quickly realized that just as the media underestimate the crowds at Palin events, they also are underestimating Sarah Palin.

All of the hoopla over Palin not being allowed to speak at Fort Bragg over concerns she might say something derogatory about President Obama was needless hype. The book's dedication, showing her love and respect for the men and women in uniform, should have told Fort Bragg officials that she would never go to any military installation and demean the president.

Going Rogue is more than just a book about Sarah Palin; it is a book about Alaska.

Woven within Palin's book are history and geography lessons about her adopted home state. Few may know that in 1964, a 9.2 magnitude earthquake dramatically changed the topography of Alaska forever. Moreover, most working-class Alaskans, like the Palins, practice subsistence living.

"If you don't hunt and fish: you don't eat," writes Palin. The book allows readers to understand Palin's work ethic and that she is not afraid of hard physical labor.

Palin chronicles her grass-roots campaign for governor, which pitted her against the corrupt members of her own Republican Party. She expresses the unique idea that politicians work for the people who elected them.

As governor, she read the bills she signed. When presented with her first budget as governor, Palin asked, "What did past governors do? How did they get through these?" "They didn't," was the response. Past governors skimmed the budget and then

signed it. Not Palin! She and her advisers spent long hours going through the budget line by line, slashing some items while increasing others, including education.

She is critical of the people who ran John McCain's presidential campaign, but not McCain. Handlers micromanaged every aspect of her candidacy, including what she would wear and say. They hamstrung a candidate who had won a well-run, grass-roots campaign.

Readers will be shocked by the campaign's treatment of Palin. There were major mistakes throughout, including a failure to prepare the traditional briefing book that is sent to the media. This book provides a biography and a list of the candidate's accomplishments. Had this book been

produced, it would have silenced much of the criticism leveled against her supposedly thin resume.

As I read Palin's book, I began thinking about all of the insults describing her, such as "Valley girl," uneducated, uninformed, unaccomplished, loser, and quitter. But the words in her book ring true. The aforementioned labels do not apply to Palin.

Palin is far more influential now that she is no lon-

ger an elected official and is not constrained by what she calls the invisible "headquarters." She is free to express her strong free-market and small-government beliefs.

While reading Palin's book, the word "dangerous" kept crossing my mind. Dangerous for liberals because people like and trust her, and dangerous for the Republican establishment because conservatives see her as genuine. But I kept putting this word out of my mind.

The end of the book validated my thoughts. Using Gen. Douglas MacArthur's words, Palin says, "We are not retreating. We are advancing in another direction."

Palin's father states, "Sarah's not retreating: she's reloading!" Alaskan Dewey Whetsell says of Sarah's haters, "They are not scuba divers. ... No one ever told them what happens when you continually jab and pester a barracuda. Without warning, it will spin around and tear your face off."

Will she run for president? Only time will tell. CJ



Brookhiser's *Right Time, Right Place* Works on Different Levels

• Richard Brookhiser, *Right Time, Right Place: Coming of Age with William F. Buckley Jr. and the Conservative Movement*, New York: Basic Books, 2009, 262 pages.

BY HAL YOUNG
Contributor

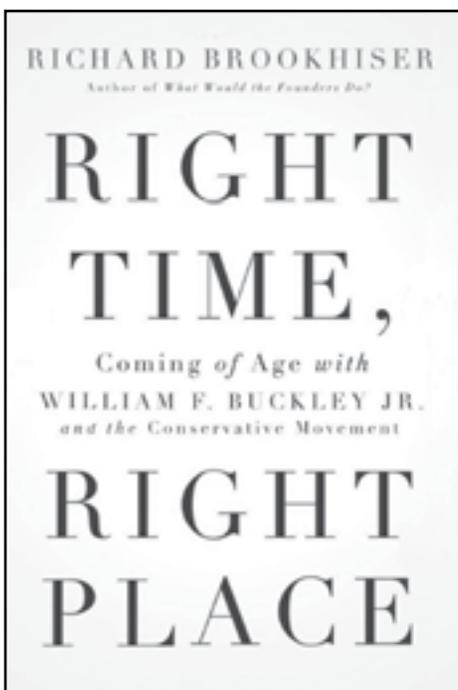
At 14, Rick Brookhiser backed into the spotlight of the conservative movement: a letter to his brother in college, describing a callow Vietnam-era protest by his high school classmates, ended up as a cover story in *National Review*.

By 23, he was seated at the flaming hot center, already tagged as William F. Buckley's heir apparent, being groomed by WFB personally to take the reins at *National Review*. By 32 he was busted to four days a month at NR, desperately freelancing all over New York and D.C. to keep bills paid. Today, he is a senior editor at the magazine he once planned to run, and *Right Time, Right Place* is his memoir about the remarkable turns in life that came from a close professional and personal relationship with the mercurial WFB. At its heart, it's a love story.

This narrative of the rise and fall and rise of a man's fortunes could be the outline of a Gilbert & Sullivan operetta, but there's too much pain to make light of it. Brookhiser never asked for the honor which Buckley bestowed on him, but its sudden withdrawal was like a tooth extracted without anesthesia. Even when the trauma abates, the wound remains. It throbs through the book. "At age 32, I suddenly went from precocious to retarded," he writes, "from out in front to lagging behind." Maybe midlife crisis comes early to prodigies.

At the same time, the attachment Brookhiser felt for his mentor would never allow him to cut free of him entirely. Buckley never really let Brookhiser leave, either; though Brookhiser brooded over the injury, he continued to write for the magazine, and Buckley kept him in the loop — "the orbit of Saturn," he says — dropping occasional gestures of generosity as outrageous as his lapses of consideration.

Brookhiser was always something of the outsider on NR's staff. Though a Yale graduate, he was a young, somewhat lapsed Methodist from the country, different from the urbane Catholicism exemplified by Buckley and common to the magazine. When three priests showed up at a meeting one afternoon, his Jewish colleague David Brooks whispered to Brookhiser that he hadn't been among so many Catholics since, oh, lunchtime. It was probably a feeling familiar to Buckley, who had grown up intensely Catholic among conspicuously Protestant communities. That minor but unmistakable "otherness" may have allowed him to take the ups and downs more phlegmatically than otherwise.



Readers have asked if Brookhiser reveals "too much" about Buckley's faults. Brookhiser is very clear that he recognized WFB's self-centered impetuosity at the time. He suggests that only Hugh Hefner's *Playboy* was as closely attuned to the thoughts and whims of a single editor-in-chief.

Buckley's natural graciousness and a deep desire to avoid conflict with his employees was the Achilles heel of his management style. Criticism was so indirect as to be invisible. Really bad news was delivered by memo as WFB left town, never face to face. When a longstanding editor was booted, Brookhiser observed, "Naturally, this being *National Review*, everything was being done behind his back."

He's also very blunt that Buckley fumbled replies to public challenges, several times, and acknowledges that WFB's later writing wasn't nearly as keen as earlier. I disagree that *Nearer, My God* was his best late book — I think the decline started before 1997 — but he is objective about both the loss of flame and the heat that still lived in the embers.

The book is about more than Brookhiser and Buckley. He brings the outsider's eye to the world of *National Review* in the runup to Reagan and of-

fers a newcomer's view of the "giants," both in accomplishment and personality, who filled the magazine's masthead in the early 1970s. He talks about life in New York in that moribund era and the changes finally wrought under Rudy Giuliani's mayoralty. He explains how a WASP from upstate became convinced of the need for medical marijuana through a bout with cancer. (His parents sent Buckley an outraged letter when WFB's mention of this embarrassed them.) Brookhiser hired many of the next generation of writers, and he freely praises the current staff at NR and NR Online.

He also talks about trends in the movement he calls "right-world," meaning a larger piece of land than NR chose to encompass. He only touches on the controversies that predated his time, like Buckley writing the John Birch Society out of the conservative movement in the 1960s, and doesn't discuss the conflict with Ayn Rand's followers either. Of the rising tide of "new libertarians," he acknowledges some official agreement in principle but notes the magazine also published Ernest van den Haag's rejection of them as "rigid, impactful, and otherworldly." Unlike the exit of the Birchers, Brookhiser says the libertarians' separation from NR was "a defection" as they simply took their movement and went their own way.

This is a smoothly written book that can be read on several levels — the history of modern conservatism, the rise and decline of Reaganism, country boy comes to the big city. Best, it's what the subtitle says: a story of a young writer growing through triumph and trial, both of them at the hands of an exasperating man who loved him in return. CJ

BOOKS AUTHORED BY JLF STAFFERS



By John Hood
President of the
John Locke Foundation

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Choice
April 2006

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COMMENTARY

Tax Reform Should Honor First Principles

The General Assembly's Joint Finance Committee on Tax Reform has focused almost exclusively on reforming North Carolina's sales tax. Primarily this has meant extending the current sales tax, which applies only to goods, to services including haircuts and lawn and automotive care.

To reduce the burden on taxpayers and, more likely, to make the change politically palatable, the base broadening may be coupled with a rate cut. It is easier to raise revenues on a broader base than on a smaller one. When the purchases of both goods and services, as opposed to only goods, are taxed, a much smaller rate increase would be required to bring in the same added revenue.

As Michael Mazerov from the Washington, D.C.-based Center for Budget and Policy Priorities testified before the committee: "There is enormous revenue-raising potential in the sales taxation of services." Mazerov claimed that North Carolina could raise an additional \$1.5 billion a year by extending the current sales tax to services purchased by households. For those who are concerned that the size and scope of state government are already too large, this approach to tax reform should be alarming. It is a recipe for increasing taxes in the long run and expanding an already bloated state government.

This does not mean that sales tax reform should be abandoned. Indeed, sales tax changes that eliminate double taxation and that are neutral with respect to consumer choices — appropriate goals of tax reform — would include the taxation of services. But they must go well beyond this.

The tax treatment of goods and services is riddled with unfairness and special penalties. For example, most people are actually double-taxed on the products they purchase. This is because both business-to-consumer and business-to-business sales are taxed.

shampoo, that person pays state and local sales tax on the price of the purchase. But the drug store has also paid a sales tax on all of the products and equipment that went into providing the shampoo to the customer, i.e., the cash register, the shelving in the store, the credit-card equipment, etc. The cost of these items, including the sales tax, is embedded in the price of the shampoo. Therefore the customer, in paying sales tax on the shampoo, is being taxed on taxes already paid. Hence, the shampoo to the customer is double-taxed.



**ROY
CORDATO**

Furthermore, there are many goods and even services that are taxed at extraordinary rates. While the sales tax rate in North Carolina is 5.75 percent (plus another 2 percent in most localities), movies and other entertainment, alcoholic beverages, tobacco products, hotel rooms, and rental cars are all taxed at higher rates.

In a free society the purpose of a tax system is simply to raise money for the operations of government. It should not be used to punish activities that are disfavored by politicians or to reward activities that politicians consider virtuous. Indeed, principles of both justice and economic efficiency would suggest that the tax system should be neutral with respect to people's freely made choices.

Yes, both goods and services should be taxed. But they all should be taxed only once and at the same rate.

This means that sales taxes on all business-to-business sales should be abolished along with all differential excise taxes on tobacco, alcohol, entertainment, etc.

Considerations of tax reform should start with first principles. And in a free society those first principles are individual liberty and the right of each person to dispose of his or her income as he or she sees fit.

Roy Cordato is vice president for research and resident scholar at the John Locke Foundation.

CJ



EDITORIAL

Hagan's Health Care Tax Hikes

Freshman North Carolina Sen. Kay Hagan has walked away from her campaign promise of governing as a fiscally responsible moderate who would protect the middle class from higher taxes.

By joining 57 other Democrats and two putative independents to pass the health care bill, she has OK'd more than \$500 billion in tax hikes and tens of billions more in deficit spending.

Republican staffers at the Senate Finance Committee have concluded that a significant amount of those tax increases would hit middle-class Americans.

Based on estimates from the Joint Committee on Taxation and the Congressional Budget Office, here are some of the ways Uncle Sam would reach into your pockets:

- A 40-percent excise tax on high-dollar, "Cadillac" medical insurance plans offered in many union contracts. This tax would hit any employer paying more than \$8,500 in premiums for individuals or \$23,000 for their families. It is expected to raise \$149 billion over the next decade.

- Yearly fines against employers (\$750) and individuals (between \$495 and \$1,485) if they refuse to buy federally approved health insurance — the so-called mandates. Low-income workers and their bosses would be hit hard by these fines, which could raise \$43 billion.

- FSA caps. Employers now can let workers withdraw unlimited amounts of pre-tax money to pay out-of-pocket medical expenses. The Senate bill limits FSAs to \$2,500 a year. The cap would hike taxes \$13 billion on workers with high medical bills.

- Itemized deduction limit increase. Taxpayers now can deduct all

out-of-pocket medical expenses that exceed 7.5 percent of gross income. The Senate bill raises the threshold to 10 percent of gross income. It's a \$21.7 billion tax hike that would hit the middle class disproportionately.

- Fees on insurance providers, drug makers, and medical device manufacturers. CBO Director Douglas Elmendorf said in November these new fees, totaling \$101 billion, "would be largely passed through to consumers in the form of higher premiums for private coverage."

Moreover, the bill would add 15 million Americans to the Medicaid rolls. GOP Sen. Richard Burr says this would cost North Carolina taxpayers an extra \$800 million annually after a five-year program of temporary subsidies from Washington ends.

Finally, the bill would pile hundreds of billions of dollars of debt on future generations. Democrats promised \$170 billion in deficit reduction over the next decade. Part of the presumed savings would result from a timing gimmick: The government would start collecting new taxes and fees immediately but wait four years to pay benefits.

The "savings" also rely on cutting Medicare fees to doctors by 20 percent next year and never increasing them. The feds never have imposed such cuts, and there's no reason to believe they will.

Senators stayed in Washington through a late December blizzard to give President Obama this freedom-killing Christmas present. Here's hoping constituents greeted returning senators with a resounding "Humbug!" Washington should take a different approach — putting consumers and patients in charge of their health care.

CJ

EDITORIALS

Rancid Davis-Bacon

Old union power play hurts economy

Many Democratic politicians in North Carolina say they are hard at work trying to help our state out of its deepest economic recession in more than a generation. Great to hear it.

Please call your compatriots in the Obama administration's Department of Labor and demand that they put a stop to any current effort to jack up North Carolina's Davis-Bacon wage floor. Making it more costly for firms to bid on government contracts will sock contractors in a down economy and raise the cost to taxpayers for completing highways, bridges, and other needed infrastructure.

Davis-Bacon is the artifact of a union power play back in the 1930s with ugly racist overtones. In short, Big Labor got Congress to pass the law as a means of keeping nonunion firms — especially smaller ones and startup companies employing blacks — from bidding government construction contracts away from organized, mostly white companies.

In today's economy, raising the price of hiring construction workers would seem to be, uh, idiotic. In a recent *Triangle Business Journal* piece on the issue, a labor spokesman denied that raising North Carolina's Davis-Bacon wage — through a flawed, unscientific survey process — would

hurt taxpayers or workers, because the higher costs would be borne entirely by the profit margin of employers.

The preponderance of the evidence is that those market actors with the least mobility — workers and taxpayers, in this case — typically bear the brunt of any costs that governments impose on "business."

Although union flacks are likely immune to rational discourse, everyone else should remember some basic principles of labor economics.

First, wages are not arbitrary gifts. They are market prices for labor.

Second, wage floors, such as government-mandated minimum wages and the Davis-Bacon Act, are special-interest legislation that benefits some organized groups at the expense of (typically) less-organized groups. They raise the pay of the people whose experience and skills make them employable above the wage floor, while robbing less-experienced, less-skilled workers of income by robbing them of their jobs.

Third, persistent unemployment is almost always a creation of wage floors and other government interventions in the labor market.

If government keeps those wages stuck too high, the labor surplus will continue. CJ

COMMENTARY

Stop Digging The Debt Hole

I know that Gov. Beverly Perdue and incoming Senate Majority Leader Martin Nesbitt are intelligent individuals. I don't know why they continue to advocate foolish ideas.

The problem is, again, budgetary. Recent headlines point to another rough fiscal year for North Carolina government. From July to October, state revenues fell 1.5 percent short of the already dreary forecast lawmakers had assumed when crafting their 2009-10 budget.

And when you add to that the fact that North Carolina's unemployment rate is likely to remain sky-high and our Medicaid program is spending money faster than expected, it's not hard to conclude that when the legislature reconvenes in May, it is likely to face another round of difficult decisions.

In 2009, Perdue and the Democratic majority decided to finance most of the state's operating deficit through borrowing and tax increases. Because 2010 is an election year, there probably won't be another big tax hike. But more borrowing? That's the ticket, some say.

The immediate problem is Medicaid. North Carolina went into the Great Recession with a relatively expensive Medicaid program, built up over the years by irresponsible politicians and incompetent administrators.

Thanks to the economy, both enrollment and costs then soared. By November, Medicaid had spent \$160 million more than projected, reflecting a 9 percent increase in expenditures.

State officials hope to flatten the cost spike early in 2010. But that will still leave a hole. Perdue says she'd like to fill it by asking Washington for another Medicaid bailout.

Since the federal budget is already massively out of balance, another bailout would mean another round of federal debt, much of it purchased with new money created out of thin air by the Federal Reserve. In other words, the governor thinks it would be a good idea

to finance Medicaid overspending in North Carolina and other states by further debasing the dollar.

This isn't just Perdue's preference. Sen. Martin Nesbitt, the new majority leader, gave a recent speech in Asheville in which he credited the 2009 federal bailout as the only way to protect jobs and personal income in North Carolina.

The alternative to the bailout, he said, would have been an economic meltdown.

Let me see if I have this straight. America has entered a Great Recession because households and businesses, in response to perverse subsidy and tax incentives, took on excessive debt to invest in real estate and other speculative ventures. So,

in response to this costly borrowing binge, our public officials truly think the right policy is to borrow still more to finance the daily operations of bloated bureaucracies and expansive entitlements?

This isn't a rational theory of political economy. It's a trip to Cloud Cuckoo Land.

Recessions have complex causes but a simple definition. A recession occurs when there is a widespread mismatch between what consumers are willing to buy and what producers are offering for sale. The goods in question could be electronics, homes, cars, capital goods, or labor. The only real way to exit a recession is to eliminate this mismatch — to go through the painful but necessary process of liquidating bad investments and adjusting one's finances and efforts accordingly.

The same logic applies to government. North Carolina is producing more government than taxpayers are willing or able to finance. The solution is to eliminate low-priority programs and focus scarce tax dollars on core functions.

The solution is not to put North Carolina taxpayers — all of whom are also federal taxpayers — further into debt. CJ

John Hood is president of the John Locke Foundation.



JOHN HOOD

Treasurer's Bad Idea

Innovation Fund compromises responsibility

For as long as there have been state treasurers managing state pension funds, there have been attempts by political insiders to scam some of the money with promises of "creating jobs."

They've always been, properly, rebuffed.

Until now.

State Treasurer Janet Cowell has just announced the creation of an Innovation Fund that will invest up to \$250 million of pension funds in businesses with "significant operations in North Carolina."

According to reporting by *Carolina Journal*, the fund has two goals: to achieve a competitive rate of return and to "support the economic well-being of the state of North Carolina."

At first glance, it would seem impossible to pursue both goals at the same time. By definition, if the fund's managers are required to favor North Carolina-based businesses in their investment decisions, then they are required to sacrifice rate of return for economic development.

Any political constraint on their range of investments inherently reduces the manager's ability to exceed the performance of other managers who lack such a constraint.

That's why former state treasurers have turned down every major attempt to use North Carolina pension funds for economically targeted investments (ETIs).

They recognized that their sole responsibility was to maximize rate of return over time to guarantee the largest possible pensions to teachers and state employees at the lowest possible cost to taxpayers.

State treasurers are not elected to serve as economic-development officers. As a fiduciary, they are required to focus like a laser beam on finding the best investments for the retirement savings entrusted to them — regardless of whether those investments occur in North Carolina, South Carolina, or South Korea.

Whatever Cowell's intentions may be, her Innovation Fund compromises her fiduciary responsibility. CJ

EDITORIAL BRIEFS

Green Jobs,
Or Fewer Jobs?

President Obama's stimulus package includes a major push for the creation of 5 million "green jobs." The president's proposal may actually end up destroying more jobs than it creates, write Pete Geddes and H. Sterling Burnett of the National Center for Policy Analysis in *The Washington Times*.

The green jobs initiative has two significant flaws. First, it turns the concept of productivity on its head. Green energy is much more labor-intensive than competing fossil-fuel energy sources. Solar energy, for example, requires about nine times as much labor per megawatt hour of energy as coal or natural gas.

Many of the jobs added in green energy, meanwhile, will result from jobs eliminated in other energy sectors.

Spain's experience highlights the problems with trying to create green energy jobs. A recent study showed that the Spanish government was able to create about 50,000 green energy jobs in the country, but destroyed 110,000 other jobs in the process. To make matters worse, only about one-tenth of the green jobs were permanent. Spanish consumers paid \$774,000 in higher prices per green job created.

"The evidence is the government's green jobs push is likely to increase the length of the already growing unemployment line," say Geddes and Burnett.

Solar sticker shock

A company's plans to build the world's largest solar power plant in Kittitas County, Wash., have hit a significant snag: the projected price has more than tripled since July. Given the nature of solar energy, even if the plant were built at its most recent cost estimate, it would still be a questionable investment, reports *Environment & Climate News*.

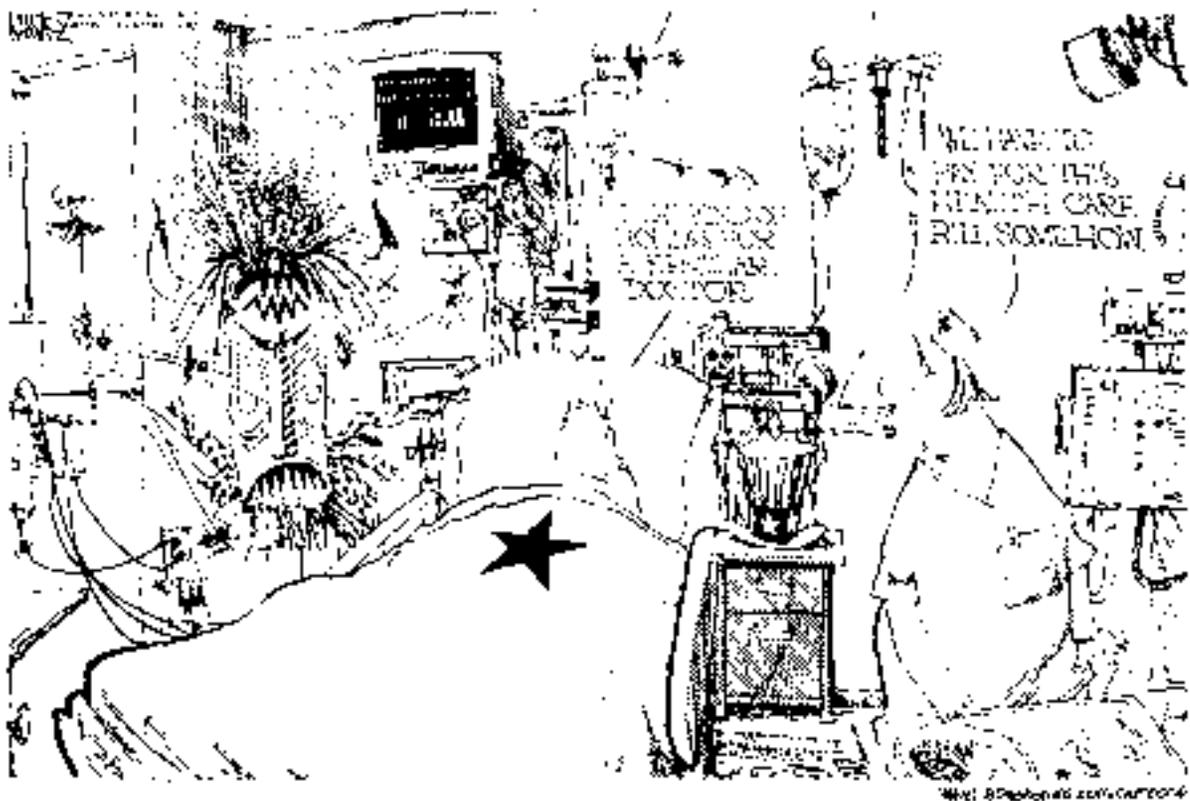
When originally proposed in July, the Teanaway Solar Reserve was estimated to cost \$100 million. By mid-August, however, official cost projections had grown to over \$300 million. Some private analysts think even the revised estimates are low. The Northwest Power and Conservation Council, for example, estimates that the project actually would cost between \$525 million and \$750 million.

Under ideal conditions, the solar plant would generate 75 megawatts of electricity, enough to power about 45,000 homes. But the site's location sees 164 cloudy days a year and gets 145 inches of snow a year, making it an unreliable source of power.

Then there's the land-use impact. The solar plant requires 900 acres of previously forested land.

"The irony is that while environmentalists have opposed timber harvests in the area of the proposed solar farm, this project will be on the site of some of those harvests," notes Todd Myers, director of the Center for the Environment at the Washington Policy Center.

"They oppose harvests which are temporary and grow back, but support projects that preclude the return of the forest." CJ



Is Tax Reform in N.C.'s Future?

When "tax reform" is mentioned, people take notice, simply because taxes take a big chunk out of our income. North Carolina has been talking about tax reform for almost two decades. Indeed, I participated in a state-level tax reform commission a couple of years ago. Now, a special committee of the North Carolina General Assembly is taking up the issue again. Is it really time to think about overhauling the state's tax structure, and, if so, what kind of changes should be made?

Two forces are driving the move to redo North Carolina's taxes. One is that the sales tax — one of the major generators of revenue for the state — has become outdated. When it was designed as a tax on consumer spending, our purchases were of products — "goods" in economics lingo — that is, things we can touch and carry like food, clothing, furniture, appliances, etc. Consumer spending on "services" was nonexistent.

Now, the majority of consumer spending is on services, but this spending is not subject to the state sales tax. Thus, to keep revenue from the sales tax on pace with growth in the economy, the sales tax rate has had to be increased several times over the years.

The second force is enhanced competition between states — even between countries — for good-paying jobs. Here, companies look at a state's corporate income tax rate, and workers look at a state's individual income tax rate. On both, North Carolina is relatively high, so the concern is that our high corporate and individual income tax rates may be deterring new businesses from settling in our state.

But what makes a tax overhaul so difficult is that different priorities for change are held by different groups. Two competing priorities seem to be dominant. One group focuses on the impact of taxes on economic growth. They want tax rates to be low and the tax base (what is taxed) to be broad.

The other group is most concerned about how any tax changes affect the distribution of tax payments by households of different income levels. In particular, this group doesn't want tax restructur-

ing to increase the tax rates paid by lower-income households.

It's difficult to accommodate both groups in tax reform, and this is one reason why — despite much study and talking — remaking North Carolina's tax system has not moved off square one. However, a new plan has been put forward that may be able to bridge the gap between those with alternative views as well as address the issues with our current system.

The new plan comes courtesy of California, where a high-profile tax commission has just issued its recommendations. California has tax issues that are similar to North Carolina's, although — fortunate for North Carolina — California's issues are several magnitudes beyond ours!

There are two essential elements to the California plan. First, the state sales tax and state corporate income tax would be completely eliminated. The individual income tax would be retained, but with two low rates, limited itemized deductions, and a large (\$45,000 for joint filers) standard deduction.

Second, to replace the sales tax and corporate income tax, a new "net receipts" tax would be imposed on all businesses. A tax rate (the plan recommends 4 percent) would be paid on the difference between a business's receipts and its nonlabor expenses. Some call this a "value-added" tax because the value created by the business and its workers is what is taxed.

It's thought supporters of economic growth would like the plan because of elimination of the corporate income and sales taxes, low rates and limited deductions on the individual income taxes, and the broad base and low rate on the new "net receipts" tax.

Those who monitor taxes paid by lower-income households presumably would like elimination of the sales tax and the very large standard deduction for the individual income tax. Economists also estimate the plan would result in more stable revenue growth over the business cycle.

Tax reform requires heavy political lifting. Should we lower our collective shoulders and push it through? CJ

Walden is a William Neal Reynolds Distinguished Professor at North Carolina State University.



MICHAEL
WALDEN

Will 2010 Be 1994 Redux?

As we move into 2010, political observers are increasingly drawing parallels to 1994. That year Republicans picked up 54 U.S. House seats and 10 in the Senate to take control of both congressional chambers simultaneously for the first time in four decades. They won 10 governorships and earned majorities in southern state legislative bodies for the first time in a century—including our own state House, where the GOP won 26 seats and was able to elect Harold Brubaker as speaker.



ANDY TAYLOR

There are indeed some interesting similarities between January 1994 and today. Sixteen years ago, a new and inexperienced Democratic president had approval ratings around 50 percent. This is the case now — although whereas Bill Clinton's were rising a little, Barack Obama's are sinking.

An influential, if somewhat disparate, grass-roots opposition movement hounds Obama in a manner reminiscent of Clinton's critics, too. Today the president's principal adversaries are the Tea Party groups

that speak out against the expanding reach of the federal government. Back in 1994, Rush Limbaugh led the many thousands of Clinton opponents who feared an erosion of American values. Both exhibit a populist streak that, in the case of 1994, was generated by the congressional term limits movement and Ross Perot's presidential campaign. A genuine fear for the country's fiscal future is another common thread.

Despite big wins in 2006 and 2008, the Democratic majorities of today are not much healthier than those of 1994. There were 258 House Democrats in the Congress prior to the 1994 elections; there are 258 today. The Democrats may take some solace in the Senate data — they now effectively control 60 seats and had only 56 at this time in 1994. Moreover, of the 37 Senate races next year (including the special elections to fill out the remainders of terms) the Democrats only have to defend 19. Still, there are some early signs of Democratic wobbling. Of the 12 races I currently consider tossups, Democrats hold the seats in eight of them.

There are similarities at the state level as well. In fact, this time around Republicans believe they can also capture the Senate. With the retirements of key Democrats in swing districts — David Hoyle and Julia Boseman particularly — and the personal troubles of party pillars Tony Rand and R.C.

Soles, Senate Republican leader Phil Berger is licking his lips. If he and his House counterpart Paul Stam recruit additional strong candidates before the filing deadline, history may well be made next November.

It is possible to go too far with this analogy, of course. In Washington, at least, this Democratic government is young, and many may be willing to give it more time. In 1994, it was quite clear that Congress was paralyzed, led mainly by New Deal Democrats who had run out of ideas. This time around voters still remember vividly the Republican Congress and its service to an ultimately unpopular President George W. Bush.

I think there are two things Republicans need to do to make 2010 "1994 Redux." The first is to get good candidates, fund them adequately, and get people to the polls for them. The last part of this task might not be so difficult because it is unlikely large numbers of Democrats will vote. Without Obama on the ticket and the enthusiasm of 2008 waning palpably, many younger and minority voters will stay home. Older voters, on the other hand, will continue their habit of visiting the polls every November of even-numbered years. Interestingly, whereas the rest of the electorate has become a little more Democratic since 2004, the most reliable midterm voters — seniors — have become more Republican. A larger proportion of those

over 65 voted for John McCain in 2008 than did for Bush in 2004.

The drop-off in turnout will be particularly problematic for Democrats in North Carolina legislative races, especially if the U.S. Senate race fails to capture the imagination. In 1994, for instance, turnout in N.C. House races dropped 33 percent from 1992. Of the 950,000 fewer votes cast in these contests in 1994, 750,000 of them went to Democrats two years before.

Second, the Republicans need to convince the public they are "for" things, not just "against" them. This case was made skillfully 16 years ago. Although some exaggerate its impact on the election — for instance, exit polls revealed that only about 25 percent of voters had even heard of it — the "Contract With America," written largely by Newt Gingrich and Dick Armey, was a bold presentation of 10 bills House Republicans would bring to the floor if they were to win a majority. This time around such level of detail isn't necessary. Just a clear explication of principles will suffice. At least among national Republicans, we are still waiting on that. *CJ*

Andy Taylor is Professor and Chair of Political Science in the School of Public and International Affairs at N.C. State University.

N.C. Stimulus Funds Stimulated Government

In 2008 the federal government launched a bailout program unlike any seen since the Great Depression. The government borrowed more money, increasing the national debt. Americans were given tax rebate checks to get the economy moving.

Rather than spending their rebates, many put them in savings accounts. Taxpayer bailouts were given to insurance giant AIG, General Motors and Chrysler, the banking industry, and the mortgage industry. First-time homebuyers and homeowners fighting off foreclosure got incentives and tax breaks.

By the end of 2008, unemployment was the highest since World War II at 7.2 percent. Instead of reducing taxes, getting money into the hands of businesses and consumers that would get the economy moving and create jobs, yet another stimulus package was introduced.



BECKI GRAY

This time the federal government borrowed trillions of dollars and doled it out over three years to states in direct allocations, with each state's amount determined by its population. North Carolina, the 10th-largest state, got the 10th-largest allocation — \$6.1 billion.

But there were strings attached, with strict guidelines on how the money could be used. Several Republican governors considered rejecting part of their allocations, fearing that increasing entitlement spending would hamper recovery efforts and throw them deeper into debt. Gov. Bev Perdue, on the other hand, said she would drive a pickup truck to any state to pick up its unused stimulus funds and bring them to North Carolina.

Almost none of North Carolina's money was used to create jobs, improve infrastructure, or help small businesses; instead, it increased social programs, entitlement payouts, and government. Of the \$6.1 billion, \$1.4 billion patched holes in the state budget created by years of overspending by liberal lawmakers.

Nearly half of North Carolina's direct allocation money (\$2.7 billion)

is slated for the growth and expansion of social programs. Many of the programs serve a useful purpose, but are already receiving funding. This money simply will increase government dependency.

Transportation improvements are sorely needed to keep the state's economy growing. Goods and supplies must move across the state, and people need roads to get to work. But of those scarce dollars designated for transportation spending, more than \$100 million is targeted for public transportation: carpool vans, parking lots, and roofs for public bus stations. Meanwhile, critically needed road improvements, bridge repairs, and other highway construction were largely ignored.

Even the \$700 million designated for education will flow to social programs: school lunch equipment, homeless education, and expansion of Title I programs — all commendable, but hardly a stimulus for the economy.

Federal stimulus dollars also are slated to realize President Obama's goal of creating a green energy economy. But capitalism and the free market, rather than government, historically have been the engines of

economic growth. Even so, \$344 million of North Carolina's direct allocation was shoveled into green energy. And some of it was more social spending, such as the \$137 million committed to "weatherization" — replacing windows and furnishing water-heater insulation in low-income housing.

After three years, when people have become dependent on these new programs, and the federal stimulus money runs out, North Carolina taxpayers will be on the hook. State budget writers know that. Rep. Paul Luebke, D-Durham, chairman of the House Finance Committee, explained during the 2009 budget talks that the \$1 billion tax increase for the 2009-10 fiscal year was necessary to provide revenue for the social programs that would be expanded under the "stimulus" program.

Unemployment in North Carolina remains above 10 percent, the General Assembly just passed a \$1 billion tax increase, and government is growing. Looks like the only thing being stimulated is Obama's plan for more and bigger government. *CJ*

Becki Gray is vice president for outreach at the John Locke Foundation.

Sneak Peek: Mike Easley Tell-All *Alligator Arms* (a *CJ* parody)

By PAIGE TURNER
Literary Correspondent

RALEIGH

A new book by former Mike Easley confidants Ruffin Poole and McQueen Campbell will confirm news reports and rumors about the ex-governor's habitual exploitation of others for financial gain, the authors told *Carolina Journal* in an exclusive interview.

Alligator Arms is scheduled to be released in early February. The title came from the nickname Easley earned for being a predictable cheapskate when dining out with others. "Easley's arms seemed to get really small — like an alligator's — when the check was placed on the table. Somehow he just could not reach that check, always leaving someone else to pick up the tab," Poole said.

Poole served as general counsel while Easley was governor. Campbell and his family have been friends and Easley campaign contributors for many years. In 2005, Campbell helped Easley acquire a million-dollar coastal lot for less than half its value at the time. A pilot, Campbell also flew Easley to numerous political events and recreational excursions for free. Easley appointed Campbell to the Board of Trustees at N.C. State University.

The book will provide in-depth coverage of the really big scandals surrounding Easley, including his discounted real estate deals, free cars, private and



The *CJ* spy camera caught this rare shot of former Gov. Mike Easley's arm transformation as a meal check is about to arrive. (*CJ* spoof photo)

taxpayer-provided personal air travel, free country club dues, and a high-paying job for his wife Mary at N.C. State.

But along with the big-dollar items, the book contains several other examples of Easley's recurring cheapskate behavior:

- Mike and Mary Easley were members of a Raleigh supper club, but they would never host a dinner or pay for one until the other members complained.

- Mike once wrapped up four leftover steaks

and stuffed them into the pockets of his blue blazer as he left a Columbus County gathering of community leaders.

- He orders kids' meals at fast-food restaurants and then complains about the size of the portions.

- He once snuck through the kitchen at a Southport Jaycee event to avoid paying the \$2 admission charge.

Campbell said his relationship with Easley soured after both testified in October at the State Board of Elections hearing on activities of the Easley political campaign committee.

Campbell's testimony was at odds with Easley's on several key points. "Easley asked me to take care of some repairs to his Raleigh home. I did, but then he wouldn't reimburse me. He told me to bill it to the campaign committee as air travel expenses," he said.

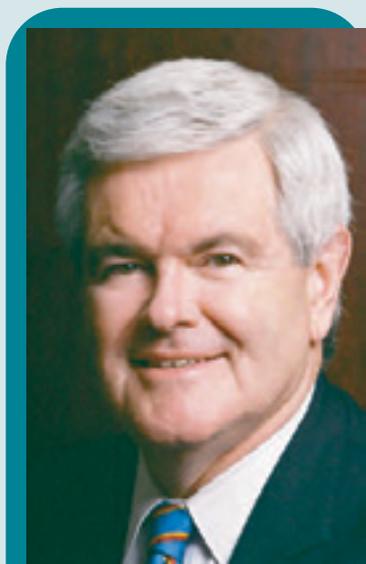
Poole said he and Campbell each took meticulous notes detailing their observations, so preparing the book was relatively easy.

"Mike is a very strange man. McQueen and I have been quietly discussing this book since Easley's 2000 campaign for governor," Poole said.

He also said that tell-all books are in vogue, hoping *Alligator Arms* will outsell *The Politician* — the forthcoming book about former U.S. Sen. John Edwards by former aide Andrew Young. *CJ*

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