

JLF's Agenda 2010 gives N.C. a road-map to freedom/2



CAROLINA JOURNAL

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

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July 2010 Vol. 19 No. 7

STATEWIDE EDITION

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Child-Obesity Mandates Sought By Task Force

Proposals would dictate food types, individual screenings

By SARA BURROWS
Associate Editor

RALEIGH

Some members of the General Assembly want to climb on the national anti-obesity bandwagon by mandating food types and exercise in day-care centers and obesity screenings in schools, but others say the proposed measures are just another intrusion of government between parents and their children.

Whole-fat milk and many juice drinks could become illegal in North Carolina's preschools and day care centers if the General Assembly's Task Force on Childhood Obesity gets its way.

Additionally, children on public assistance who have high body mass index scores would be forced to undergo screening annually with an eye to making them lose weight, under measures being considered by the leg-

islature.

The task force presented these recommendations to the General Assembly in April as part of 11 legislative proposals for tackling childhood obesity. At press time, lawmakers were toying with the ideas, embodied in Senate Bill 1286 House Bill 1726.



Rep. Jennifer Weiss

Rep. Jennifer Weiss, D-Wake, said she sponsored H.B. 1726 because nearly 75 percent of children ages 2 to 6 are in some form of child care and "there is evidence that child care attendance contributes to childhood obesity."



Rep. Marilyn Avila

Weiss said the task force chose the nutrition standards because they were "low-hanging fruit" that would "go a long way in reducing the intake of sugar, fat, and empty calories" but would "not be difficult for child care



Under guidelines proposed by the Task Force on Childhood Obesity, drinking whole milk would be prohibited in pre-K and day care centers. (CJ photo by Don Carrington)

centers to implement."

Rep. Marilyn Avila, R-Wake — who sits on the Commerce, Small Business and Entrepreneurship Committee — questioned whether anti-obesity mandates should be the concern of state government.

"This is just another insidious sort of intrusion into parents' ability to raise their children the way they want to," Avila said.

She also expressed concern about

the science behind the nutritional mandates. She said that when her children were young, her pediatrician advised serving them whole milk because of the nutrients and the vitamin D, but now whole milk is considered unhealthy.

"We've seen dozens of cases where supposed scientific research was used [to make laws] and lo and

Continued as "Child," Page 14

Midterm Elections Key to Redistricting

Plan hinges on which party controls legislature in 2011

By DAVID N. BASS
Associate Editor

RALEIGH

Forget jobs and health care. The most far-reaching effect of North Carolina's midterm elections could be which party gets to draw legislative and congressional districts next year.

The reason: Redistricting can go far in making or breaking a party's political fortunes. States are required to



redraw their districts every decade to reflect population shifts documented in the census. If Tar Heel Republicans control the process this time around, it could be their ticket out of an electoral slump that dates back to Reconstruction.

But if Democrats — who have a 30-20 majority in the Senate and 68-52 edge in the House — maintain control,

it could guarantee their command of state politics for the foreseeable future and strengthen their majorities in the state's congressional delegation.

"There are massive implications for the future, not least because the two parties seem so evenly matched," said Andy Taylor, chairman of the political science department at N.C. State University. "The composition of a few districts could make a significant difference on which party is in control. That obviously ups the stakes considerably for this election."

Adding more spice to the mix, Republicans might take only one chamber of the General Assembly in November. That raises the chance of a

Continued as "Midterm," Page 15

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The John Locke Foundation
200 W. Morgan St., #200
Raleigh, NC 27601

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JLF's Agenda 2010 Offers Roadmap to Freedom

By CJ STAFF

RALEIGH

North Carolina can enjoy more freedom and prosperity if the next General Assembly puts the brakes on government debt, gives property owners a voice in annexation decisions, and offers parents an "Education Bill of Rights." The John Locke Foundation includes those recommendations and dozens of others in its new Agenda 2010 Policy Report.

"Candidates for public office in North Carolina are faced with the daunting and possibly overwhelming task of developing informed positions on dozens of public policy issues," said Dr. Roy Cordato, JLF vice president for research and resident scholar. "Agenda 2010 will help those candidates who want to make decisions based on a fundamental commitment to free markets, private property rights, individual liberty, and limited government."

Every two years

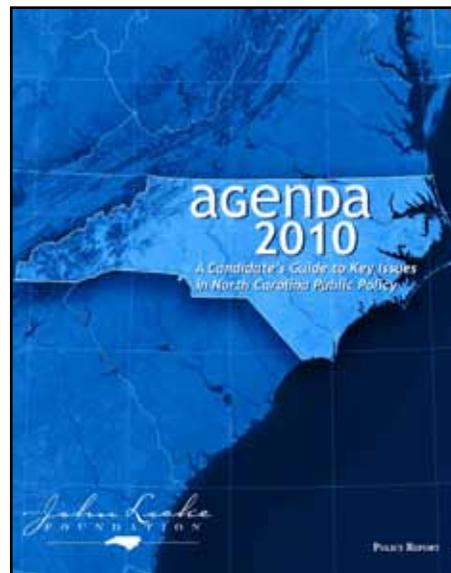
Published every two years since 1996, the latest version of the Locke Foundation's agenda features a mix of familiar and new topics. "Many issues continue to rear their ugly heads," Cordato explained. "Concerns about misplaced spending priorities, high and increasing overall levels of spending, and a regulatory and tax burden that punishes productive activities are continuing problems that plague North Carolina's citizens and economy. But Agenda 2010 also addresses several new issues that did not reach the policy radar screen until recently."

Additions to the latest document include sections on eminent domain, forced annexation, the Alcoholic Beverage Control system, and state debt. "North Carolina has accumulated more than \$6 billion in General Fund debt, and one-fourth of that debt involved no vote from the taxpayers," said Joseph Coletti, JLF director of health and fiscal policy studies. "Borrowed money can cripple a government, as we have seen in California, New Jersey, and Illinois — not to mention Greece."

No say on debt

Coletti offers three recommendations to address growing concerns about state debt. "First, limit non-voter-approved debt," he said. "Voters have had no say on new state debt for a decade. Any further borrowing should be subject to state approval. Second, reform state employee pensions to improve the sustainability of the system. Third, set aside reserves to cover future health care costs for retired state employees. Health savings accounts could help meet that goal."

Speaking of health care, the new federal reform legislation "will exac-



erbate many of the problems it was meant to address," Coletti said. "That's why Agenda 2010 offers recommendations that focus on care, rather than coverage, and allow free enterprise to flourish. The agenda also endorses policies that give employees control over their own health."

Two other new sections in Agenda 2010 focus on property rights issues. "North Carolina is one of only a handful of states considered a forced annexation state," said Daren Bakst, JLF director of legal and regulatory studies. "Annexation reform requires giving targeted property owners a real voice in the annexation process. They also should be provided at least one municipal service that offers them a meaningful benefit."

Limiting eminent domain

Bakst also handles Agenda 2010's recommendations on eminent domain. "North Carolina needs a constitutional amendment limiting governments' use of the eminent domain power," he said. "Among other things, this amendment needs to include a clear prohibition against the taking of a person's private property for economic development."

While focusing on taxpayers' wallets and homes, Agenda 2010 also turns its attention to their kids' education. Sections of the document address school standards and testing, education spending, early childhood programs, the state lottery, and school choice and competition.

"The General Assembly should give parents an 'Education Bill of Rights,' which should attach funding to each student and give parents the right to use that funding to send their children to any public, charter, or private school in the state," said Terry Stoops, JLF director of education studies. "The agenda also calls on North Carolina school districts to make greater use of open enrollment and magnet schools, and it calls on lawmakers to lift the statewide cap of 100 charter schools."

One of Agenda 2010's newest

topics focuses on an old issue, "a relic of the Prohibition era," North Carolina's ABC system. "A succession of scandals in 2009-10 — exorbitant salaries, nepotism, and lavish parties for ABC board members and staff hosted by liquor representatives — prompted Gov. Beverly Perdue to raise the issue of privatization," said Jon Sanders, JLF associate director of research. "Some have reacted to the scandal by recommending an increase in state control."

Sanders recommends a different approach. "Deregulate liquor sales in North Carolina," he said. "Sell the state warehouse and local ABC stores. Set a flexible formula of sales and excise taxes to keep deregulated liquor sales revenue-neutral."

Public transit issue

John Locke Foundation analysts also tackle a favorite issue for government planners: public transit. "Public transit systems in North Carolina have become less about helping citizens move around their communities in the way they desire and more about planners gaining enough political power to impose their transportation preferences and land-use fads on those citizens," said Dr. Michael Sanera, director of research and local government studies.

Rail transit projects make no sense for North Carolina, especially after crunching the numbers, Sanera said. "The massive public transit effort over the last 30 years has resulted in a decrease in people using public transit in major metro areas from roughly 8 percent to 5 percent," he said. "Charlotte's light rail passengers pay only 3.4 percent of the cost of each trip, while taxpayers spend more than \$40 for each rail commuter's travel to and from work."

"The state should not participate in funding rail transit projects," Sanera recommends. "The state also should repeal the local-option sales tax authorization for rail transit projects."

Climate change

Among the environmental issues Agenda 2010 tackles is climate change. "Environmental policymakers' focus on reducing carbon dioxide emissions in North Carolina amounts to, at best, a misguided attempt to thwart global warming," Cordato said. "This state can do nothing, either by itself or in conjunction with other states, that will have a noticeable or beneficial impact on the climate. This is true of any of the laundry list of policy options global warming alarmists have put forward."

"North Carolina should abandon all attempts to fight global warming," Cordato recommends. "Lawmakers also should repeal legislation such as Senate Bill 3, which is raising energy costs and reducing employment opportunities in the state." CJ

Tar Heel Blue Dog Democrats Mum on Pelosi Leadership Vote

Shuler, McIntyre, and Kissell decline comment on speaker

By AMANDA VUKE
Editorial Intern

RALEIGH — As they seek re-election, North Carolina's centrist Democrats are quick to claim their independence from the party's liberal Washington leadership. And yet the state's three self-styled moderates — Mike McIntyre, D-7th; Larry Kissell, D-8th; and Heath Shuler, D-11th — refuse to say how they plan to cast what may be the most consequential vote of the 112th Congress: the vote for speaker of the House.

Carolina Journal contacted the offices of Shuler, the whip of the centrist Blue Dog Coalition, fellow Blue

Dog McIntyre, and Kissell, and asked whether they planned to vote to re-elect Speaker Nancy Pelosi if Democrats retained control of the House in November and she was renominated. Phone calls and e-mails were not returned.

All three voted against their party's signature health care reforms, McIntyre and Kissell voted against the cap-and-trade legislation targeting greenhouse gases, and Kissell has voted against raising the nation's debt limit.

And yet, these moderates all have supported Pelosi as speaker in the past. So have the other Blue Dog leaders — Stephanie Herseth Sandlin, D-S.D.; Baron Hill, D-Ind.; and Jim Matheson, D-Utah.

The Tar Heel centrists would not say whether Pelosi would get their votes again, or who else might be a better candidate to control the House's

legislative agenda and be third in line for the presidency. The speaker also can determine committee assignments, pick committee leaders, and decide which bills reach the House floor for votes.

Political analysts say that voting for Pelosi is just one piece of the puzzle, though, and that candidates' success in the election will ride on how the other parts are pieced together.

"Pelosi's name carries a lot of symbolic value," said David McLennan, a political science professor at Peace College in Raleigh. It's symbolic value that many people don't want to be associated with, he said, but the ties won't necessarily doom the political fortunes of lawmakers who vote for her.

The most recent Rasmussen Reports polling, from May, shows Pelosi with a 35 percent approval rating. The San Francisco Democrat scored higher than the approval ratings for House

Minority Leader John Boehner of Ohio (23 percent), Senate Majority Leader Harry Reid of Nevada (22 percent), and Senate Minority Leader Mitch McConnell of Kentucky (30 percent).

Even so, N.C. State University political science professor Steve Greene said that running as a Democrat carries with it one non-negotiable vote: House speaker.

"If you run as a Democrat, you vote for a Democrat. If you vote for a Republican, you are one," Greene said.

Voters will rely less on candidates' positions on Pelosi than on how they promote their independence from the party's agenda, McLennan and Greene said. The question is whether constituents will be convinced of their autonomy.

As a freshman, Kissell's campaign will be the most interesting to watch. It is more difficult to defeat incumbents after they have been re-elected. *CJ*

Yadkin County Jail Groundbreaking Delayed Until Issues Resolved

By SARAH OKESON
Contributor

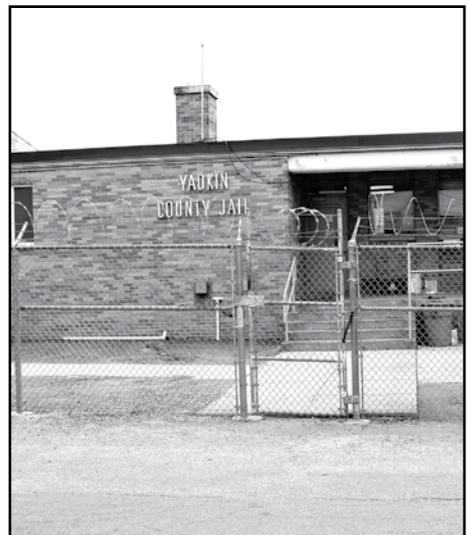
YADKINVILLE — Yadkin County can't break ground for a new jail until a lawsuit challenging its location is resolved. The county received a \$7.3 million loan from RBC Bank to cover part of the costs, and it does not have access to the funds so long as the lawsuit is pending.

"That by itself is enough to stop the whole thing," said Commissioner Brady Wooten of the language in the loan. Brady is one of two county com-

missioners who consistently have opposed building an \$8.2 million, 150-bed facility about four miles from the courthouse in Yadkinville, the county seat.

The lawsuit, filed by Charles and Nancy Sapp and 13 other people in 2008, challenges the rezoning of the land outside of town for the jail. Superior Court Judge John Craig III, who heard the case, found that the rezoning was proper, but the case has been appealed.

The county already has raised taxes to build a new jail and is paying



The Yadkin County Jail is not the only one in the state struggling with obsolescence. (CJ file photo)

Other North Carolina counties also have struggled with what to do about aging jails. Some have chosen to join forces with other counties to house inmates.

Michael Sanera, the director of research and local government studies for the John Locke Foundation, said three jails in North Carolina are operated by more than one county. Three state prisons in North Carolina are run by a private contractor. Prisons run by private contractors tend to be less expensive than prisons that are government-operated.

A 1995 opinion from the state attorney general holds that a state law deeming county sheriffs "keepers of the jail" prohibits counties from contracting out jail operations. But Sanera said there could be some wiggle room in interpreting the law.

Wagoner said one Yadkin County commissioner had chatted with a commissioner in Wilkes County about operating a jail jointly, but nothing has come of those discussions.

"I wouldn't necessarily be opposed to it," Wagoner said. "It's just who would have jurisdiction over it. I think we're having enough problems with our own jail without trying to do two entities. I'm not saying it's impossible to do."

Craig said he hadn't been aware of the language in the loan.

"It is what it is," Craig said. "The loan document adds a new layer of complexity that I wasn't aware of, but I'm not going to stir things up by bringing the bank in. I'm going to take it on faith that they'll proceed as quickly as they can once the appeal is over." *CJ*

interest on the loan to RBC Bank.

"I think it's an irony that the same judicial system under Judge Craig that's compelling us to build is the holdup," said Chad Wagoner, the board chairman.

A majority of the current county commission insists on building the jail away from town. But a new slate of county commissioners, who favor keeping the jail downtown, will be seated in December.

At that point, opponents of building the jail away from downtown may drop the appeal, letting construction could move forward.

Craig has been prodding the county to build a new jail. For years, the state Department of Health and Human Services has been citing the jail for deficiencies ranging from inoperable toilets to fire safety problems.

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N.C. Briefs

JLF: End matching funds

North Carolina should place an immediate hold on the "matching-funds" provision of its taxpayer-financed election campaign system. That's the assessment the John Locke Foundation's legal expert offers after reviewing a new U.S. Supreme Court order.

The high court's brief order in June blocks Arizona from awarding extra money to taxpayer-financed candidates in that state who are outspent by their privately financed rivals. If Supreme Court justices decide to hear a full appeal from opponents of the so-called "matching-funds" provision in Arizona's taxpayer-financed campaign system, the order would stand until the court rules in the case.

"While the Court's current actions may not technically block matching funds in North Carolina, its actions warrant an immediate moratorium on matching funds in North Carolina," said Daren Bakst, JLF director of legal and regulatory studies. "If the Court felt that there are likely First Amendment problems in Arizona, then there's no reason why it wouldn't have taken the same action regarding North Carolina's system."

Easley leaves law firm

Former Gov. Mike Easley is not working at the law firm that last year hired him and two close aides, reports the *News & Observer* of Raleigh.

A spokesman for the McGuireWoods law firm, which is based in Richmond, Va., said Easley has taken a leave of absence.

William Allcott, a lawyer with the firm, said that Easley, a Democrat who was governor from 2001-09, went to the firm's leaders several weeks ago and requested that he go on leave. "We were supportive," Allcott said.

State and federal authorities have been probing a range of issues that surround Easley. In April, Easley's former legal counsel and top aide Ruffin Poole pleaded guilty to one count of income tax evasion in exchange for prosecutors conditionally dropping all other federal charges against him.

In related news, N.C. State University recently dismissed a grievance filed by Easley's wife, Mary, last summer after the university terminated her contract. Mary Easley had a \$170,000-per-year job at the university, but controversy erupted after it was revealed that the former governor played a role in creating her job. CJ

Cities Fight Limits on Muni Broadband

By SAM A. HIEB
Contributor

RALEIGH
No one seems to know how long the battle over municipal broadband systems in North Carolina will continue to rage.

At press time, House Bill 1840, which would among other things place a one-year moratorium on public broadband systems, was moving in the General Assembly. It's a companion to Senate Bill 1209, sponsored by Sen. David Hoyle, D-Gaston, that originally would have prevented cities from going into debt to build public broadband systems.

Hoyle had the moratorium added to H.B. 1840 when it was before the Senate. He did so, he said, because the House would not allow the moratorium to be debated and the other provisions in H.B. 1840 are priorities for the lower body.

"I've done my part," Hoyle said in a phone interview. "I'm just trying to save them from themselves."

By "them," Hoyle means municipalities across North Carolina that are thinking about building public broadband systems. Hoyle believes that municipal broadband competes unfairly with private providers by using taxpayers' money to build the infrastructure to provide Internet service. When the municipal system faces an operating deficit, officials simply use more taxpayers' money to fill the gap.

Such a debacle is playing out in Davidson and Mooresville, which jointly borrowed \$92 million to purchase the former Adelphia network.

In May, *Carolina Journal* reported that the towns paid almost \$6,000 per subscriber to acquire and upgrade the Adelphia system — an amount considerably higher than the \$3,800 per subscriber value a bankruptcy judge set for the franchise in 2007.

Muni system needs bailout

M-I Connection — the towns' broadband system — needs a \$6.4 million infusion of cash over the next year to remain solvent. Officials in both towns floated several ideas to tackle the deficit, including the suggestion of marketing the system to increase subscribers and make M-I Connection more enticing to a potential buyer.

When Davidson passed its budget in June, town commissioners drew \$800,000 from the town's fund balance to help close the town's \$2 million share of the operating deficit. Moores-

ville expected to make up the difference. Even so, town officials almost certainly will grapple with another operating deficit next year.

Meanwhile, the City of Wilson developed its Greenlight broadband system by issuing general obligation bonds. As of May, the system had almost 5,000 subscribers, according to Brian Bowman, the city's manager of public affairs.

But a 2009 John Locke Foundation report by Michael Sanera and Katie Bethune points out that even if Wilson reached its goal of 5,557 subscribers at \$90 per subscription, a \$1.4 million deficit would remain. Wilson would be in the same financial hole as Davidson and Mooresville.

"If the system fails to attract customers or becomes obsolete, the city

direction [of S.B. 1209] by encouraging investment in the delivery of these advanced telecommunications capabilities by private and public service providers."

Broadband in Greensboro?

In the Triad region, the Greensboro City Council unanimously passed a resolution opposing any legislation limiting public broadband.

In a phone interview, council member Nancy Vaughan cited plans for an American Express data center in Greensboro as a reason the city should at least have the option of developing a broadband system.

"I don't think our hands should be tied when it comes to economic development," Vaughan said. "Especially with American Express coming — and possible spin-off businesses they can bring — I just think we should have the ability to offer broadband services if we so choose. If it's going to allow people to grow business and help small business, I think it's a responsibility we have."

Vaughan added that Greensboro had "no plans on the books right now for doing municipal broadband."

In a letter to Senate Finance Committee Chairman Dan Clodfelter, D-Mecklenburg, several high-tech heavy-

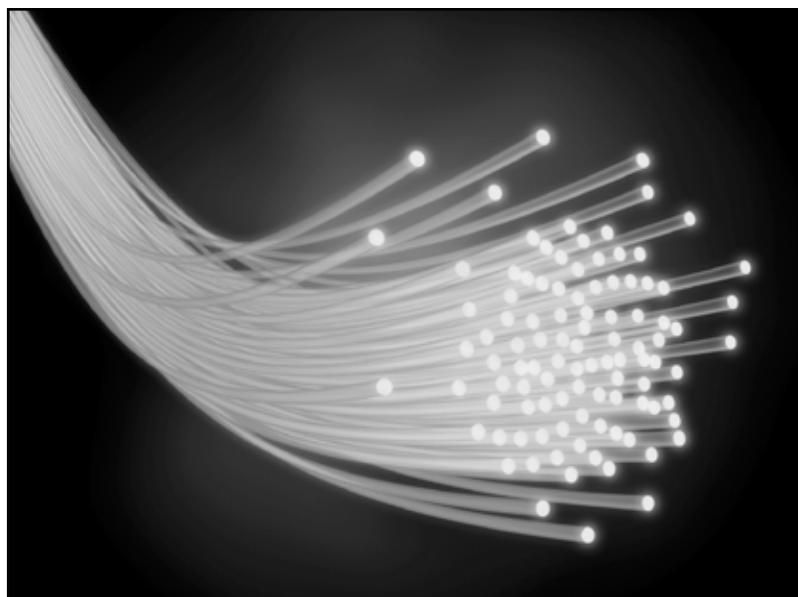
weights, including Google, Intel, and the Telecommunications Industry Association, urged opposition to or "any other measure that would impose significant barriers to public broadband initiatives" in the state.

The letter argued that the bill "would harm both the public and private sectors, would thwart broadband initiatives, stifle economic growth, prevent the creation or retention of several jobs, and diminish the quality of life in North Carolina."

The letter also mentions the more than \$7 billion the Obama administration has made available to "accelerate" broadband deployment.

And it notes that the Federal Communications Commission's broadband plan "admonishes states not to interfere with community broadband efforts where local officials do not believe the private sector is acting fast enough or well enough to meet the community's broadband needs."

Even so, H.B. 1840 passed the Senate 47-1. Under the moratorium in the bill, a study committee would examine public broadband and report its findings to the legislature in 2011. CJ



Economic Incentives Package Heavy on Film Industry Subsidies

Hollywood might say 'hooray,' but critics cite taxpayer costs

BY BILL FLANIGEN
Editorial Intern

North Carolina may soon get to host more blockbuster film productions and high-profile movie stars, but the state's taxpayers would be paying dearly for the privilege.

On June 21, the state House of Representatives approved House Bill 1973, the "Keep North Carolina Competitive Act," extending the state's tax credit for film production at a cost of \$166 million over the next four years, according to a study by the General Assembly's Fiscal Research Division.

While H.B. 1973 also would renew or create numerous other refunds, exemptions, and credits to the state's tax code, more than half of the projected \$300 million cost of the bill would go to the tax credit for film productions.

The bill allows those productions to claim a credit equal to 25 percent of their "qualifying expenses." The tax credit currently allows a 15-percent credit for expenses.

The proposed credit has raised more eyebrows than usual in a General Assembly that has been generous with economic incentives over the past decade. In the past, qualifying expenses for film production could not include compensation in excess of \$1 million to any individual. The bill eliminates that million-dollar cap, while also increas-

ing the maximum credit allowable from \$7.5 million to \$20 million per production.

Supporters claim that film industry tax breaks are necessary to keep North Carolina attractive as a potential site for job-creating film productions. Tax policy experts and some other legislators, however, deny that the credits are worth the cost. Moreover, the prospect of having North Carolina taxpayers subsidize the likes of Steven Spielberg or James Cameron does not sit well with some lawmakers.

"We're not being competitive with other states," Rep. Bill Owens, D-Pasquotank, one of the bill's primary sponsors, said of North Carolina's place in the film industry. "Georgia, South Carolina, and others are basically beating us to a punch. This [bill] gets us competitive."

Rep. David Lewis, R-Harnett, was less sanguine. Lewis particularly was concerned about the elimination of the cap on qualifying compensation for individuals. Since highly paid actors could be subsidized by the expanded credit, said Lewis, producers "can actually tell the actor that, you know, 'we weren't going to be able to pay you but \$30 million, but since we're going to go to North Carolina we can now afford to pay you \$35 million because the taxpayers of North Carolina are going to pick up the extra five.'"

"It is a refundable tax credit," Rep. Paul Luebke, D-Durham, told the House. "A company that pays no taxes

to North Carolina — no taxes at all — nevertheless will receive a tax credit, meaning a check." Luebke worried that "we're subsidizing superstars."

Tax policy experts claim that the credits aren't worth the cost. Robert Tannenwald, a senior fellow at the Center on Budget and Policy Priorities, a Washington, D.C., think tank, argues

lawmakers to offer ever more generous incentive packages. Mark Robyn, staff economist at the Tax Foundation, a D.C.-based tax research group, said "states are locked in this battle of tax incentives where it just keeps escalating on each side, which we've seen with film tax credits and with other credits as well. It's sort of this endless race to see who can out-bid each other."

The bidding war between states, Robyn argues, forces other taxpayers to provide the revenue lost in film credits.

The Associated Press reports that film tax credits are offered by 44 states and the District of Columbia. Virginia inaugurated its first such credit earlier this month.

The ailing economy, however, has other state governments rethinking their similar

policies. Massachusetts' Department of Revenue released a study last year showing that its film tax credit — which allows filmmakers to deduct a quarter of their expenses from the production's tax liability — cost the Commonwealth's government \$113 million and brought in only \$17 million in new tax revenue.

That credit created only about 1,100 full-time jobs in the Commonwealth. Luebke cited the Massachusetts study on the floor of the House during debate.

Despite the opposition, H.B. 1973 passed the House 80-28. It was pending in the Senate at press time. CJ



A boost in the film tax credit might help North Carolina land the sequel to 'The Prince of Persia' or 'Marmaduke.' (CJ photo by Don Carrington)

that film tax credits are "poor tools of economic development." He says that states should eliminate them and focus on economic development strategies that are "more cost-effective than film tax credits," such as investing in infrastructure and early-childhood education.

Tannenwald said many of the benefits of film tax credits don't remain in the state. "A large bulk of the benefits go to nonresidents," he said. "A state's economic development program should benefit residents. That's what it's all about."

States are competing for a limited number of film productions, tempting

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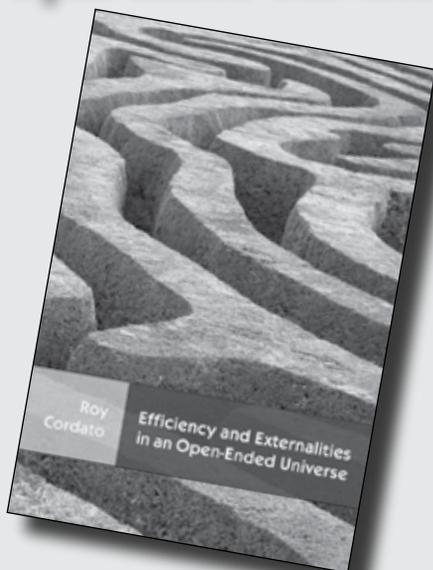
Efficiency and Externalities in an Open-Ended Universe

By Roy Cordato
Vice President for Research
John Locke Foundation

"Cordato's book is a solid performance, demonstrating impressive mastery of both the Austrian and neoclassical literature."

Israel Kirzner
Cato Journal

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COMMENTARY

Policing Virtual Schoolyards

It's a lucky child who sails through the school years unscathed by bullying. The scourge of the schoolyard, today's bullies still engage in time-tested tactics of domination such as name-calling and physical aggression. But increasingly, modern meanies are turning to the virtual schoolyard, tormenting their victims online. Emboldened by a cybercloak of anonymity, adolescent spite is finding its outlet all over the Internet — on social networking sites, through instant messaging, in chat rooms — and in cell phone text messages.

Cyberbullying, defined by the Cyberbullying Research Center as occurring “when someone repeatedly harasses, mistreats, or makes fun of another person online or while using cell phones or other electronic devices,” is relatively common. CRC's 2010 study of 4,000 12-to-18-year-olds found 20 percent had been cyberbullied. Data from the National Crime Prevention Council put the incidence of cyberbullying much higher — around 43 percent of middle and high schoolers. Girls are at much greater risk than boys.

Nationwide, policing this virtual schoolyard is raising thorny legal and ethical issues for educators and lawmakers. Though mean-spirited, much of what constitutes cyberbullying is not criminal. But some of it surely is.

In April, 15-year-old Ashley Rogers of Kernersville committed suicide just days after harassing text messages from male classmates. Her tragic death gives credence to growing worry over the perils of cyberbullying — concern already fueled by the suicides of several girls bullied online on the sites MySpace, Facebook, and Formspring.

Reports indicate that some or all of these girls suffered from depression. But that doesn't nullify cyberbullying's harmful psychological aftereffects. New data from researchers Sameer Hinduja and Justin Patchin show cyberbullied middle schoolers are twice as likely to have attempted suicide as their nonbullied peers. Given statistics showing sizable numbers of depressed youth — Charlotte-Mecklenburg's most recent survey of middle schoolers found 20 percent had thought seriously about

suicide — there's ample reason to pay attention.

How can we protect vulnerable children? Some say the laws aren't tough enough. In the wake of 13-year-old Megan Meier's 2006 MySpace-related suicide, Missouri lawmakers expanded harassment and stalking legislation to include online and text communication. Numerous other states have passed cyberbullying laws. In 2009 North Carolina legislators criminalized certain cyberbullying acts, though the law excluded text messages — such as those received by Ashley Rogers. Her parents have said they will work to change the law.



KRISTEN BLAIR

Critics of North Carolina's current law claim it is ambiguous and possibly unconstitutional. They may be right. If true, however, such criticisms should serve to spur lawmakers on to craft a more precise legal instrument addressing extreme cases of cyberbullying.

Meanwhile, schools and parents remain on the front lines. How do schools get savvy about tackling cyberbullying? CRC offers school officials an up-to-date “report card” to evaluate the efficacy of cyberbullying policies. Administrators also must take reports of cyberbullying seriously, working closely with law enforcement officials when warranted. And they must grapple with the fact that kids' mobile communications and recreational Internet use don't stop for school. Texting during class is routine, and National Crime Prevention Council data show that more than half of 13-to-17-year-olds surf the Web at school.

Parents might want to double up on vigilance. Paradoxically, during the very years cyberbullying peaks (ages 15 and 16), NCPC data show parental rules on Internet use take a nosedive. Expert advice to parents is steeped in common sense: keep computers out of kids' bedrooms, and closely monitor Internet and cell phone use.

Our timely intervention is essential. Today's virtual schoolyard — vast as it is — is strangely devoid of caring adults. Surely we can change that. We must. *CJ*

Kristen Blair is a North Carolina Education Alliance Fellow.

Education Officials Embrace Federal Curriculum Standards

By JIM STEGALL
Contributor

RALEIGH

North Carolina has become one of the first states to adopt officially a newly developed set of national curriculum standards for use in the state's public schools. When fully implemented, the “Common Core State Standards” will guide the development of everything from teachers' lesson plans to final exams and make it easier to compare North Carolina's progress in education to that of other states.

Critics warn that the move may cost state officials the ability to determine what North Carolina school children should be learning. They also question the wisdom of jumping onto the national standards bandwagon in the middle of a five-year state initiative to develop new curriculum standards of its own.

That project, known as the Accountability and Curriculum Reform Effort, grew out of a 2008 study recommending a complete overhaul of the standard course of study for students in kindergarten through 12th grade. State education officials had completed work on the new standards for mathematics, and were putting the finishing touches on those for English language arts, when the U.S. Department of Education announced that states using the common core standards would receive extra points in the Race to the Top education reform initiative.

Although the ACRE project is described on the Department of Public Instruction's website as “the most important and significant work of the State Board of Education and Department of Public Instruction in a generation,” education officials warmed quickly to the idea of adopting the national standards instead. DPI could not say how much has been spent on the ACRE project to date.

DPI's chief academic officer, Rebecca Garland, credits the federal reform initiative with helping spur action on national standards.

Noting that states had been considering the idea of developing a common set of curriculum standards for years, she said, “It's not like Race to the Top initiated the conversation, but it may have caused folks across the states to say it's time to stop talking and start doing.”

In an interview, Garland rejected

the idea that the two years DPI spent working on new mathematics and English language arts standards via the ACRE project were wasted.

She pointed out that the new common core standards for both subjects are very similar to those developed by ACRE. In the case of the math standards, she said that one of the key contributors to the national standards project (a North Carolina State University mathematics professor) was also working with DPI's ACRE project.

“The English language arts [national standards] were actually being developed at the same time that our standards were,” Garland said, “so we had our groups looking at what they thought were important.”

But not all educators are comfortable with the move to national standards. Some think that “national standards” could eventually spell “national control.”

“I don't think it's the right way to go,” says John Locke Foundation director of education studies Terry Stoops. He cited the recent controversy over

the State Board of Education's attempt to adopt new social studies standards — which some felt slighted U.S. history. “There's always a potential for ideological manipulation on a national scale,” Stoops said, “and that's a concern.”

Garland says that should not be a problem. “A state can sign on, or a state can pull out if anything goes in a direction that makes them uncomfortable.” She said the standards are flexible enough to allow states to add things they feel are particularly important to them.

DPI plans to start using the new standards in the 2012-13 school year. But before that can happen, new tests aligned with the curriculum will have to be designed. Garland said those tests would be designed by a consortium of states to be chosen by the U.S. Department of Education later this year. “In essence it will give us a national assessment, but it will be an assessment controlled by the states,” she said. “None of us are interested in a federally mandated assessment.”

“If states want some kind of national standard, they should choose from a menu of established, norm-referenced tests like the Iowa Test of Basic Skills or the California Achievement Test,” Stoops said. “We have seen what poor assessments can do.” *CJ*

**Officials insist
time spent on state
standards the past
two years was not
wasted**

Handheld Reading Aids on Education Budget Chopping Block

By JIM STEGALL
Contributor

RALEIGH

For the last year, Superintendent of Public Instruction June Atkinson has been telling anyone who would listen about a nifty little piece of technology that helps teach elementary school children to read.

Provided to selected school districts as part of the federal Reading First program, the "handheld device," as it's being called, is really nothing more than a Palm Pilot loaded with a special software program keyed to a set of reading materials arranged by ability level.

Used by teachers in kindergarten through third grade, the device enables the teacher to follow as the student reads a selected passage, while highlighting and recording instantly specific words the student struggles with.

The device analyzes this input and gives the teacher immediate feedback on the student's progress, telling the teacher exactly what remediation steps are necessary for that particular student, or what level and activity of advancement the student is ready for.

At the end of the day, the results for all students are downloaded to a computer that analyzes the data further and suggests specific activities for the class as a whole.

According to Atkinson, the results in the districts where the handheld devices have been used have been nothing short of phenomenal. At the May 7 meeting of the State Board of Education, she reported that in the 40 schools where the device is being used in a pilot program, nearly 84 percent of third-graders are reading at or above grade level, compared with a mere 56 percent of third-graders at or above grade level statewide.



But the program apparently has become one more victim of the recession-induced cutback in education spending.

Before the legislative short session began, Gov. Bev Perdue requested nearly \$40 million to equip all elementary schools in the state with the devices, the software, and the related materials. In its first take on the education budget for Fiscal Year 2010-11, the Senate agreed to allocate only \$15 million, just enough to keep the pilot program going in the 40 schools where it already existed.

The House of Representatives was even less generous. House budget writers initially planned to spend only \$5 million on the pilot program,

reasoning that districts that wanted to keep it going could come up with local funds to fill in the gap. But even that was a hard sell. During discussions in the House Education Appropriations Subcommittee, members expressed serious reservations about spending even that much on the program in a year when money is so tight.

Finally, as the budget was clearing its final committee hurdle (House Appropriations), members decided to spend the \$5 million on an "emergency textbook fund" instead of the handheld devices. The version of the budget passed by the House contained no funding for the program whatsoever.

At press time, the budget was in conference between the two chambers, and some funding for the program could be restored in the final budget. But even without state funds, local districts that are currently using the devices could continue to do so, as long as they found another way to pay for them.

Teachers at Wadesboro Primary School in Wadesboro no doubt will be disappointed to learn of the legislators' reservations about the program. They've been using the devices and the associated software for two years, and couldn't be happier with the results. Principal Betsy Ammons says her staff was skeptical at first, but experience has convinced the school of the program's merits.

"Our teachers didn't want to lose the devices when the money ran out [after the first year], so we opted to use

[federal] Title I funds to keep the program alive," she said. Schools such as Wadesboro Primary that serve a high percentage of economically disadvantaged students receive Title I funds to offset the higher cost of educating children from poor families.

The school's Reading First coordinator, Linda Morton, said, "Using this device saves the teacher so much time — time that could be used for further instruction." She pointed to figures generated by the program showing a substantial growth trend in individual students' test scores from the beginning-of-year, middle-of-year, and end-of-year assessments.

But no matter how popular the program is with the teachers who use it, the cost seems insurmountable, at least to the legislators in charge of the purse strings. Even the relatively small amounts of money budget writers initially penciled in for the program proved to be too tempting a target for lawmakers looking for dollars to plug other budget holes.

That attitude was demonstrated during debate on the measure in the Senate, when Sen. Jerry Tillman, R-Randolph, tried to move the funding for the devices into another hard-hit program (school bus replacement). To many lawmakers, the handheld devices simply appear to be a frill that educators can do without, at least this year.

Terry Stoops, the John Locke

Widely praised devices cut from budget in favor of more money for textbooks

Foundation's director of education studies, agrees with that assessment. "It may be a great system that eventually merits additional funding, but this is not the year to pour additional millions into it," he said.

Lawmakers' reluctance to embrace and fund the program also may be based on the perception that a former North Carolina governor may be in a position to profit from a state contract related to the program.

Carolina Journal Associate Editor David Bass has reported that former Gov. Jim Hunt serves on the board of advisers of Wireless Generation, a New York hardware/software company that contracts with the Department of Public Instruction to implement the federal Reading First program, which uses the handheld devices.

As Bass reported, it's not clear whether Wireless Generation compensates Hunt for his services. However, Democratic lawmakers facing a difficult election cycle clearly want to avoid the appearance of further scandal, especially in light of ongoing investigations into former Gov. Mike Easley's financial activities. CJ

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Decision set for August

Ruling Sets Up Showdown Over Moore County Academy

By JIM STEGALL
Contributor

RALEIGH

A Moore County charter school received a stay of execution in early June from Administrative Law Judge Fred Morrison Jr. after challenging the State Board of Education's recent decision not to renew the school's charter.

The ruling sets up an August showdown in Wake County Superior Court between the Academy of Moore County and the state board over whether the board acted in an "arbitrary or capricious manner" in refusing to grant the school a new charter.

The state board voted in March not to renew the academy's charter, citing poor student test scores. The decision had come as a shock to the school's board, staff, and supporters, who believed that they had addressed adequately the numerous shortcomings previously noted by the state's Office of Charter Schools and were making solid progress on a "corrective action plan" crafted in consultation with the OCS.

Rather than accept the state board's decision and close the school on June 30 (the last day of the current charter), the school retained counsel and sued, claiming that the state board ignored data showing marked improvement in student achievement.

Morrison's ruling was the opening shot in the academy's efforts to stay open. At issue was whether the academy would suffer irreparable harm if the current charter is allowed to expire, and whether the academy had a reasonable chance of proving at trial that the state board had acted in an arbitrary or capricious manner.

Morrison ruled in the school's favor on both points, saying of the board's nonrenewal vote, "It's a death penalty — you're taking their charter."

Throughout the hearing, state board attorney Laura Crumpler stressed that, as the constitutionally authorized authority over public education, the board's decision should be respected. Citing the school's history of declining test scores (a trend that reversed in the 2008-09 school year), she rejected the school's charges of arbitrary or capricious actions. "The state board had an immense body of evidence [of poor performance] with regard to this school and considered it very carefully over a period of months," Crumpler said.

Academy attorney Kieran Shanahan countered that the board had not considered the most recent data showing improving test scores in its decision, an assertion that Crumpler never denied directly. His attempts



The Academy of Moore County contends the state ignored data showing marked student achievement. (Photo submitted by Allyson Schoen)

to get board witnesses to testify, providing the specific information board members had in hand before making their decision, largely were unsuccessful. At the conclusion of the hearing, it remained unclear whether the board ever had been presented with the most recent student test data.

At one point, a clearly frustrated Morrison interrupted the proceedings to chastise Crumpler for avoiding that and other issues he wanted to hear about. "Put me up here somebody from the state board who can say what happened at that meeting," he said. Crumpler replied that the board had no plans to call any board members as witnesses.

Academy Principal Allyson Schoen testified that the school had worked closely with the OCS in preparation for the school's renewal. She said that the school and the OCS had agreed jointly on a series of corrective actions by the school to improve academic performance and enhance the school's chances of receiving a new charter. All of the benchmarks in the plan had been met, she said. Later testimony by Jean Kruft, the OCS consultant for charter renewal, corroborated Schoen's assertions.

But Jack Moyer, director of the Office of Charter Schools, testified that completing a corrective action plan may not be enough to ensure that a charter will be renewed. "It's not a guarantee," he said. Downplaying the significance of the action plan in the renewal process, he testified that his office assists charter schools with such plans but does not "approve" them. "We're not required to do anything with [a plan]," he said.

He stressed that he never told officials at the Academy of Moore County that completing the plan would result in a vote for renewal.

Pressed by Shanahan in a sometimes testy exchange, Moyer claimed that, to his knowledge, the state board

voted not to renew the school's charter solely because of academic concerns, citing "a trend for low performance and no growth." Moyer said he told school officials repeatedly that their test scores must improve. But he also conceded that he did not have access to the school's most recent, improved test data prior to his office making its recommendation on the school's charter renewal to the board.

The judge's decision to issue a stay has the practical effect of allowing the school to operate for at least one more academic year. Unless the state board reverses its March decision and renews the academy's charter, the next step will be a trial on the merits of the academy's argument that the board acted in an arbitrary or capricious manner. Since a trial could not occur before August, it would be too late to close the school without causing un-

acceptable disruption to students and their families.

But the academy is not out of the woods yet, and the stakes for the school are enormous. Losing the case would send 170 students back into regular district schools and 15 teachers to the unemployment line.

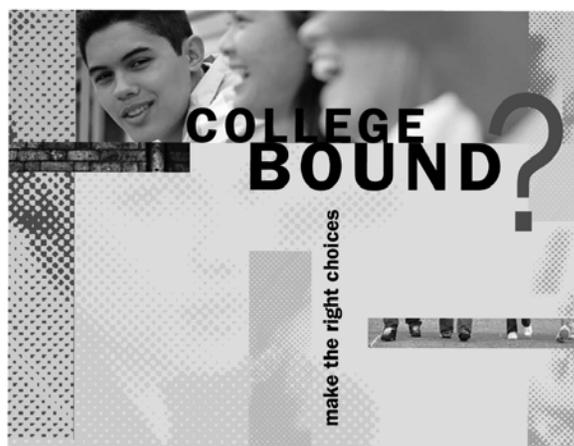
It also would cause the school to default on the loan for its brand new \$2.2 million facility.

Student test scores will be crucial in determining the school's fate. While results are not yet final, preliminary figures for the current academic year show that 64 percent of the academy's students are now on grade level, up from 47 percent the year before.

Schoen is the first to acknowledge the magnitude of the task ahead.

"We've got a lot of work to do," she said as she was leaving the courtroom. *CJ*

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N.C. House Democrats Reject Education Tax Credit Amendment

By KAREN McMAHAN
Contributor

RALEIGH

On June 3, Democrats in the North Carolina House rejected an amendment that would have allowed the General Assembly to consider the creation of an education tax credit enabling low- and middle-income students to escape their assigned public schools.

The unwelcome reception to the amendment was anticipated by House Minority Leader Paul Stam, R-Wake, a primary sponsor of the bill.

"Democratic lawmakers won't pass the bill this year because it's an election year," said Stam. "They're beholden to teachers' unions, and 99 percent of the money they give to politicians in North Carolina goes to Democrats."

The tax credit, of up to \$2,500 a year per child, would help parents offset some of the additional expense of seeking alternatives, including homeschooling, private schools, or public schools that charge tuition.

To qualify, students must be younger than 18, and they must have been enrolled in public school the previous school year.

Supporters say bill gives hope

Supporters of parental choice in education applaud the tax credits. "This bill gives families hope," said Lyndalyn Kakadelis, director of the North Carolina Education Alliance. "The most helpless feeling for parents is having a child stuck in failing schools but lacking the resources for an alternative."

The alliance produced a report lauding credits as a cost-effective way



N.C. House Minority Leader Paul Stam says the legislature is hostile to school choice and will not pass a bill related to the issue this year. (CJ photo by Don Carrington)

to provide K-12 students who are struggling in their assigned public schools additional choices. The report also says tax credits — which are valued at less than the average amount schools spend per pupil — actually save taxpayers money and allow public schools to reinvest the savings.

On the other hand, the North Carolina Association of Educators, the state's largest teachers' union, opposes the bill. The association balks at letting parents opt out of their assigned public schools while providing financial assistance for those who do. Brian Lewis, the association's government relations manager, told *Carolina Journal*: "The state owes the children of North Carolina an education and, while parents dissatisfied with a school have the right to purchase goods and services from the private sector, the taxpayers of North Carolina shouldn't have to pay

for private education or home schooling through tax credits or vouchers."

Other states now give credits

Since the first education tax credits were enacted in Minnesota in 1955, six other states have adopted similar incentives, the alliance reports. Another five have allowed tax incentives to individuals who donate to nonprofits that provide scholarships for low-income children to attend schools of choice.

The report also states that tax credits would save states millions of dollars that could be reinvested in traditional public schools.

Both the U.S. Supreme Court and state supreme courts have upheld education tax credits, and opponents of school choice have lost all recent cases challenging the constitutionality of tax credits.

House Bill 1988, "Tax Fairness in Education," would allow North Carolinians who choose to educate their children in a home school, private school, or public school that charges tuition an individual income tax credit of up to \$1,250 per eligible child per semester, or a maximum of \$2,500 for a full academic year, starting in 2011-12. During 2010-11, the maximum credit would be \$1,250.

Tax credits save money

Education tax credits would not take money away from public schools as opponents have alleged. The non-partisan Fiscal Research Division of the General Assembly estimates this bill's passage would create a net permanent savings to state and local governments of \$51 million each year, beginning in 2011-12 and each subsequent year.

The savings to taxpayers would result from the lower costs school districts would pay for the students who leave their assigned K-12 schools. Fiscal Research estimated 11,521 students

would take advantage of the tax credit per year. The typical student in the public school system costs North Carolina taxpayers \$6,935 each year — 277 percent more than the \$2,500 cost of the individual tax credit.

Enrollment would be limited to taxpayers whose state taxable income is less than \$100,000 (married, filing jointly), \$80,000 (head of household), \$60,000 (single), or \$50,000 (married, filing separately).

"The legislature has been hostile to charter schools this year," Stam added, "and this is just another example of how Democrats, backed by union money, fight school choice. After all, it's hard to unionize private school teachers."

Gaming the system?

The NCAE's Lewis worries that "the system [could] be easily gamed because a parent [could] remove a child who has attended a public school for only one or two semesters and receive a refundable tax credit for enrolling the child in a home school or private school."

The tax credits would be paid for up front by reducing economic development spending by \$34 million. "On its own, this bill provides better economic development for the state than the best corporate deal," Stam said, "because children have a better chance to succeed and the state and local governments realize millions of dollars annually in permanent savings."

The Fiscal Research Division predicts greater long-term savings to state and local governments in future years as more eligible students enroll in the program and parents take advantage of the tax credits.

Lewis said the purported savings would not materialize. Moreover, an earlier version of this bill included tuition vouchers, which the NCAE does not support. This tax credit, he added, just "smells like a voucher."

Kakadelis supports the bill while adding that she'd also like to see legislation offering reversible tax credits or some other way to help cash-strapped families get the money quicker. Otherwise, she said, they may not be able to take advantage of the tax credits.

For those families, Stam said the best solution might be for them to adjust their income tax withholding, or accountability could become an issue.

After the first two years, Stam said, the law would phase out the requirement that students qualifying for tax credits would have to be enrolled in a public school the previous year. This would allow parents of students who've never been in public school to take advantage of the credits.

Stam plans to reintroduce the bill next year and says he is confident it will pass.

CJ

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Murphy: We Have to 'Grin and Bear' a Bad Economy For a While

RALEIGH — Some people believe the recent economic collapse should lead to increased government regulation. Robert Murphy, adjunct scholar at the Ludwig von Mises Institute, offers a different perspective. The author of both *The Politically Incorrect Guide to Capitalism* and *The Politically Incorrect Guide to the Great Depression and the New Deal* discussed the economy 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: A story line we heard, at least among some people in Washington, D.C., and at the state level as well, [is] that because of capitalism, and opening up free markets, and deregulation, we had this major economic slump. Is that the right way to look at it?

Murphy: No, I don't think so. I mean, on the one hand, I'm an Austrian economist, subscribe to the Austrian School that Ron Paul and Peter Schiff allude to a lot in their public remarks. And I think that the basic cause of the housing bubble years was Alan Greenspan's low interest-rate policy. So it's ironic that the people who want to blame the free market want to have it both ways. On the one hand, people want to say, yeah, the Fed needs to provide cheap liquidity to fix the market, and that's what Greenspan did. So right there they're implicitly admitting that we didn't have a free market at that point. By their own admission, they're saying Greenspan needed to come in and resuscitate the market after the dot-com crash.

So it was, I think, Greenspan's low interest-rate policies in the early 2000s that fueled the housing bubble. And so when you pump a bubble by flooding the markets with cheap credit that's basically printed out of thin air, well, then it's not a surprise that you're going to get a crash.

And then when the market crashed then, the government came in, and the media reminds us all the time. They say, "Not since the New Deal has the federal government intervened so heavily." And so I think it's sort of crazy to say that on the one hand the government sat back and did nothing and that's why we had this awful, horrendous crisis, while they're admitting that the government has done unprecedented things. Ironically, if you look at it, by the media's own admission, the federal government intervened most heavily in U.S. economic history during the '30s and today. And you say, "Well, when did we have the two worst crises in U.S. history?" And it's during the '30s and, I would argue, today. And so I think, just a clear-cut look at the evidence, Occam's razor

"And you say, 'Well, when did we have the two worst crises in U.S. history?' And it's during the '30s and, I would argue, today. And so I think, just a clear-cut look at the evidence, Occam's razor suggests that when the government intervenes it makes the economy worse."

Robert Murphy
Author, scholar
Ludwig von Mises Institute



suggests that when the government intervenes it makes the economy worse.

Kokai: You mentioned the New Deal, and you've written an entire book on the Great Depression and New Deal. Some folks, I think, suspect that we had the big market crash in the late '20s, Hoover didn't do anything, that we had a lot of problems with our economy, and FDR came in with the New Deal and, along the line, some years beyond, we were in better shape. So we need to do something like a New Deal again. But your analysis would suggest something very different than that course of action.

Murphy: Right. Again I think it's the exact opposite — that the conventional-wisdom interpretation of what happened in the '30s I think is exactly backwards. So, first of all, just on the face of it, the conventional story, like you just said, is that Herbert Hoover was a laissez-faire guy. He sat back and just watched the economy implode, and that's why we had the Great Depression. But on the face of it, that doesn't make any sense. Because if Herbert Hoover was a noninterventionist guy, well, so were all the previous U.S. presidents. So that sort of begs the question: Well, why did the Great Depression hit on Hoover's watch if he did the same nonintervention that all previous U.S. presidents did? Right? Whereas, in my book, I show that, no, Hoover, far from being a laissez-faire guy, was actually the most interventionist in U.S. history up to that point. He didn't want wages to fall. He had price supports for farms. He had the Reconstruction Finance Corporation that propped up banks and gave them a bunch of new loans. So actually what Hoover did was what you could call a "New Deal lite." And that's what I would argue fueled the early stages of the Great Depression. And then FDR comes along, implements the New Deal, and we have the most sluggish recovery in U.S. history.

Kokai: Given your analysis of the history and where things stand today, if we wanted to help the economy im-

prove, would we expand government into other sectors and invest in stimulus and green jobs, or would we take some other course of action?

Murphy: As you can guess, I would say, no, the government shouldn't get more involved. Again, just using common sense, it's not fancy economics here. We know politicians are corrupt. We know that they're a bunch of bumbling fools in terms of their official rationalizations for what they do. So the very idea that we're going to fix things, make the economy leaner and more efficient, by letting more decisions get turned over to Washington politicians and bureaucrats, that's just absurd on the face of it. And we know, again, that as the government intervenes more heavily, the economy becomes more and more sluggish.

So, no, I think what they should do is the federal government should slash its spending, should cut taxes, cut regulation, let the market determine what fuels should be used, let the market determine whether it should be solar power or gas-fired plants or what have you. Let the market determine those things. And as far as the Federal Reserve's side, they should stop injecting new money. They should stop bailing out particular investment banks, and just mind their own business. If a company made bad decisions and they made a bunch of loans and they're going to fail, well, then let them fail, and that will be a good lesson to everybody else to maybe not be so foolish in the future.

Kokai: What if people in D.C. hear what you have to say and say, "OK, Murphy, we hear you, but we disagree, and we're going to keep doing what we've been doing." What's going to happen?

Murphy: Well, if they keep doing what they did in the '30s, we shouldn't be surprised if we have another Great Depression that lasts 10 years. And so far we're a few years into it. People think, "Oh, we turned the corner." But back in '30 and '31, they thought

they had turned the corner, and things just kept getting worse and worse. So I think that's what's going to happen, that they're going to keep doing all these interventions, and all these crises are just going to keep mysteriously appearing, and they're going to be baffled and say, "Man, the market economy is even worse than we thought." And they're going to put layer upon layer of more regulations — the new health care legislation, for example. I mean the worst thing you can do when economies are in the ground is promise hundreds of billions of new taxes, and yet that's what they're doing.

Kokai: Do you have any optimism that somewhere along the way people in America are going to say, "No, we don't want this, we need to go back to a system where the government has a much smaller role in our lives"?

Murphy: I'm not optimistic in the sense of being able to stop this train right now. I think the economy already is on an unsustainable path, and we're going to just have to grin and bear it for several years of having an awful economy. But I am optimistic that people really do seem to be interested in these ideas. I am getting a much better hearing for the position of the Austrian School of free-market economics, a critique of the Federal Reserve. That kind of stuff, five years ago, it would only have been college students who happened to be interested in this school of thought that would e-mail me, and now I get calls from financial analyst reporters, things for mainstream publications. Because a lot of people are realizing that the guys on CNBC don't know what they're talking about, and when Ben Bernanke gets up and testifies before Congress, they know he's either lying or he doesn't know what he's talking about. And so I think there is this cynicism, and people are looking about for a different explanation, a different paradigm, and that's where the Austrian School of ideas comes in. So I do think things are going to be bad, but people will at least know what happened, years from now. CJ

North Carolina Bucks a Trend With 2010 Graduation Speakers

By JENNA ASHLEY ROBINSON
Contributor

RALEIGH

Every year, thousands of new graduates don caps and gowns to listen as academics and celebrities dispense sage advice, inspirational words, or — in some cases — dire predictions for the future. (The latter occurred when former Vice President Al Gore listed what he views as the grim consequences of global warming at the University of Tennessee at Knoxville.)

Last year, Pope Center President Jane Shaw observed that most of the invited speakers in North Carolina were establishment Democrats, treating new graduates to one last dose of liberal talking points before they left campus for good.

In much of the country, this year is no different. In an examination of commencement speakers at 100 top schools across the nation, Young America's Foundation found that liberal speakers dominated. This year alone, in fact, the organization reports that Obama administration officials spoke nine times. In contrast, during the eight years of the Bush administration, officials spoke at only 14 commencements, the foundation reported.

But North Carolina seems to be bucking the trend. Of course, a few Democratic politicians slipped through, and in a state controlled by the Democratic Party, that's not surprising. For the most part, however, North Carolina universities invited business leaders, authors, and academics to take the stage.

Here are examples from around the state (in alphabetical order by college):

- Appalachian State University: superintendent of the Blue Ridge Parkway Phil Francis
- Bennett College: Gov. Bev Perdue
- Davidson College: Thomas W. Ross, Davidson's president
- Duke University: economist and Nobel Peace Prize recipient Mohammad Yunus
- East Carolina University: UNC system president Erskine Bowles
- Elizabeth City State University: Rep. Chaka Fattah, D-Pa.
- Elon University: filmmaker Laith-al-Majali, producer of the Jordanian film "Captain Abu Raed"



- Fayetteville State University: Charlotte Mayor Anthony Foxx
- Guilford College: Rick Goings, chairman and CEO of Tupperware Brands, a Guilford alumnus
- Meredith College: Gretchen Holt Witt, pediatric cancer activist and alumna

• N.C. A&T State University: Donna A. James, managing director of Lardon & Associates LLC and former president of Nationwide Strategic Investments

• North Carolina Central University: Tom Joyner, nationally syndicated radio talk show host and longtime supporter of historically black universities

• N.C. State University: television host and journalist Charlie Rose

• Peace Col-

lege: N.C. Supreme Court Justice Willis Whitchard

• Southeastern Baptist Theological Seminary: Daniel Akin, president of the seminary

• UNC-Asheville: civil rights leader, musician, and scholar Bernice Johnson Reagon

• UNC-Chapel Hill: author John Grisham (his daughter is an alumna)

• UNC-Charlotte: Chancellor Philip L. DuBois

• UNC-Greensboro: mystery novelist Margaret Maron

• UNC-Pembroke: James W. Oxendine, retired Superior Court judge from Georgia

• Shaw University: comedian and actor Bill Cosby

• UNC School of the Arts: actor and director Peter Bogdanovich and screenwriter Angus MacLachlan

• Wake Forest University: American Express CEO Kenneth Chenault

• Western Carolina University: Chancellor John W. Bardo and graduate student Jordan Parsons

• Winston-Salem State University: former president of Spelman College Donald Stewart (who is also a former president of the College Board)

Yes, some of the talks may have been political. But the dominance of politicians from a single party was not in evidence this year in North Carolina. CJ

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

COMMENTARY

Give Responsibly

When you give money to your alma mater, do you worry that your donation is funding politically correct campus speakers, administration (rather than teaching), and programs of which you don't approve?

I've done a little research to find out how I might help my alma mater without wasting money or compromising my support of liberal education and free-market principles. My findings may give you some ideas, too:

- Give directly to a national student group — such as Students for Liberty or the Network of Enlightened Women — and designate your gift to be spent at your own alma mater. Such national groups are 501(c)3 organizations, so your donation will be tax-deductible. Most student groups of this type are eager to assist alumni. At Students for Liberty, alumni simply can donate to SFL, including a note designating the gift for activities at a particular school.

- Find a student group or activity at your alma mater. Even very liberal campuses usually have College Republican or College Libertarian chapters. At UNC-Chapel Hill, you can designate the school, unit, or program to which you want to give using the school's online system.

Some of the options include the Eve Carson Scholarship Fund, Carolina Performing Arts, the library, and the planetarium. A determined donor even can search through student groups to find the *Carolina Review* (UNC-CH's conservative news magazine) or the UNC-CH College Republicans.

N.C. State University has a similar online system, but without the same level of detail. The system would allow me to give to the Enhancement Fund of the College of Humanities and Social Sciences, for example, but not restrict my gift to teaching only.

- Donate to a particular project or campus center. Duke University alumni can donate to the Duke Center for the History of Political Economy. Other options

around North Carolina include the Center for Entrepreneurship at Appalachian State University, the East Carolina Heart Institute, the Ackland Art Museum or the Center for Infectious Diseases at UNC-Chapel Hill, or the Center for Biomedical Engineering Systems at UNC-Charlotte — just to name a few.

- Give money to your alma mater's Senior Class Gift. At N.C. State, for example, the 2010 Senior Class Project will support the "Finish the Bell Tower" project — a "student-initiated grassroots movement to finally finish the Memorial Bell Tower," a memorial to the students and alumni of N.C. State who lost their lives in World War I. The money is in a separate fund that will go only to this project.

- Give to the alternative newspaper at your campus. The Collegiate Network, a project of the Intercollegiate Studies Institute, helps students run conservative papers at campuses across the country. If your gift is at least \$250, the Collegiate Network will direct it to the student newspaper at your alma mater. In North Carolina, CN newspapers exist at N.C. State, UNC-Chapel Hill, Duke, Wake Forest University, and Davidson College.

- Donate directly to the Intercollegiate Studies Institute or the Institute for Humane Studies. At IHS, your donation can be used to fund faculty research by one of IHS' members. These faculty members are committed to the ideas of free markets and a free society. (Be sure to check with IHS first to confirm that it has faculty at your alma mater.) If you donate at least \$5,000 to ISI, that money can be spent to help host an event at your alma mater.

And look for other options at your own school. In sum, there are many ways to remain loyal to your alma mater and still give responsibly. CJ

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



JENNA ASHLEY ROBINSON

Campus Briefs

Time-tested classics once again failed to make the 2010 list of books that universities assign as readings for incoming freshmen. For the most part, this year's choices are liberal tomes about environmental crisis (*No Impact Man*), American poverty (*There Are No Children Here*), social injustices, and oppression. A few universities have chosen popular books (*Three Cups of Tea*, *A Thousand Splendid Suns*). Jeffery Braden, dean of the College of Humanities and Social Sciences at N.C. State University, defended N.C. State's preference for modern books over classics in a letter to the Pope Center. According to Braden, the 'time/context' is familiar to the students; they won't have read the books in high school; and only modern authors can come to campus and lecture.

Here are some examples from across the state:

- Appalachian State University: *Mudbound*, by Hillary Jordan

- Davidson College: *Here, Bullet*, by Brian Turner

- Duke University: *Everything Matters*, by Ron Currie Jr.

- East Carolina University: *Three Cups of Tea: One Man's Mission to Promote Peace . . . One School at a Time*, by Greg Mortenson and David Oliver Relin

- Fayetteville State University: *There Are No Children Here: The Story of Two Boys Growing Up in The Other America*, by Alex Kotlowitz

- Meredith College: *Half the Sky: Turning Oppression into Opportunity for Women Worldwide*, by Nicholas Kristof and Sheryl WuDunn

- NC A&T University: *The Immortal Life of Henrietta Lacks*, by Rebecca Skloot

- N.C. State University: *Half the Sky: Turning Oppression into Opportunity for Women Worldwide*, by Nicholas Kristof and Sheryl WuDunn

- Peace College: *The Blue Sweater: Bridging the Gap between Rich and Poor in an Interconnected World*, by Jacqueline Novogratz

- UNC-Chapel Hill: *Picking Cotton*, by Jennifer Thompson-Cannino and Ronald Cotton

- UNC-Greensboro: A choice of either *Absolutely American: Four Years at West Point*, by David Lipsky, or *A Thousand Splendid Suns*, by Khaled Hosseini

- UNC-Wilmington: *No Impact Man*, by Colin Beavan. CJ

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

Gaming the Higher Ed System For Federal Dollars

By JAY SCHALIN
Contributor

The flood of government money into higher education appears to be creating unintended opportunities. Many people involved with higher education, from administrators to students, are finding ways to extract funds for purposes different than the ones intended.

Financial aid particularly is ripe for the plucking. In 2009, the U.S. Department of Education alone spent \$24.5 billion, almost all of it on financial aid. An April 2010 *Business Week* article described how for-profit universities recruit students even in homeless shelters, simply "because they qualify for federal grants and loans."

Such hyperaggressive recruiting tactics are not the rule, but they are not isolated incidents, either. For-profit industry leader University of Phoenix settled a lawsuit in December 2009 for \$78.5 million, in which the plaintiffs, two former admissions counselors, claimed that the school paid recruiters bonuses based on the number of students they enrolled. It is illegal for schools receiving federal student aid to have such incentives for employees.

And for-profits are hardly the only ones working the system for government dollars. According to one community college department head, much of the colleges' enrollment growth is "manufactured" for state money.

In North Carolina, state funding for community colleges is based on enrollment during the previous school year. If a student either comes to class or has contact with the professor past the 10 percent point of the class's schedule (usually the second week of classes), that student is counted in the official enrollment statistics for state appropriations the next year. Because the schools can count nonstudents as enrolled, and because funding is dependent on the number of students, administrators give teachers strong incentives to pad their enrollment, explained the department head.

All that is needed to add to the headcount, says the department head, is for the student to say in a phone conversation, "I'll be there," even if he or she actually does not show up.

A lot of money rides on this enrollment growth. For the 2009-10 school year, the community college system received an additional \$85 million from the state for its official increase of 34,000 full-time equivalent students.

Staff members also are tempted to seek ill-gotten gains from financial aid. In 2006, when Seattle's Crown College was about to shut its doors, four employees submitted false applications for federal student loans and Pell grants, according to the *Seattle Post-Intelligencer*. They received \$65,750 before the fraud was discovered.

Students get in on the action as well. Kennon Briggs, the vice president for business and finance of the North Carolina Community College System, once remarked in a legislative meeting that sometimes students use financial aid for purposes other than education

or college living expenses, such as car payments or mortgages. In a later phone conversation, he said that financial aid to attend college is "access to money" for people living on the edge.

And students' uses of financial aid are not always for necessities. The *Business Week* article described how one Capella University student, a recovering crack addict, spent \$700 of her financial aid to buy Christmas presents for her 7-year-old son.

Middle-class students also take advantage of access to borrowed money to live beyond their means. Federally subsidized student loans provide low interest rates and have delayed repayment plans — recipients don't have to pay anything until they leave school. In a May 2008 article, the Pope Center's Jenna Ashley Robinson described how she and her friends used the loan program for foreign travel, concert tickets, stock market gambles, and flat-screen TVs.

The anonymous community college department head said that, in some cases, aid replaces higher education as the primary goal. He described how one student called him in desperation just before the summer term began. She needed to take two classes to continue her financial aid status. "Just put me in something," she begged. His department had no courses for the summer, so she wound up taking two library science classes, which were irrelevant to her major and her interests.

"Right now, there's an incentive to take classes that will have no bearing on their future," he stated. He recommended altering incentives to prevent such waste and fraud. One change he suggested was to make sure that every student has to pay at least something for his education, to make sure that the student values the education more than the aid money. CJ



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

Do universities really make the local economy stronger?



Pope Center's senior writer, Jay Schalin, explores this topic in the report "**State Investment in Universities: Rethinking the Impact on Economic Growth.**"

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Opinion

New UNC President Should Revitalize System's Academic Core

The University of North Carolina is in the process of picking a successor to its president, Erskine Bowles, who has announced his resignation. Bowles has been a strong administrator with a clear but evolving vision of what he wanted to do.

Even though he was connected closely to the state's Democratic Party establishment, he was not captive to it — nor to the university system itself. In replacing him, the Board of Governors faces a major challenge.

Rather than list the next president's ideal characteristics, I will offer an overview of the needs of the university system, as I see them, beginning with the steps taken by Bowles that should be continued.

Perhaps Bowles' most important action was his review of UNC's education schools. To date, that has not led to the sort of reform that the education schools need, but it was a crucial start.

Bowles also deserves credit for his commitment to efficiency and his ability to apply quantitative data to decisions. Aware of the low graduation rates at some schools, for example, he ended incentive payments for building enrollment at some schools and instituted minimum admissions requirements.

Bowles brought a tone of integrity and discipline to an unwieldy system, and his steady, firm grip on the controls provided a sense of relative calm.

Now it is time to move beyond that tranquility to effect substantive reforms of the "academic core" — teaching and research, which Bowles protected but did not revitalize. My recommendations follow:

- Over the years, research has crowded out teaching. The new president should restore teaching to its rightful place through such steps as hiring "teaching specialists" — well-paid but nontenured faculty. The overwhelming priority given to professorial research should be re-examined.

The new president should set in place policies to determine which professors are serious teachers; those who want to conduct research rather than teach should finance their research primarily through grants, not state appropriations.

- University students should be serious about education, too. Any faculty member will tell you that many students simply do not belong in school — they may be poorly prepared, incapable of serious scholarship, uninterested in academics, or simply immature. Recent efforts to expand need-based scholarships are unwise because they do not include the element of merit. All scholarships should require more than meeting the



minimum admissions requirements.

- Throughout the university system, faculty overwhelmingly are more Democratic than Republican, and liberal rather than conservative.

Furthermore, students report that many of their instructors are hostile to free markets, to religious belief, and to the positive side of American history. The new president publicly should set high expectations for unbiased, open inquiry within the strictures of academic disciplines, and require that chancellors and provosts meet those standards.

- One way to help students avoid courses that are slanted politically is for the future president to support the mandatory publication of complete course descriptions (syllabi) for both students and the public. Fayetteville State University already has done this. Such course descriptions will inform students and the public of the kind of teaching that goes on.

- The core curriculum has disappeared entirely, at least at the flagship schools. Students now pick their "general education" courses from a smorgasbord of categories. The new president should rebuild a genuine core curriculum, perhaps starting as a freshman option or as part of an honors program.

- In the name of supporting research, universities have gathered

an accretion of institutes and centers, ranging from the North Carolina Center for Sustainable Tourism at East Carolina University to the Center for Family and Community Engagement at N.C. State. All such centers should be examined to see if they are making genuine contributions to knowledge.

I have not mentioned UNC Tomorrow, the commission created by the Board of Governors that was charged to provide a blueprint for the future of the university. Frankly, the commission seemed to be more of a public relations vehicle (perhaps in some respects a Democratic Party platform) than a road map.

Although there was some merit in learning what residents of North Carolina think their university system should do, the UNC Tomorrow report is an elastic document that can be used to advance many purposes, opening up many opportunities for mischief.

The University of North Carolina should not try to be everything to everybody. First and foremost, it should be a solid source of education for young people, provided at a price that does not bankrupt either students or North Carolina's taxpayers.

I look forward to a new president who not only maintains Bowles' vigilance in reducing waste and his application of data-based analysis, but also addresses problems in the academic realm. CJ

Jane S. Shaw is president of the John W. Pope Center for Higher Education Policy (popecenter.org).



JANE SHAW

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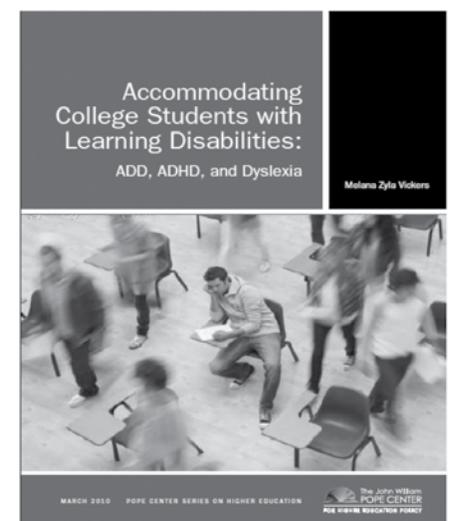
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Child-Obesity Mandates Sought By Legislative Task Force

Continued from Page 1

behold, in no time at all, new scientific research came out and said you're doing more damage than good," she said.

Avila called the exercise and nap requirements common sense, and said child care providers didn't need a mandate to recognize that young children become unruly when they don't spend enough time outdoors.

H.B. 1726 would have the state mandate menus and exercise time at every child care center in the state, including in-home centers with as few as three children.

If passed, H.B. 1726 would require child care centers to provide:

- Reduced fat milk
- No flavored milk
- No more than four to six ounces of juice per day
- Juice served in a cup rather than a bottle
- No sugar-sweetened beverages
- A rest period after lunch
- An out-of-doors period (20 to 30 minutes of exercise for half-day children and 60 minutes for those in centers for a full day)

The rules would apply not only to institutional preschools and day care centers, but also to in-home child care providers — defined as anyone caring for more than two children for pay.

Sen. Bill Purcell, D-Scotland, a sponsor of S.B. 1286, said the rules would be difficult to enforce, but that he imagined most child care providers would comply.

When asked if the health department would inspect child care providers' homes for the forbidden foods, Purcell replied:

"I mean, obviously, if they thought [somebody wasn't] abiding by the rule, they would do something about it. But, I mean, nobody's going to jail over this."

Purcell said day care centers often serve high-calorie and high-fat content foods to cut back on costs.

"Surely at home people feed their kids the wrong stuff, too, but it's easier in a child care center to give them all macaroni and cheese than something healthier," he said.

Avila said it's up to parents, not the state, to determine the suitability of individual day care centers for their children. She said that when her children were young she investigated her child care options fully before deciding on a small, in-home day care.

She said she knew what her chil-



The North Carolina House and Senate both are considering bills that would dictate foods, drinks, exercise schedules, and body-mass screenings for children in pre-K and day care. (CJ file photo)

dren were fed and what activities they were engaged in. "I had a very close relationship with the ladies that worked with my kids over the years," she said.

"Can't we just assume, God forbid, that parents maybe know best, and they're concerned enough to question what's being done at these places?" Avila asked.

Scott Bullock, a senior attorney with the Institute for Justice in Washington, D.C., said the bill sounded like

it was full of "classic nanny-state provisions" that infringed upon day care providers' economic liberty and parents' rights to raise their children as they saw fit.

"This is the state interjecting itself into a matter that should be be-

tween parents and those they entrust their children to," Bullock said.

He said parents are perfectly capable of negotiating menu items and dietary restrictions for their children.

"It's sort of this assumption that parents aren't responsible or that they cannot make decisions on their own," he said.

He wondered into what personal areas of life the attitude that "government knows best" would intrude next: "If we can do this in day care centers, why shouldn't it be mandated in the home?"

BMI screening

S.B. 1286 would require all children receiving Medicaid or participating in the Health Choice for Children Program to undergo BMI screening;

the Department of Health and Human Services would use this data to work with other government agencies "to improve the health of children."

Although the Senate version of the bill focuses on screening children receiving Medicaid, the House version makes it a goal to reduce BMI levels in all children.

Lawmakers haven't decided whether to administer the screenings to all children in schools or only to children on Medicaid in doctors' offices.

When Arkansas conducted BMI screenings on school children, under the administration of Republican Gov. Mike Huckabee, some students refused to participate, and some parents threatened to sue, upset that schools were embarrassing their children and

"calling them fat."

The Arkansas program cost the state an estimated \$1 million in the first year, not including costs to local districts and schools. Some principals complained the program was an "unfunded mandate" that added to the burden of overworked school nurses and support staff.

Purcell said the immediate goal is to screen children enrolled in Medicaid or the Health Choice for Children Program. He said the General Assembly might require providers enrolled in Community Care of North Carolina — a public-private partnership between the state and nonprofit community health care networks — to implement the screenings.

He said keeping kids' weight under control was the government's business "if for no other reason because it's a terrific cost to the taxpayers to pay for the consequences of obesity."

He said the state spends "millions of dollars a year" on diabetes, heart disease, and other obesity-related diseases.

Additional ideas

Other recommendations include:

- Appropriating \$5 million to transfer children from the reduced-lunch program to the free-lunch program.
- Spending \$12 million to "retrofit" school cafeterias and train cafeteria workers to "present fresh fruit and vegetables in a manner that invites kids to select and eat."
- Spending \$15 million in federal funds to encourage children to walk to school by building safer and more "walkable" sidewalks. CJ

Some critics say the next step for government is to dictate similar things in the home

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Midterm Elections Key to Decennial Redistricting Plan

Continued from Page 1

split government having to draw lines that might not satisfy either party's legislative leadership. (North Carolina is one of five states that does not give its governor a veto over redistricting plans.)

The redistricting plan also could end up in federal or state court, as it has the past two times. Politics would be a factor then as well, because the state Supreme Court is evenly divided between the parties, with a seventh crucial swing vote up for grabs this fall.

A mighty pen

Aside from a handful of state and federal requirements, lawmakers can finagle district lines however they choose, giving the majority party enormous power.

Legislators are required to draw legislative and congressional districts that are contiguous — meaning all parts touch and none are detached — and each must have a roughly equal number of residents. In addition, state courts have shunned redistricting plans that splinter unnecessarily whole counties into multiple districts.

The federal Voting Rights Act also ties legislators' hands by requiring them to draw some districts to grant racial and ethnic minorities greater voting power.

Beyond that, the majority party has wide latitude and the capacity to shut out the minority from the process. To top it off, advances in technology have made it possible to secure almost foolproof partisan advantage by drawing district lines down to the minutest detail.

"It's a big chess game," said former N.C. Supreme Court Justice Bob Orr, "and computers have only made it more sophisticated."

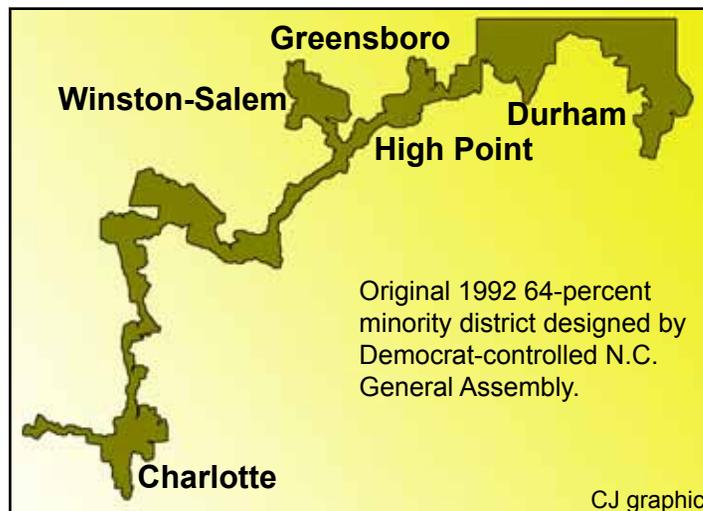
That's one of the reasons Republicans need to take at least one chamber of the legislature this November, Taylor said.

"They would then have a veto on any redistricting plan, and as a result the Democrats would be forced to compromise quite a bit," he said.

Past is prologue

Republicans have tried to gain concessions in the past primarily through court challenges, with varying degrees of success.

After North Carolina gained a 12th congressional seat in the early 1990s, white residents filed suit claiming the district was unfairly gerrymandered on the basis of race. At the time, the district snaked along the Interstate 85 corridor from Gastonia to Durham, giving it the appearance of a lightning bolt and prompting *The Wall Street Journal* to label it "political pornogra-



phy." Legislators drew it as one of North Carolina's two minority-majority districts, a requirement under the Voting Rights Act that gives minorities an edge in certain districts.

After a series of unfavorable rulings at the U.S. Supreme Court, Democrats redrew the district several times throughout the 1990s until reaching its current version — a "fattened" district stretching from Charlotte to Greensboro. Still, Democrats' three-to-one advantage in registered voters makes the 12th one of the most reliably liberal in the state.

Another instance of litigation came a decade ago when Republicans challenged Democrats' legislative redistricting plan. In 2002, the N.C. Supreme Court struck down the plan for violating the state constitution's prohibition of districts that splinter counties without cause.

At the time, Republicans had a 5-2 majority on the court, and the ruling fell along party lines. That led to charges of judicial partisanship.

"In my own judgment, the North Carolina Supreme Court intervened in the redistricting battles in an extraordinarily partisan way after the last census, and there's no reason to think they would not be inclined to do so again," said Gene Nichol, a law professor and director of the University of North Carolina's Center on Poverty, Work & Opportunity.

Judicial races converted to non-partisan in 2006, although the parties still can endorse and fund candidates. Republicans now have a 4-3 advantage on the court, but with GOP-supported Justice Edward Brady not running for re-election this year, Democrats could tip the balance of power.

"It will unfold in an immensely partisan way, with both political par-

ties recognizing the court is in the balance," Nichol said.

Lucky 14

Redistricting always entails a shift in congressional seats. Over the past four decades, Americans have migrated from the northeast and upper Midwest to the Sun Belt, causing states such as Michigan to lose seats and Texas to pick them up.

North Carolina gained new districts after the last two censuses, in the most recent case barely edging out Utah for a 13th seat. Continuing population growth had led experts to predict that the Tar Heel State would snag a hat trick and gain a seat in a third consecutive census. That looks less probable now, due largely to the economic slump beginning in 2007.

The Virginia-based political consulting firm Election Data Services estimates that North Carolina would just miss securing a seat. Another firm, Polidata, predicted in December that the state would come 75,000 residents short of the mark.

North Carolina has gained enough people to justify another congressional district, but other states, including Texas and Florida, have fared even better, said Mike Munger, chairman of the Department of Political Science at Duke University.

The general nationwide shift in population from blue states to red states should help Republicans at the federal level, Taylor said, especially in states where the GOP controls the legislature and, therefore, redistricting.

"It means Electoral College votes in presidential elections. It means seats in the House," he said.

Government watchdogs from both parties back an overhaul of the redistricting process, but their attempts

haven't gained steam. Bills have been introduced in both chambers of the legislature that would propose a constitutional amendment creating a bipartisan commission to draw district lines.

None has been voted on.

Redistricting conflicts

The concern is that legislators responsible for drawing district lines occupy those districts or might run in them one day, creating a conflict of interest. Republicans point to the 13th Congressional District as an example.

Brad Miller, who has represented the 13th since its creation, formerly served in the state Senate and chaired the redistricting committee that drew the district's boundaries.

He campaigned for the seat while still chairing the committee, until resigning as chairman, but not as a member of the committee, in April 2002, seven months before the election.

Redistricting is never a zero-sum game, though, because some Republicans still benefit when Democrats gerrymander. To improve their chances in a given congressional district, for example, Democrats might have to siphon off friendly voters from neighboring districts, weakening their prospects.

"Everything is a domino, which is one of the difficulties in drawing the districts if you're concerned about incumbent protection," said Orr, who is now executive director of the North Carolina Institute for Constitutional Law.

Even so, due to the tenuous political atmosphere, now might be the best chance to take the decision out of politicians' hands and create an independent commission, Nichol said.

"Since neither side knows which is going to control the legislature and who's going to control the North Carolina Supreme Court, it might be nice if both sides stepped back and [looked at] a less partisan method of deciding these issues," he said. CJ

Editorial intern Bill Flanigen contributed research to this story.

State and federal courts have had to step in several times to prevent partisan gerrymandering after the decennial census

Town and County

Rail's Raleigh impact

The N.C. Department of Transportation is hoping to establish a 110-mph passenger train service from Raleigh to Richmond. The department's plan, which is dependent on receiving federal funding, includes eliminating all at-grade rail crossings along the route, reports the *Raleigh News & Observer*.

There are some 200 at-grade crossings, in which cars cross the railroad tracks at street level, along the rail line's proposed route. DOT wants to build bridges or underpasses at nearly 100 sites, and close more than 100 crossings to automobiles.

The most difficult decision on how to proceed would be in Raleigh, determining on which side of Capital Boulevard the trains would run. On the east side of the road are CSX tracks, on the west side Norfolk Southern tracks.

Making use of the CSX tracks would cost an estimated \$44 million and take out fewer existing businesses. That would, however, isolate the Glenwood South entertainment district. Both routes would have significant impacts on the existing road network.

"That will be a significant decision in Raleigh," said Pat Simmons, director of the state DOT Rail Division. "After that, as you head north, you have less urban development through which you have to thread this needle."

Winston-Salem incentives

Winston-Salem officials plan to use 90 percent of the \$15.5 million in incentives that Dell is returning to offer incentives to other companies to locate in the city and for other economic development projects, reports the *Winston-Salem Journal*.

Dell is returning the money when it closes its Forsyth County manufacturing facility. The largest chunk — \$6.7 million — would go into an infrastructure fund aimed at attracting business to the city. Another \$3.7 million would provide an incentives package for a company the city currently is pursuing.

Only \$1.5 million would go to the city's general fund.

The city council is expected to approve this redirection of the incentives.

"If it makes financial sense, let's do them until someone out there convinces me that companies don't want to come — and I don't think that's true," said Council Member Wanda Merschel. *CJ*

Health Care Bill Worries Local Governments

By KAREN WELSH
Contributor

RALEIGH

Cities and counties are deciding whether they want North Carolina to join other states in suing the federal government over the new Patient Protection and Affordable Care Act.

As details of the new health care law begin to surface, concerns are rising among local officials about the constitutionality of the legislation and hidden costs awaiting residents in years to come. The constitutional question arises around the bill's mandate forcing insurance to satisfy specific coverage requirements. Can Washington coerce a local government to buy policies only from providers approved by the federal government? The fiscal worry surrounds the expenses public agencies will incur for the health insurance they purchase for their own employees.

Carolina Journal has been able to find no research projecting the fiscal impact of the federal law on health insurance plans provided by public employers. Estimates of the legislation's costs have instead focused on public assistance programs including Medicaid and private health insurance premiums.

Even so, cities and counties are wise to be worried, said Joe Coletti, director of health and fiscal policy studies at the John Locke Foundation. He said local governments across the country must decide whether their health insurance coverage meets federal standards. If not, counties and cities will have to pay hefty fines imposed through the new law beginning in 2018. This cost, in turn, will be passed on to local taxpayers in the form of higher taxes.

"This is a constitutional question," Coletti said. "If the federal government is telling the local government what to provide, does that mean the federal government is overstepping its bounds? That's a constitutional issue, because one form of government cannot tax another."

Meantime, Sanford Mayor Pro Tem Mike Stone said the federal government has added a new unfunded mandate — a program that will affect local governments while offering agencies no means to pay for it.

"Clearly the new health care plan has well-meaning intentions, but the actual implementation isn't fully understood by cities and counties at this point," he said. "Cities will have to consider that insurance rates will skyrocket in cost due to the fact that all individual premiums will be essentially the same regardless of risk."

To date, 20 states have joined in a federal lawsuit challenging the constitutionality of the law.

Duplin County is hoping North Carolina will become one of those states. Recently, county commissioners passed a resolution by a 4-2 vote urging Attorney General Roy Cooper to join in a lawsuit "in order to protect the freedom of North Carolinians and the sovereignty of our great state."

Republican Commissioner Harold Raynor submitted the resolution, which he, two Democrats, and an unaffiliated commissioner supported.

"We're going to do what we can, and we've got some pretty prominent folks behind us," he said. "We're going to

give it a try and fight this thing. We want to be responsible and proactive."

Raynor said there isn't a lot of public support for the resolutions at the present time, but he believes that's because most people don't understand the ramifications of the bill. Once the information concerning the ultimate cost of the bill begins to surface, however, he believes most people will change their minds.

"It will get interesting in the next 12 months," he said.

U.S. Rep. Walter Jones, R-3rd District, also sent a letter asking Cooper to join the lawsuit. Jones favors health care reform but says Congress rushed through the process too quickly. "So many in the House and Senate were saying, 'Slow it down, slow it down so we can understand all the aspects of the bill,'" he said. "We need to take it one step at a time and deal with the problems in health care one at a time."

He said if nothing is changed in the existing law, then counties will have to raise their constituents' taxes.

"I didn't vote for it," he said. "I know many people that feel some aspects aren't constitutional. It can become a legal issue. There are many questions that need to be answered by the court. I've asked our attorney general to fight this."

To date, Cooper has not agreed to participate in that lawsuit. In a memorandum to Gov. Bev Perdue dated April 16, Cooper stated, "After careful consideration, I have concluded that North Carolina will not join this lawsuit. The United States Supreme Court has held that duly ratified acts of Congress are presumed to be constitutional, and it is clear that Congress has extremely

broad authority under the Commerce Clause of the United States Constitution."

Mark Hall, professor of law and public health at Wake Forest University School of Law, agreed.

"Federal reform invites states to play a key role in designing key elements of the insurance market, such as high risk pools and the insurance exchanges," he said. "This critical role for the states is in the great spirit of federalism on which our country is founded and that underlies the claims of states' rights."

Hall said it is contradictory to attack the very law that protects states' rights. He said it's inappropriate for a state to sue a law as unconstitutional at the same time they are trying to implement it.

Jones disagreed. "This is a massive expansion of the [federal] government into the lives of the American people," he said. "I've met with doctors, nurses, health care workers, hundreds of them, and almost every one of them said there are aspects of health care that need to be reformed, but it doesn't need more government."

Jones said important changes to the law could not happen until more conservatives are elected to Congress.

"That's when I think we'll see a rebuke of certain aspects of the bill," he said. "We've got to dismantle this big bill. The costs have not been fully calculated or understood. Information keeps creeping out on this thing every day, every week, every month. It's an intrusion of the federal government. It's just not going to work." *CJ*

111TH CONGRESS
1ST SESSION H. R. 3962

To provide affordable, quality health care for all Americans and reduce the growth in health care spending, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 29, 2009

Mr. DINGELL (for himself, Mr. RANGEL, Mr. WAXMAN, Mr. GEORGE MILLER of California, Mr. STARK, Mr. PALLONE, and Mr. ANDREWS) introduced the following bill; which was referred to the Committee on Energy and Commerce, and in addition to the Committees on Education and Labor, Ways and Means, Oversight and Government Reform, the Budget, Rules, Natural Resources, and the Judiciary, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To provide affordable, quality health care for all Americans and reduce the growth in health care spending, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 SECTION 1. SHORT TITLE; TABLE OF DIVISIONS, TITLES,
4 AND SUBTITLES.
5 (a) SHORT TITLE.—This Act may be cited as the
6 "Affordable Health Care for America Act".

Appeals Court Decides Officer-Injury Question

By MICHAEL LOWREY
Associate Editor

North Carolina law allows for mutual assistance agreements between police departments. But which police agency is responsible when an assisting officer is injured in the line of duty?

In a case from Wake County, the state's second highest court ruled June 1 that the department that employs the officer — not the agency he's been loaned to — is responsible for the costs of any workers' compensation claims.

John Taylor has worked as a police officer for the town of Garner since 1988. In 2007, he helped establish the town's volunteer mounted patrol unit.

In June 2007, the Garner Police Department and N.C. State Campus Police Department entered into a mutual assistance agreement, allowing the two departments to aid each other in enforcing the law when requested.

On Sept. 26, the chief of the N.C. State Campus Police Department emailed the chief of the Garner Police Department to ask if Taylor was available to work mounted patrol at N.C. State's Sept. 29 home football game at Carter-Finley Stadium. Taylor was available and paid by the university.

The next N.C. State home football game was Oct. 27. Taylor was again there in uniform with his horse. At about 6:30 p.m., Taylor and three other mounted patrol officers decided to exercise their horses in a field that was about 100 yards long with a series of light poles.

It was not until his horse had built up considerable momentum that Taylor realized that a guidewire was attached to one of the poles. He raised his left hand to protect his face. The guide wire severed a portion of Taylor's thumb.

Surgery to reattach it was unsuccessful. Despite having only nine fingers, Taylor was able to return to duty eight months later.

Though N.C. State and Garner both agreed that Taylor's injury was work-related, both also rejected Taylor's workmen's compensation claim, contending that no employer-employee relationship existed at the moment he was injured.

On July 22, 2009, the North Carolina Industrial Commission ruled that Garner, and its insurance carrier, the N.C. League of Municipalities, were responsible for Taylor's workmen's compensation.

The town and the league subsequently challenged the ruling, and brought the matter before the N.C. Court of Appeals.

The court was not, however, swayed by the town's and league's arguments.

Mutual assistance agreements between police departments are authorized by N.C. General Statute 160A-288. The law allows a chief of police to request assistance from other law enforcement agencies. Such a request must be in writing. The law goes on to state that:

"While on duty with the requesting agency, he shall be subject to the lawful operational commands of his superior officers in the requesting agency, but he shall for personnel and administrative purposes, remain under the control of his own agency, including for purposes of pay. He shall furthermore be entitled to workers' compensation and the same benefits when acting pursuant to this section to the same extent as though he were functioning within the normal scope of his duties."

Garner argued that it wasn't liable for Taylor's workers' compensation, as N.C. State's chief had not again requested his services specifically for the Oct. 27 game as required by the statute and that N.C. State, not Garner, was paying Taylor.

The appeals court, though, noted that both police chiefs were aware that Taylor would be working at all N.C. State home games in 2007 and both approved the payments from N.C. State directly to Taylor.

"Because the Legislature clearly intended for law enforcement officers to be protected for purposes of workers' compensation benefits when acting in this capacity, we hold the parties substantially complied with the requirements of N.C. Gen. Stat. § 160A-288(a) for personnel and administrative purposes," wrote Judge Sanford Steelman for the appeals court.

The case is *Taylor v. Town of Garner* (09-1522). CJ



COMMENTARY

Water Systems Soaking Consumers

Early June was very wet. You may have used less water as you watered your lawn and garden less. And that could mean that you'll be paying more for water next July. Bizarre as it sounds, that's the basic rationale local governments across the state are making to justify large increases in water rates.

With water and sewer systems, you see, it's all about the fixed costs, the costs that are constant regardless of how much water a town or county supplies to its customers. The big one is debt service — and most water and sewer systems finance expansions by borrowing money. Then there are the costs of operating water treatment plants, which must be staffed no matter how long people shower.

By comparison, water and sewer systems have few variable costs, the costs that rise when customers use more water and fall when they use less. The most obvious and critical input comes free — local governments don't pay Mother Nature by the gallon for water they withdraw from the local lake or river.

Two years ago, North Carolina was in a severe drought, and mandatory water restrictions were in place throughout the state. Residents responded and cut water use. Some of those water conservation practices apparently have become ingrained deeply in people's psyches, as water use in many areas still is down. And North Carolinians are being rewarded for cutting water consumption with higher water rates. Water systems still have to pay fixed costs (and retire their debt) even if customers use less water. Hence the higher rates.

Certainly it is part of the story. Raleigh residents, for example, are facing a third rate hike in two years and could be paying 25 percent more per gallon of water used than they did two years ago. Per-capita water consumption has fallen by nearly 25 percent over the past five years.

But government-run water

systems often have objectives and practices that go beyond merely paying the water system's bills. And these goals can and do affect residents' monthly water bills.

Raleigh's water consumption is down in part because it adopted mandatory, year-round watering restrictions even before the 2008 drought. These limit when you can water and remain in effect today, even though water is currently not scarce.

At least one Raleigh City Council member thinks it's time for the city to rethink its water use restrictions.

"Those that will use more water will pay a little more, and that will pay off our debt service," said Councilman John Odom to the *Raleigh News & Observer*. "Maybe we shouldn't be hollering 'conserve, conserve, conserve.'"

Raleigh supplies water to Knightdale, which has been pretty much the low-rent section

of Wake County. Knightdale wants to go upscale and has limited the amount of additional affordable housing that can be built. It's done that by limiting water and sewer connections for low-priced housing.

The city of Durham traditionally has capped the fees it charges county residents to connect to its water system. The caps amount to a subsidy for those who live on property that has rocky soil or difficult terrain, making it more costly than normal to connect to the system.

Local government officials also have been known to push items like storm water fees onto water bills rather than have them come from general fund revenues. Storm water fees collected by local government, often via water bills, came to \$121.9 million in the 2008-09 fiscal year.

So it's important to keep a close eye on what's happening with local water policy before ratepayers get soaked again. CJ

Michael Lowrey is an associate editor of Carolina Journal.



MICHAEL LOWREY

Local Innovation Bulletin Board

Secret Wal-Mart Killers

When Wal-Mart says it's going to come to a community, it can set off intense local opposition. This opposition has not always emerged from local residents. Rival supermarket chains secretly have funded those rallying against construction of the new store, reports *The Wall Street Journal*.

Wal-Mart is now the nation's largest grocer. In 2009, 51 percent of the chain's revenue came from food sales.

Rival supermarket chains often do not want to compete with Wal-Mart and its lower prices, which forces competitors to trim their profit margins.

To help keep Wal-Mart out, some chains have turned to Saint Consulting Group, which has jokingly referred to its staff as "Wal-Mart killers."

A Saint operative will come to a town and attempt to take control of efforts to stop Wal-Mart. Specific tactics include calling local politicians repeatedly from multiple phone lines, and hiring experts and lawyers to slow the process down.

Saint's efforts often result in a doubling of the amount of time it takes Wal-Mart to open a new store.

Safeway, for example, has hired Saint to help fight Wal-Mart in more than 30 locations in California, Washington, Oregon, and Hawaii. Saint typically trained unionized Safeway employees in how to fight the rezoning requests necessary for Wal-Mart to come to the towns.

Unions sometimes pay part of Saint's fees. "The work we've funded Saint to do to preserve our market share and our jobs is within our First Amendment rights," said Jill Cashen, spokeswoman for the United Food and Commercial Workers Union.

Houston grows

Over the past decade, Houston's population has grown by 24 percent, or at five times the rate of Boston, New York, or San Francisco. What does Houston have that these other cities lack? Opportunity, says Joel Kotkin in an article in *Forbes*, makes the city a model for 21st century urbanism.

Between 2000 and 2009, Houston added 260,000 jobs. By comparison, the much more highly populated greater New York area saw employment increase by only 96,000 over the same period. Chicago, San Francisco, Los Angeles, and Boston

each lost at least 100,000 jobs.

"Politicians in big cities talk about jobs, but by keeping taxes, fees, and regulatory barriers high, they discourage the creation of jobs, at least in the private sector," says Kotkin.

"Houston just works better at nurturing jobs."

The city has invested heavily in infrastructure and schools while keeping the cost of government low. It's also survived the bursting of the housing bubble remarkably well, with housing prices up slightly as compared to 2007.

Houston isn't the type of city urbanists typically offer as a model. Even so, its college-educated population grew by 13 percent between 2005 and 2008, the same rate as Portland, Ore., and more than twice the rate in New York, San Francisco, or Los Angeles.

"But Houston's biggest advantage cannot be reduced to numbers. Ultimately it is ambition, not style, that sets Houston apart," says Kotkin.

Cleveland shrinks

Since 1950, Cleveland, once the seventh-largest U.S. city, has lost more than half of its population. Nick Gillespie offers some suggestions in *Reason* for turning the city around.

Part of any solution must be to change the mind-set of the city's residents, who have come to feel hopeless.

"Fatalism must give way not to delusional optimism and boosterism but to a sense of longing for something better — and, equally important, a belief that it can be achieved," writes Gillespie.

The city also must get away from relying upon the usual big-ticket economic development schemes that never work out: civic centers, sports stadiums, light rail, and the like. Instead the city must focus on the basics, like protecting life and property, and making local government more transparent and accountable to its citizens.

Privatization of key city functions, if done properly, offers the potential to offer citizens better value for their tax dollars. City officials also need to reduce red tape and simplify the regulatory process.

Cleveland's schools are terrible. Having school funding follow students and opening more charter schools are key educational reforms Cleveland should enact. CJ

Charlotte Rail Visions Hit Snag

By MICHAEL LOWREY
Associate Editor

CHARLOTTE

Charlotte's light rail visions have hit a major snag. Lower than projected sales tax receipts may force a delay or reduction in the scope of its second light rail corridor, reports *The Charlotte Observer*.

Charlotte Area Transit System's current light rail line, which opened in 2007, runs 9.6 miles from Interstate 485 near Pineville along South Boulevard

to downtown Charlotte. A proposed extension would cover 11 miles to the UNC-Charlotte campus and beyond in northeastern Mecklenburg County.

In 2006, transit officials said that they should be able to complete the extension by 2013 if the Federal Transit Administration covered half the construction costs and the state paid another quarter of them. Since then, the projected completion date has slipped several times. Last year, CATS projected that the extension would open in 2019, and now they say even that's questionable.

The transit authority's primary funding source, a dedicated Mecklenburg County half-cent sales tax, is not bringing as much money as hoped. CATS projected that tax receipts would grow by 5.75 percent a year. That hasn't been the case, with receipts this year about the same as in 2005. The transit system now projects that it will have about \$300 million less to spend over the coming decade than it had projected.

One option CATS is considering is to build the extension in pieces, completing a four- to five-mile segment to the first planned park-and-ride station on the northeast side of the city first, and then building the rest later. Construction costs for this segment to Sugar Creek should be roughly \$350 million to \$400 million. In 2009, CATS estimated the cost for all 11 miles of the extension at more than \$1.1 billion.

Fayetteville zoning overhaul

Fayetteville is nearly done rewriting its zoning regulations. Local developers worry that the proposed changes will make it more difficult and costly to build in the city, reports the *Fayetteville Observer*.

The city began the process of rewriting the rules in 2008. City planners say the goal is to promote all forms of

housing in the city without increasing construction costs.

Some local residents question to what degree that's true.

"I think some folks were surprised on just how big of an impact the proposed ordinance changes would have," said Jimmy Kizer Jr., an engineer who has followed the zoning rewrite process.

Kizer notes that the proposed new regulations increase the amount of land that new apartment complexes would have to set aside for park

recreation space from 500 square feet of land per unit to 800 square feet. Most developers pay the city a fee instead of providing the full amount of park space. For a 325-unit apartment complex, the addition cost would be more than \$750,000.

The proposed regulations also reduce the number of houses that can be built per acre in some zoning districts.

"You basically have a group of consultants sitting in Chapel Hill writing what is basically an academic exercise that will become law," said developer John Gillis of the process.

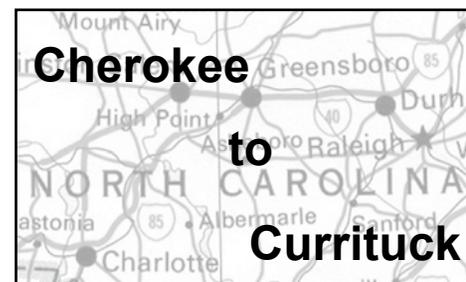
Durham housing liens

The Durham City Council has approved a proposal that would allow landowners whose property is subject to repair or demolition liens to convey the property to the city to satisfy the lien. Durham would then use the land for affordable housing, reports the *Durham Herald-Sun*.

Durham's Neighborhood Improvement Services Department enforces the city's minimum housing code. It can make repairs to or even demolish substandard housing and have a lien placed on a property for the expense. The cost of tearing a house down often exceeds the value of the lot on which the house stood. The resulting lien makes it difficult for the property owner to sell the lot or for the property to be redeveloped. The city holds liens totaling \$808,458 on 85 properties.

"We've received numerous calls and visits in our office from citizens who've requested that we work with them so they could convey their property to the city in lieu of payment," said NIS Director Constance Stancil.

City staff will now develop specific policy guidelines for property conveyance to satisfy liens, including a definition of "affordable housing." CJ



Davie County Residents Continue to Say No to New High School

By KAREN WELSH
Contributor

MOCKSVILLE

The typical Davie County resident views the controversy over a new high school as a battle between the “haves” and the “have-nots.”

For more than a decade, the decision to build a second high school campus, now estimated to cost \$30 million, has pitted the white-collar east side, known as Advance, against the blue-collar west side community of Mocksville.

County officials claim overcrowding and the use of 26 portable trailers at the current location in Mocksville have harmed students. They say the existing high school, known for its stellar athletic and academic programs, simply is located on the wrong side of the county.

But county residents never have been keen about raising the taxes or allowing the debt a new campus would require. School bond referendums in 2003 and 2007 to provide money for a new school in the eastern part of the county were rejected by nearly 2-to-1 margins both times. Two subsequent ballot measures that would have raised taxes to fund a new school also have failed.

“Most people felt the rich kids were going to get the new school and the poor kids would get the old school,” said longtime resident and area businessman Ralph Greco, who supports the new high school. He added that a significant portion of the population also worried about dividing the county’s successful athletic programs.

County Manager Beth Dirks said the defeats sent a clear message to local officials. But the message they got may not be the one the locals were sending.



Solutions to the overcrowding of Davie County High School have residents divided between the white-collar east side and blue-collar west side. (Davie County Schools photo)

County officials believe residents want one centrally located high school. “We came up with a new plan,” she said. “We would build a single new campus near Davie County Junior High in the center of the county. It was a compromise plan of the two failed bonds.”

Dirks said the plan was about more than developing a new high school. The project also would include a new facility for the early college program, and would repurpose the current high school campus for use as the district’s central office and much-needed community college space.

She also said the new high school would be built to the specifications of the STEM education initiative, a program sponsored by the Bill & Melinda Gates Foundation. Davie County was hand-selected to participate as a com-

munity collaboration role model for the state.

“The new high school would be the first school in the nation designed around our instruction, how we want to teach in those walls,” Dirks said. “We custom-designed a prototype high school around our STEM education.”

After the tax measures failed, county commissioners tried to bypass the voters by asking the state for \$30 million in Certificates of Participation funds.

Republican Commissioner Mark Jones wrote a letter to the North Carolina Local Government Commission in Raleigh stating he would not appropriate the funds to pay off the loan. Jones said he felt officials were abusing their power when they pursued certificates of participation funding.

“Citizens have a constitutional

right to vote if they want to incur such a large debt,” he said.

Bill Foust led a group of citizens who traveled to Raleigh to ask state leaders to turn down the loan.

“I let them know that 65 to 70 percent of voters were constantly voting against this thing,” he said. “I told them Davie County leadership has continually infringed on and skirted around our constitutional rights and that it’s been a continual battle [of] a want over a need. I informed them there was no community support, and the new school plan was not backed by the pledge and good faith of the voters, and there was a possibility that we could default on the loan.”

The committee voted 5-3 to turn down the COPs loan — a decision some say is unprecedented.

“The people of Davie County have made it clear that they want one high school and they are satisfied with the one we have, yet the school board and the county commissioners continue to pander to 25 percent of the population,” Foust stressed.

Former Davie County High School Teacher and Yadkin Valley Tea Party member Mark Hagar agreed.

“Community members are expressing outrage that the voters aren’t being listened to,” he said. “The county commissioners keep working through all the layers of legalities to get this done, but they are not listening to their constituents.”

Despite the setbacks, Dirks, the majority of the county commissioners, and the board of education have not given up on the project.

“What’s it going to take?” she said. “Why aren’t people buying into it? That’s the \$30 million question.”

CJ

Some residents feel county leaders are ignoring wishes of constituents

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From the Liberty Library

• All students of American history know the big events that dramatically shaped our country: The Civil War, Pearl Harbor, the assassination of John F. Kennedy, and 9/11, to name a few.

But there are other, less famous events that had an equally profound impact. In *Seven Events That Made America Great*, notable conservative historian Larry Schweikart takes an in-depth look at seven of these transformative moments and provides an analysis of how each of them spurred a trend that either confirmed or departed from the vision our Founding Fathers had for America.

For instance, he shows how Martin Van Buren's creation of a national political party made it possible for Obama to get elected almost two centuries later, and how Dwight Eisenhower's heart attack led to a war on red meat, during which the government took control over Americans' diets. Learn more at www.us.penguin.com.

• The real threat to the United States is not terrorism. The real threats come from the sophisticated forces of Islamism, which have collaborated with the American Left to undermine U.S. national security and our cultural heritage.

So argues best-selling author Andrew C. McCarthy in *The Grand Jihad: How Islam and the Left Sabotage America*. In the book, McCarthy gives a harrowing account of how the global Islamist movement's jihad involves far more than terrorist attacks, and how it has found the ideal partner in President Obama, whose Islamist sympathies run deep. More at www.encounterbooks.com.

• People tend to remember the moment they first heard The Rush Limbaugh Show on the radio. For Zev Chafets, it was in a car in Detroit, driving down Woodward Avenue. Limbaugh's braggadocio, the outrageous satire, the slaughtering of liberal sacred cows performed with the verve of a rock 'n' roll DJ—it seemed fresh, funny, and completely subversive. "They're never going to let this guy stay on the air," he thought.

While Limbaugh's public persona is instantly recognizable, his background and private life are often misunderstood. In a new biography, *Rush Limbaugh: An Army of One*, Chafets paints a compelling portrait of Limbaugh as a master entertainer, a public intellectual, a political force, and a fascinating man. Learn more at www.us.penguin.com. CJ

Book Review

No Crime a Harrowing Tale of Governmental Abuse

• Jon Entine, *No Crime But Prejudice: Fischer Homes, the Immigration Fiasco, and Extra-Judicial Prosecution*, Ashland, Ohio: TFG Books, 2009, 197 pages, \$12.95

By GEORGE LEEF
Contributor

RALEIGH

This is a revenge book. Americans who are victimized by government officials rarely obtain anything resembling justice. They almost never are compensated for the great personal and financial losses they suffer when compelled to defend themselves against crimes they did not commit. All they can do is to speak out, telling others the shocking truth that our legal system has become a Sword of Damocles poised over the head of peaceful Americans.

No Crime But Prejudice is the only revenge that businessman Henry Fischer and his employees will get for the tuggish treatment they endured at the hands of federal authorities who targeted his homebuilding company for its alleged violations of the federal law against employing "undocumented workers." Against long odds and a legal deck stacked in favor of the government, Fischer Homes managed to survive a harrowing persecution that easily could have destroyed the firm — an attack launched just to show that the Bush administration was "getting tough" on businesses that employed illegal aliens.

The book's author, Jon Entine (a visiting fellow at the American Enterprise Institute), effectively tells the ugly story, and readers may want to have a punching bag around as he digs into the nasty details. They'll probably get mad enough to want to hit something.

The great housing bubble was still expanding in 2006, and Fischer Homes was very busy building houses and condominiums in northern Kentucky. The firm used many subcontractors for various elements of the construction work. Under federal law, those subcontractors were obligated to employ only "legal" workers. Individuals who produced credible documentation regarding their "right" to work in the United States could not be interrogated further by employers about their immigration status.

Fischer's subcontractors affirmed that they employed only "legal" workers. Quite a few of those workers looked as though they might be from Mexico or Central America, but that also could be said about many U.S. citizens. Fischer had done all it could legitimately to protect itself against possible charges of violating the law.

Nevertheless, the decision was made inside the bowels of the federal government to go after Fischer. Entine credibly speculates that officials in the Bush administration

targeted the company because it was large enough to enable the government to say that it seriously was cracking down on the supposed "illegal worker crisis" but not so large that it might put up a vigorous defense. That is one of the book's most important insights: Government officials abuse the justice system in order to score points with easily manipulated voters.

The first step in the attack was a piece of rank deception. Posing as local law enforcement officers, Immigration and Customs Enforcement personnel went to several Fischer construction sites in January 2006, pretending to be searching for a murder suspect named Raul Rodriguez, who was rumored to be doing construction work in the area. That was the cover for the operation, which was to get one or more Fischer supervisors to say (for a hidden microphone) anything that could be construed as showing that they knew that some of the workers were illegal. All they got was some joking banter about the possibility that some of the workers were illegal, but that was sufficient.

Rather than calmly investigate, the feds' next move was a vicious, military-style raid in which four Fischer supervisors were arrested early in the morning, led away to black SUVs in chains in front of their terrified families. Oh, yes — also in front of TV cameras. The media had, of course, been tipped off. ICE wanted maximum exposure and favorable commentary on its "toughness." The company's headquarters also was raided.

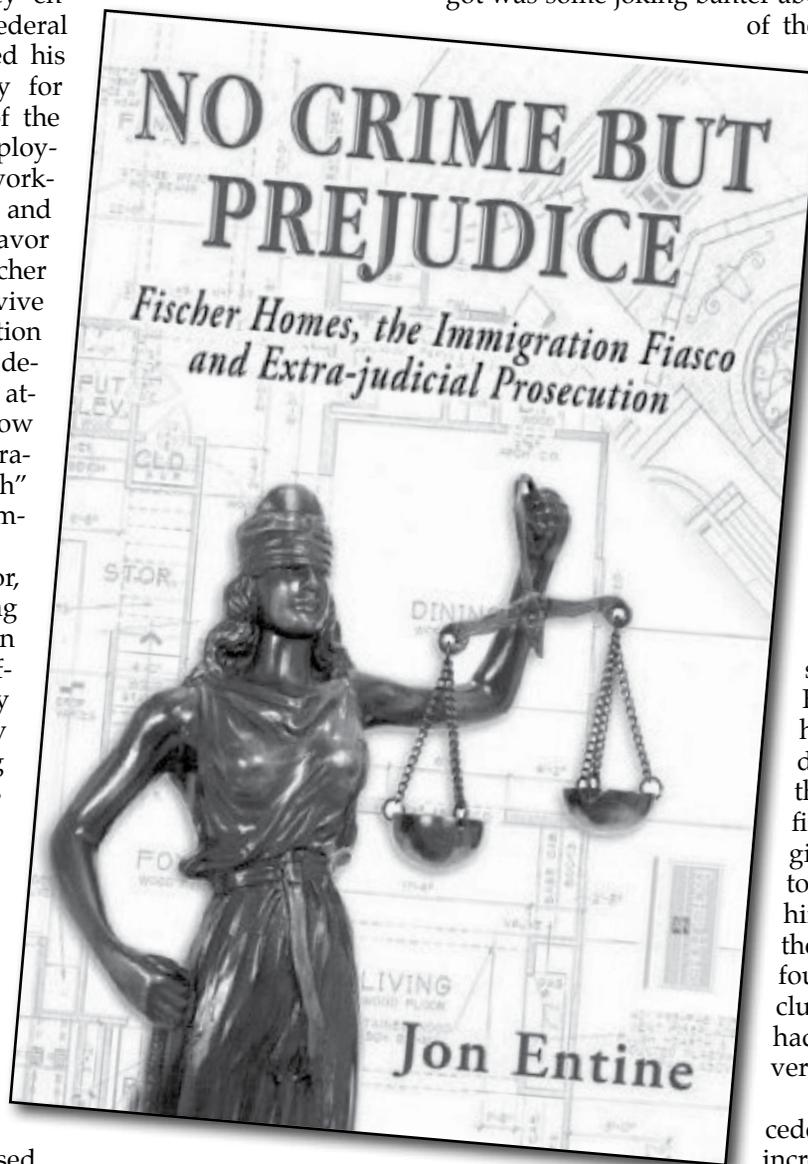
Federal prosecutors subsequently informed Henry Fischer that unless he agreed to admit wrongdoing and pay a large fine, they would ruin him. They figured that he'd cave in and give them the publicity victory they craved. Instead, he hired a lawyer who dug into the government's case and found it remarkably shaky, including evidence that the feds had doctored the recorded conversations.

As Fischer refused to concede, prosecutors resorted to increasingly despicable tactics, such as telling the supervisors

that unless they agreed to tell the right "story" in court — lie to take down the company but save their own skin — they'd be in prison for a long time. But neither Fischer nor his employees broke, and rather than face defeat in court, prosecutors moved for a dismissal of the charges.

Entine doesn't take on the big question that underlies this and so many similar cases: Should the government have power to criminalize contracts between employers and "illegal" workers? He didn't, so I will. In a free society, people may contract with others as they see fit. Criminalizing contracts, to say nothing of Gestapo-like raids, means we no longer have a free society. CJ

George Leef is book review editor of *The Freeman*.



Free Markets Generate Wealth That Makes Philanthropy Possible

Critics of the free market claim that only the rich benefit from a market economy. While the rich gain, the story goes, the poor remain in poverty and can't escape it. This is not true. Free markets can (and do) help the poor escape poverty and provide the financial means for people to help their fellow man.

In many cases, entrepreneurs who have earned massive wealth, such as Andrew Carnegie and Meyer Guggenheim and North Carolina's Albert Earl Finley and A.J. Fletcher, start foundations that grant money to various nonprofits and charitable works. Without these rich people, many symphonies, art museums, colleges, and historic sites might be in dire financial straits.

On a smaller but no less important scale, free markets also enable many others to acquire wealth and be charitable toward family, friends,

community, and their favorite causes.

A business owner, Quaker, abolitionist, and organizer of the Underground Railroad, Levi Coffin is one example. In 1798, he was born in New Garden (now in Greensboro's city limits) and moved to Indiana in his late '20s.

He opened stores there and a wholesale warehouse in Ohio that handled cotton goods, sugar, and spices produced by free labor. According to Coffin, "The Underground Railroad business increased as time advanced, and it was attended with heavy expenses, which I could not have borne had not my affairs been prosperous."

In 1867, he helped raise \$100,000 for the Western Freedmen's Aid Society. In Coffin's case, a personal concern for profit meant freedom from literal bondage for many others.

A former slave turned postwar entrepreneur, a business-savvy yet philanthropic John Merrick (1859-1919) provided goods and services to Durham's African-American community. Saving his pennies for his creative entrepreneurial plans, Merrick, a barber, eventually co-founded

an insurance company, North Carolina Mutual Life, to "relieve distress amongst the poverty-stricken segment of Durham's Negro population." He also established Mechanics and Farmers Bank to ensure that blacks would not be turned down for loans for reasons other than their credit.

Merrick's wealth allowed him to fund educational and health care charities in Durham's African-American community. North Carolina Central College (then known as College for Blacks in Durham), several rural grammar schools, and public libraries welcomed Merrick's philanthropy. On behalf of the African-American community, the former slave used his business and personal connections to secure money from the Duke family to start a hospital and nursing school.

Aaron McDuffie Moore (1863-1923) helped Merrick persuade the Duke family to start Lincoln Hospital in 1901. The first black physician in Durham, Moore started a small pharmacy chain known as the Bull City Drug Company. Concerned with his community's educational needs, Moore used his profits to start a local library for the community, donated to

North Carolina Central College, and campaigned and helped meet a Rosenswald matching grant that paid for the salaries of rural school inspectors.

Everyone doesn't earn massive wealth from free markets, to be sure. Sometimes markets make a comfortable and "normal" life possible.

Business owner Willis Hinton achieved that, but then again, his story in many ways is extraordinary. In 1840, Hinton was born into slavery. As a 28-year-old during Reconstruction, he moved to High Point to find work as a railroad hand. While later working in a bobbin-and-shuttle block factory, Hinton saved his earnings and little by little accumulated property. In time, the illiterate, former slave became an entrepreneur and operated two successful businesses: a café and an 11-room hotel.

Maybe only a few have the ability and determination (and the luck) to earn massive wealth, but we all can benefit in some way from free markets. CJ

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



TROY KICKLER

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Short Takes on Culture

'The Road' to Nowhere

- "The Road" (spoiler warning)
Directed by John Hillcoat
2929 Productions

An apocalyptic nightmare with no light at the end of the tunnel, "The Road" would be more appropriately titled "The Road to Nowhere." Leave it to Hollywood to rip off a book from the Bible — Revelation — and give it a twisted, unhappy ending.

It's the story of a father and his son (whom he calls the Word of God) roaming a darkened, lifeless Earth, fending off cannibals, scavenging for cockroaches, and preparing to commit suicide with their last two bullets should their circumstances become more horrific than they already are.

After some untold cataclysmic event leaves the Earth barren and basically uninhabitable, the father and son are determined to survive, even without their wife/mother, who shot herself shortly after life became too gruesome to bear.

Near the end of their journey "south" — where they hoped to find sunlight and plant life — the father dies of starvation, leaving his young son lying next to his dead body on the beach for three days, until a hellish-looking family of four walks by and invites him to join them on their trek, presumably to nowhere. The End.

It is the most despair-inducing movie I ever have watched. Your time would be better spent reading the real Armageddon story, which ends with all things made new.

— SARA BURROWS

- *Reading the OED*
By Ammon Shea
Perigee Trade

Have you ever experienced onomatomania, "the vexation of having difficulty in finding the right word"? Author Ammon Shea suggests a fairly reasonable solution to this problem: read the dictionary in its entirety.

Not just any dictionary, mind you, but the *Oxford English Dictionary*, all twenty volumes. Fortunately for us, Shea has done this and documented his undertaking not in a longueur, "a long or boring passage of writing," as one would suspect, but in a delightful and informative way.

Shea consolidates the dictionary down to the most interesting and humorous words and then divides the book into 26 chapters, one for each letter. At the beginning of each chapter he recounts the year that he spent in his undertaking with amus-

ing anecdotes about the history of dictionaries, words, and the amount of caffeine that he consumed to complete this project.

Shea chooses an average of seven words for each letter that are sometimes unpronounceable and silly but more often educational. Some of my favorites are empleomania, "a manic compulsion to hold public office"; gramaungere, "a superb or great meal"; and bemissionary, "to annoy with missionaries."

In the end Shea offers a collection of words and their definitions that are sure to make you smile, at times laugh out loud, and even give you an utinam, "an earnest wish or yearning" that the book would never end.

— KELLIE SLAPPEY

- *Conservative Victory: Defeating Obama's Radical Agenda*
By Sean Hannity
Harper

There is good news and bad news about Fox News channel and radio host Sean Hannity's latest book, *Conservative Victory: Defeating Obama's Radical Agenda*. The good news: all proceeds from the book go to the Freedom Alliance charity, which pays education costs for children of military members killed or wounded in war.

The bad news: readers who are familiar with Hannity will gain little new information. The first four chapters repeat Hannity's talking points about President Obama's radical background and friends. In the next three chapters, Hannity tells why he is a Reagan Republican, and revisits the Contract with America. He doesn't get to the meat of winning until page 183.

Many elected Republicans will be unhappy with the chapter that takes them to task for losing their way. And he is especially hard on Republicans who deserted conservative ideals.

There are some good points about the book. It's a great handbook for someone who wants information about Obama's leftist background. The book also provides wonderful information about what made President Reagan great.

Finally, in the last chapter, Hannity lays out his plan for victory, which relies on the return to the core values of conservatism. An easy read, but not a great book, and disappointing after all the months of hype.

— MELISSA MITCHELL CJ

Book review

End Appeals to Noneconomists

- Ian Bremmer, *The End of the Free Market: Who Wins the War Between States and Corporations?* New York: Portfolio, 2010, 230 pages, \$26.95.

BY MELISSA MITCHELL
Contributor

RALEIGH

After reviewing Roger Lowenstein's book *The End of Wall Street* (June CJ), the book *The End of the Free Market: Who Wins the War Between States and Corporations?*, by Ian Bremmer, caught my eye. If the free market fails, then Wall Street will indeed be at risk.

Bremmer is the president of Eurasia Group, the world's leading global political risk research firm. He was inspired to write this book after a meeting with China's Vice Foreign Minister, He Yafie. Referring to the Wall Street crash, He asked, "Now that the free market has failed, what do you think is the proper role of the state in this economy?"

Bremmer responded, "Banks have clearly failed to regulate themselves, but that doesn't demand that government permanently dominate the economy." This statement led Bremmer to write an interesting book about the global economy.

His book is both historical and geographical. Historically, Bremmer offers a history of free-market capitalism, tracing its evolution from the 17th century to today.

Bremmer presents a multitude of facts about the use of free-market principles in communist countries, including China.

Geographically, he looks at various countries, addressing their political policies and how their natural resources affect the global marketplace. Bremmer notes that of the world's 100 largest economies, a mere 49 are countries.

The rest are corporations. He then provides a list of companies with economies that are larger than some countries.

Bremmer uses an interesting graphic that ranges from Utopian communism on the left to Utopian libertarianism on the right, allowing him to show the extremes at both ends of the spectrum.

Still, I found many aspects of the book confusing, among them

Bremmer's contentions that President "Obama's record suggests he is a believer in free market trade and free enterprise — though he ran for president at a moment when neither would win him many votes." I believe few conservative economists would agree with this statement.

He does not consider Obama is a socialist, but even if he is, Bremmer writes, "no president of the United States has the power to fundamentally change his country's economy." Once again, I think that many close observers of this president would disagree.

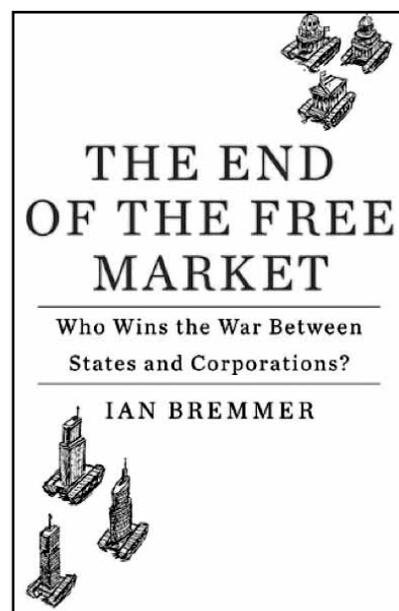
At times, it appears that Bremmer supports state capitalism — which he describes as "a system in which the state dominates markets for political gain" — but by the end of the book it is clear that he does not. State capitalism, he notes, provides wealth for countries, but it is intended mainly to keep powerful political leaders in office.

"Events sometimes overtake a book," Bremmer states in his acknowledgments. This is certainly true of Bremmer's book. With the recent revelations that scientists falsified global warming data, his section on global warming and green jobs seems completely irrelevant.

Written well before the Gulf oil spill, his information on the world's oil reserves and oil production is more pertinent. After reading the section on oil production and the countries that own reserves, I found Obama's rash decision to place a six-month moratorium on offshore drilling frightening. With the state of our economy, the United States could be in economic trouble if this ban on drilling remains in effect. I was left wondering what Bremmer would say about the moratorium.

The book is an easy read, but once again, I found myself in a maze of acronyms. Bremmer is concerned that the recent events on Wall Street may increase the move toward state capitalism, so he provides step-by-step ways to prevent that and enhance the free market.

Ian Bremmer has written a book that will appeal to the noneconomist and readers who want to see America's return to a vibrant economy and one not controlled by the government. CJ



Revere's Grass-Roots Activism Parallels Tea Partiers of Today

• Joel J. Miller, *The Revolutionary Paul Revere*, Nashville, Tenn.: Thomas Nelson, 2010, 304 pages., \$14.99 (paper).

By HAL YOUNG
Contributor

RALEIGH

When a historical figure becomes a legend, it's difficult to get back to the real person behind the myth. George Washington suffered first at the hands of his hagiographers, then from revisionists and debunkers. The cultural place of the intrepid Paul Revere was established by Henry Wadsworth Longfellow's poem, but the discrepancies between the poetic legend and history brought the same dismissal of Revere's real accomplishments that other founders and patriots have suffered.

While he didn't live in the Pantheon occupied by Washington, Jefferson, Franklin, and the like, Revere was an active patriot involved in nearly every major incident that took place in Revolutionary Boston. In Joel J. Miller's new biography, *The Revolutionary Paul Revere*, we can gain a new appreciation for this common man who played a significant role in the grass-roots movement for independence.

Miller's conversational prose takes the reader into Revere's household (he was widowed twice and had 16 children with his two wives) and shares his griefs and triumphs in business and social life, as well as relating his patriotic efforts. The tone is fast-paced, sometimes tongue-in-cheek, but backed with solid scholarship. Few books with this many footnotes can be read with as much entertainment as enrichment.

Boston was the epicenter of the breakdown between Britain and her

colonies, and Revere was positioned uniquely for the role he played in bringing it about. If Hancock, Warren, and Adams were commanders, Revere was a senior NCO, summoned to put the leaders' plans into action.

As an artisan, Revere's social class was that of a tradesman or mechanic. However, as a goldsmith — not just a silversmith — his clientele included the most influential members of Boston society, both Tory and Whig. They knew Revere's intelligence and trustworthiness from their business with him, and his connections with the merchants and craftsmen in his own class made him a valuable go-between for organizing, recruiting, and promoting generally the patriot agenda.

And promote it, he did. Revere was an active Freemason and member of several patriotic organizations in Boston, meeting with them frequently. The contacts were good for business, certainly, but they allowed Revere to cultivate relationships with key leaders in the independence movement. These in turn found opportunities to use his particular talents to best advantage.

For one example, Revere's skill at engraving printing plates was enlisted to illustrate handbills and newspapers advancing the patriot agenda. His copy of a painting illustrating — in a not-too-accurate but quite inflammatory fashion — the shooting of civilians by British regulars helped define the incident as "The Boston Massacre."

And when Revere rode to Middlesex village and farm in 1775, it was an errand among many other rides before and afterward. For a time, he drew four shillings a day as a messenger for the Committee of Safety. When the patriots realized the post was liable to be intercepted and published, they

used Revere as a courier, sending him as far as New York and Philadelphia to maintain correspondence between states and their representatives.

An important thing Miller highlights is the daily life that supported and sometimes motivated Revere's ac-

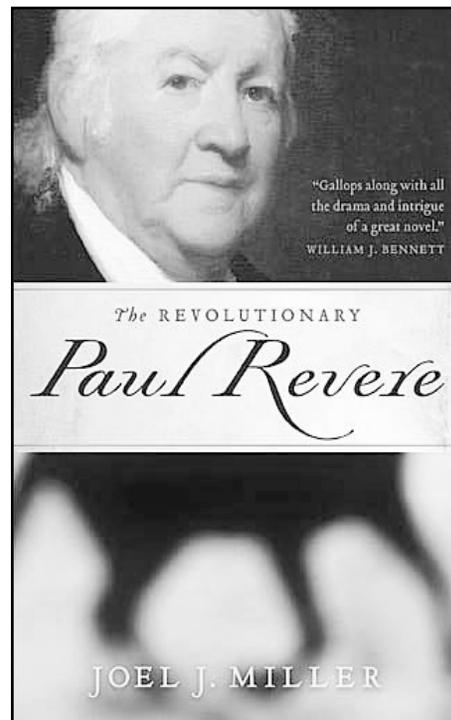
ous political activism and even more vigorous entrepreneurial effort."

Always looking for the next opportunity, Revere constantly was studying new styles of decoration and adapting them to his designs. When he ran short on gold, he worked in silver; when demand for luxury goods shrank, he took up dentistry; when the government needed cannons, he learned to cast them. "Old Ironsides", the U.S.S. Constitution, is held together with bolts and braces made by Paul Revere. He carried this entrepreneurial spirit through his entire life.

In short, Paul Revere was an average citizen who got involved and stayed involved in the political controversies of his day. This is what makes Revere such an interesting study. Washington and Jefferson were members of Virginia's planter aristocracy. John Hancock enjoyed great personal wealth, and he and Samuel Adams served many years as elected officials before and after the Revolution.

Revere, on the other hand, was a common craftsman whose income varied widely from year to year and who never rose (nor aspired, it seemed) to political office. He predominantly was a volunteer, like those in the modern Tea Party movement. (Incidentally, he was one of the leaders of the original Tea Party itself.)

Miller points out that when some legal documents classed Revere as "gentleman," it reflected the shift from British qualification-by-birth to the new American meritocratic ideal. In a way, then, Revere is more emblematic of the citizen patriot than the Olympian figures that first come to mind. Because of this, Miller says, to tell the story of Paul Revere is to tell truly the story of the American Revolution. CJ



tivism. His struggles as a young businessman were shared in shops and workshops all over town. Changes in British tax and trade policy hit hard the wealthy ship owners and prosperous merchants who provided the backbone of Revere's income. When they suffered, so did he.

"It was an old story that was told time and again in Paul's life: there is no greater destroyer of wealth than misguided government," Miller observes, at the end of Revere's career. "The only antidote short of revolution was vigor-

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By John Hood
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Choice
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COMMENTARY

Kitchen Table Economics

Some folks believe you've got to read the great economists, scholars, and philosophers to understand market forces, business and economic cycles, and the tug of war in a free society between individual responsibility and government regulation.

When it comes to freedom's historical development and detailed underpinnings, they're right. But there is a pop culture television alternative that, between the screaming and yelling, bleeped expletives, and trumped-up cliff-hangers, does a great job of providing a real-world illustration of the time-tested truths, principles, and power of a free-market economy.

The show is "Kitchen Nightmares," hosted by internationally renowned restaurateur and chef — and now American TV star — Gordon Ramsay. Ramsay is, first and foremost, an entrepreneur. For the past several years, he's put his creativity to work showcasing market forces as entertainment. Cameras in tow, Ramsay goes behind the scenes and into the heart of failing restaurants, putting owners and staff through a one-week boot camp on how to save their dying operation and emerge a savvy competitor.

Most of the restaurants he rehabilitates survive. Others are sold for a nice profit. But even Ramsay can't fend off the inevitability of the choices consumers make in a free market. Regardless of the outcome, each restaurant challenge — or "Kitchen Nightmare" — provides a valuable lesson that would make free-market economists proud. Here are a few of my favorites — the ones that are often the hardest to learn.

Economic Lesson No. 1: In a free market, failure always is an option. Some owners fail because they ignore Ramsay's customer-oriented recommendations. Others, such as a pub in Michigan, run with Ramsay's cures only to fall victim to declining disposable income, a factor outside even the best owner's control. Even the Midas-touched Ramsay has suffered the closure of a restaurant. There are no gov-

ernment bailouts in Ramsay's real world of winners and losers.

Economic Lesson No. 2: The free market provides opportunity as a byproduct of failure for those willing to see it. If the restaurant fails and outside investors are involved, the failure can push capital infusions to other entrepreneurs with more effective business plans. These entrepreneurs will, in turn, hire workers and create products and services designed to meet a market need or want. The kitchen manager who loses his job when the doors

close often finds another restaurant — or a new vocation — that utilizes his skill set more effectively. Others find success working for themselves.

Economic Lesson No. 3: Listen to what the market is saying. Customers validate the business plan every day when they come back to the restaurant. Only when they take their money elsewhere do owners finally address

nightmares lurking in the kitchen that are sending customers, and the owner's investment, out the door.

Economic Lesson No. 4: No amount of regulation can replace individual responsibility. Sensible public health regulations are appropriate, but the show demonstrates that even restaurants in highly regulated New York can serve food in unhealthy conditions. When Ramsay comes across kitchens that would send you and me running for the door, he stops operations and makes everyone learn — via the scrub brush — that meeting customer expectations of cleanliness is imperative for financial success, not just government compliance. Ultimately, it's up to the owner, not the inspector, to ensure his customers are well-served if he wants them back.

If you have the time and inclination to read the economic greats, by all means, do so. But if you want to be entertained while you learn, just turn on the TV. CJ

Donna Martinez is co-host of Carolina Journal Radio.



DONNA MARTINEZ



EDITORIAL

Why Not Try An Outsider?

The mere suggestion that Wake County might consider someone other than a public school lifer to become the next superintendent of the state's largest school district has given the education establishment the vapors.

School board member Debra Goldman has said the district should look at outside candidates to succeed Del Burns. Way outside — including successful business leaders and retired military officers. The board's five-member conservative majority also voted to end a policy requiring the superintendent to have at least three years' experience over the past decade in public education.

Local mainstream editorial boards have fretted that an outsider would lack "valuable" experience, because, after all, the school "workforce is motivated not by earning potential or stock options but by trying to educate young people."

But by following the rote formula of hiring public education veterans to oversee Wake County schools, the district hasn't been educating young people very well. So why not try something else?

In recent decades, it's hard to find an underperforming urban school district that has turned around unless it brought in a nontraditional leader. Innovators whose careers were made outside the classroom or the district office — and whose approaches were not stifled by the platitudes of pedagogy — have written a series of success stories.

Some high-profile reforms were supervised by:

- Joel Klein, New York City Public Schools chancellor: federal antitrust prosecutor.

- Roy Romer, head of the Los Angeles Unified School District, 2001-06: three-term governor of Colorado, state treasurer, state lawmaker, and owner of John Deere equipment stores.

- Michael Bennet, former superintendent of Denver Public Schools (and now a Colorado U.S. senator): investment banker and chief of staff for the city's mayor.

- Tom Boasberg, Bennet's successor in Denver: global mergers-and-acquisitions specialist, attorney with the Federal Communications Commission, and chief financial officer at Denver Public Schools.

- Michelle Rhee, chancellor of public schools in the District of Columbia: three-year veteran of the Teach for America program, which brings teachers who don't have traditional education degrees to inner-city schools, and founder of the New Teacher Project, a nonprofit operating in 20 states that recruits teachers for low-income schools.

- Arne Duncan, U.S. education secretary and former CEO of Chicago's public schools: professional basketball player in Australia and operator of a Chicago charter school.

They're all Democrats, by the way.

These school chiefs may have followed unusual career paths. But they used their passion for education — along with their talents — to blow past bureaucracies and unions and put students and parents first.

And make no mistake: The longer Wake County and North Carolina decision makers refuse to look outside the school establishment for leadership, the more kids' education will suffer. CJ

EDITORIALS

Hardly Impossible

North Carolina can cut the cost of government

Defending last year's fiscal monstrosity and the emerging outlines of this year's state budget plan, Gov. Beverly Perdue and legislative leaders say that without billions of dollars in tax increases and federal bailout funds, balancing North Carolina's books would have been impossible.

Republicans opposed tax hikes during the 2009 session, and most expressed concern about the use of short-term federal borrowing to finance long-term state responsibilities (and to evade the state constitution's requirement that the operating budget be financed by current revenues, not by debt).

GOP members must believe, therefore, that North Carolina could have coped with recessionary budget deficits without recourse to either taxes or federal bailouts. It's a fair question to ask precisely how such a state budget could have been crafted.

The broader issue, though, is also worth exploring: was true fiscal conservatism really feasible here?

Consider the most recent estimates of the cost of government across the various states. According to the Tax Foundation's compilation of U.S. Census fiscal and income data, state and local revenues in North Carolina accounted for about 9.8 percent of personal income in the 2008 fiscal year.

That put North Carolina slightly

above the national average of 9.7 percent. More to the point, North Carolina's cost of government substantially was above the Southern regional average of 9 percent.

In Texas, the state legislature meets every other year, the governing philosophy is conservative, and government costs 8.4 percent of personal income.

If North Carolina had limited its spending to the regional average that year, that would have constituted an 8 percent reduction from what we actually spent. If North Carolina had matched Texas in government costs, that would have represented a 14 percent savings.

Rather than continuing to raise taxes or subsist on borrowed dollars from an overstretched federal government, North Carolina ought to make larger, permanent cuts in the size and scope of its government. That means cutting nonclassroom expenses in the public schools, reducing the state's excessive and ineffectual subsidy of higher education, reforming our bloated Medicaid program, reserving our correctional facilities for truly dangerous criminals, cleaning up the state's organizational chart, and stopping the flow of state revenues to private firms, private nonprofits, and "private" foundations.

Are these steps impossible to take? Hardly. They're just hard. CJ

Dispelling Ferry Tales

Nonusers shouldn't subsidize ferry riders

Over the past couple of sessions, members of the North Carolina General Assembly have come up with some foolish ideas for balancing the state budget.

Raising the price of riding the state's ferries is not one of them.

The transportation subcommittee of the House Appropriations Committee recently endorsed a Senate plan not only to increase Ferry Division spending by \$11.3 million but also to devise a new fee schedule to set prices high enough to cover the cost of serving most ferry riders.

Good. Right now, tolls cover only 6 percent of the cost of running the state ferries. That number ought to be headed up toward 100 percent. Some of the state's ferry routes aren't even tolled at all.

As much as possible, transportation should be a fee-for-service business. While the state owns and

operates most surface highways and streets, most vehicles that traverse them are owned privately, and users bear most of the cost of the system in the form of fuel costs and taxes (which roughly comport with miles traveled) and vehicle taxes.

There are glaring exceptions. Rail and bus transit is subsidized heavily by taxpayers who never use it. And the state's ferries cost far more to operate than comparable stretches of roadway.

Regular ferry passengers do not come close to paying the cost of their rides through the gas and vehicle taxes they pay.

Remember — the "free" ferry ride from Hatteras to Ocracoke isn't really free. It costs a lot of money per passenger. Why should taxpayers who aren't on the ferry, who in many cases never have been on a ferry, subsidize the trips of those enjoying the ride? CJ

COMMENTARY

Don't Multiply The Errors

As the General Assembly continues to fashion the state's 2010-11 budget, spending lobbies are employing all the usual tactics to defend their jobs, incomes, grants, and contracts. These tactics include public statements, private meetings, press releases, e-mail blasts, and statistical malpractice.

I thought I might get your attention with that last phrase. When budgets get tight, people play loose and fast with the basic facts of public finance. Costs become benefits. Smaller-than-expected increases become cuts. In my experience, the worst offenses occur right after someone utters the magic phrase "multiplier effect."

There's no question that the purchase of a good or service has secondary effects on private incomes. Every hamburger you buy puts money into the pockets not only of the employees of the fast-food joint you frequent but also the producers of the food, the manufacturers of the packaging, the store's other vendors, and all the individuals with whom these initial beneficiaries subsequently do business.

Politicians and spending lobbies who make multiplier-effect arguments about the economic benefits of state spending seem to think that governments have some special ability to generate ripples of economic activity. For some reason, it never seems to occur to them that any dollar spent on any good or service must, by definition, have multiplier effects.

Every time a dollar is collected in taxes and then spent on a government program, there are two sets of multiplier effects. There's the ripple effect from the government expenditure of that dollar and the ripple effect from the lost expenditure of that dollar by the person who originally earned it.

So to argue a net benefit from a governmental expenditure, you have to show that the total value of goods and services stemming from it exceeds the total value of the goods and services lost because of it.

There are cases when government spending has a net positive effect. But not many.

The multiplier-effect argument just cropped up in connection to North Carolina's state parks. For generations, state residents and visitors of all backgrounds have enjoyed fishing the state's waterways, hiking the state's mountain trails, watching the state's wildlife, and exploring the state's natural beauty. Still, rather than sticking to the tried-and-true case for par-

tial taxpayer subsidy of parks — Milton Friedman famously constructed a creative, if not wholly persuasive, case — park lobbyists recently resorted to concocting their own multiplier-effect magic.

In a *Raleigh News & Observer* story, park system director Lewis Ledford characterized a 2008 study by N.C. State University researchers as

demonstrating that state taxpayers get "a good return on the investment" of tens of millions of dollars every year because nonlocal visitors spend an average of \$23.56 on gas, meals, and other services while visiting state parks.

I found the original study on the park system website. Ledford correctly cited the statistic but seems not to have understood its import. The definition of "nonlocal visitor" was based on county lines, not state lines.

Someone who traveled to Eno River State Park from, say, Dunn or Asheboro was counted as a nonlocal visitor. But that person is obviously a North Carolinian. He didn't come to North Carolina to spend money near the park.

The study in question says precisely nothing about whether North Carolina taxpayers derive net economic benefits from being forced to subsidize parks. The analysis does suggest that North Carolina communities containing or abutting state parks tend to gain income from communities that don't contain or abut state parks. Big surprise.

If you believe in subsidizing parks for some other reason, make your case. But let's cut out the statistical malpractice. CJ



JOHN HOOD

John Hood is president of the John Locke Foundation.

EDITORIAL BRIEFS

The Cost
Of Deficits

The United States borrows far more than it spends. In 2009, the federal government collected \$2.1 trillion in taxes and fees but spent \$3.5 trillion. The resulting \$1.4 trillion deficit comes to 10 percent of Gross Domestic Product, the highest level since World War II. Such heavy reliance on borrowing comes at a heavy cost, argues Veronique de Rugy of the Mercatus Center at George Mason University.

De Rugy identifies several reasons to worry about such large deficits. Large deficits, she notes, can cripple economic growth and increase the risk of inflation as the government avoids cutting spending or raising taxes simply by printing more money. Interest payments are expensive; by 2020 the federal government is projected to pay \$900 billion a year in interest, more than it currently spends on the departments of Defense, Education, Energy, and Homeland Security combined.

Borrowing money also increases U.S. reliance on foreigners, particularly the Chinese. These foreign countries may use the public debt they hold as a means to influence U.S. policy.

"If these growing deficits aren't addressed by immediately and dramatically slashing spending — and there's zero indication that such a shift will happen anytime soon—we are about to embark on the most massive transfer of wealth from younger taxpayers to older ones in American history," she says.

Vaccines safe

In recent years, the safety of vaccines, particularly vaccinations given to infants, has been called into question. A new study, however, finds that there are no benefits to putting off getting immunizations, reports *The Wall Street Journal*.

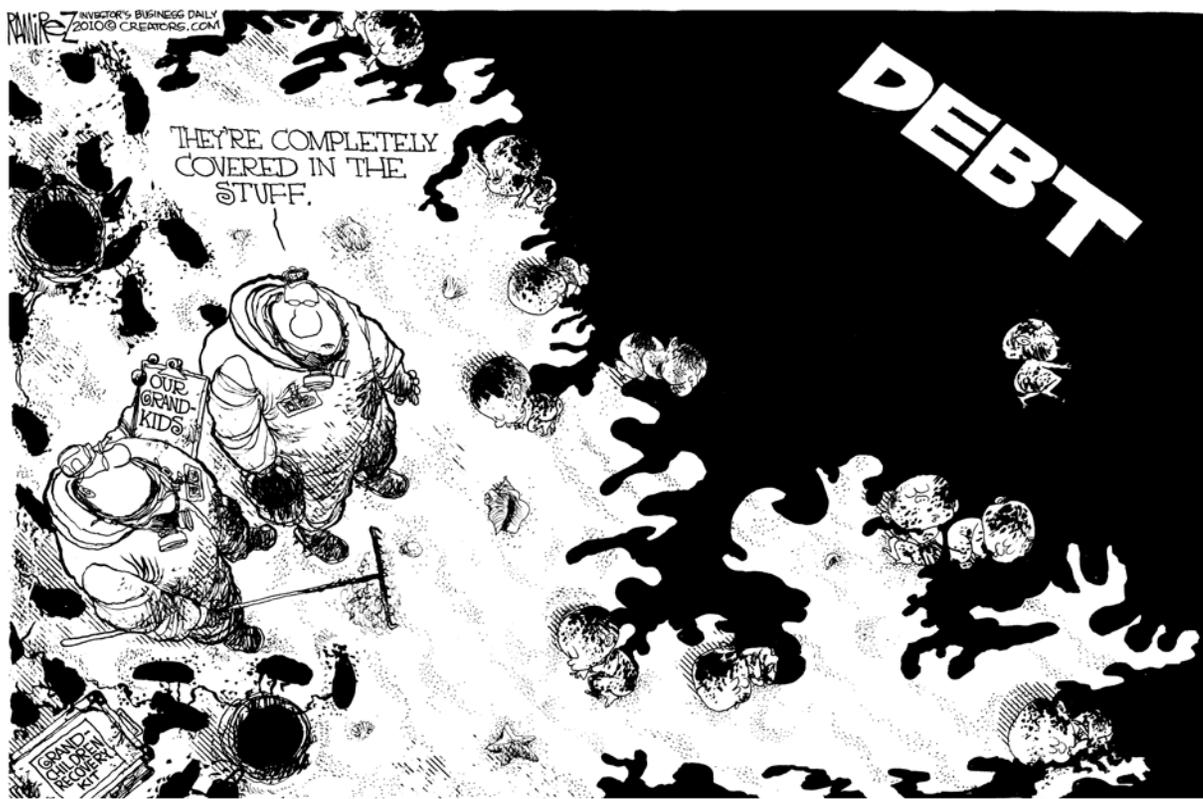
Vaccines have been developed against a number of diseases over the past two decades, and as a result children are receiving many more shots — up to 26 in the first year of life — than their parents did. This has caused some parents to wonder whether there might be long-term health effects from getting so many shots in such a short period of time.

A recent study by pediatric infectious-disease specialists Michael J. Smith and Charles R. Woods suggests such fears are unfounded. The two researchers compared the results of intelligence, speech, and behavior tests at age 7 of children who had gotten their vaccinations as scheduled to children who were immunized at a later age. The results were similar for both groups.

"There's not a single variable where the delayed kids did better," notes Smith.

"This study suggests that delaying vaccines does not give infants any advantage in terms of brain development."

There is, however, a risk from not getting vaccinations as an infant: the chance of contracting a preventable infection. CJ



Is Capitalism Up For Grabs?

More than at any time in the last 70 years, our fundamental economic system — capitalism — is being questioned. Capitalism is a system of private ownership of resources and private decisions about how those resources are used. While we certainly don't have a pure form of capitalism — public decisions (government) do play a major role in our economy — business decisions about what to produce and what prices to set, and household decisions about where to work and what to buy, remain largely in private hands.

But some now are saying the recession proves that the capitalist system has failed us. While recessions occur with some degree of regularity, the severity of the recession that began in late 2007 has shocked most of us. It's revived ideas that capitalism inherently is unstable and requires more government control.

What is the intellectual basis for this claim? There are two fundamental roots to the argument. One comes from the British economist John Maynard Keynes, who believed capitalist economies go through periods of optimism and pessimism. During the optimistic times, consumer spending is high and investment returns are significant. Then, something sparks a mood change to pessimism. Investors sell, returns fall, and consumers retreat by curtailing spending and increasing saving. These economic conditions prompt a recession.

Several factors could cause the change in attitude ("animal spirits" in Keynes' language). Bad weather could cause crop failures or floods. International political tensions could increase the chance of war. Or technological advances may cause investors initially to overestimate the resulting investment returns. Then, when reality sets in, there's an investment pullback (a "bust") and a subsequent decline in the broader economy.

In the 1970s, economist Hyman Minsky offered a somewhat different, although related, cause for capitalism's instability. Minsky focused on the banking system and the instability caused by fractional reserve banking. With fractional reserve banking, depositors' total claims exceed banks' reserves —

for example, a bank may have \$10 million in loans but only \$2 million in reserves. The system works fine when the banks' loans succeed. But if a substantial number of the loans fail, the result can be a "run on the bank" by depositors and a collapse of the financial system.

Some observers say a "Minsky moment" occurred in the 2007-09 recession when a drop in housing values effectively prompted a run on the "shadow" banking system (including hedge funds and investment banks) and brought the nation — and world — close to a financial calamity.

Believers in either of these bases for capitalism's instability see a need for greater regulation of our economic system, including restrictions on how financial managers are compensated, what products financial firms can offer, and additional public funds to be used for the rescue of large ("too big to fail") companies. Some of these ideas are embodied in legislation currently working its way through Congress.

But an alternative view says that private decision makers do not make capitalism inherently unstable; the actions of public decision makers are the source of the problem. The Federal Reserve can create economic instability by alternatively increasing and then decreasing the availability and cost of credit. This realization led economist Milton Friedman to propose replacing the Federal Reserve Board with a computer programmed to increase the credit supply at a constant rate. Public decision makers also can create instability by changing tax rules and government spending programs.

Indeed, a strong argument can be made that the housing market crash and 2007-09 recession resulted from easy and ample credit provided by the Federal Reserve in the early 2000s, a change in the tax law in the late 1990s increasing the tax value of homeownership, and the aggressive promotion of homeownership by Freddie Mac and Fannie Mae.

Deciding if, and why, capitalism is unstable is more than an academic exercise. It can be — in my opinion — persuasively argued that capitalism has brought more prosperity to more people than any other economic system developed. Changing it should not be considered lightly. CJ

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



MICHAEL
WALDEN

A Nation With Bailout Fatigue

It is not surprising to me that a majority of Americans — between about 55 and 70 percent, polls say — supports Arizona's recent decision to permit state and local law enforcement to detain anyone suspected of being in the country illegally. No matter what the national media think, I don't believe the law's supporters are driven particularly by race or xenophobia. Instead, people are happy to see a government address the issue and choose a policy that is quite the opposite of a bailout.



ANDY TAYLOR

Over the past 18 months, many of the federal government's important actions have constituted some kind of "rescue." In the case of measures like housing foreclosure policies and the Troubled Asset Relief Program for banks — a program that was horribly contorted so that it covered the automakers General Motors and Chrysler as well — the goal has been largely to save people from the consequences of their own actions.

With these bailouts, government ignores the important economic principle of moral hazard. In the world of finance, moral hazard explains

how behavior varies when individuals' exposure to risk is adjusted up or down. In the world of public policy, the concept suggests that individuals behave differently when they do not have to live with the consequences of their actions. When you take away the risk, you take away the responsibility.

Washington has been rewarding behavior that is undesirable socially. We are paying the costs of others' indiscretions, then dusting them off and helping them back onto their feet. Moreover, these policies are sending a signal that such undesirable behavior could be tolerated in the future. Having seen the federal government scramble to cushion the blow of foreclosure, prospective homebuyers will continue to buy much more house than they really can afford. Having seen billions of taxpayer dollars infused into their banks, executives will continue to undercapitalize and invest in extremely risky instruments.

This is where immigration policy comes in. The proposals of both the current Obama and former Bush administrations contain mechanisms that provide undocumented immigrants with a kind of amnesty, an easily navigable route to legal status. What's worse, they offer a green light to people contemplating illegal emigration to the United States.

In a country stricken with bailout fatigue, these proposals are jeered. Arizona's policy, on the other hand,

feels refreshing. By about a 2-to-1 margin, Americans prefer to stop the flow of illegal immigration and deport violators rather than offer the undocumented an opportunity for permanent residency or citizenship.

Even though bailout proposals exasperate me, I understand the need for action. Without TARP and the work of Treasury Secretary Hank Paulson and Federal Reserve Chairman Ben Bernanke after the implosion of Lehman Bros. in September 2008, the financial system may have wrecked the broader economy. Without the \$58 billion loaned to it, GM may have gone under — effectively destroying a significant industrial sector and eradicating around 100,000 American jobs.

Without some help for individuals facing foreclosure on their homes, neighborhoods would deteriorate and house prices in general would fall further. Something needs to be done about the 12 million to 20 million people who are in this country illegally. Having police officers round them up one by one does not seem a particularly effective or economical way of doing it.

But whatever solutions we choose, we need to recognize moral hazard. It has much to teach us, and we should take this opportunity to construct forward-looking policies that incentivize productive and socially valuable behavior.

Let's try to avoid a return to bailouts. Bringing greater transparency to financial markets should help the banks avoid the calamities of the past two years. Forewarned, if a bank finds itself in trouble again, it should be allowed to fail. Simplifying mortgage products and rationalizing loan qualifications should help homebuyers. There should be real consequences to default.

In the case of immigration, this means either legalizing or expelling the undocumented. I think the best way to do this would be to deport all illegal immigrants who do not reveal themselves quickly and voluntarily. Those who take advantage of the opportunity will be given legal status if they meet certain socially desirable criteria — they have been and can be productive, are able to speak English, have not broken other laws, etc.

The new policy should then beef up border security and have zero tolerance for future immigrants and their employers who scoff at the law. A transparent and uniform route to permanent residency and citizenship should be presented to future legal immigrants — with the bar placed high or low depending upon the country's needs at the time. *CJ*

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

The Shipwreck of State

The 2010 legislative short session is turning out to be a shipwreck.

The downturn in the economy has presented new challenges, challenges that could have been used to improve, streamline, limit, and prioritize every program in state government and redefine its role. Instead, this General Assembly has continued the tradition of spend and tax and shirked fiscal responsibility. Bad decisions over many years have left the state precariously close to real disaster.



BECKI GRAY

The budget relies on one-time revenue for long-term obligations. While the Democratic leadership claims the budget is balanced, it relies on \$1.6 billion in federal stimulus money, \$1.2 billion in "temporary" tax increases, and \$500 million in federal Medicaid funds that Congress may or may not provide. Lawmakers are making promises they cannot keep — unless they impose huge tax increases.

While hard-working North Carolina families are cutting back, legislators are starting and expanding dozens of programs. Why not hold off until the economy is better?

In addition, the state's savings and reserve accounts are grossly underfunded by \$150 million. The state health plan's long-term unfunded liability is \$29 billion with a \$400 million deficit this year. The budget leaves a \$3 billion shortfall for next year. We easily could face a \$5 billion shortage when the 2011 General Assembly convenes. That's 25 percent of a \$20.5 billion budget!

Businesses need room to grow, and they can't do it with an oppressive tax system and stifling regulations. Our tax rates are among the highest in the Southeast. We have one of the highest unemployment rates in the country. High tax rates discourage new companies from setting up shop here and prohibit existing companies from growing.

Instead of reducing the tax rates on all businesses, the General Assembly continues to pick winners and losers by offering targeted tax breaks — \$50 million in the budget expands old credits, while additional giveaways

over the next five years would amount to \$300 million more.

Polling of likely voters indicates that their No. 1 concern is jobs. It seems that every program proposed this session claims to create jobs — yet most are coming up empty. A claim that offering small businesses a \$1,000 tax credit if they hire a new employee for three years would create jobs is just silly. Talk of setting up a venture capital fund to invest in startup biotech companies with loans guaranteed with taxpayer money is crazy, not to mention unconstitutional.

In reality, most of the job growth has been in government. State government added 34,824 full-time equivalent jobs from 2001-09, a 12.3 percent increase.

Government was the only employment sector that grew in 2009, by 1.8 percent, and it expects to grow again in 2010. Government creates only more government, more demand for tax dollars. The free market creates jobs that sustain and drive the economy.

Economic forecasts predict a very slow recovery. Revenue is \$391 million less than expected for this year and \$703 million less for 2010-11. Yet

the General Assembly continues to spend. And as lawmakers run out of money, they borrow.

State Treasurer Janet Cowell has warned that the state's debt load has been stretched to the limit. And contrary to the constitution, most of that debt has not been approved by the voters. Since Certificates of Participation were allowed in 2000, not a single statewide general obligation bond has been voted on. COPs now make up 24 percent of the state's debt; by 2014 they will rise to 40 percent. Voter-approved debt in North Carolina will soon be a thing of the past.

North Carolina has been lucky. Our natural resources, ideologically conservative values, robust industries, entrepreneurial spirit, and intellectual moxie have kept us afloat and insulated us from problems other states have faced.

But we have ratcheted up tax rates, spent too much, ignored infrastructure, allowed government to become too much to too many, abdicated responsibility, and spent foolishly. *CJ*

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

Tea Party Museum to Take Tea Pot Museum's Place (a *CJ* parody)

BY TRED ONME
Arts Correspondent

SPARTA

Tea Party activists will soon have their own museum — housed in the same building that formerly hosted the now-defunct Sparta Teapot Museum.

The board of directors for the struggling Teapot Museum shut down the facility in January, citing fundraising challenges.

Seeing an opportunity to take advantage of the well-known enthusiasm of Tea Party followers, Cash Inne, president of the newly formed N.C. Tea Party Exploiters Inc., said he hopes to have the facility open before Labor Day to capture tourists who are mad at government leaders.

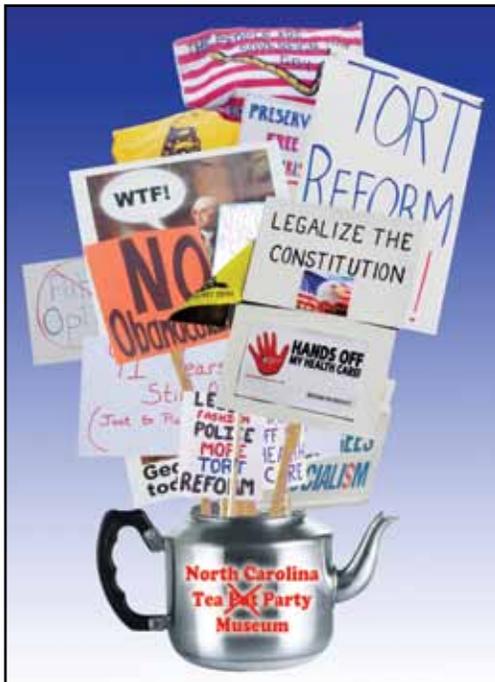
Inne said the museum would feature a collection of signs used at recent Tea Party events around the nation, 6,000 of which are stored already in an undisclosed location near Sparta.

He is hoping the new museum will benefit from what Inne sees as the newest phenomenon in the travel industry: "frustrated citizen tourism." "People who are mad at government don't just want to sit at home. They like to get out and vent their concerns.

We want them here in Sparta," he said.

Inne said former Republican vice presidential nominee Sarah Palin and her entire family have been invited to the opening celebration, and, if they agree to come, he said, they should guarantee a huge crowd. "By the time we open," Inne said, "I'm sure Sarah and her whole family will want to get away from that creepy new neighbor of theirs."

Sparta, an Alleghany County town nestled near the Virginia line, is about six miles from the Blue Ridge Parkway. The county has lost a significant number of manufacturing jobs since 2000. The teapot museum plan, launched in 2003, was the area's first



collection. An economic impact study claimed the museum would attract 61,000 visitors annually and generate \$7.5 million in new tourism spending.

The museum ended up in a vacant store on Main Street. Only a fraction of the Kamm collection ever made it to Sparta.

Citizens Against Government

concerted effort to emphasize tourism over manufacturing.

The idea materialized when a local arts advocate learned that Sonny and Gloria Kamm of Los Angeles were looking for a permanent location to display their collection of 6,000 teapots. Sparta business and political leaders put together a plan to build a museum for the

Waste brought national attention to the Tea Pot Museum when a \$500,000 federal grant — secured in an earmark by U.S. Rep. Virginia Foxx, R-5th District — made the group's 2006 Pig Book of pork-barrel projects. The museum quickly became the subject of national ridicule. The federal funds never were delivered because the museum failed to meet private fundraising goals.

Inne assured *CJ* that, unlike the Teapot Museum, the Tea Party Museum has a viable business plan.

"We have a study concluding that the Tea Party Museum will attract 61,000 visitors annually and generate \$7.5 million in new tourism spending," he said. "And the way things are going in this country, the number of Tea Party activists is only going to grow."

Inne refused to release the study for independent analysis to any reviewers, including *CJ*.

He also said he has secured support for funding from Gov. Bev Perdue, the Golden LEAF Foundation, and Foxx.

"It was a mistake offering that earmark to the Teapot Museum, so I needed to balance it out by giving one to the Tea Party Museum," Foxx told *CJ*.

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