

State Economic Development Policy At Crossroads

Gov. Easley Faces Choice Between Two Models of Economic Development

By DON CARRINGTON
Executive Editor

RALEIGH
During the past fifteen years, North Carolina has increasingly pursued an interventionist economic-development policy based on the idea that government can and should help direct economic growth to certain sectors of the state and of the economy.

But some are challenging that idea. Gov. Mike Easley, who defended the state's policy while attorney general, finds himself in a situation where he must choose between two competing models of economic development now being promoted.

One is the *intervention model* mentioned above. The other is the *competition model* in which government greases the skids of economic activity by helping businesses navigate the maze of government regulations, thereby encouraging competition but not favoring one group over another.

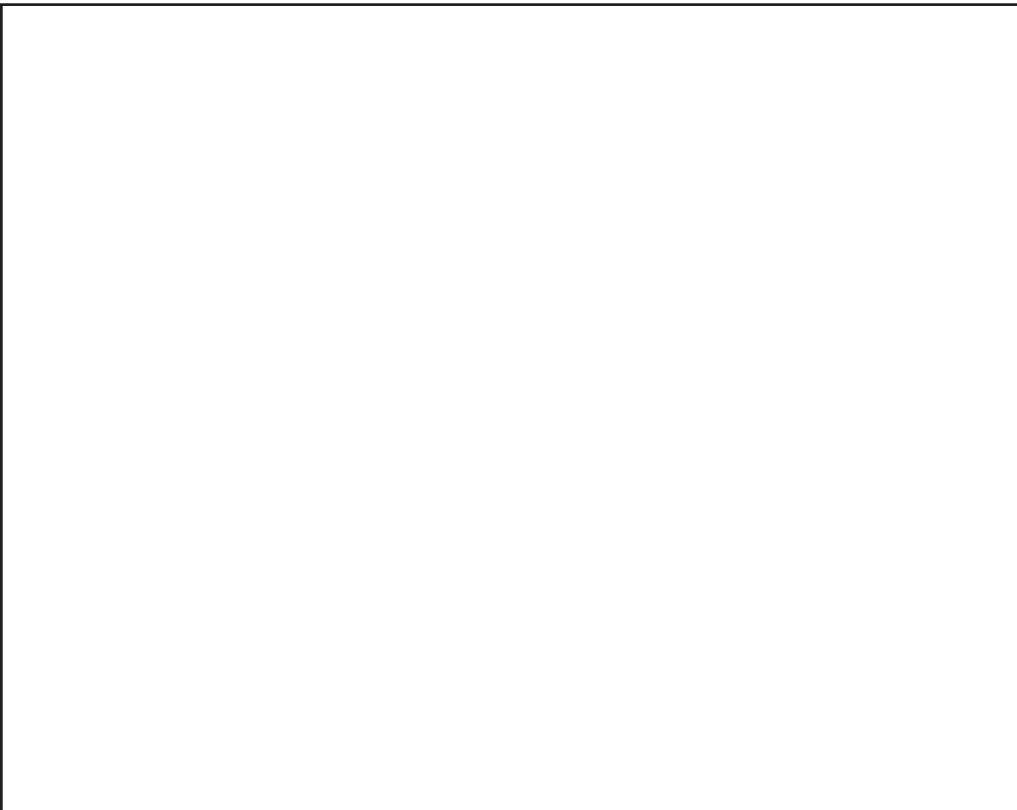
With the state facing a huge budget shortfall and constant pressure to "help" rural areas, some policy analysts believe North Carolina should rethink the issue.

"If he wants to help rural North Carolina Gov. Easley should pursue a policy that improves roads and schools, not selective tax credits or subsidies," said Dan Gerlach, a fiscal analyst with the N.C. Budget and Tax Center in Raleigh.

The Intervention Model

State economic-development policy has been a concern for members of the bipartisan National Conference of State Legislators (NCSL) for years. In 1998, an NCSL Task Force on Economic Incentives studied state economic development policies and released a report on the subject.

Among the report's findings was that "individual states spend tens of millions to hundreds of millions of dollars annually on economic development programs. Few states know the exact amount they spend to support economic development initiatives. No state knows how effectively the money is spent."



The "Global TransPark Zone" near Kinston.

Photo by Andrew Cline

Business "incentives" — tax breaks designed to lure companies to a state or encourage them to stay there — have become the cornerstone of intervention policy models.

The NCSL report summarizes the views of incentive advocates. Those who support incentives claim that they "encourage job creation and keep firms from moving; allow historically underdeveloped states to catch up with other states; level competitive differences among the states; benefit business nationally by promoting states to make tax and regulatory policies more uniform; and reduce the tax burden on business."

North Carolina has bought into this model with gusto. Each legislative session, lawmakers attempt to attract new types of firms using the intervention model.

The central component of North Carolina's intervention-based policy is the William S. Lee Quality Jobs and Expansion Act. The roots of this act can be traced to 1986 when the General Assembly approved a \$7,000-per-job tax credit for "creating jobs in distressed counties."

The programs started in 1986 have been expanded nearly every year. One of the sponsors of the recent changes is Rep. Bill Owens, D-Pasquotank, but even he ques-

tions the wisdom of the interventionist policy.

"There will be some tweaking of the Lee Act this session, but I wish the federal government would outlaw incentives so we do not have to be in the business of offering incentives to be competitive," Owens told CJ.

Owens also said he believes that North Carolina's type of intervention is preferable to that of some other states.

"Ours are tax credits rather than cash giveaways," he said.

Owens is not the only legislator to long for federal intervention to stop North Carolina and other states from making incentive deals. A few years ago there was a short-lived effort to have the legislature request Congressional legislation outlawing economic-development incentives. But it went nowhere, and the state continues to use tax breaks as employer bait.

Recently introduced intervention initiatives in the General Assembly include tax breaks for "tourism capital projects" and a program to encourage North Carolina businesses to sell more stuff to the federal government. (See related stories on page 3).

Continued as "Economic ..." Page 3

The Global TransPark appears ready to bite the dust as support erodes

By DON CARRINGTON
Executive Editor

RALEIGH
The Global TransPark (GTP) in Kinston appears about ready for burial. Gov. Jim Hunt, the TransPark's most vociferous supporter during the past decade, neglected to list the TransPark in his official record of accomplishments. And a recent poll suggested that most lawmakers want to kill it.

In December, Hunt released a booklet entitled "Report to the People: The Hunt Administration, 1993 - 2001 Record of Accomplishments." The 49-page booklet contained no mention of the GTP.

The project has also lost support in the General Assembly. In a recent survey conducted by the *Associated Press*, 57 percent of responding House members and 55 percent of State Senate members said the GTP project should be scrapped.

The project has consumed an estimated \$100 million in addition to the diversion of as much as \$100 million in highway funds.

The GTP was a concept developed by UNC professor John Kasarda and sold to then Gov. Jim Martin and legislators in 1990. Hunt took over as chairman of the GTP Authority after winning election in 1992 and became one of its biggest boosters.

"This is probably the most brilliant idea we've had in North Carolina since the Research Triangle Park," Hunt told the board at his first meeting.

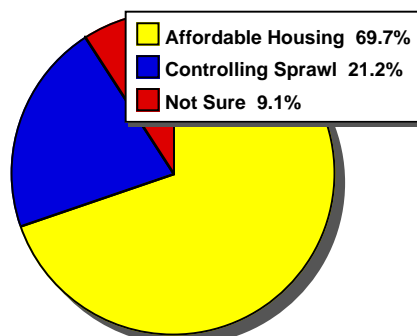
Last year the Department of Transportation dropped a long-standing reference to the GTP from the state highway map.

A 1992 feasibility study claimed the potential economic impact from the GTP in 2000 would be 59,173 jobs and \$3.8 billion in revenues. But the jobs and economic activity have not materialized.

Two firms are located at the GTP, but both are N.C. companies that located to the park after getting subsidies to do so.

Still, GTP President Paul Busick remains a believer. "The fact is, we've benchmarked this against other projects....We're right where we ought to be," Busick told *Metro Magazine* last month. CJ

Top Local Priority?



Contents

Calendar	2
State Government	3
Education	6
Higher Education	10
Local Government	14
Books & the Arts	18
Opinion	20
Parting Shot	24

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Contents

ON THE COVER

• North Carolina has spent the past 15 years pursuing economic development through an "interventionist" model. But that model is being increasingly challenged by those who prefer a "competition" model. Gov. Mike Easley must choose which model will shape the state's economic development policy in the next four years. *Page 1*

NORTH CAROLINA

• The Department of Commerce wants the state to create an economic "incentive" program for tourism projects. *Page 3*

• Some lawmakers want the state to subsidize enterprises that do business with the Department of Defense. *Page 3*

• Redistricting battles across the country are likely to be messy this year but also less tilted towards Democratic gains. *Page 4*

• The state's cap on independent public schools is attacked as the State Board of Education approves new charters. *Page 5*

• Locke Foundation researcher recommends state budget savings and warns of hidden tax hikes. *Page 5*

EDUCATION

• Higher expectations for all public school students create hope and anxiety about those below grade level. *Page 6*

• Mike Ward reveals a new plan to help low-performing schools meet state expectations. *Page 7*

• Paige Holland profiles an organization that wants to return educational control to parents. *Page 7*

• Teacher turnover may not be as big a problem as some say, according to the state's own data. *Page 8*

• A Michigan charter school turns one skeptic into a believer in the power and the promise of school choice. *Page 9*

HIGHER EDUCATION

• St. Andrews Presbyterian College in Laurinburg drops tuition to compete with UNC schools. *Page 10*

• North Carolina Wesleyan College in Rocky Mount reaps benefits of 1996 tuition cut. *Page 10*

• Textbook critic gains reputation for his adherence to high standards *Page 11*

• George Leef asks if independent higher education can survive in N.C. under the current model for state subsidy. *Page 11*

• Course of the month teaches power feminism. *Page 12*

• UNC seeks more student aid and higher salaries. *Page 12*

• Bush nominee Linda Chavez on racial preferences in North Carolina. *Page 13*

LOCAL GOVERNMENT

• Smart Growth collides with planned Raleigh arts institute. *Page 14*

• Smart Growth Commission wants state controls over land use. *Page 15*

• Tom Fetzer questions why local leaders keep making incentive deals. *Page 15*

• One on one with Nathan Ramsay, newly elected chairman of the Buncombe County Commission. *Page 16*

• Arenas, growth controls, annexation, and new taxes make the local agenda. *Page 17*

THE LEARNING CURVE

• Reviews of *The Road to Serfdom* by F.A. Hayek and *Government Works* by Milton Esman. *Page 18*

• Reviews of books on Ronald Reagan and technology in higher education. *Page 19*

OPINION

• Editorials address a state lottery, electricity deregulation, school choice, and Smart Growth. *Page 20*

• John Hood rips the media for uncritically accepting a flawed report. *Page 21*

• Roy Cordato says George W. Bush's tax cuts are needed. *Page 22*

• Regression, progression, and who gets soaked by taxes. *Page 23*

PARTING SHOT

• John Hood announces his conversion to the cause of regulating those "precious polity fluids." *Page 24*

Calendar

President Thomas Jefferson to Speak in Greenville

Thomas Jefferson, president of the United States of America, will speak at a Locke Headliner Dinner at 7 p.m., Thursday, March 8, at the Hilton in Greenville.

Best known as the primary author of the Declaration of Independence and as the third president of the United States, Jefferson is one of America's greatest historical figures. He served in the Cabinet of President George Washington and was an elected legislator and governor in his home state of Virginia.

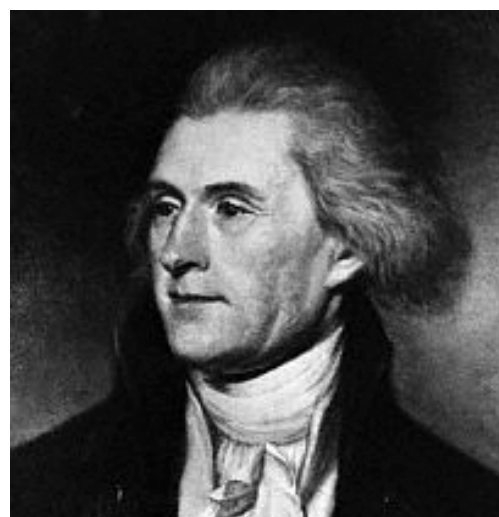
Jefferson has journeyed from Colonial Williamsburg to speech to John Locke Foundation audiences on several different occasions in Raleigh, Durham, and Rocky Mount.

Children are particularly welcome at this event, which has become a popular tradition of the Locke Foundation. Local news reporters will ask President Jefferson questions about his administration and career. He will also take questions from the audience.

The event will cost \$15 per person, including a meal. For more information or to make reservations for this event, please contact the Foundation at 919-828-3876 or visit www.JohnLocke.org.

• Locke Foundation President John Hood will be one of a number of speakers at a day-long conference on the policy implications of a proposed state lottery in North Carolina.

The event, sponsored by the North Carolina chapter of Citizens for a Sound Economy, a national grassroots organization that advocates free markets and limited government, will be held on Saturday, March 17, 2001, at Guilford Technical Com-



President Thomas Jefferson.

munity College in Greensboro. The event begins at 9 a.m. and concludes at 3:45 p.m.

The first panel, on the economic consequences of a state lottery, includes Hood, Dan Gerlach of the North Carolina Budget and Tax Center, Chris Fitzsimon of the Common Sense Foundation, Duke University Professor Charles Clotfelter, and Mecklenburg County Commissioner Ruth Samuelson.

The luncheon speaker will be Alabama Lt. Gov. Steve Windom, with a welcome from U.S. Rep. Howard Coble (6th District). Mike Fenley, afternoon host at WSJS-AM, will serve as master of ceremonies.

An afternoon session on the social impact of lotteries will include remarks from Bill Brooks of the North Carolina Family Policy Council, Pastor William Leake of the Christian Coalition, Tom Grey of the National Coalition Against Gambling Expansion, and Cabarrus County Commissioner Coy Privette.

To R.S.V.P., call 1-888-446-5273.

Shaftesbury Society

Each Monday at noon, the John Locke Foundation plays host to the *Shaftesbury Society*, a group of civic-minded individuals who meet over lunch to discuss the issues of the day. The meetings are held at the Locke Foundation offices in downtown Raleigh at 200 W. Morgan Street, Suite 200. Below is a listing of some of the Shaftesbury Society's upcoming speakers for March. For more information, or to R.S.V.P. for a Shaftesbury lunch, call 919-828-3876 or email events@JohnLocke.org.

• Dr. Orrin Pilkey, a James B. Duke Professor of Geology and Director of the Program for the Study of Developed Shorelines at Duke University, will speak at a Shaftesbury luncheon on March 5. Pilkey is a longtime scholar of environmental policy and a critic of what he considers overdevelopment on the North Carolina coast and wasteful taxpayer investments in jetties and beach renourishment.

• Wallace Kaufman, a former president of the North Carolina Conservation Council, will speak March 19 on the topic of free-market environmentalism. He is the author of *No Turning Back* (iUniverse.com Inc., 1994) and *Coming Out Of The Woods* (Perseus Publishing, 2000), both based on his longtime experiences as an environmentalist and resident of rural Chatham County.

• CORRECTION: In last month's issue, a typographical error resulted in the erroneous reporting that Elon College had an athlete graduation rate of 5 percent. The actual rate is 55 percent. CJ

Commerce Dept. Wants Tax Breaks For Tourism Projects

By ANDREW CLINE
Managing Editor

RALEIGH
The N.C. Commerce Department wants to help create jobs in areas of high unemployment by instituting a new tax incentive program to stimulate the development of tourism in those areas.

The Capital Tourism Tax Incentives program would begin with the designation by the Department of Commerce of local "capital tourism development zones" across the state.

Each zone would be governed by a nonprofit "capital tourism development zone authority" formed to "develop and improve the flow of tourists into the capital tourism development zone."

To qualify for a tax incentive, a project inside a development zone would have to meet the following criteria:

- "The project must create buildings or facilities that are essential to a tourism development project."
- It must be "a new facility or an expansion of an existing facility."
- It must "draw tourists to the local area for one or more days" and invest its own money to market itself.
- It must increase "the flow of tourists into the capital tourism development zone from locations more than 100 miles outside of the capital tourism development zone."
- It must "protect the integrity of the area's environment."
- It must have "five or more employees for at least 40 weeks during the taxable year" and hire one "additional full-time employee during that year to fill a position located in North Carolina."

New jobs created by companies applying for the tax credits do not have to be located in a development zone, which is

where the department says it is trying to create jobs via this program. A new business could claim tax credits of up to \$12,500 for each job created outside a development zone. Jobs created inside a zone would be worth between \$4,500 and \$16,500 depending on the level of "economic distress" of the county in which the job is located.

Members of the Legislative Research Commission's Capital Incentive Program for Tourism Committee accepted the Commerce Department's recommendation, noting that their concerns on several points would result in a changed proposal before it emerges from their committee.

One objection was over the fact that the incentives go only to new businesses.

"What are you going to do for the folks that are already there and that invested their dollars yesterday?" asked committee member Richard

Tharrington of Rocky Mount.

Tharrington noted that a manufacturing plant, which the state offers tax credits for building, may sell its products out of state or even out of the country and therefore not compete directly with other manufacturing facilities in its community. On the other hand, he said, "tourism is sold at the location."

A restaurant or hotel built with a taxpayer subsidy directly competes with others in the community and will therefore have an unfair advantage over established businesses of its kind, he said.

Other objections were raised over the department's recommendation to give tax credits only for businesses located in counties defined as "economically distressed."

"If we're in the business of promoting tourism, we should promote tourism [no matter where]," Sen. Austin Allran, R-Catawba, said. CJ

A restaurant built with subsidy directly competes with others in the community and will thus have an unfair advantage

Going on Offense on Defense

By HANS HURD
Contributing Editor

RALEIGH
A legislative commission last month recommended that the state Department of Commerce "encourage" North Carolina businesses to bid on Department of Defense contracts.

According to the Department of Defense (DOD) Business Committee North Carolina ranks 43rd among states in federal defense spending, and "a 10 percent increase in business with the DOD would result in \$120 million to \$150 million in new opportunities for North Carolina."

However, the proposal, from the Legislative Research Commission on the Impact of Military Bases on Public Services and Taxes, fails to identify whether an increase in the cutthroat competitive DOD contracting field would be more profitable to N.C. businesses.

"It is very difficult to turn a profit in government contracting bids," said Don Carrington, a former marketing manager for a mid-sized manufacturer and vice-president of the John Locke Foundation, "and very easy to suffer substantial losses."

The volume of DOD contracts has declined considerably since the end of the Cold War while small businesses in North Carolina have enjoyed strong growth.

Another part of the proposal aims at increasing awareness among N.C. businesses of how to engage in electronic commerce with the federal government.

But web sites that facilitate e-commerce between the DOD and business, such as GovCon.com and the Department of Defense's own DoDBusOpps.com, already exist. These web sites also complete with step-by-step guides for newcomers to government contracting.

Furthermore, the proposal intends to create a "skills assessment program" as well as a job-placement database to promote departing service members to N.C. employers.

However, the Veterans Administration already offers several programs for soldiers departing federal service.

For example, before separation, soldiers attend the Army Career Alumni Program, which provides free assistance to service members by way of resume workshops, job-placement services, and job interview training. In addition to this federal program there are also civilian web sites such as Military.com that provide similar skill-identifying services to members of the armed forces.

According to federal data, veterans consistently have lower unemployment rates than the general population. CJ

Economic Development Questioned

Continued From Page 1

Supporting a "competition" model would be those incentive critics whose views were also summarized in the NCSL study. They contend that incentives "create windfalls for business; the jobs created are simply stolen from other states; reduce funding for education, transportation and other services that are necessary for solid economic growth; create inequities among industries and firms within a state; foster voters' suspicion that government is a matter of giveaways and insider deals; are a zero-sum game for the national economy; and that government should minimize their interference with the private sector."

The competition model is also the policy advanced by the John Locke Foundation in its *Agenda 2000* briefing book. The key elements include a level playing field for all businesses, low taxes, reasonable regulations, the efficient delivery of core services such as public safety, education, and highways, the protection of private property, and the preservation of order.

Another group that supports a competition model for the United States and each individual state is the National Federation of Independent Business (NFIB).

Report Challenges Incentives

The NFIB claims to be and is generally recognized as the voice for small business in the United States. A recently released NFIB publication entitled "Small Business Policy Guide" explains the fundamentals of a competition policy and says that small business owners prefer it.

According to the report, a "competition policy simply means that the primary objective of policy is to encourage competition. The viability of any competitor or group of competitors is irrelevant. The consumer's 'good' is the final objective; small business is only a means to that end. Governments' role is therefore limited to setting and enforcing the rules of competition and ensuring that small firms have the opportunity to compete. Its role is not to support small business directly."

However, the NFIB does expect government to provide businesses help in complying with government regulations.

Perri Morgan, state director for the N.C. Chapter of the NFIB, told CJ that her members support "fair and equal competition between businesses of all sizes. We hope that Governor Easley and legislative leaders will consider the recommendations in our policy guide."

Policy Not Yet Set

Gov. Easley has yet to establish a clear policy. "We are working on developing our economic-development policy at this time and will roll that out with the State of the State address, which will be sometime in late February," Ruffin Poole, a spokesman for Easley, told CJ.

It would be safe to say that many years ago North Carolina and all state governments had a strong commitment to the competition model of economic development.

The modern incentive movement was launched in 1936 when the town of Durant, Mississippi, in conjunction with the state, initiated the first successful effort to pay a business to come to town.

Durant and the state of Mississippi put

together an incentive package to lure an Indianapolis hosiery mill to Durant. The factory closed before the state-backed bonds were paid off. After 60 years and hundreds of millions of dollars' worth of incentive deals, Mississippi still remains last in per-capita income.

In North Carolina, a significant shift from competition to intervention occurred during the administration of Republican Gov. Jim Martin. Two significant initiatives were born under Martin.

"Tax Credits for Creating Jobs"

A program called "Tax Credits for Creating Jobs in Distressed Counties" was launched in 1986 and the Global TransPark in Kinston was launched in 1990. The TransPark began as a government attempt to assist companies with the transportation of manufactured goods. (See Page 1 for a progress report.)

The shift towards an intervention policy accelerated when Gov. Jim Hunt returned to office in 1993. The policy shift has produced a system consisting of a complicated tax code, preferences based on location, cash assistance, and special multimillion dollar deals such as those offered



Gov. Mike Easley

to Federal Express in Greensboro, Nucor Steel in Hertford County, and DuPont in Bladen County. Lawmakers have also launched publicly-funded marketing campaigns for certain products like Christmas trees as well as subsidies for the "emerging meat goat industry."

In 1999 an additional intervention program was added with the establishment of the Golden LEAF Foundation. The foundation was set up to handle proceeds from the National Tobacco Settlement.

Hunt and then Attorney General Easley lobbied the General Assembly to set up the foundation. Instead of routing the money through the General Assembly, the foundation makes economic-development awards. Some of the recent ones included: \$250,000 for truck-driver training in Bladen County, \$150,000 for processing food-grade soybeans for the Nato and Tofu market, and \$200,000 for a project entitled "research possibility for cotton linters."

In his inaugural speech, Easley said the state had to boost economically lagging regions without taking away from booming ones. "Many communities have strong and robust economies, while others languish. North Carolina values require that we all work together to spread success — not by taking wealth from any region, but by creating opportunity and expertise in every region until we include every family in every county in North Carolina," he said.

Taken alone, this statement may please the advocates of a competition model. But Easley will have to reconcile it with his support for new rural-development initiatives.

The proposals from the Rural Development Task Force are estimated to cost as much as \$1 billion. Funding them without subsidies from urban areas will be difficult.

If Easley elects to follow the NFIB competition policy, he will have to reject most of the programs developed during the Hunt years and even rethink the whole idea of dedicating lawsuit proceeds to an independent foundation like Golden LEAF.

An interventionist economic development policy requires citizens to subsidize certain corporations, industries, or activities. As governor, Easley must address whether that is a just, efficient, or constitutional policy. CJ

Around the State

• Charlotte has collected \$7,255 in overdue parking fines since it began last fall "booting" cars that belong to parking scofflaws, *The Charlotte Observer* reported in January. In October, the city began putting steel wheel locks on cars belonging to people who had three or more unpaid parking tickets. The city used the "boot" 23 times. The largest single fine was \$725, paid by a driver with 20 unpaid parking tickets.

• Rep. Jim Black, D-Mecklenburg, in January was elected Speaker of the House by a vote of 117-0. In 1998, Black won the speakership by just one vote. In his acceptance speech, Black noted the close partisan split in the House, which has 62 Democrats and 58 Republicans, and pounded the theme of cooperation. He also made very clear that he has no intention of letting tax increases pass this year. For those of you who like to keep track of such things, here's a little breakdown of Black's speech: Number of "working together" mentions: 7. Number of "raising taxes" mentions: 11. Number of "lottery" mentions: 5. Number of "reducing spending" mentions: 1.

• During the House election of Speaker Black, lobbyists and spectators were left standing in legislative hallways because the TV feed showing the proceedings of the House was directed to a medium-sized conference room while the feed showing the Senate proceedings was sent to a large auditorium. Because Democrats held only a four-seat majority in the House, there was much uncertainty about who the next speaker would be. But in the Senate, where Republicans hold only 15 seats, the election of Sen. Marc Basnight, D-Dare, as president pro tem was guaranteed. As such, virtually all spectators wanted to see the House proceedings. But because of the TV feed goof-up, dozens of observers flowed out of the conference room where the House proceedings were shown while more than half the auditorium seats remained empty.

• Appalachian State University's new \$38 million Seby B. Jones Arena, housed in the George M. Holmes Convocation Center (named after Rep. George M. Holmes, D-Yadkin, who helped secure state funding for the project), leaks. The university's director of design and construction told the *Winston-Salem Journal* that the leaky roof was "embarrassing."

• Chapel Hill recently began curbside garbage collection, but not without protests from residents who wanted to keep the more expensive backyard service. Some residents, namely the elderly, will still receive backyard collection. One able-bodied resident tried to convince the town that the arguments she and her husband would have over who should take out the trash would impair her mental health. Reported in *The News & Observer* of Raleigh.

National Redistricting Battles Likely To Be Messy But Also To Reflect New Parity in State Capitals

By JOHN HOOD
Editor

RALEIGH

What a difference a decade makes. After every nationwide census, states must redraw their congressional and legislative districts. Redistricting has long been a process of back-room deals, strange bedfellows, and esoteric lore that has mystified voters and kept state and federal courts busy.

It's also been a process largely controlled by Democrats due to the party's historical success in controlling state legislatures and winning gubernatorial elections.

But as state legislators in North Carolina and across the country convene to draw district maps in 2001, the situation is radically different. Gone is the ability of a few insiders to control the process, given the ubiquity of personal computers and redistricting software. Every legislator, and just about anyone else, can draw a map to his or her liking and toss it into the mix.

Also gone in many states is the Democratic edge, a casualty of political realignment and, in a sense, past successes.

Two decades ago, for example, Democrats controlled both legislature chambers in 29 states, while Republicans controlled only 15 — mostly small states with few congressional districts up for grabs. In most states with Democratic legislatures, the governor was also a Democrat, giving the party virtually unchecked ability to craft electoral maps that maximized their representation. The result was a favorable U.S. House district map throughout the 1980s. By 1990, for example, Democrats held more than 60 percent of seats in the U.S. House despite the fact that its candidates won just slightly more than half the vote.

Redistricting A Decade Ago

After the 1990 census, the Republicans didn't seem much better off. Although the U.S. population had shifted south and west into states where the GOP was gaining strength, the party had unquestioned control of redistricting — governor, state house, and state senate — in only two vote-poor states, Utah and New Hampshire. By contrast, Democrats had unified control in more than a dozen states with more than one congressional district, including vote-rich Texas, Florida, Massachusetts, North Carolina, and Georgia.

From a position of weakness, the GOP did manage to salvage some gains from the 1991 redistricting. Its primary tactic was to make common cause with the NAACP and other black and Hispanic leaders who sought maps that would maximize the chances of minority representation in Congress and in state legislatures. Often, but not always, redrawing districts to group together pockets of minority voters tended to make surrounding districts more Republican-leaning, an effect known as "bleaching."

At first, it was minority candidates, not Republicans, who benefited most from the new maps. In the 1992 elections, 38 black candidates won election to Congress, up from 25 in 1990, and the Hispanic caucus grew from 11 to 17. Republicans gained only nine seats. But after Bill Clinton's troubled first two years in office, the GOP made its breakthrough in 1994 by flipping the Demo-

crats' 258-176 margin to a 236-197 Republican majority.

Now, after three cycles of attrition in the Republican ranks, it holds a scant 221-212 edge. And yet, for the first time in modern politics, it's the GOP that enters the redistricting fray with a modest advantage.

For one thing, population continues to shift into Republican-leaning areas, creating more opportunities to draw favorable seats in legislatures and Congress. "In any reapportionment, if you grab the country by Maine and shake vigorously, seats will drop to the south and west," said Tom Hofeller, who works on redistricting issues for the Republican National Committee.

Also, this year Democrats will have full control of the process in only two large states: California and Georgia. (North Carolina would have been on the list, but a power-sharing arrangement in the 62-58 N.C. House will give Republi-

cans equal representation on its redistricting committee). Republicans, however, will for the first time have a free hand in such populous states as Pennsylvania, Florida, Ohio, Michigan, and Virginia.

Nor is the unlikely alliance of Republicans and minorities over. In several states, population growth has added new districts that, some will argue, should be drawn to favor additional minority candidates. But some Democrats don't foresee a replay of the early 1990s. Rep. Martin Frost of Texas, who chairs the House Democratic Caucus, says that increases in Hispanic populations in particular may well dilute Republican strength in some southern and western districts, leaving them vulnerable to challenge.

Other analysts who have looked closely at state political maps say that the good news for Republicans is even better than it might first appear. In Georgia and California, for example, there doesn't appear to be very many vulnerable Republicans to gerrymander out of office (in the latter case because so many of them were already unceremoniously tossed out in the past two congressional elections).

But in Republican-dominated states, opportunities for upending Democrats abound. In Pennsylvania, as many as half a dozen Democratic seats are considered vulnerable to redistricting, as are several seats in Michigan, Florida, and Ohio.

Dashed Hopes in November

During the 2000 campaign, both sides had high hopes for gaining an advantage in subsequent redistricting in key states. Mostly, these hopes were dashed. Republicans failed to take the Texas House, which may have meant another half-dozen or so congressional seats, and lost the senate in Colorado. Democrats lost unquestioned power in Missouri and South Carolina and fell just short of keeping Michigan and Pennsylvania out of the GOP-domination column.

"It appears that the election had little effect on who will have the upper hand," said Tim Storey, an election analyst for the National Conference of State Legislators. "Both parties can claim victories by virtue of holding on to the status quo in some critical states."

Andrew Taylor, a political scientist at N.C.

State University, agreed that the new political parity means that "election outcomes might not be changed very much" through redistricting this year. He pointed out, however, that another trend — declining party loyalty among voters — is an even more important reason why the process might not have the impact some expect.

"Dealignment makes drawing districts for partisan gain more difficult," he said. "The preferences of swing voters are harder to predict."

That doesn't mean that redistricting will lose its ability to fascinate those who follow politics closely, Taylor said. "The news media like the issue because it's strictly political — who's up and who's down."

Perhaps the biggest winners will be election-law attorneys, who will have as much business as they want due to conflicting court rulings and the inevitable mistakes by overwhelmed state legislators. As California Institute of Technology professor Morgan Kousser told *Governing* magazine last year: "Redistricting in 2001 is going to be the greatest bonanza for lawyers since the founding of the New Deal." *cj*

Hood is editor and publisher of Carolina Journal. This is the first of two articles examining the issue of redistricting. Next month: North Carolina's redistricting prospects.

"Redistricting in 2001 is going to be the greatest bonanza for lawyers since the New Deal" said one political scientist.

2001 Partisan Control in Big States Where Lawmakers Draw Districts

State	Old # Seats	New # Seats	Governor	Senate	House
California	52	53	Democrat	Democratic	Democratic
Texas	30	32	Republican	Republican	Democratic
New York	31	29	Republican	Republican	Democratic
Florida	23	25	Republican	Republican	Republican
Pennsylvania	21	19	Republican	Republican	Republican
Illinois	20	19	Republican	Republican	Democratic
Ohio	19	18	Republican	Republican	Republican
Michigan	16	15	Republican	Republican	Republican
North Carolina	12	13	Democrat	Democratic	Democratic
Georgia	11	13	Democrat	Democratic	Democratic
Virginia	11	11	Republican	Republican	Republican
Massachusetts	10	10	Republican	Democratic	Democratic
Indiana	10	9	Democrat	Republican	Democratic
Missouri	9	9	Democrat	Republican	Democratic
Tennessee	9	9	Republican	Democratic	Democratic
Wisconsin	9	8	Republican	Democratic	Republican

SOURCES: U.S. Census Bureau, National Conference of State Legislatures

Some Say The Limits Should Stay Until 2002

Charter School Cap Assailed As New Schools Are Approved

By ANDREW CLINE
Managing Editor

RALEIGH
The State Board of Education approved three new charter schools Feb. 1, cutting the number of remaining charter-school slots down to three, while Republican lawmakers that week introduced four bills to remove the state's cap on the number of charter schools allowed to operate in the state.

"When enacted, this legislation will allow more parents to find the public school that best meets the educational needs of their children," said Roger Gerber, executive director of the League of Charter Schools. "The very existence of the cap limits a parent's choice and a child's opportunity."

The 1996 law authorizing charter schools capped the total number of charter schools allowed in the state at 100. With the approval of three new charters last week, the state has 97 charter schools, leaving space for only three more schools under the existing cap.

But the state has received 33 applications for new charters this school year, indicating a large demand for the schools, which are free from many of the administrative regulations that traditional public schools face.

Republicans and school-reform activists say the cap should go. But some Democrats, and the Department of Public Instruction, say the cap should not be lifted until an official charter-school study is completed next year.

"I believe we need to keep the cap at 100 and analyze what we have," said Rep. Douglas Yongue, D-Scotland and cochairman of the House Education Committee last year. But Rep. John Blust, R-Guilford and sponsor of one of the three House bills to remove the cap, said there was no need to wait.

"Why didn't we wait for the studies on Smart Start? We didn't have to wait on the studies for that to push it to all 100 counties," Blust said.

Yongue said the issue has suddenly

turned into a partisan one, which somewhat changes the dynamics of how it will play out in the legislature.

"It's sort of turned into a Democratic/Republican deal," he said. "We still have some Democrats who appear to want to lift the cap."

But Sen. Ham Horton, R-Forsyth, who introduced the Senate bill to remove the cap, said it didn't seem to be splitting that way in the Senate.

Sen. Wib Gulley, D-Durham and sponsor of the 1996 legislation authorizing charter schools, said he wanted to see the cap raised, possibly to 130.

Yongue said his main concern with raising the cap was that it could result in a mass exodus from schools in small districts.

"If we do lift the cap, we have to have some provision put into place where it will not harm these small [districts]," he said.

Blust said concern for small school systems was no justification for a cap on the total number of charter schools in the state. "The State Board of Education can take those small districts into consideration when granting charters," he said.

Support From Board Chair

Phil Kirk, chairman of the N.C. Board of Education, has put his support behind lifting the cap. "He's been pushing pretty hard on it," Yongue said.

The almost simultaneous introduction of four bills to remove the cap was not a concerted effort to gain media attention or push the issue. It was just an accident, Blust said. "We need to talk to each other, I guess."

Despite some failures, most charter schools do well, and lifting the cap would create more opportunities for more children, Horton said.

"You go to a charter school and invariably the teachers are happy, the parents are happy, the children are ecstatic — and they're learning. What more do you want? Some of them haven't succeeded. But have you ever heard of a public school closing down because it didn't perform?" CJ

"Cost Savings" Recommendation Would Really Hike Sales Tax

By JOHN HOOD
Editor

RALEIGH
Contrary to the widely held view that North Carolina leaders are considering only spending reductions as they balance the state's budget, at least one powerful legislator has already proposed a tax increase of up to \$100 million, according to an analysis published in early February by the John Locke Foundation.

Dr. Roy Cordato, Vice President for Research at the Foundation, stated in a Spotlight briefing paper earlier this week that Senate President Pro Tem Marc Basnight's idea to require retailers to file sales tax collections electronically, rather than by check, would transfer interest earnings from private businesses to the state.

"While portrayed as a cost-saving measure," Cordato wrote, "the senator's proposal would constitute a hidden, across-the-board tax increase on all re-

tail businesses."

Interest earned on the "float" — the time it takes for the state to process checks from retailers and deposit them in the state's account — may approach \$100 million a year, according to Basnight.

Cordato, an economist and tax policy expert, observed that such a tax increase would add insult to injury since retailers are already required to serve as tax collectors for the state without being compensated for the associated costs. According to a study by the accounting firm Ernst & Young, the cost of administering the sales tax varies from 7% to 14% of revenue collections, depending on the size of the retail establishment. "This means that North Carolina retailers incurred \$235 million to \$471 million in tax collection expenses last year," he wrote.

The Spotlight, "Keeping A Float," is posted at JLF's main web site at <http://www.JohnLocke.org>. CJ

Study Identifies Budget Savings, Warns Against Higher Taxes

By ANDREW CLINE
Managing Editor

RALEIGH

State lawmakers and Gov. Mike Easley can close half-billion-dollar budget deficits over the next two years without raising taxes, increasing debt, or imperiling core state services, according to a new study by a Raleigh economist.

Dr. Roy Cordato, Vice President for Research at the John Locke Foundation,

recommends that the state save \$600 million in FY 2000-01 and \$743 million in FY 2001-02 by slicing corporate welfare, slowing Medicaid growth, eliminating unnecessary and duplicative programs, and tapping excess state reserves.

In his Spotlight briefing paper published in January, Cordato argued that the state's current fiscal challenges are as much an opportunity as a crisis. "The governor, with a new administration and a different philosophy of governing than that of his predecessor, now has an opportunity to rethink the state's approach to budget policy," wrote Cordato, a former Campbell University professor and veteran fiscal policy scholar. "The changes he must make can promote prosperity

and job creation and place North Carolina on track for strong economic growth in the future."

Cordato pointed out that there are economic consequences attached to the various choices that lawmakers and Easley have to close the budget gap. Higher taxes or increased debt would constrain state economic growth while reducing spending would boost personal and economic freedom.

"Spending restraint will shift resources from the less efficient public sector to the more efficient private sector."

"A policy of economic growth and prosperity dictates that the current budget shortfall be addressed through controlling state spending, not hiking taxes, which stifles entrepreneurship and dampens prosperity," Cordato argued.

"Spending restraint will shift resources from the less efficient public sector to the more efficient private sector."

In the briefing paper, Cordato listed several key categories where significant budget savings can occur over the next two years, including tuition increases at UNC and community colleges, tapping state reserves for hurricane relief and unemployment insurance, ending subsidy programs, and selling state-owned ports and the North Carolina Railroad. CJ

Advertisement

School Reform Briefs

• Studying water, sea creatures, and plant life from N.C. marshes will become a daily activity for students at Wrightsville Beach Elementary School. These children can expect a lot of exciting changes over the next few months. Principal Rumley, parents, and community members all lent a helping hand to give the school a boost in the right direction. "We knew we needed a more challenging curriculum. We had children who were incredibly smart and excelling but then meeting a plateau," Rumley said. So the school formed an improvement team, and along with the principal and PTA set about refocusing the school.

The results were amazing. Through UTOTES (Using the Outdoors to Teach Experimental Science), a program with the Museum of Life and Science in Raleigh, the school will have 30 hours of staff development on how to teach outdoor science, along with numerous supplies including books, butterfly nets, and trees. The school also won a partial grant with Wilmington West Rotary to build a pier into the marsh, with many other supplies and donations coming from local businesses. "We have this great location and we wanted to use it," Rumley said. The pier is built, and children can gain hands-on experience with a variety of exercises.

One other change has been made. The school has one aquarium or terrarium in each classroom. The main aquarium in the lobby has received so much attention, students are clamoring to get on the cleaning list.

• North Carolina's accountability program, the ABCs of Basic Education, asserts that schools that continue to fail can be shut down. But it hasn't been done yet. For the three years that the ABCs program has been in effect, Charlotte's Wilson Middle School has continually performed poorly on state end-of-year tests. Only 44.1 percent of the school's students performed at grade level last year.

Last month, Mecklenburg Schools Superintendent Eric Smith removed Wilson's principal, Ken Simmons, and replaced him with Kathy Smith, Albemarle Road Elementary's principal, *The Charlotte Observer* reported. This is the second time since 1998 Smith has transferred Simmons because he wasn't pleased with his performance. Simmons was reassigned to the alternative education department with no change in pay.

• Beginning next year, N.C. public schools will have to test all students and report those scores in the state accountability model. Many members of the State Board of Education believe that the move will help to make sure all students, including exceptional children and ESL (English as a Second Language) children, are learning.

Others worry that reporting the performance results of all students will cause some schools to have significantly lower performance scores next year and will scare the public.

State Sets Expectations For Students

Board increases promotion and graduation requirements across N.C.

By SHERRI JOYNER

Assistant Editor

RALEIGH

Torid schools of social promotion, end-of-grade tests were instituted in the N.C. public schools. But the tests may spell trouble for North Carolina and many other states.

This year, N.C. fifth graders must meet local promotion requirements, must score at or above grade level on the state's end-of-grade tests in reading and math, and must have scored at least at the 2.5 proficiency level on the grade 4 writing test.

These standards may not sound tough, but with fewer than 70 percent of students scoring proficiently in 1999 on state end-of-grade tests, and problems with the state's writing test, N.C. schools may need to gear up for an overload of failing students.

Fifth graders are not the only ones needing to put the pedal to the metal. Many educators are worried that N.C. seniors will fail new exit exams. Just last month the State Board of Education extended the timeline for implementation of the high school exit exam by two years. Under the new guidelines, the class of 2005 must pass the exam to receive a diploma.

"We obviously have concerns about how schools will perform on the exit exam," said Lou Fabrizio, director of the Department of Public Instruction's Division of Accountability Services. "Part of the reason the State Board decided to extend the deadline was so schools could have additional time to work with students."

Wisconsin, Maryland, Arizona, and North Carolina are among the states that have postponed their exit exams or have drawn up easier tests rather than face high failure rates.

The ultimate goal of testing is not to fail students, but to require them to pass grade-level material in reading, math, and writing before proceeding to the next grade. This holds everyone accountable, including teachers and principals.

The arguments for accountability standards are convincing: 1) every child is capable of learning; 2) testing every few years allows educators to ensure that no child is "left behind" without assistance; 3) social promotion harms students, and 4) teachers, principals, and schools should all be held accountable for the educational achievements of children in their charge.

North Carolina is not the only state that

requires students to perform well on end-of-grade tests. A total of 18 states require high school exit exams, and many more states require students in lower grades to perform at grade level on end-of-grade tests. Authorities in Texas expect to see numerous students fail the graduation test because of current poor performance on the state algebra test.

Districts in North Carolina have also done poorly on the state's algebra I end-of-course test. Some districts have fewer than 50 percent scoring proficient. Montgomery County had only 35.4 percent of its students scoring proficiently last year.

Rising Concerns

By expecting students to perform at grade level, North Carolinians may see thousands of minority and poor students fail during the first few years of implementation. This result is expected and feared.

"You already see in state data higher rates of minority and low-income students who are not meeting recommended standards. The state wants these students to receive assistance before they get too far along

in school... the accountability model is a check for this," DPI Legislative Director J.B. Buxton said.

By far the largest minority population in the state is in Robeson County. With only 50 percent of black students and 53.3 percent of Hispanic students passing the state's fifth grade reading test last year, Robeson County schools will need to increase student achievement quickly.

Other districts, such as Chapel Hill-Carrboro, also need to look at closing the racial gap. Known for its good schools, Chapel Hill had more than 98 percent of white fifth graders at grade level last year on the mathematics end-of-course test. But only 77.2 percent of Chapel Hill-Carrboro's black fifth graders scored at grade level.

The State Board of Education is already gearing up to make sure all students are at grade level. Due to mandates from the General Assembly, DPI will insert a new requirement into the accountability assessment of schools.

Beginning next year, schools will be required to show that all students are at grade level. The schools must show that the lowest-performing students aren't being left

behind and that efforts are being made to reduce the racial gap.

Although some schools may have serious problems, it is doubtful that entire districts will have severe failure rates that would cripple their school system.

Due to the design of the accountability system, fifth graders may fail the end-of-grade tests and still be promoted under the authority of the principal. The tests for third, fifth, and eighth grades are designed so that each student has two chances to take the test before attending summer school and testing a third time.

Also, if the teacher can show the student performed at grade level throughout the year, the final decision for promotion is left up to the principal. Some counties may see upwards of 30 percent of students fail end-of-course tests, but with multiple chances to test and exceptions from principals, it is unlikely that schools will see an overload of students repeating grades.

Similarly, with students having up to five chances to take the exit exam and several years to prepare, N.C. educators are hoping only a minimal number of students will fail to graduate.

Nonetheless, the standards will cause increased summer-school enrollment and additional targeted support from local school systems. Recognizing the necessity for additional support and summer classes, the State Board of Education has proposed that local municipalities offer free additional services to help failing students.

The costs could be exorbitant, especially if students' scores are similar to previous years. North Carolinians may see further fiscal problems this year as local authorities try to attain millions of additional dollars to fund supplementary classes for failing students.

The obvious political concern, some say is that politicians may consider dumbing down the tests so everyone can be promoted and graduate, teachers and principals can keep their funding, and schools can avoid the hardships of accountability.

Politicians are already suiting up for the battles. Sen. Paul Wellstone of Minnesota introduced a bill in Congress last year that would bar promotion and graduation decisions based solely on test scores. The American Jewish Congress is also pushing a bill that would allow students to attend college without a high school diploma.

President George W. Bush has entered office making it very clear that education will be his main policy issue this year and that accountability will be the cornerstone of his education plan.

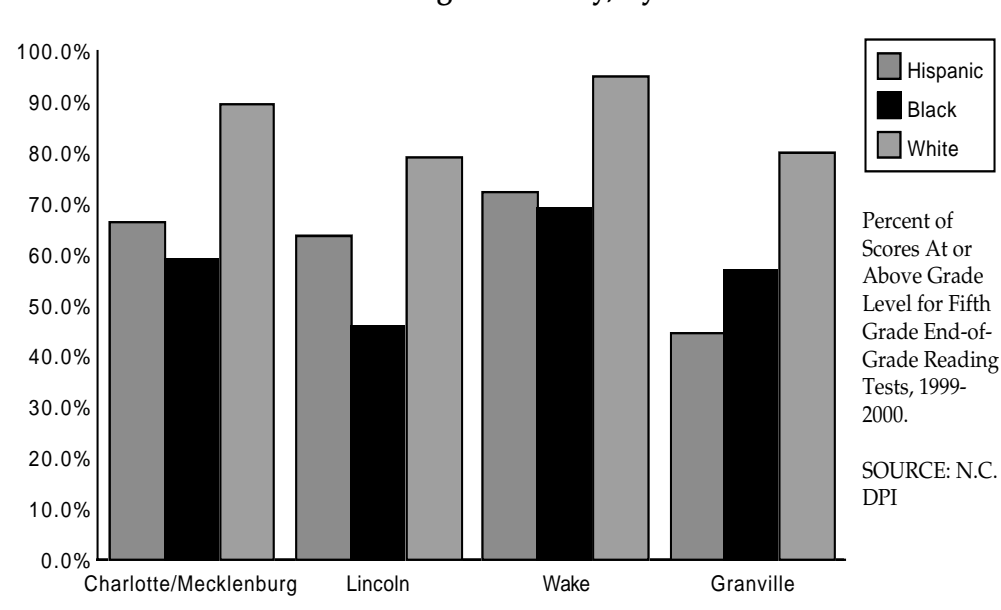
One part of Bush's proposal that North Carolina has not yet embraced is an offer of private-school scholarships to children trapped in consistently low-performing schools. Democrats in Congress and in North Carolina typically oppose the idea, while advocates say that it would provide an additional incentive to schools to measure up to high academic standards.

A privately funded experiment in parental choice in Charlotte has yielded some promising, albeit preliminary, results. Poor students who secured scholarships via lottery to attend private schools of their choice from the Children's Scholarship Fund-Charlotte scored significantly higher than their public-school counterparts on reading and math tests, and were also more likely to say their school were safe and challenging.

The program is a partnership between the New York-based Children's Scholarship Fund and the Raleigh-based John Locke Foundation.

North Carolinians may see thousands of minority and poor students fail during the first few years of implementation.

2000 Fifth Grade Reading Proficiency, By District and Race



Increased spending is central to reform plan

Ward Touts Plan To Boost Scores At The Worst-Performing Schools

By MELISSA SUAREZ
Senior Writer

Improving the performance of low-performing schools would cost the state approximately \$6 million dollars under a plan unveiled last month by State Superintendent of Public Instruction Mike Ward.

The plan, which the State Board of Education votes on in February, would heighten state intervention for chronically low-performing (CLP) schools — those schools labeled low performing under the state's ABC's program two out of three years.

Since the 1996-97 school year, 19 schools have been designated as CLP schools. Seven schools currently fit that description.

The state now sends assistance teams to CLP schools in an effort to raise performance. For some chronically low-performing schools, Ward said, current interventions are not enough.

"The pivotal question before us is whether a youngster should have to remain trapped in a school that is failing," he said.

Under Ward's plan, the state would undertake a three-year effort to turn around CLP schools. Funding would be increased to reduce class sizes, extend teacher contracts to eleven months, reassign state assistance teams, provide signing bonuses for principals and teachers who take on such schools, and award incentives for school improvement.

Schools would have increased flexibility in how they use state funds. But they also would face more accountability for student performance. The State Board of Education would create a "State-level Turn-Around Fund" to offer more money to CLP schools that undertake new programs to raise performance. Schools would be required to submit a rationale for the funds.

Should a school remain CLP after two years of assistance, the State Board could mandate that local school boards redirect funds to CLP schools. They could also require local boards to implement a whole-school reform program, or they could reconstitute the school.

New legislative language would require state evaluators to determine teacher adequacy. Teachers receiving two "inadequate" evaluations in the same year could be dismissed.

Choice A Factor

Ward acknowledged various school-choice measures which allow

students in low-performing schools to attend a public or private school of their choice were proven alternatives for raising student performance.

But he said that option marked a philosophical departure from the goal of helping all children.

"We have to be focused on helping the whole student body in that school," he said.

Ward's plan, however, does not completely rule out the possibility of some form of school choice.

Instead of allowing students to transfer immediately out of CLP schools, children in

such schools would wait three years to give their schools time to perform. If the schools remained low-performing, students would be allowed to transfer to higher-performing public schools.

Ward did not, however, emulate President George W. Bush in calling for private-school alternatives for these children. During his recent re-election campaign, Ward attacked such programs as "vouchers" that would "drain resources from public schools."

Too Far or Not Far Enough?

Several state school board members expressed concerns that Ward's plan either went too far or did not go far enough.

"I think the fear people have now... is what happens the year resources leave the schools," Lt. Gov. Beverly Perdue said. "Some neighborhoods and schools are going to need permanent assistance."

Board member Maria Teresa Palmer said the plan did not give students, particularly non-English-speaking students, enough time to prepare for performance evaluations.

"It takes about one and a half years for an English language learner [ESL student] to catch up with other students," she said. "We're giving the teacher eleven months, but not the kids."

"We're going to give people more money to do the same thing that doesn't work," she said.

Funding and Community Issues

Legislators say any funding increase will be difficult in a tight budget year.

"I'm not optimistic that we'll have any new money, although the desire to help these schools is there," Sen. Howard Lee, cochairman of the Appropriations Committee on Education, said. "Until it's formally submitted to the legislature, we won't have a consensus opinion."

Lee is working on a bill to identify the state's 20 to 30 lowest-performing schools, but he could not provide details of the plan.

Local education leaders, meanwhile, are mulling the changes that the proposal could bring to their communities.

"We need to dig deeper, to get in there and see why things are not getting better and then decide what we need to do," Linda Harrill, President of Communities In Schools, a statewide organization that connects community resources

with public schools, said.

Ward has asked Communities In Schools to be a partner in his plan. It will work to connect resources with CLP schools, bringing in the assistance of faith-based and nonprofit groups and businesses in communities where the schools exist.

"We have to give communities the first chance to do it themselves," Harrill said. "I think [the proposal] is intended to be a bottom-up approach."

"Before we put sanctions on schools, we have to do everything we can to try to help them," she said. *CJ*



Mike Ward

Put Parents in Charge

What do Erskine Bowles, former chief of staff in the Clinton White House; Senator John McCain; Martin Luther King, III, President of the Southern Christian Leadership Conference; and William Bennett, Secretary of Education in the Reagan administration, have in common? They are all board members for an organization called Campaign For America's Children.

I first learned about the Campaign For America's Children (CFAC) while researching parent involvement in education on the Internet. During my search I discovered www.parentsincharge.org.

The header on the homepage precisely captured my views on education. "All kids, regardless of race, income or background, deserve equal access to a good education, whether it comes from a public, parochial, charter or private school. Parents must be in charge, deciding what is best for their children," it read.

Intrigued by the message and the eclectic list of board members, I perused the site further.

CFAC is a nonpartisan, not-for-profit organization dedicated to providing accurate information about the state of education in America, both the failures and the opportunities.

The supporters of CFAC are Democrats and Republicans, conservatives and liberals, educators and business leaders, members of the faith community and parents: all preaching a single message.

There is no sugar coating or mincing of words. They believe that it is time to put the needs of the child above the needs of a system.

Board member Martin Luther King III summed up CFAC's beliefs quite effectively when he said, "We must continue the work my father began. Education is the key to freedom and opportunity. We basically have one supplier, the public education system, and it has become a huge bureaucracy. This bureaucracy has to be challenged. Fairness demands that every child, not just the rich, has access to an education that will help them achieve their dreams."

CFAC believes in public education, or more accurately "educating the public." Its members understand that education is the key to success. By ensuring that children have access to a quality education you produce a ripple effect that impacts numerous other challenges that we face in America — crime, race relations, and the income gap.

However, CFAC's members believe the answer to the age old question, "How do we fix education?" is simple: Put parents in charge.

CFAC challenges the American public to put aside policy differences and differences in education solutions and answer one basic question: "Shouldn't parents be in charge of their children's education?"

We can empower parents to be part of the solution by giving them a significant role in their child's education.

"It seems to me that in America, if you're deemed responsible enough to vote, responsible enough to choose what food your children eat and what clothes they wear, you ought to be considered responsible enough to choose where they go to school and have a say in who teaches them and what they learn," board member Ted Forstman said.

During our Founding Fathers' days, the education system was a system of choice that produced 90 percent-plus literacy rates.

Today's education system of government-run schools was developed by Howard Mann in the 1850's. Mann was specific in the goals of this new education plan and called for "a system which shall place under a control, independent and superior to

parental authority, the education of children."

Since the beginning of Mann's system, we have increased educational spending, reduced class sizes, and extended the school days. The result? Currently 60 percent of 12th graders are not proficient in reading, based on Department of Education guidelines.

CFAC advocates an education system that embraces the democratic principles of freedom, competition, opportunity and choice.

But most importantly, its mission and materials continuously return to the basic guiding principle... parents should be in charge of their children's education. *CJ*

Holland is director of the N.C. Alliance for Smart Schools. The Campaign for America's Children has a strong presence on the web at www.parentsincharge.org.

Paige Holland

School Reform News From Across the Nation

Bush Calls for Accountability

Less than 72 hours after entering the White House, new President George W. Bush unveiled his first major policy proposal, an education plan. At the center of the plan are state standards and accountability. Students in grades third through eighth will be required to take annual tests in reading and math. Bush also supported billions of additional dollars being funneled into failing schools.

To the surprise of some, he also pursued his idea of providing annual scholarships

averaging \$1,500 to students from low-income families who attend schools that fail for three years. As reported by *The Charlotte Observer*, Bush said during an announcement ceremony that "when schools do not teach and will not change, parents and students must have other meaningful options."

Although many Democrats in Congress support a majority of Bush's education plan there is opposition to choice. Bush is expected to compromise with Congress over the scholarships in the near future. Senator Edward Kennedy, one of the most liberal members of Congress, although opposed to private-school choice, said, "I can't emphasize enough the other areas where the President was reaching out and where there is broad agreement and meaningful agreement and the basis for a legislative agreement."

Charlotte Scores on Dropouts

Charlotte, one of the 35 largest central cities, scored relatively well in a recent national study calculating dropout rates.

The study, conducted by Harvard Professor Gary Orfield and Achieve, Inc. located in Cambridge, Massachusetts, found that about half of America's 35 largest cities have severe dropout rates. It also revealed that the largest dropout problems occur not only in big-city schools but also in those schools that have a disproportionately large group of minority students. The more minority students in a large school the greater number of dropouts.

Designed to identify schools and districts that have problems, the study measured dropout rates for the class of 1993 and 1996 by the ratio of twelfth graders to ninth graders over a four-year period. This percentage, also called promoting power, identified the number of student who failed to graduate within the normal four years. Since this percentage also includes transfer students or grade repeaters, the authors defined schools with high dropout rates as those schools that have senior classes that are 50% smaller than when they entered four years earlier.

Only one high school in Charlotte out of the eleven studied had a high dropout rate for the class of 1996 and the class of 1993 had none. Although the report does show an increase in the number of schools in Charlotte with low promoting power, the city still fared much better than other large cities within the nation. Only four cities, San Jose, Long Beach, Phoenix, and Charlotte had two or fewer schools with high dropout

rates in both 1993 and 1996. The highest rates were found in Midwestern and Northern industrial cities and in Texas.

Model School in Texas

Gun and knife possessions, failing students, and over five principals in seven years were becoming all too common at South Grand Prairie High School in Texas. Knowing something had to be done, 10 teachers formed the "Vision Committee" to decide the future of the

school.

The change was radical and the results have been amazing, according to many observers.

The school formed "wall-to-wall" academies that allow students to focus their studies in a particular field of study. The areas of study did not change required courses only teaching methods. For instance, a student in the creative and performing arts academy may act out Shakespeare plays for English class where students in business administration and accounting will break down Shakespearean plays into sections for analyzing.

On balance, the reformers have been successful and cost-effective. Not one teacher had to be added, and an art gallery and career center were added with a patchwork of a few small grants. Denise Mason, a junior at the school has noticed changes: "We don't travel around the building as much, and I guess students are more focused than friends I have at other schools who are just going through high school."

But changing vocational tracks for students in not the only solution. The key is making the school friendlier. South Grand Prairie in Texas did just that. Realizing that students flourish in smaller schools, the Vision Committee created tracks to break the big school up into smaller schools.

The faculty also offers early support with a required freshman class. The class includes a carnival night where teachers hawk courses the way a carnival worker tempts passersby. Freshman are also required to introduce themselves to the principal with a firm handshake.

By their senior year students are required to take another course that requires the filling of a 4-inch-thick notebook with many items including a resume, transcript, 20 career-specific vocabulary words, and how someone in their chosen field uses math.

"I have seen my share of fads and I have seen my share of state mandates, and this is the best thing I have seen done," said Billie Donegan a media teacher of 28 years. "This is a true systematic change...and it's changed the climate of my high school." Reported in the *Baltimore Sun*.

Reading Achievement Levels

Keep your eyes open for new reading scores due out this month. The National Assessment for Educational Progress will be releasing the results of the latest reading assessment administered in 2000 to about 9,000 students across the nation. CJ



Understanding DPI's Teacher Turnover Report

Misunderstanding Data Leads to Exaggeration of Teacher Loss

By SHERRI JOYNER
Assistant Editor

RALEIGH

Are public schools such bad places that teachers are leaving their profession in droves for another career? Recent criticisms of North Carolina schools have focused public attention on teacher turnover.

Education leaders, particularly principals and superintendents, claim that individuals are not attracted to the teaching profession and that the attrition rate of current teachers is high.

The North Carolina Department of Public Instruction (DPI) conducts an annual survey of all North Carolina districts to determine the reasons for teacher departure. The most recent report, released last fall at a State Board of Education meeting, caused a media uproar and led to the faulty conclusion that North Carolina's teacher turnover rate is sky-high.

At first glance, the results seem disturbing. DPI reported that North Carolina's statewide turnover rate increased to 13.59 percent in the 1999-2000 school year.

However, a careless reader can easily misinterpret what is actually happening. For instance, a major portion of the turnover includes teachers who were not leaving the profession, who were not even leaving the state, but who were merely moving from one district to another.

Almost 75 percent of those who did leave their jobs left them to teach in another school district in North Carolina.

Another problem is that the turnover includes many teachers who leave for reasons other than dissatisfaction with their careers. A full 8.6 percent of the 13.59 percent reported left for a variety of reasons unattributable to schools, including family relocation, health problems, retirement, and even death.

Job Dissatisfaction Overstated

Essentially, very few teachers are leaving North Carolina's public schools because they are dissatisfied with their jobs.

Only 595 teachers statewide, or 6 percent of the state's teacher workforce, resign from the profession due to discontent, according to the state's report.

This number is down dramatically from last year. In 1998-1999, 1,062 teachers resigned because they were not satisfied with their jobs.

Another 963 teachers in 1999-2000 were dismissed, did not have their contract renewed, or were moved to non-teaching positions in education.

It is easy to see that North Carolina is not facing a particularly high turnover rate among public school teachers. The statewide average of those leaving the profession is much lower than reported, coinciding with the national average of six percent reported by the National Center for Education Statistics.

The *Digest of Education Statistics 2000*, the newest report from the National Center for Education Statistics, further indicates a positive direction nationally.

The nation's public schools have more teachers than ever, the lowest pupil-to-teacher ratio recorded, and barely more

students than in the 1970s, according to the report.

Regardless of these data, education officials continue to warn against high turnover rates and the failure to attract teachers to the profession. Superintendents often cite the inability to recruit and retain teachers, especially minorities, as one of their worst problems, according to an Alliance for Smart Schools survey of superintendents throughout the state last year.

Although particular hard-to staff areas such as mathematics, science, and inner-city schools may face shortages, there doesn't seem to be a widespread shortage of teachers. Those schools that face challenging circumstances are changing. To attract better teachers, those schools have begun to offer larger bonuses, higher salaries, and increased benefits.

Nevertheless, N.C. legislators passed a bill several years ago to handle teacher shortfalls by allowing alternate, lateral entry. Lateral entry allows those without formal teaching or education degrees into the teaching profession based on their comprehensive knowledge and experience in a particular field.

Essentially, very few teachers are leaving N.C. public schools because they are dissatisfied with their jobs.

The public could expect to see a large number of lateral entry teachers if turnover rates and shortages were severe. Instead, only a handful of districts are taking advantage of this solution. Across the state, there are only 57 lateral entry

teachers, with most districts hiring only one or two.

"We have asked the question for several years, why more schools aren't using lateral entry," said Sen. Austin Allran, ranking minority member of the Senate Education/Higher Education Committee. "I have a problem with teachers being required to have certification. If a person had a law degree and wanted to teach a course on business law at our community colleges, there wouldn't be a problem, but that same person couldn't teach in public schools."

The only district that seems to need or support a large amount of lateral entry is Durham County, which employed 17 lateral entry teacher this year.

The Thomas B. Fordham Foundation in Washington, D.C. released a study several months ago that gave a valuable indication of how teachers nationwide felt about their profession.

Even though the majority of teachers surveyed said they felt they were underpaid, 96 percent said their job involved work they love to do, and 68 percent said that their job gave them great satisfaction. Another 75 percent said they believed teaching would be a life-long career.

Existing data suggest that concern about recruiting and retaining a competent teaching force should be focused less on hard numbers and more on the quality of those who teach. Lateral entry, which allows those without formal teaching credentials to share their knowledge and experience, is one way to entice talented adults into the teaching world.

In essence, reports indicate that as a whole, North Carolina does not have a shortage of teachers. But to address perceived teaching problems in public education and possible inner city concerns, viable alternatives should be explored. CJ

*School Innovation Spotlight***Michigan Charter School Changes Mind of Skeptical Public Educator**

By NAOMI SCHAEFER

Special to *Carolina Journal*

GRAND RAPIDS, MICH.

Five years ago, Dan Brink and three of his fellow teachers in the Grand Rapids public schools came up with what they thought was a great idea of a "60 Minutes" segment — they were going to expose what Brink calls "the big scheme of charter schools."

He remembers, "We knew they weren't really public. They were just a way of getting a Christian education without paying tuition." Brink, who was "heavily involved" in the teachers' unions on the national, state, and local levels (even working on their public relations commissions), had been a teacher and administrator for 34 years and was hardly going to be taken in the "scheme."

When his friend and colleague Jan Van Deusen took a job as principal of the Vista Charter School (one of a chain of for-profit charter schools called National Heritage Academies) in a low-performing neighborhood of Grand Rapids, Brink was simply "appalled."

"I couldn't believe she did that. She was such a loyal member of the public school system."

About two years ago, when Brink was on the verge of retirement, he got his first of many phone calls from Van Deusen asking him to take a look at Vista. Though his initial reaction was, "I wouldn't be caught dead at a charter school," Brink was eventually convinced to see for himself.

"I walked into the whole assembly of kids, and it just tore me up. I had tears in my eyes," he said.

What could bring a public school veteran like Brink to such an emotional state? A plain-looking gym filled with about 500 similarly clad students of all different races, sitting quietly on the floor in straight lines, and bursting into applause whenever a teacher announced the academic accomplishment of one of their classmates.

Maybe it was the parents chatting with teachers, offering to volunteer in their child's classroom. Or maybe it was Van Deusen's smile as she led the group saying the Pledge of Allegiance and singing "My Country 'Tis of Thee."

Looking back, Brink explains, "It was something I had never seen before. I was used to covering football games where kids didn't even stand for the national anthem."

Not only has Brink changed his mind about charter schools, he has started a second career this year, as assistant principal of Vista. It's easy to see why. From the first-grade classroom, where Joy Oosterheert leads an excited game that combines counting by tens with jumping up and down, to the fifth grades, where Michelle Stevens imparts the importance of fractions, the kids and staff seem focused and energetic.

Tamara Bowman looks like she couldn't be happier with the education her daughter and two nieces are receiving at Vista.

"It's the way the teachers interact with the students," she says.

The school loosely follows a "back to basics" curriculum devised by *Cultural Literacy* educator E.D. Hirsch. As Todd Avis, NHA's educational director, explains, "There is basic subject material that every child regardless of socioeconomic background should know."

Though most of the kids come from low-income households and the student body is almost 70 percent minority, the results from last year's Metropolitan Achievement Test show students scoring well nationally and improving dramatically from last year.

Curious whether the "culture of learning" NHA tries to impart in its schools has really taken hold, we approached eighth-grader Karla Ramirez. Isn't it embarrassing to stand at an assembly when teachers call out the names of other students who've earned good grades? She answered easily, "since most of the school tries to get good grades, they can't make fun of you." Then she paused, and began to giggle. "And you know, people here are always saying they have As when they don't. No one at my old school did that."

As a publicly funded charter school (parents are not charged tuition), Vista is required to take any child who applies. (A lottery is instituted in cases where a charter school has too many applicants.)

The school does not "track" students but mixes those with different learning abilities. To avoid problems this has caused at other schools, the Hirsh method relies on "lots of drill and repetition," which allow both general and special-needs students to excel.

But good teaching is only one reason Tamara Bowman's daughter is at Vista. "With curriculum and the moral focus, they are much like the Christian schools." Each

"I walked into the whole assembly of kids, and it just tore me up. I had tears in my eyes."

— Dan Brink.

month, the students at Vista are encouraged to focus on a different virtue; like, say, perseverance. Teachers do not simply explain the virtue; they encourage students to demonstrate it. When appropriate, they stop teaching to impart a moral lesson.

One of the first things that struck Dan Brink when he came to Vista was discipline. "It's fantastic — fantastic, but fair." Many things contribute. Parents and teachers cite the school uniform as helping to instill an atmosphere of respect. More importantly, teachers are allowed to discipline students without being second-guessed.

Even parents who don't volunteer are expected to be heavily involved with at least their own child. Some parents are initially taken aback at the relatively small infractions that merit a call home. But Brink explains, "Every time I call a parent about a

discipline issue, I say this is the way you wanted it. You chose this school." Whenever homework is not submitted on time, a call is made. "I'd rather be having conversations with parents when these kids are in third or fourth grade than when they come home after a semester of college because they have flunked," Avis said.

Van Deusen has complete control over hiring and firing. "Applicants come here because they have confidence in their skill level. They realize there is no tenure here, but it doesn't matter because they know they can do the job." Teachers are evaluated by their principal, and through semi-annual parent satisfaction surveys. CJ

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Campus Briefs

• Last year Western Kentucky University needed to repair and renovate several dormitories on campus, but did not receive the necessary funds from the legislature.

The university therefore created a nonprofit, private foundation and placed it in control of the dormitories. According to *The Chronicle of Higher Education*, the foundation was able to issue bonds to raise the millions of dollars necessary to make the repairs.

The revenue from the bonds will allow Western Kentucky to renovate several dormitories entirely and to improve the rest. The foundation also earned a higher credit rating than the university did in its previous bond issue.

• *Portfolio of Excellence*, a report by the American Council of Trustees and Alumni (ACTA) that highlights colleges and universities with outstanding core curricula, includes the University of North Carolina at Asheville among the institutions it honors.

Announcing the report in its Fall 2000 *Inside Academe* newsletter, ACTA proclaimed, "A coherent, comprehensive curriculum which introduces students to the highest achievements of human civilization should be a priority for every institution."

According to ACTA,

UNC at Asheville bills itself as North Carolina's Public Liberal Arts Program. Each student is required to complete its general education program requirements, which include courses on the arts, library research, writing and the English language, foreign language, health and fitness, humanities, mathematics and natural science. The program is designed to integrate history, literature, art, music, philosophy and religion with social and scientific thought for the different periods in history.

Portfolio of Excellence is available for free by calling 1-888-ALUMNI-8.

• While 41 percent of non-Hispanic white youths attend college in the United States, only 22 percent of Hispanic youths do, according to "Education=Success," a report co-sponsored by the Texas-based Hispanic Association of College and Universities (HACU) and the Education Testing Service (ETS).

The report estimates that closing the education gap would raise the income levels of Hispanic families and that the resulting salaries would add \$130 billion to the U.S. Economy annually and \$46 billion to annual tax revenues.

The report cites the following reasons for the education gap: poverty, language barriers, low literacy rates among parents, and young people leaving school to get jobs to help support their families.

Copies of the report are available by calling Cynthia Vala at (210) 692-3805, ext. 3250.

St. Andrews College Guarantees Tuition Won't Be Higher Than in UNC System

Targets those "who want to attend a private college but thought they couldn't afford it."

By JON SANDERS

Assistant Editor

RALEIGH

St. Andrews Presbyterian College announced in January that it will guarantee that in-state students will pay no more to attend St. Andrews than they would pay if they attended the University of North Carolina at Chapel Hill.

The guarantee cuts the total cost for in-state students by more than half, from \$19,500 to \$9,000, in 2001-02. The \$9,000 cost (for tuition, fees, room, and board) is equal to that at UNC-CH next year.

"Education at a state university is not for everyone," St. Andrews President Douglas W. Hix said. "We want to be sure that qualified North Carolina students have educational options based on programs, class size and academic fit without regard to their family's financial situation."

Under St. Andrews' In-State Tuition Program, the college will direct its financial-aid resources to N.C. students. It guarantees \$10,500 in grants and scholarships to those students. The college's aid will be supplemented by state and federal grants and scholarships.

To qualify for the program, students have to satisfy the same in-state residency standards that UNC students must meet, be enrolled full-time, and live on campus.

Peggy Crawford, vice president for admissions and student financial planning at St. Andrews, said the college was already directing money to St. Andrews' N.C. students and that the program was a way of letting prospective students know up front that they could afford St. Andrews.

Currently, she said, St. Andrews has students from 38 states and 15 countries. Only a third of them are from North Carolina. Crawford said that part of the college's



St. Andrews Presbyterian College in Laurinburg.

mission, upon its founding by the Presbyterian Church, was to serve students from North Carolina. The In-State Tuition Program will help the college better serve that mission, she said.

The plan has the support of former Gov. Jim Holshouser, emeritus member of the UNC Board of Governors and chairman of the St. Andrews Board of Trustees.

"This new program opens up educational options for North Carolina students who want to attend a private college but thought they couldn't afford it," he said.

An "Enrollment Crisis"

The move by St. Andrews is a response to an forecast upcoming "enrollment crisis" in N.C. higher education. The crisis was one of the selling points for the \$3.1 billion higher-education bond referendum that voters approved last fall.

Some, including George Leef, director of the Pope Center for Higher Education Policy, criticized the notion that public institutions of higher education should be expected to accommodate all additional students brought by an enrollment boom. Leef said the private colleges and universities in

the state were capable of handling the boom.

"Assuming that there will be more students seeking college studies in the future, it does not, however, logically follow that we need to expand the UNC system, and that is because students already have many options other than UNC and their range of options is certain to increase with time," wrote Leef in his *Inquiry* paper, "The UNC 'Building Crisis': A Taxpayer-Friendly Alternative" (www.popecenter.org/inquiry/7building.html).

"First, there is a market for higher education services that encompasses far more than the UNC campuses. Just among the 35 independent colleges and universities in North Carolina, there is room for an additional 9,000 students at the current time."

Holshouser acknowledged the projected enrollment boom in implementing St. Andrews' plan. "I'm concerned about how we'll educate the increasing number of college-bound students, given the crowded conditions in our public universities and the rising cost of higher education," he said. "St. Andrews' In-State Tuition Program may prove to be a model for other private colleges in North Carolina and indeed throughout the entire country." CJ

N.C. Wesleyan Still Reaps Benefits From 1996 Tuition Cut

By JON SANDERS

Assistant Editor

RALEIGH

Five years ago, before St. Andrews Presbyterian College implemented its In-State Tuition Program, North Carolina Wesleyan College slashed its tuition by 23 percent. The move yielded immediate benefits, increasing enrollment and reaping an additional \$600,000 in revenues in the first year.

Wesleyan's tuition decrease was to simplify the financial-aid process and make it fairer, especially for the middle class, who can get left out of tuition discounting.

"I'm interested in getting the middle class back," then-Wesleyan President John White told *Clarion* magazine in 1996.

Since the initial tuition cut, from \$8,600 in 1995-96 to \$6,600 in 1996-97, tuition at Wesleyan has remained below its pre-cut level, according to Belinda Faulkner, Wesleyan's chief financial office. Currently, the tuition at Wesleyan is \$8,332, she said.

Parents and students shop for the best deal in financial aid; much like buying a car, almost no one pays the official sticker price.

Enrollment per year at Wesleyan went from 225 new students in 1995-96 to 266 in 1996-97 (the first year of the tuition cut). Wesleyan brought in about 300 new students this year, Faulkner said.

In addition to the increase in tuition revenues in the first year alone, tuition revenues are up an additional 37.8 percent since 1996-97, according to Faulkner.

Wesleyan officials are quick to attribute the enrollment increase to other factors in addition to the tuition decrease. Among them are Wesleyan's focus on increasing the quality of its academic offerings, the completion of Wesleyan's new performing arts facility, and the installation of air conditioning in the dormitories.

"Today's students and parents are quite savvy when it comes to shopping for higher education," Faulkner said. "They are looking for the right match in terms of cost, size, location, programs, campus living and other factors."

There is no denying, however, that the

tuition decrease played a key role in Wesleyan's new popularity. When White first announced his plan to cut tuition and end routine increases, he cited the financial hardships Wesleyan's complicated financial-aid process and the accompanying tuition discounts created for students and parents. White said the new structure would simplify financial aid and create "a fairer process for everybody." It would also amount to giving every student money back in terms of a scholarship, he said.

"In the current environment, parents and students shop for the best deal in financial aid; much like buying a car, almost no one pays the official sticker price," White told Wesleyan parents in a letter announcing the tuition restructuring. "Wesleyan has decided to lower its overall tuition, offering the reduced price to all students."

The move underscored Wesleyan's "commitment to face the tough issues in higher education today," White said. "Colleges that are able to adjust quickly to new economic environments, those that offer competitive programs, those that are entrepreneurial, and those willing to work smarter, are those that will thrive in the future." CJ

Professor teaches students how to learn on their own

Responsibility in Learning a Hallmark of Textbook Critic

By JON SANDERS
Assistant Editor

RALEIGH

One would like to describe North Carolina State University Visiting Professor John L. Hubisz's recent reform efforts as a textbook example of how to combine academic scrutiny and public pressure to exact needed changes. But since Hubisz's efforts involve ridding inaccuracies from textbooks, specifically middle-school science textbooks, that description could be confusing. Regardless, the description is apt, and the efforts are in keeping with the professor's philosophy of responsibility in learning.

Hubisz expects his students "to be responsible adults" and "not to expect to be spoon-fed information to give back on tests." He told *Carolina Journal* that students must take an active role in their own education. He even encourages students to help their peers because they also learn in the process.

"Students have to leave school with the tools necessary to continue studying on their own," Hubisz said. "It is an impossible task to give them all the facts that they will require in a world that will be vastly different from ours."

That understanding undergirds Hubisz's philosophy of the teacher. "The teacher is a guide, a stimulator, and a resource, not an answer man," he said. "When answers are given, the resources must be cited to demonstrate that they can find the answers themselves. The teacher should let the students know of his or her current interests to demonstrate that learning is a never-ending quest."

But that quest will be effectively stymied if the oracles the learner consults, the textbooks, are breaking their implicit promise to be factual, he said. And the effects of that broken promise will be felt the most at the middle school level.

Hubisz considers middle school a crucial time in education, where opinions of science and other disciplines are shaped. "Middle school students are very hands-on, and that needs to be encouraged," he said.

Hubisz would know. His own interest in science was nurtured by attentive teachers when he was that age. One even told him he would love calculus, ought to be a scientist, and would be a great teacher.

That pronouncement was certainly encouraging, and it could also fall under the category of prophecy. Hubisz has taught in Knoxville, Tenn., Toronto, Nova Scotia,

Texas City, Texas, and Raleigh, and has won numerous teaching awards along the way. He was nominated five times for the Minnie Stevens Piper Professor of the Year Award at College of the Mainland in Texas City, where he taught for 22 years. He has received the Robert N. Little Award for Contributions to Physics in Higher Education from the Texas Section of the American Association of Physics Teachers. Two years ago, the North Carolina Section of the AAPT, which he helped establish, awarded him with the first John L. Hubisz Award for outstanding service. Now Hubisz has been named the president of the AAPT.

Asked what his proudest accomplishments were, Hubisz responded not as a decorated physicist but as a devoted teacher. His answer — in keeping with the importance he places on students' responsibilities to learn — was the accomplishments of his students, such as "students who come back or contact me years later and tell me that they didn't like having to do certain things when they took my class, but appreciated it and saw the importance later" and "the learning disabled students who got master's degrees and Ph.D.'s." Naturally, the aspect of teaching Hubisz enjoys the most is "students in all their variety."

When Hubisz got his first opportunity to teach, he was a 17-year-old first-year college student who had already earned sophomore standing and had become the teacher of the laboratory he had just completed. He gave his prospective students a short list of questions about the lab, and if they couldn't answer two-thirds of them, he wouldn't allow them in the lab until they went to the library and learned what they should have known. Despite some students' complaints, the department backed Hubisz and sent the complainers to the library.

Now Hubisz is, in effect, issuing the same challenge to the textbook manufacturers. Go to the library and learn what you ought to know as writers of textbooks, he seems to be saying, or your books won't make it in the classroom. If the hue and cry over those textbooks are any indication, the public is now backing Hubisz, too, and the manufacturers — like Hubisz's students before them — have no alternative but to hie themselves over to the libraries to learn what they should have known already. *cj*

Hubisz's textbook study was funded by a grant from the David and Lucile Packard Foundation. The full study is available for free online at <http://www.psrc-online.org/curriculum/>

Will Private Colleges Survive?

Back in 1950, half of the college students in North Carolina attended non-government colleges and universities. The other half attended a state-run UNC campus.

Today, the figure for attendance at independent schools is down to 16 percent. The reason for this dramatic fall in market share is not related to quality. While many observers of higher education believe academic standards have fallen generally, there is no reason to believe that the government-run sector has improved its quality relative to the independent schools.

The reason for the decline of the independents is to be found primarily if not entirely in the tremendous cost advantage the state-subsidized schools have. It is much easier to attract students when the taxpayers cover most of the operating expenses and provide the capital needed for growth. With tuition thousands of dollars less at the UNC schools than at even the least costly of the independents, it is hard for parents to turn away from that savings.

Last November, voters gave their approval to a \$3.1 billion bond that will give the government's entrants in the higher-education market a huge shot in the arm. That is going to make things even worse for the independent colleges and universities. They had been having a hard time before and the infusion of capital into their competition tilts the playing field against them still more.

Think of it this way. There's a big chain store operation in some market that has been growing in size relative to the small, independent stores competing with it. The chain's stores already have the advantage of significantly lower prices, and now the management injects a tremendous amount of capital to give them a makeover so the facilities will be more attractive. It also plans on a major expansion.

The results are easily predicted. The chain's competitive position has improved. Its small rivals will lose more market share. Some of the weakest of the rivals may not survive.

That is just what will happen in higher education in North Carolina. If we pour more resources into the already dominant UNC system, the competitive position of the independent schools will further erode.

Okay, but so what? The reason people

may care about this (aside from school loyalties) is that we are slowly killing the schools that provide superior educational value.

Education observers have often made the point that the small liberal arts college gives most students a better educational environment than does the big university. The big university (most UNC campuses have 10,000 students or more) is famous for its huge lecture classes, infrequent contact between professors and students, and reliance on graduate students to teach.

David Breneman, Dean of the School of Education at the University of

Virginia, contends that many students would be better off in the small school environment, but our policy keeps luring them away to the big state-run universities with artificially low costs.

Competing On Price

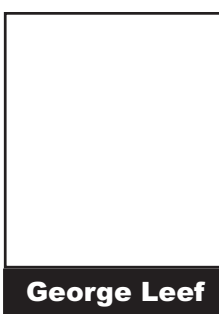
So what can the independent schools do? Competing on price may be possible in some cases. Recently, St. Andrews Presbyterian College in Laurinburg announced that for the coming academic year it would cut tuition so that it will cost a North Carolina student no more to attend St. Andrews than to attend UNC-Chapel Hill.

That is a bold step. The St. Andrews administration is hoping that what they lose on the per-student tuition they will at least make up for in expanding enrollment. I wish the school success.

But even if St. Andrews is successful in this effort, that doesn't mean all the independents can save themselves by doing so. It certainly does not weaken the case for significant tuition increases throughout the UNC system.

Independent schools price their services to a great extent on ability to pay. Students from wealthy families will pay full tuition, but students from poorer families will receive a large discount. UNC, however, insists on keeping tuition uniformly low for everyone.

At a time when the state is facing a prodigious budget deficit and is about to undertake a capital spending program for its universities that will jeopardize the state's independent colleges and universities, isn't it time to abandon the absurd notion that the state must heavily subsidize tuition at the UNC campuses for all residents? *cj*



George Leef

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With colleges and universities enrolling a record number of students and spending unprecedented public and private dollars, the mission of the Pope Center for Higher Education Policy couldn't be more important: to report on, analyze, and research issues in higher education such as cost-effectiveness, tenure, curriculum, and the quality of undergraduate education.

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Course of the Month

The Three R's of Feminism: Readin', Rentin', and Railin'

Our winner this month came to CM's attention by way of Accuracy in Academia. AIA is a nonprofit, public-service organization in Washington, D.C., whose stated mission is to seek "the reassertion of traditional academic ethics in our universities." Each academic year AIA (www.academia.org) publishes "The Dirty Dozen: America's most ridiculous courses." This month's course, a Women's Studies course offered by Duke University, made AIA's list for the 2000-01 academic year. A portion of the lengthy course description follows:

WOMEN'S STUDIES 150: GIRL CULTURE: STUDIES IN FEMININITY AND FEMINISM



Course description: Vampire slayers in platform shoes, black-belted heroines, Powerpuff Girls, and all kinds of teenage fairies, witches, and goddesses dominate popular culture. All-female bands storm the pop charts and the underground music scene. Riot grrls, FaTGIRLs, and Cybergrrls "don't wanna assimilate," and their alternative zine cultures may be changing the world for real.

This is a course about the exploding dimensions of girls' cultures. About girliness from the 19th century to now in the United States. About good girls and bad girls and how these labels relate to race, ethnicity, sexuality, and economic class. About femininity and power and whether we can have both. About dolls, dress-up, slumber parties, and makeovers and whether they always restrict girls and their bodies to predetermined gender roles or if they can provide spaces of freedom and experimentation. About girlhood as a possible utopian site for imagining altogether otherworlds and as a powerful political and cultural site for taking over this one.

We will study theories of the female body as a place where definitions of femininity are established and questioned. We will read about body image, adolescent sexuality, advertising, and schools. And we will use feminist theory, philosophy, cultural studies, history, sociology, and psychology to study: fiction and non-fiction written by girls and for girls, zines, websites, visual art, mainstream and independent films, television series, and cartoons.

The course is divided into the following sections: "girl power (why Buffy kicks butt)," "throwing like a girl: theories of the body," "perfect little ladies," "school days: learning to be a girl," "slumber parties: sexuality and desire," "bad girls," "make-overs," "girl talk," "riot grrls: 'because we don't wanna assimilate to someone else's (boy) standards of what is or isn't,'" "playtime: discipline and punish," "'say say my playmate...,'" "otherworlds: goddesses and monsters," and "our worlds."

Students are also expected to watch

seven of the 13 films shown to the class, which include: "Welcome to the Dollhouse," "Girls Town," "Smile Pretty," "Girls Like Us [or] Just Another Girl on the IRT," "Hide and Seek [or] The Incredibly True Adventures of 2 Girls in Love," "House of Girls & El Corrido de Cecilia Rios (The Ballad of Cecilia Ross)," "Work of Sadie Bening: Me and Ruby Fruit: Girl Power," "Tank Girl [or] Punk Pretty," and "Barbie Nation & B.L.O. (Barbie Liberation Organization)."

In addition to the readin' and the rentin' (of movies), the class requires a third "r" of 'ritin'; students must write either three short presentations (on the subjects of "bodies in space," "a mainstream deconstruction: messing with a magazine" and "cybergirlworld:

web-site/zine analysis OR 4 movie reviews") or one long one (on "any topic related to girls ... a scholarly research paper or a creative project or somewhere in between"). Students are also responsible for a group presentation on one of the following suggested topics: "girl jocks," "education," "sexuality," "bad girls," "zine revolution," "girl music," "American girl dolls" and "friendship."

Any student who objects to the 'ritin' requirement may opt instead for a different "r": railin'. Yes, like last month's winner, this course of the month features an "activism option":

You can choose to structure your final project around some kind of social or political activism having to do with girls. You could research and/or participate in an existing local or national organization. Or you could draft a proposal for your own organization or activist activity. If you choose to do the latter, I imagine your project could take the form of a grant proposal, a political referendum, a call for action.... I have listed a very few organizations under activism in the bibliography. Part of this project will very likely be your own research into opportunities.

The organizations listed are: Women of Color Resource Center; Girls Incorporated; The Hetrick-Martin Institute (which "runs the Harvey Milk School, an alternative high school for lesbian, gay, bisexual, and transgender youth); National Youth Advocacy Coalition; National Center for Lesbian Rights—Youth Project; Operation Smart; Center for Women's Policy Studies; American Association of University Women Educational Foundation ("We're reading some of their reports for class"); Girl Power!; The Mirror Project; Brotherhood-Sisterhood Camp (a "revolutionary summer program ... [whose] goal is to 'foster respect between girls and boys and to try and teach kids, through a series of encounters, what harassment feels like'; for example, boys walk through a tunnel as girls catcall, hoot, stare, and make rude gestures").

CJ

UNC Leaders Seek More Student Aid to Boost UNC Enrollments

By MELISSA SUAREZ
Senior Writer

RALEIGH

Boosting need-based financial aid could help increase overall student enrollment as well as minority enrollment at UNC-system schools, according to Dr. Judith Pulley, vice president for academic planning for UNC. UNC leaders are asking the state for an estimated \$19.5 million (for the 2001-03 budget biennium) to boost financial aid. Last year, they received \$6.3 million.

Boosting aid would especially help seven "focused-growth" campuses — Elizabeth City State University, Fayetteville State University, North Carolina A&T State University, North Carolina Central University, the University of North Carolina at Pembroke, Western Carolina University, and Winston-Salem State University — that UNC officials say currently underuse their capacity for students and are therefore targeted for major enrollment growth.

The increase would especially impact growth at these institutions, Pulley said, because students there make up a majority of those who need financial aid. In 1999, students in focused-growth institutions accounted for 20.8 percent of total UNC enrollment, but 27.7 percent received UNC grants. Freshmen in focused-growth institutions accounted for 23.4 percent of overall enrollment, though they comprised approximately 35.5 percent of all grant recipients.

"The university is not smart enough to know how much financial aid will increase the college-going rate."

While increasing financial aid is part of UNC's effort to increase enrollment and help the system absorb projected enrollment, it is also part of the system's effort to increase minority presence at UNC schools.

"I really think the challenge is more than recruiting [minorities] from high school," Pulley told *Clarion Call*, a weekly publication of the Pope Center for Higher Education Policy.

Many parents, particularly minority parents, Pulley said, "greatly exaggerate the cost to go to a North Carolina school. They are not aware of financial aid for which they may qualify, such as Pell Grants, for example."

But the increase in financial aid could boost enrollment numbers higher than the UNC-system anticipates, Pulley said. "With the financial aid increase, we are targeting kids who would otherwise not think about college," she said.

The current projection of 50,000 new students over the next decade is "a conservative assumption," Pulley said. While the growth in minority numbers is roughly factored into the projection, it does not factor in the boost in enrollment that could result from an increase in financial aid.

"The university is just not smart enough to know how much financial aid will increase the college-going rate," Pulley explained. "But we have factored it in based on the experience [growth rates] of the past seven years."

CJ

UNC, Community Colleges Lobby for Higher Salaries for Faculty Members

By MELISSA SUAREZ
Senior Writer

RALEIGH

UNC wants \$28.5 million and the North Carolina Community College System (NCCCS) \$61.5 million to make faculty salaries competitive with peer institutions, representative of both systems told legislators in January.

UNC leaders realize the legislators face a tight budget year, said Gretchen Bataille, UNC Senior Vice President of Academic Affairs. But improving and maintaining the state's economic engine and infrastructure requires raising salaries, she said. The state should also amend its Optional Retirement Plan (ORP), said Bataille, increasing the state's contribution to individual plans and allowing employees more flexibility in how they invest funds. The average employer contribution rate to Optional Retirement Plans at UNC is 6.84 percent. The rate for all of UNC's peer institutions combined is 7.96 percent. UNC also recommended raising the annual percentage increase of faculty pay from 4.2 to 6 percent. The increase would cost \$64.6 million.

The figures for community colleges, meanwhile, come in response to legislators' request for more long-term planning on raising the competitiveness of faculty sala-

ries. Last month, community college representatives told legislators that the system would need \$47.4 million to raise faculty salaries to the national average during the next biennium. The new figures represent the cost of raising faculty salaries to the national average over the next five years. They account for faculty and enrollment growth projections, "a moving target" (the average composite salary grows by a rate of 4.5 percent per year), and the additional cost of phasing them in over five years.

But members of the Education Oversight Committee have made clear that both systems are unlikely to get all of the requested increases. "Are we just going to simply spend money ... or take the attitude that we do with public schools that you are going to have to be accountable," said committee cochairman and Sen. Howard Lee, D-Orange. Lee said both systems

"Are we just going to simply spend money... or take the attitude... that you are going to have to be accountable?"

should increase revenue and exercise more accountability and financial oversight.

"We don't want to destroy the flexibility of community colleges [in how they spend funds]," said committee cochairman and Rep. Eugene Rogers, D-Martin. But community college salaries are very low, he said, and legislators want to ensure state dollars for salary increases are properly spent.

CJ

Bush Nominee Had Criticized UNC's Racial Preferences

Linda Chavez had called for color-blind admissions in the UNC system.

By JON SANDERS
Assistant Editor

RALEIGH
Linda Chavez, who was selected by President George W. Bush to head the Labor Department but who later withdrew her name from consideration, had criticized the University of North Carolina in 1998 for its use of "racial and ethnic preferences."

Chavez's criticism was based on a study conducted by the Center for Equal Opportunity, a public policy foundation founded by Chavez in 1995 "to fight an entrenched lobby and government bureaucracy dedicated to dividing Americans by race, sex and ethnicity."

CEO studies issues of race, ethnicity and immigration and is a vocal critic of public policies such as racial preferences and bilingual education programs.

CEO's study of UNC, entitled "Preferences in North Carolina Higher Education," examined admissions in six UNC institutions — at Asheville, Chapel Hill, Charlotte, Greensboro and Wilmington, and also North Carolina State University.

"Strong Degree of Preference"

The CEO study, written by Dr. Robert Lerner and Dr. Althea K. Nagai, found "a strong degree of preference in admission given to blacks over whites" in five of the six schools (no preferences were found at UNC-Greensboro). It found mixed results for odds of admission between Hispanics and whites and no evidence of preferences in favor of Asian applicants — in fact, the report found that for Asians it was "somewhat more difficult to obtain admission than for their white counterparts."

The most important finding of the report was that UNC schools "would not become resegregated in the absence of preferences." Lerner and Nagai asserted that only N.C. State, UNC-Asheville and UNC-Chapel Hill would lose a significant proportion of minorities currently admitted, but that they would be admitted into the other UNC schools.

Chavez announced the results of the study in a press conference held at the N.C. Legislative Building on June 29, 1998. "The evidence is very strong that North Carolina schools discriminate in favor of black applicants," she proclaimed.

Chavez also discussed the ironic disadvantages of such a preferential system, pointing to the study's findings of lower (in some cases, much lower) graduation rates for blacks than for whites. She argued that blacks who were admitted under preferences and not with the requisite academic credentials were less likely to graduate and more likely to leave the school embittered.

Instead of using preferences, Chavez said, UNC should adopt a colorblind admissions process. In answer to critics who suggest such a program would result in drops in minority enrollment, she pointed to the enrollment changes in California after the passage of Proposition 209, which prohibited the use of racial preferences by that state, a prohibition that included state universities.

Admission rates for minorities at the highly competitive schools in the Univer-

sity of California system did fall, but the other universities in the system experienced gains or remained steady.

Quoting findings from the report, Chavez said that a colorblind policy would have similar results in N.C. The report compares the median SAT scores and grade-point averages of black admittees against the 25th percentile scores of white admittees to estimate which black admittees could gain admission to any and how many of the UNC schools in the study under a colorblind system.

The study found no evidence to suggest the UNC system would become resegregated under a colorblind policy, and in fact, it suggested that black students would graduate at a higher rate than they currently do, on the basis that the students would be admitted upon their ability to do the academic work.

Chavez also said a colorblind admissions policy would keep N.C. from violating the Civil Rights Act of 1964 and the 14th Amendment.

The CEO features the report on its website at <http://www.ceousa.org/html/nc.html>.

CJ

Odds of Admission at Select UNC Schools*

School	Black to White	Hispanic to White	Asian to White
N.C. State	177.10	0.85	0.79
UNC-Wilmington	57.20	0.47	0.68
UNC-Asheville	10.00	14.40	0.97
UNC-Charlotte	8.37	0.72	0.61
UNC-Chapel Hill	3.40	0.31	0.62
UNC-Greensboro	0.97	1.21	0.43

Note: Numbers in boldface and italics are statistically significant at $p \leq 0.05$.

Six-Year Graduation Rates at Select UNC Schools*

School	Blacks	Hispanics	Asians	Whites
UNC-Chapel Hill	65%	85%	86%	86%
N.C. State	48	55	66	69
UNC-Greensboro	47	25	45	51
UNC-Wilmington	45	36	54	53
UNC-Charlotte	44	50	60	57
UNC-Asheville	39	29	40	42

Median Black Admittees' Probable Access to Schools*

Checks indicate which schools would probably admit the median black admittee for each school.

BASED ON VERBAL SAT SCORES

Black Admittees	NCSU	UNCA	UNC-CH	UNCC	UNCG	UNCW
N.C. State (NCSU)				√	√	√
UNC-Asheville (UNCA)	√		√	√	√	√
UNC-Chapel Hill (UNC-CH)	√			√	√	√
UNC-Charlotte (UNCC)						
UNC-Greensboro (UNCG)					√	
UNC-Wilmington (UNCW)						

BASED ON MATH SAT SCORES

Black Admittees	NCSU	UNCA	UNC-CH	UNCC	UNCG	UNCW
N.C. State				√	√	√
UNC-Asheville				√	√	√
UNC-Chapel Hill	√	√		√	√	√
UNC-Charlotte						
UNC-Greensboro						
UNC-Wilmington						

BASED ON GRADE-POINT AVERAGES

Black Admittees	NCSU	UNCA	UNC-CH	UNCC	UNCG	UNCW
N.C. State		√		√	√	√
UNC-Asheville	√	√		√	√	√
UNC-Chapel Hill	√	√		√	√	√
UNC-Charlotte				√	√	
UNC-Greensboro				√	√	
UNC-Wilmington					√	

* Source: "Preferences in North Carolina Higher Education" by Robert Lerner, Ph.D., and Althea K. Nagai, Ph.D., published by the Center for Equal Opportunity, June 29, 1998, <http://www.ceousa.org/html/nc.html>.

Town and Country

• Durham County is toying with the idea of levying new taxes in the form of impact fees to pay for growth. The new tax would consist of a flat fee levied against all homes built, "mobile or mansion." Some county officials believe that the fee will allow them to get around asking the General Assembly for the permission to levy a new tax.

According to some state officials, as long as a government can prove that a service is being performed, the locality impact fees usually skate around the approval requirement.

• The town of Davidson has decided to put a six-month moratorium on building. To control growth and keep its small town charm, the town board decided to prohibit any more development until it has a chance to review zoning regulations.

Developer Phil Grandy said the building freeze will cost him \$30,000 a month. Grandy has approximately \$500,000 invested in property located just outside of town. "This will have a serious impact on landowners" claimed Grandy.

The freeze could last well into the year 2003 for some areas, according to news reports.

Davidson's plans may be having the opposite of the intended effect as developers and landowners in the city who claim their property rights have been infringed look farther outside the area to develop. More people will move farther out into the countryside. Said one developer, "Why stop everything in their tracks now? Do we get a moratorium on our property taxes?"

• In a similar story, the Weddington Town Council has asked "experts" to draft a proposal freezing subdivision development in the town.

The consultant they hired is Robert Freilich, a Kansas City lawyer. Among some of the things Freilich proposed is to tax builders to such an extent that they will become discouraged from development.

Upon finding out Union County planned to sell bonds for water and sewer improvements, Freilich told the Weddington council to "find out who's selling the bonds. We may be considering a regional general welfare lawsuit. In the face of any lawsuit over sewer and water projects, they won't issue bonds."

• The U.S. Department of Agriculture released a statement last month admitting that it grossly over-reported the amount of land in North Carolina that had been developed between 1992 and 1997.

The department had reported that 781,500 acres were developed between 1992 and 1997. They now say the actual number was only 506,000.

The revision reveals a mistake about the size of Orange County. It also deals a blow to Smart-Growth advocates who had used the inflated number to argue that North Carolina was in dire need of immediate growth restrictions. *CJ*

Smart Growth Collides With Arts Institute

Raleigh location for planned project lies far outside of the dense urban core

By ERIK ROOT
Assistant Editor

RALEIGH
Former Gov. Jim Hunt has for years been a strong proponent of "Smart Growth" — a catch-all phrase generally meaning the preservation of open space, slowing of suburban growth, and encouragement of mass transit. His initiatives to preserve open space have gained national recognition. But just before he left office last month, Hunt pushed through a project that by all accounts is the antithesis of Smart Growth.

Now it's up to Raleigh and state leaders to make the project, a \$220 million performing arts center, not only a physical reality but one that will have as little impact as possible on the already congested part of town in which it is to be located.

Durham Or Raleigh?

The arts center was the dream of former governor Terry Sanford. Known as the Sanford Performing Arts Institute, it was originally to be located in downtown Durham not far from Duke University, where Sanford served as president. Sanford's son, Terry Jr., is a major developer of downtown Durham, and the elder Sanford had long-time roots in the community. City leaders believed the downtown location would be a lock. But it didn't happen that way.

Hunt wanted the center in Raleigh. Hunt's vision was for the institute to have a "regional" effect by becoming the Triangle's principal performing arts center.

With Hunt's backing, the General Assembly approved Raleigh as the site for the project. Representatives of the arts institute found the Raleigh site more to their liking. It had two primary advantages over downtown Durham.

The Raleigh location had more open acreage and therefore more room for expansion and parking. It also was close to the N.C. Museum of Art, which backers thought would be important to drawing patrons.

Despite its advantages, the Raleigh location comes with two major problems. The site is an open field close to several heavily congested traffic corridors. Construction of the institute goes flatly against Hunt's high-profile efforts to preserve open space in the state. Once the institute and the new road accessing it are completed, traffic congestion in West Raleigh will significantly worsen, some observers say, though others disagree.

The art institute will be located near the Entertainment and Sports Arena, Carter-Finley Stadium, the N.C. State Fairgrounds, and the N.C. Museum of Art. It will be located north of Wade Avenue, and therein is the dilemma.

One can only imagine the traffic problems should there be a scheduled event at two or more of these locations simultaneously. No amount of road planning and/or creation of public transportation corridors will solve that problem.

Far From City Center

Ironically, the site that Hunt, champion of Smart Growth and open-space preservation, chose for the institute will likely increase traffic congestion and contribute to sprawl, some say.

Instead of finding an area near downtown Raleigh, the state decided to place the

institute far from the city center and in an area that has no easy vehicle access. Sen. Wib Gulley, D-Durham, said the Raleigh site would "aggravate traffic problems, period."

Tom Drew, interim executive director and spokesman for the arts institute, said any programs the institute offered would happen after 7 p.m. and therefore would not conflict with other programs occurring at the nearby venues.

State Fair Manager Wesley Wyatt said the traffic problems would be more a result of the Entertainment and Sports Arena, with its attendance capacity of 20,000, rather than the institute, which will have one 800-seat venue and another 2,000 seat hall.

The ESA is home to the NHL's Carolina Hurricanes and N.C. State University men's basketball.

Joe Henderson, director of the state property office, said he agreed with Wyatt and Drew. According to Henderson, the institute will have a "low impact" on the already crowded Blue Ridge Road area.

Many observers believe the extension of Edward Mills Road will alleviate much of the traffic.

Still, the proposed site for the institute cannot help the area's congestion, especially when taking into account the plans for a new rail line through the area. Rail stations almost always increase traffic congestion in the areas immediately surrounding them.

Additional Land for Sale

Another potential problem for the area is the sale of 159 acres belonging to N.C. State University. That site is between Edwards Mill Road, I-40 and Wade Avenue. The land will be offered to the public soon. Depending on what business, or businesses, buy it, plans for the area will require revision.

Though there have been reports that Raleigh and state planners are working on revising the area's current master plan to relieve the congestion sure to come, it is difficult to track down such a document.

Carolina Journal called the city to ask for a copy of the plan, and city staff said the plan was the work of state officials. Calls to the state were directed back to Raleigh.

Additional calls to Raleigh were routed back to the state. No one seemed to know who was in charge.

The Master Plan

Carolina Journal eventually found the master plan, albeit a non-adopted plan, on the City of Raleigh website. It does not include much regarding the art institute's site. According to James Brantley of the Raleigh Planning Department, the state is the "lead agency" on the arts institute plan.

Brantley said that there was "good communication between the state and the city" on the development of the area.

According to the Phase II Report, homeowners are concerned about the development of the area and especially the transit plans. Many in the affected region said that the "TTA trains, especially the noise made by the trains and traffic associated with the stations, will be detrimental to neighborhoods."

But even the business interests question whether a market exists in the area and they wonder if such a state-forced development plan will contribute to an already stagnant downtown area.

Indeed, they see it as a development similar to the Research Triangle Park. Because the town is "so spread out" businesses are asking for property tax cuts and other forms of relief until the area develops in such a way that economic activity becomes bustling thus able to support all the entertainment complexes built there.

Right now, the 1995 plan, which would widen Blue Ridge Road to six lanes, is in effect. Those plans will most likely change. Henderson said that to relieve some of the congestion on Blue Ridge Road, they will have to look at closing off some of the access roads off Blue Ridge.

This would apparently entail creating real intersections with traffic signals. Preliminarily, Reedy Creek Road and Lake Boone Trail are the proposed major intersection entrances into the area. To ease congestion and promote an easy flow of traffic, other entrances from the Blue Ridge side will have to be closed off, according to planners.

State and local government officials will be working with the affected parties near Blue Ridge during the next few months to hammer out a revised plan.

In the meantime, the proposals may be viewed at the city of Raleigh website: <http://www.raleigh-nc.org/planning>. *CJ*

*Localities Would Have To Submit To State Authority***New Smart Growth Commission
Wants State Land-Use Controls**

By ERIK ROOT

Assistant Editor

RALEIGH

The Commission on Smart Growth, Growth Management and Economic Development on January 19 recommended that "planning should be required of all municipalities and counties" and that those "localities that fail to meet the minimum requirements for their planning tier should risk losing access to certain state grants and funds."

That language comes from the draft of the "Proposed Overarching Smart Growth Goals and Strategies for North Carolina."

The draft goes on to suggest that the state set up minimum requirements laden with "incentives" for localities to go beyond what will become written guidelines.

There are no specifics to the plan, however. For example, the commission did not detail which funds the state may withhold from localities that don't do its bidding.

Having greater impact on localities are the consequences that may befall a city or county should they fail to comply. According to the draft, "the state should review local and regional plans for consistency with the state growth framework through a 'cross-acceptance' process."

In other words, should a locality disagree with the state that it meets the required "minimum requirements," the state can take the locality to mediation.

The goals go on to state that larger municipalities are to create their own programs of "Smart Growth" in compliance with the state, but those cities too small to do this on their own are to look to the counties for direction.

In fact, those small localities are encouraged to comply with the county program or, presumably, they would face state sanctions.

This amounts to every government looking to the government that is bigger than it is for assistance. In the end, every local government will be forced to mold its situation to fit the mandated version prescribed by the state.

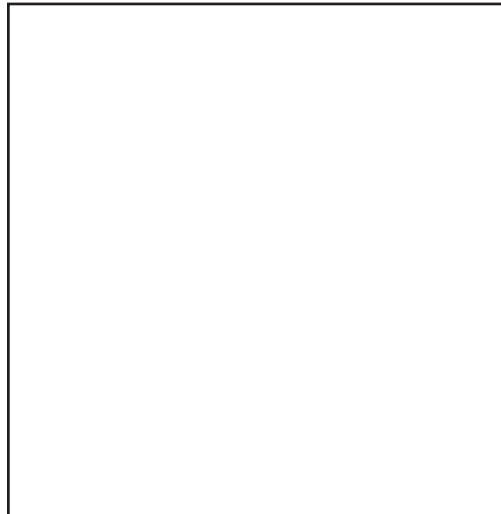
The members of the commission are united in their view on this matter. Presiding over the January 18 commission meeting, Sen. Howard Lee, D-Orange, also the commission cochair, stated emphatically that North Carolinians need to "start seeing the state as a total entity instead of small pieces that can go out and do their own thing."

Commission members are seeking to come to a consensus on their goals so they can go into the legislative session unified. According to Beau Mills, advisor to the commission and former policy aide for former Gov. Jim Hunt, "we are just looking for agreement on the goal."

Lee echoed that sentiment by contending that "how we move...is an issue to be discussed later."

While the group is not seeking to create a whole host of new regulatory state boards, it is seeking to bring together existing government entities to accomplish its Smart-Growth goals.

The people making up this panel of Smart-Growth advocates do not appear to have any idea of what enforcement, or the practical working of a Smart-Growth plan would look like. Indeed, they do not even



Panel member and Sen. Fletcher Hartsell.

have a definition of what constitutes "Smart Growth." They do not know how the state will work with the cities or counties in complying with the regulations sure to follow.

"We don't know how it all fits together," Lee said. "We think it's desirable, but we don't know how to do it and we hope to recognize it when we find it."

Nevertheless, both Lee and Rep. Joe Hackney, D-Orange, the other commission cochairman, said the proposal coming from the commission is just the beginning. Both acknowledged that more needs to be done, more needs to be said.

Transportation Goals

The commission discussed just that topic on January 19 when debating the "specific transportation goals." The "Overarching Goals" mention the state creation of a "toolbox"

which would be available to localities so that they could access and utilize specific "tools" to further their local Smart Growth plans. Only those who have state approval may receive the benefits of the box.

At issue was whether the commission ought to

be so bold as to proclaim the control the state would exert over localities or whether the language should be left less stark. The debate focused on whether the state would "certify" and "pre-approve" local Smart-Growth plans.

Dr. David Godschalk, commission member and professor of city & regional planning at UNC-CH, said the localities must have approval to have access to the toolbox. Local governments must meet the "minimum requirements" to access the benefits inside, he said.

But Lee and Hackney thought the language was best left vague so that localities might "see what they are missing" if they do not have an approved plan.

This prompted commission member Vicki Bowman, executive director of the Carolinas Land Conservation Network, a program of the UNC-Charlotte Urban Institute, to assert that "we are dancing around the subject of whether the state will have oversight" of local plans.

Louisburg Mayor Lucy Allen said she thought that the municipalities and counties "need to further the state's interest."

The question of how naked the language should be on the question of oversight led one non-voting member of the

Wrong-Headed Incentives

In January the Center for Local Innovation held its annual state conference that debated serious issues facing today's state and municipal governments. Its panels tackled such problems as school facilities, transportation, and sprawl. The last panel, on economic incentives, was particularly interesting and provided the audience with an in-depth look into the role of government in relation to providing incentives to business.

What kind of incentives, if any, should government provide to business? Other than the highest-quality services at the lowest-possible price, the answer is none. Government should not make choices that consumers can make on their own, especially when it diminishes the citizens' rights. And if a business can successfully compete in any given market, it certainly needs no subsidy.

In the Triad there are problems brewing over the Fed-Ex facility and hub that remains a work in progress. The most troubling aspect of the Fed-Ex project is not what

one would find in the newspapers today. For the Triad to secure that billion dollar corporation's decision to relocate to North Carolina, the state elected to seize the property of one of its citizens, Kent Urbine of Greensboro. Most outrageous was that person's property included his home. So, the state's incentive plan amounted to kicking someone out of his home.

The only alleged authority the state has in such instances is not embedded in the constitution of North Carolina but in a 1996 ruling by the N.C. Supreme Court, *Maready vs. Winston-Salem*. In that decision, the Court ruled that publicly funded economic development incentives constituted a public purpose consistent with the intent of the constitution. If seizing private property in the interests of corporations is a sound "public purpose consistent with the intent of the constitution" then we have a very serious problem that contradicts the spirit of the American experience, if not also its established law.

Aside from the fact that the property seizure is a clear violation of property rights and violates the faithful tenant that government is charged with preserving a citizen's inherent right to protect his own property, the state has also authorized \$115.5 million in tax credits to Fed-Ex to lure them to Greens-

boro. Enticed by the lavish break, Fed-Ex decided to locate in Greensboro.

But this is not an incentive, it is a giveaway at the public's expense. It is an example of corporate welfare that need not be enacted to spur economic growth. In fact, there is no evidence whatsoever that such programs increase jobs, increase prosperity, or accomplish anything other than putting millions of dollars into the pockets of companies who would, if the economic climate provided the proper incentive, move into a particular location anyhow because it would be in their interest to do so.

This problem is not limited just to state officials baiting huge corporations.

On the local level county commissioners are talking incentives too.

Take a recent retreat by the Harnett County Commissioners. Among the various topics of discussion was the role incentives would play in their overall economic development plan. In the same meeting where participants spoke of the

need to increase water and sewer rates, the commissioners debated incentive plans that would attract developers to build in their county. In other words, the county would dish out public dollars by granting developers substantial incentives to build in Harnett County.

Like the state, the Harnett County Commissioners did not stop at a simple tax rebate scheme. Incentives cost the county revenue and, well, that just can't stand. So the commissioners believe they need to raise local sales taxes to pay for their incentive program. Again we see the typical pattern in incentive programs: government entices businesses to build in a particular area and then tells the taxpayers there is not enough tax money to pay the bills. And, surprise, taxes go up.

These kinds of "incentive" decisions make some businesses more profitable than others, not because consumers prefer their products, but because they are favored by politicians and bureaucrats. In the final analysis these kinds of "subsidies" distort business and consumer decision making, create inefficiencies in resource allocation, and dampen prosperity for the citizens of North Carolina. CJ

Fetzer, former mayor of Raleigh, directs the Center for Local Innovation.

Tom Fetzer

board to question just what state agency would be deciding whether a locality has met the minimum requirements.

Hackney thought it would be the agency that decided whether to grant money to that local government.

Janet D'Ignazio, the chief planning and environmental officer of the N.C. Department of Transportation, contended that the decision-makers ought to be "technical experts." Only experts could properly decide whether a local government had met the standards the state will eventually set, she said.

Commission member Dr. Wes Wallace, an associate clinical professor of medicine at UNC-Chapel Hill, seemed to agree with D'Ignazio's comments and said that "we want to rid ourselves of worthless plans."

Allowing local governments access to the toolbox without having a "pre-approved" plan would be ineffective in forcing localities to conform to the state's will, he suggested.

Despite the calls for stronger language, Hackney said vague language was more desirable. The amended language reads: "Legislation should be created to establish a 'toolbox' so that local governments with Smart Growth plans that meet minimum requirements can select, as appropriate, from a range of incentives, funding mechanisms, and growth management tools." This language will allow the legislature to fill in the details.

With the conclusion of the commission, it is now up to the full legislature to fill in the blanks. CJ

Local Innovation Bulletin Board

Riding The Storm Out

A new study released by the Reason Public Policy Institute and written by Barrett P. Walker, entitled "Preparing for the Storm: Preserving Water Resources with Stormwater Utilities," asserts that "common practices for protecting water resources often fail to maintain either good water quality or healthy ecosystems."

Walker argues that market-based user fees can promote development with minimal environmental impact. This approach is being adopted by a number of communities in the United States.

The current failure of most systems is not caused by an inability to control releases of sewage and industrial effluent so much as by altered hydrology caused by the handling of stormwater runoff. Numerous studies link



uncontrolled stormwater runoff from areas with impervious surface exceeding 10 percent to a rapid decline in water quality and stream health.

Walker notes that traditional approaches often encourage development patterns that exacerbate environmental impacts.

"Streams draining residential suburbs with typically high levels of impermeable surfaces experience two to five times the stream-channel enlargement of areas with less impermeable surfaces, endure increased flooding, are prone to low flow during droughts, and are biologically non-supporting."

Walker asserts that the hydrological cycle is too complex for the typical government-oriented, rigid, narrow approach. Moreover, this approach reinforces, or even encourages, land-use practices that can substantially disrupt the hydrological cycle.

Stormwater systems are rarely built to handle runoff from anticipated future development. Inadequate design coupled with a lack of funds for maintenance often force managers to react to problems such as poor water quality and flooding with short-term, piecemeal solutions.

The author states that "a number of political jurisdictions... are implementing innovative approaches to stormwater management. One such approach is the creation of user-fee-based stormwater utilities to improve urban watershed and stormwater management."

"Case studies show that communities adopting this form of management can produce better water quality, healthier urban ecosystems, and improved quality of life. Such systems link the decisions of people who impact stormwater flows to the stormwater management system directly through a fee system linked to usage and impacts."

New federal requirements for stormwater permits affecting smaller cities, and court-mandated enforcement of the Clean Water Act on a watershed basis, are spurring many municipalities to consider the user-fee concept for dedicated funding of improved stormwater management.

More than 350 stormwater utilities have been formed nationwide, most in the last decade.

Stormwater utilities can provide an equitable means for many communities to fund improvements in water quality

and reduce flood damage. However, achieving the goal of swimmable and fishable waters stated in the Federal Clean Water Act may eventually require additional steps such as comprehensive water resource management that combines water supply, sanitary sewage, stormwater drainage, and wildlife protection under a watershed-scale integrated water utility, he writes.

Charlotte's Experience

The study contains three case studies to illustrate the experiences that have established stormwater utilities. In one such study, Charlotte shows that stormwater controls can be retrofitted to already-developed neighborhoods through bioengineering of retention ponds and other

steps such as stream-habitat improvements.

Atlanta's experience is more mixed, showing how the technocratic approach to water management is unsustainable. Atlanta provides a case history of mistakes to avoid in establishing a stormwater utility.

Market Resolutions

The author recommends that a market-based approach integrating economic and ecosystem needs could be implemented. Here are a portion of the principles suggested:

1. Implement cost-based user fees that equitably assign the cost of services, with customers who create the greatest impact paying the highest fee. User fees give land developers, builders, and property owners an incentive to minimize environmental impacts.
2. Operate the stormwater utility using an adaptive process for improving resource management incrementally as managers and scientists learn from new experience and scientific findings. This process is in contrast to the more rigid civil engineering or technocratic approach traditionally used by public entities for managing water resources.
3. Reduce wasteful administrative conflicts through comprehensive water resource management at the local level by combining water supply, sanitary sewage, stormwater drainage, and wildlife protection under an integrated water utility that could be privately managed (or even privately owned).
4. Purchase and preserve land with a high ecosystem value.
5. Improve service and control costs by contracting with private companies for services where feasible.
6. Replace federally mandated efforts to control nature with prevention-oriented watershed management.
7. Reward owners of environmentally sensitive property who minimize disturbance.
8. Make zoning and stormwater codes more flexible.
9. Foster public-private partnerships to phase out landscape fragmentation.
10. Phase out or restrict repeated claims on federal flood insurance.

The full text of the report may be viewed at the Reason Public Policy Institute cite at <http://www.rppi.org>. CJ

One on One With Nathan Ramsay, New Buncombe Commissioner

By ERIK ROOT
Assistant Editor

ASHEVILLE

This month's interview is with newly elected Buncombe County Commission Chairman Nathan Ramsay. In November, Ramsay defeated a long-time incumbent who had never been defeated in an election.

CJ: Why did you decide to run for Buncombe County Commissioner?

Ramsay: I have always been politically minded. I have the firm conviction that our government is only as good as those participating in it.

People are generally unaware of government because, understandably, they are taking care of business, earning a living, raising their families, taking care of their elderly parents, and struggling to get by.

Usually you have an activist group that shows up to public meetings and the politicians listen to those who are active. That's not necessarily a good thing.

But one of the things I like about local government is that you can see a problem and try to come up with a solution and it's not like it's coming from Raleigh or Washington. It's what's happening in your neighborhood.

Localities tend to do a better job at solving these kinds of problems.



Nathan Ramsay

CJ: Do you believe there is a talent drain in Buncombe County?

Ramsay: When I graduated from high school I was 11th in my class. There's only 3 of the top 10 students who still live in western North Carolina. In some ways the problems we are facing are different than in other parts of the state. Many move away to continue their education and they do not come back.

CJ: What do you think accounts for that?

Ramsay: Well, our cost of living is extremely high, and according to the National Association of Home Builders, our housing is the least affordable in the southeast.

The basic necessities are just as expensive here as in, say, Mecklenburg County, but the incomes are about 50 percent less. This is why most of the houses in Buncombe County are manufactured homes. Stick built homes are way more expensive. Manufactured homes are just more affordable.

CJ: What else contributes to the economic situation in Buncombe?

Ramsay: We are losing job opportunities. A lot of the textile plants are closing here and we are not attracting new economy, or hi-tech, jobs here. We don't have an abundance of flat land. Our land costs are thus very high.

It's simple supply and demand. You can go down to Greenville, South Carolina, which is 60 miles away, and the land costs are going to be incredibly cheaper. In order to entice business to settle here, we have to offer them something the other places do not.

So, we will probably never be a low cost place to live. Many believe the quality of life is higher than in other places, but [cost] is what I see as a major obstacle.

CJ: How is Buncombe County handling the zoning issue?

Ramsay: That brings up another reason I ran for this office. Buncombe has a community-based planning process where for the past 20 years if a community wanted zoning regulations they could get together and they could get a petition, and with 20 percent of the registered voters signing it they could come up with a plan for that township.

Then the board of commissioners could approve or not approve that plan and adopt zoning regulations. This has been done only twice in the last 20 years. One of them is in the south end of Buncombe—a high-growth area near the airport.

The board came up with a comprehensive land-use plan that was initially set up as voluntary. In March 1999, a few commissioners thought Buncombe needed a county-wide plan that was enforceable.

In early July they decided to hold a referendum in November, and the regulations idea was defeated 55 to 45. Still, the county wished to pass some sort of enforceable zoning regulations. In any event, I decided to get involved.

CJ: What is your position on zoning?

Ramsay: I support planning. I think any individual should plan, whether in public or private life. I don't think we need to plan like the Re-

search Triangle Park, where everybody has to drive to get to work, drive to go to the store, and drive to get home.

All of that causes gridlock, and that gridlock is the result of government decisionmaking.

It is mind-boggling that we think government can come up with a perfect plan. We want what never was and never will be.

Private enterprise does a much better job of making things beautiful. Some developers may want to make a quick buck, but I think that history shows us that those who do make money are those who do it right. They are selling a product, and buyers want a product that is desirable and reliable.

If a product fails to meet those requirements, you are not going to put your hard earned money into that product.

But I do support land-use planning. I also support some environmental regulations, but we ought to avoid over-broad regulations that fail to do what they intend. Wake and Mecklenburg Counties have had zoning regulations for years and what have they done? They have hope in a failed system.

CJ: What would you like to do in the next four years?

Ramsay: I would like to work towards a mini Research Triangle Park here in the mountains. Sometimes government needs to plan for the future, and that may not be ideologically pure, but it needs to do those sorts of things sometimes. The way you avoid the problems that afflict the park in the Triangle is to not zone out housing.

You need mixed-use zoning so as to avoid all the commuting problems that people are faced with in other towns and cities. Again, of course, land is not a scarcity in many other places, like Raleigh, as it is here. We have to plan better because of our geography. CJ

From Cherokee to Currituck

Arenas, New Sales Taxes, Growth Controls, Annexation

By ERIK ROOT
Assistant Editor

Back in October, Charlotte city officials agreed that the Charlotte Hornets were losing money and that the city needed to help the fledgling organization build a new arena. According to reports, the Hornets were losing \$1 million a month.

But in January, the biggest obstacle became not how to fund the uptown arena (that has been solved with the city wishing to fund the entire \$220 million), but how the city and the Hornets will share the revenue generated from the new complex.

The Hornets had hoped to put the arena matter before the voters, in the form of a referendum, in November. The city council has long said that the voters should decide whether to fund the proposed arena.

But the council rejected a fall referendum even though Hornet co-owner Ray Woolridge threatened to move the team to another city if Charlotte did not put the issue before the voters in November. The city refused, and the Hornets are still in Charlotte — for now.

Though the city is, at this point, firm on the referendum and the management of the arena, both Woolridge and city officials believe something can be worked out.

City Manager, Pam Syfert, acting as the chief negotiator for the city, has said that Woolridge thinks he can make more profit as the arena's operator. But the city charter requires that the city must operate and city-owned buildings.

Once the problem of who will manage the arena is solved, the referendum will be placed on the ballot. The earliest referendum date now looks to be in the spring.

From *The Charlotte Observer*.

Mecklenburg Tax Increases

Mecklenburg County Commissioners also are considering additional taxpayer funding for new projects, including entertainment.

Commissioners may seek a tax increase to pay for schools, parks, libraries, and some other projects. Commissioners have indicated that they would like to raise the county sales tax by at least one cent.

The county is lobbying the state legislature for its blessing on the increase, which would allow the county to hold a referendum on the matter. Food purchases would be excluded from the one-cent increase.

Commissioners say the tax is necessary to pay for schools, jails, and courthouses —

RALEIGH

things usually funded by issuing bonds. According to the Mecklenburg County Commission Chairman Parks Helms, the reason they want the increase is because the county is "still struggling."

Commissioners believe a sales-tax would be cheaper because it would act as a "pay as you go" fund thus precluding the need to take on debt and pay interest on that debt.

From *The Charlotte Observer*.

Prosperity Control

Randolph County has decided to look into creating an anti-growth ordinance because of the growth of suburban areas.

According to Hal Johnson, the county's director of planning and development, "this type of rural residential development... usually begins as a healthy sign of growth, but if left unmanaged, it can threaten growth and government's ability to continue providing cost effective services."

The planning department's new growth-management proposal seeks to create agricultural districts, as well as primary and secondary development districts.

Retail strip development would be discouraged, as would the creation of private roads. Any changes to the growth-management plan would bring a plethora of changes to zoning regulations.

The plan recommends that more than half of the county's 793 square miles be designated under a conservation umbrella. This would prevent 52 percent of the county from containing high-density development. The protected areas are mostly the far western and far eastern parts of the county.

From the *News & Record* of Greensboro.

City Develops on its Own

The Rockingham City Council is considering the development of its own economic development program after the county commissioners denied the council's request to be an active participant in the Richmond Economic Partnership (REP).

The REP is a public/private partnership. The county wanted to include private businesses in their economic development process.

However, Rockingham believes it deserves to be a part of that partnership. Given its exclusion, Rockingham City Manager Monty Crump said that though the city will

continue to cooperate with the REP, the city will set out to create its own development plan to ensure its citizens get the best return for their money.

From the *Richmond County Daily Journal*.

Counties Want More

Along with other County Commissioners at a recent N.C. Association of County Commissioners meeting, Moore County leaders called on the state legislature to

increase the sales tax from six to seven cents to pay for schools. Money from the tax would go toward school construction and other building needs. The excess money could be used to fund water and sewer projects.

Some Rowan County Commissioners wanted to include a sunset clause

in the request, but that was easily dismissed.

At this point, there is no resolution on how the money would be divided between the counties should the General Assembly grant the request.

From *The Fayetteville Observer*.

Landfill Blocked

In Pittsboro, Chatham County Commissioners declined to accept a proposal from Waste Industries that would have brought \$60 million to the county. Most of the revenue from the landfill would have come from a surcharge from out of county trash.

Much of the opposition came from the

people of Moncure who did not like the possibility of an incinerator being located in their neighborhood. Others objected to the size of the 200 acre landfill, which would treat up to 5,000 tons a day.

Compiled from *The News and Observer* of Raleigh and *The Herald Sun* of Durham.

Annexation

Residents of Cherryville's Sunbeam Industrial Park are none too happy about a recent annexation of their neighborhood:

"I'm not very happy" homeowner Mark Ross said. "It will cost me an additional \$700 a year."

The area annexed includes 44 residences, 4 commercial businesses, 4 heavy industrial businesses, and an unused church.

With the potential increases of \$54,900 to the tax base, the city could not resist.

From *The Charlotte Observer*.

Annexation Part Deux

The Lewisville Town Council has voted to forcibly annex parts of Pfafftown. Though there was vocal opposition from that town's residents, the Lewisville mayor Bob Stebbins said, "our annexation is legal."

This has not swayed the citizens of Pfafftown who have retained a Wilmington lawyer who specializes in challenging forced annexations.

As long as the annexation is in court, the residents of Pfafftown will not have to pay property taxes to Lewisville.

Nevertheless, the council believes the annexation of Pfafftown is "vital to the health and growth of the town."

From the *Winston-Salem Journal*. CJ

Advertisement

Center for Local Innovation



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Hon. Tom Fetzer
Director, Center for Local Innovation
Former Mayor of Raleigh

From the Liberty Library

• Chief Justice William Rehnquist has added new chapters to and updated his book, *The Supreme Court*, first published 15 years ago. The new version, published by Alfred A. Knopf, is out this month and retails for \$27.50.

Rehnquist was the first sitting chief justice to write a book about the Supreme Court. Many critics regard his history of the court as a classic.

For more information, visit www.randomhouse.com/catalog/display.pperl?isbn=0375409432.

• *Hollywood Party: How Communism Seduced the American Film Industry in the 1930s and 1940s*, is now out in paperback.

The book, published in 1998 to acclaim by such notables as Charlton Heston and David Horowitz, chronicles the Communist Party's infiltration of Hollywood at all levels in the 1930s and 1940s.

Using public records, including declassified Soviet documents, author Kenneth Lloyd Billingsly, editorial director of the Pacific Research Institute and former correspondent for the Spectator in London, reveals the far-reaching Soviet plot to turn Hollywood into a Communist propaganda mill.

For more information, visit <http://www.primaforum.com/book.asp?file=76152166>.

• Also recently published by Prima Publishing is *Stalin: Triumph and Tragedy* by Dimitri Volkogonov.

As propaganda chief for the Soviet Red Army and chairman of the Soviet Archives Declassifying Commission, General Volkogonov had unparalleled access to Soviet government documents. The general also interviewed former Soviet officials and poured through Stalin's personal documents.

His book gives a thorough documentary accounting of the Stalin dictatorship that the Wall Street Journal called "The first massive indictment in Russia of the dictator's entire record."

For more information, visit <http://www.primaforum.com/book.asp?file=76150718>.

• A new book out from the University of Tennessee Press reveals how Confederate intellectuals reformed higher education in the South after the Civil War.

Thinking Confederates: Academia and the Idea of Progress in the New South, by Dillard University Professor Dan Frost, chronicles the ways in which former Confederate officers turned the South's liberal arts colleges into modern universities by adding technical and professional programs designed to help the South catch up with the North economically and industrially.

"Recognizing the North's superiority in industry and technology, they turned their own schools from a classical orientation to a new emphasis on science and engineering," says the publisher's summary.

For more information, visit the University of Tennessee Press online at http://sunsite.utk.edu/utpress/y_ss2001/frost.html.

Book Review

Road To Serfdom Rings True Half A Century Later

By HANS HURD

Editorial Intern

RALEIGH

• F.A. Hayek: *The Road to Serfdom*; University of Chicago Press, 1944, 274 pp., \$17.

When *The Road to Serfdom* was first published in 1944, most of the intellectual elite were either outraged or dismissive of F. A. Hayek's work. They particularly rejected Hayek's central thesis identifying communism, socialism, and fascism as basically identical totalitarian philosophies diametrically opposed to freedom and individualism. His basic premise was that granting more power to government to secure greater freedom for its citizens is a fallacy that eventually will lead to the rise of a totalitarian regime.

During the Renaissance, according to Hayek, the rise of individual liberty, spreading from northern Italy through the Low Countries to Britain, led to a marvelous increase in scientific knowledge as well as industrial growth. The cause of this growth was not that society became more inventive. It was the absence of stifling control by the great majority, which proscribed what was right and proper and blocked individual innovators.

Socialism in its beginning was seen as an irreconcilable conflict with democracy. The only thing they had in common was the word equality: Democracy seeks equality in freedom, socialism in "restraint and servitude," noted Alexis De Tocqueville. After

1848, socialists coined a new phrase "democratic socialism." The individual freedom promised by democracy was not enough, they said. In addition, they promised "economic freedom," without which they said political freedom was "not worth having."

Hayek pointed out that socialists suffer from the illusion that by depriving individuals of the power they possess and transferring this power to society, they thereby extinguish power.

However, by concentrating power, formerly exercised by many independently, into a central authority, an amount of power so infinitely greater than any that existed before is created. When economic power is centralized as an instrument of political power it creates a degree of dependency scarcely distinguishable from slavery.

Democratic assemblies cannot act as planning agencies any more than they can plan an effective military campaign. They could never agree on everything, there being infinite possibilities for the direction of national resources and too many varied voices pulling in each direction.

The process would be a series of compromises that in the end would not satisfy anyone. There would be a growing demand to delegate the planning authority to a board or a single person, who would then exercise practically unlimited power. The assembly would then be reduced to choosing the person who would wield this power.

The worst would come out on top, Hayek argues, because it is much easier to

unite a body in opposition to something than to get them to agree on any specific program.

Furthermore, the principle that the end justifies the means, which individualist ethics consider the denial of all ethics, becomes the supreme rule, since the socialist needs to be willing to do anything that serves the good of the whole.

Hayek considers the destruction of intellectual liberty the most alarming fact in collectivist systems. The worst oppression is tolerated if it is committed in the name of socialism, and intolerance is openly extolled.

Hayek, who received the Presidential Medal of Freedom in 1991 and the Nobel Memorial Prize in Economics in 1974, was one of the first persons to intellectually defend individual liberty from the encroachment of the state. In his disassembly of the merits of collectivism, he laid the foundation for the fight against communism during the Cold War.

The Road to Serfdom, Hayek's layman's-terms treatise on economic liberty, is a must-read for any serious student of classical liberalism and individual liberty.

More importantly, it should be required reading for those who do not appreciate personal freedom. Hayek's powerful insights on the rise of collectivism in the 20th century disprove the central tenets of collectivist theory quite soundly. CJ

Hurd, a former soldier, is an economics student at N.C. State University.

Book Review

Even Government Deserves A Better Defense

By GEORGE C. LEEF

Cointributing Editor

RALEIGH

• Milton J. Esman: *Government Works: Why Americans Need the Feds*; Cornell University Press, 2000, 196 pp., \$26.

Let's imagine that we have been sitting through a trial. The prosecution has presented some very powerful evidence against the defendant. The defense attorney rises and says, "All we have heard is a lot of mean-spirited bashing of my client. Why, not only does he not belong on trial, but he deserves praise for his wonderful works and humanitarian spirit! Just take my word for it, my client is so good, he ought to be up for sainthood!" The defense then rests. I ask you what you think of that defense, which is so preposterously weak that it may as well not have been uttered.

In *Government Works*, Milton Esman, professor of International Studies at Cornell University and self-proclaimed "progressive," has played the role of the defense attorney in my little tableau.

Esman is despondent over the failure of progressivism to continue its march toward the bright future of equality, security, harmony, and social justice that seemed so attainable back in the early to mid-1960s.

Since then, however, that radiant future has receded, mainly due to "rightist" activism. Poor Professor Esman. What's an aging progressive to do when he just can't stand the "unchallenged trashing of a central institution of American democracy" any more. Write a book, of course.

But writing a book, like defending an

accused person, can be hard work. A book that would prove that, as the title says, government works — or at least make a respectable effort at doing so — would be a tremendous undertaking.

It would entail some heavy lifting in intellectual fields where Esman has no apparent competence, especially economics. Doing battle with all those horrid right-wing scholars would be a prodigious task, would get bogged down in details, and worst of all might wind up doing nothing to raise the morale of progressives.

The solution is to do what our lazy attorney did: Declare that the whole case against progressivism is based on nastiness, assert that progressivism is great and will solve our problems, and leave it at that.

And thus we get *Government Works*, a screechy little book that ignores the substance of free-market criticism of statist programs but "defends" "progressivism" by arguing that those who it are only a bunch of mean, opportunistic Republicans and fat-cats who bash government to promote their own self-interest.

The bibliography is a good indication of what is to come. Under the heading "The Current Debate," Esman lists such awesome books as James Carville's *We're Right, They're Wrong*, but never mentions anything by, just to pick a few well-known names, Richard Epstein, Milton Friedman, or James Buchanan. The closest Esman comes to even acknowledging the existence of free-market scholarship is this sentence: "The late 1970s witnessed the maturing and the achievement of intellectual respectability for ideologically rightist journals and

think tanks that had been initiated a generation before by a small band of wealthy enemies of activist government." That's it.

Unfortunately, "intellectual respectability" isn't enough to cause the author to pay any attention to what those think tanks have to say. (Of course, many libertarian scholars are not funded through donations made by those "wealthy enemies of activist government," but for Esman to say that would be to deprive himself of his guilt-by-association ploy.)

Here's an example Esman repeats the leftist canard that the Depression was caused by the failure of capitalism, writing that "the Republican right has embraced economic laissez-faire and free market fundamentalism, rejecting decades of experience and scholarship regarding the limitations of the model, which two generations ago appeared to be seriously flawed by the Great Depression."

Sorry, professor, but the Depression was a case of government blundering from start to finish, as many "intellectually respectable" economists and historians have shown.

Esman wants all kinds of new interventionist, redistributive programs to work where he claims markets fail, and he sees market failure lurking almost everywhere.

Like the defense attorney who wants the jury to trust his arguments, Esman merely asserts that we need more coercion in America and that it will always be put to splendid uses. It's laughable. CJ

Leef is director of the Pope Center for Higher Education Policy.

Book Review

New Book On Reagan Reveals The Policy Wonk Inside The Leader

By JON SANDERS

Assistant Editor

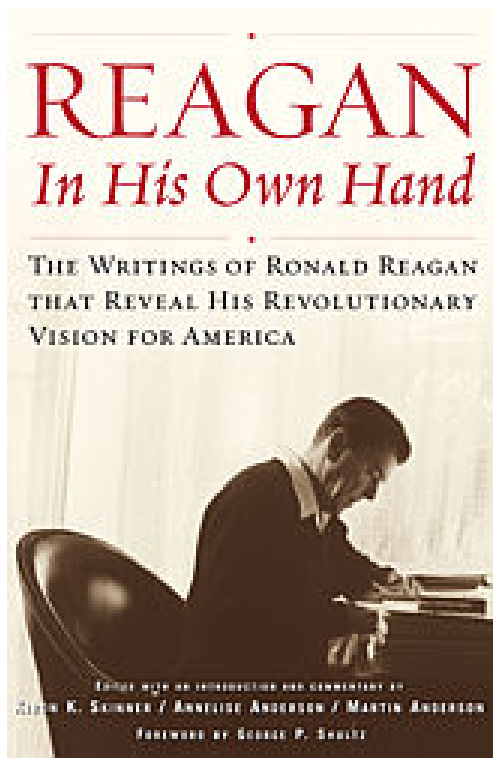
RALEIGH

• Kiron K. Skinner, Annelise Anderson, and Martin Anderson: *Reagan in His Own Hand: The Writings That Reveal His Revolutionary Vision for America*; Free Press, 2000, 549 pp., \$30.

The greatest communicators often possess a signature ability to evoke a response from their audience. P.J. O'Rourke, for instance, is well-known for drawing forth belly laughs by the barrelful. Stephen King extracts terror. And then there's Ronald Reagan. To paraphrase the Jack Nicholson's character in "As Good As It Gets," Reagan inspires us to be a better nation of individuals.

One can see Reagan honing his ability in the writings reproduced in the newly published *Reagan in His Own Hand*, a compendium of Reagan's radio addresses of the latter 1970s and other writings. Editor Kiron K. Skinner, granted access to Reagan's private papers, discovered by accident Reagan's handwritten drafts of radio broadcasts, speeches, and correspondence packed away in several boxes. With editors Annelise and Martin Anderson, Skinner produced this wonderful collection for public consumption.

Immediately apparent is that Reagan's public speaking system was quite sophisticated, in no small part in how it was designed to appear casual. Reagan employed a hidden set of 4-by-6 cards bearing his speech, developed his own style of shorthand, memorized the contents of a card upon one glance, and wore only a single contact lens so he could read the cards with one eye while watching the audience with the other. The speech looked spontaneous when in fact it was meticulously planned. The editors also reproduce Reagan's



own edits and marginal comments, which are themselves enlightening. They show that the well-known and beloved Reagan folksiness was partly the product of a heretofore unknown or ignored Reagan precision. While there is no question Reagan's populism was in some measure innate, these pages show that, just as with his system for public speaking, Reagan consciously and deliberately developed his peerless ability to touch the common chord.

The editors do a sensible job of organizing the addresses according to several umbrella topics: Reagan's personal philosophy, foreign policy, domestic and economic policy, and other writings. The organization subtly enforces the point of the publication; that Reagan was a thoughtful, principled man confident of and thoroughly consistent in his convictions.

At this point in a review, the reviewer normally culls from the book a few salient quotations. To do so here would be an endeavor akin to looking for a needle in a needle stack. Therefore, the reviewer opts instead to reproduce some quotations that, although a quarter-century old, are relevant to the present.

• On taxes: "Politicians dearly love to make the people believe they have some magic way of extracting taxes from some mysterious 'they' who are not now paying their fair share."

• On price controls on energy in California: "California crude is a heavy oil and requires more expensive equipment to refine it. Once upon a time this was reflected in the price for California oil. Since 1973, however, the Dept. of Energy has set the price of oil. So when a well in California sands up or a pump breaks down, there is no profit incentive in putting it back in operation."

"At least 15,000 of those closed-down wells could be reopened if the Dept. of Energy would get out of the way and trust the free market to determine the price."

• On the Electoral College: "The very basis for our freedom is that we are a federation of sovereign states. Our Constitution recognizes that certain rights belong to the state and cannot be infringed upon by the national government. This is the guaranty that small states or rural, sparsely populated areas will have a proportionate voice in national affairs. Those who want to do away with the Electoral College really mean they want the president elected in a national referendum with no reference as to how each state votes. Thus a

half dozen rural states could show a majority for one candidate and be outvoted by one big industrial state opting for his opponent. Presidential candidates would be tempted to aim their campaigns and their promises at a cluster of metropolitan areas in a few states and the smaller states would be without a voice."

• On the negative public images of Calvin Coolidge and Dwight Eisenhower: Reagan wonders how "false images come into being." His 1975 writings about Coolidge and Eisenhower could be applied today to the false image of their author: "All of us have grown up accepting with little question certain images as accurate portraits of public figures — some living, some dead. Very seldom if ever do we ask if the images are true to the original. Even less do we question how the images were created. This is probably more true of presidents in our country because of the intense spotlight which centers on their every move."

Just as Fed Chairman (and Reagan appointee) Alan Greenspan's congressional testimony in favor of tax cuts has forced the wespensend-it-better-than-you Left to drop their verbiage of "risky tax cut schemes," this book will — or should — usher the end of the Left's comfy portrayal of Reagan as America's dimbulb-in-chief.

How fitting that, despite more than a decade of such treacle, Reagan himself should be the one to answer and end it with finality, through his own hand. CJ

Sanders, a JLF policy analyst, edits the higher education section of Carolina Journal.

The book shows that Reagan was a thoughtful, principled man confident of and thoroughly consistent in his convictions.

Book Review

Modern Technology Will Change Higher Education Forever

By GEORGE C. LEEF

Assistant Editor

RALEIGH

• Richard Katz: *Dancing With the Devil: Information Technology and the New Competition in Higher Education*; Jossey-Bass, 1999, 128 pp.,

The invention of the steam engine brought tremendous change in transportation and production. The invention of radio brought tremendous changes in communication. And now the Internet is bringing tremendous change to numerous industries, including one that remained largely untouched by previous technological revolutions — education.

Teaching today is not fundamentally different from that of the time of Socrates. The development of the Internet, however, is certain to force changes in education, especially higher education, that will have enormous significance.

In the six essays in this book, the authors explore some of the challenges and opportunities posed by the Internet and related developments in information technology. The book's title suggests that colleges and universities are engaged in a dangerous enterprise, or at least something they'd rather not do, when they begin to use modern information technology.

Change always has its costs, and un-

doubtedly many administrators and faculty members would rather not have to abandon the good old ways of doing things.

As one contributor puts it, "digital media are now challenging those most venerable institutions — colleges and universities — to rethink the ways in which they serve society."

The authors are not Luddites, however. All maintain that education will be improved by it. While web-based education is not ideal under all circumstances, in many instances it facilitates better student/professor interaction.

One author states that "those who have experienced Web-based teaching will attest that in many instances, e-mail interaction is more personal and intimate than live interaction. It gives the student and teacher more time for thoughtful reflection and can help lower the natural barriers that exist between expert and novice."

Former University of Michigan President James Duderstadt argues in his essay that the information technology revolution is bringing to higher education the same sort of innovative competition that deregulation brought about in industries such as trucking and airlines.

In his view, "the global knowledge-learning industry will be unleashed by emerging information technology that frees education from the constraints of space, time,

and credentialing monopolies." No doubt he is right.

On-Line Learning

With the advent of on-line learning, the student is no longer limited to the "traditional" means of college, which requires contracting to pay for a wide array of goods and services, many of which may not be desired. Internet education enables the consumer to break up the bundle by selecting courses from different institutions.

It's as if we went from a grocery shopping rule that said, "You can choose among these bags of groceries" to a rule that said, "You may go throughout the store and pick exactly those items you want."

This new freedom, however, poses some problems. One of them will be credits. Editor and contributor Richard Katz observes that "The deployment of instruction beyond the borders of a campus should foster (or force) a national dialogue about the interchangeability of credits among participating institutions."

If most colleges and universities were to refuse to accept credits for on-line courses taken at other institutions, that would undoubtedly slow the growth of distance learning and retard the growth of choice for educational consumers.

To date, the on-line education move-

ment has been mainly aimed at adult learners. The University of Phoenix, for example, has aimed its very successful offerings at adults in the workforce who want to learn new skills or upgrade old ones. The big question for thousands of colleges and universities is whether on-line education will start to break into their big market, the just-out-of-high-school crowd.

Distance learning certainly does not provide everything that the residential college does, but as author Gregory Farrington observes, the chance to earn a degree for only around \$20,000 (what four year's of coursework with University of Phoenix would cost) will prove very attractive.

The traditional college offers structure and discipline, but for the convenience and cost-saving that on-line study gives, there may be substantial numbers of 18-year-olds who will (perhaps with much parental encouragement) supply their own structure and discipline.

My supposition is that within a few years, someone will have figured out how to market a good on-line B.A. program and it will start to eat significantly into the student base of many of the non-prestige colleges and universities. CJ

Leef is director of the Pope Center for Higher Education Policy.

Editorials

FUNNY MONEY

A state-run lottery doesn't make sense

There is something about easy money that is all too intoxicating for the average person. It becomes all the more an opiate for politicians looking for a "painless" way to secure cash for their treasured crusades. Enter Gov. Mike Easley and his palliative of lottery proceeds to finance a reduction in class sizes and the expansion of preschool services for disadvantaged children.

Leaving aside for the moment the efficacy of these two education "reforms," the question of a state-sponsored lottery is particularly vexing for those who believe in the principles of liberty, of a free people making free choices.

Many make the argument that a lottery is a voluntary tax and people are free to participate or not. But this is not exactly so. Surely, anyone with a dollar in his pocket may presumably purchase a lottery ticket. But the transaction neither begins nor ends at the point of purchase.

A state-sponsored lottery presumes at its outset that the state, and only the state, is responsible enough to run a gambling operation. It presumes also that only the state may responsibly spend the revenue generated by legalized gambling.

It further presumes that the expenditure of both the finances and the authority of the state has no public cost borne by each taxpayer in their respective state. It finally, and perhaps most deceptively, presumes that the expected revenue will be both plentiful and spent as promised.

These are lofty presumptions, none of which is necessarily true. Nor would they justify the enactment of a state-sponsored lottery.

"We're going to have to find whatever ways we can to provide pre-kindergarten and reduced class sizes," Easley told *The News & Observer* of Raleigh. Whether that involves obligating the state to promote and profit from a monopoly on a long-presumed vice is another question altogether and one not easily answered in the affirmative.

Rep. Bill Owens, D-Pasquotank, has introduced a bill authorizing the adoption of a state lottery to fund preschool programs for "at-risk" children, "Education Improvement Scholarships" for college bound students, technology improvements in public schools, and water and sewer improvements.

But Speaker of the House Jim Black has properly offered his own preference for spending restraint instead of a state lottery. In his words, "Instead of focusing on raising taxes, or counting on a lottery, we must search for ways to spend smarter, to reallocate, to reconsider all programs to see if they are the best use of our tax dollar."

We couldn't have said it better. But Black's comments do contradict the governor's stated desires and further complicate the political situation.

Owens claims he had no choice but to offer his bill because neighboring states have lotteries. But the complaint of other state lotteries draining funds from North Carolina's school children uses particularly specious logic.

"We know we are losing \$300 million already to Georgia and Virginia," Easley said. "We're letting Virginia, South Carolina and Georgia walk off with the money."

While that may be a politically useful locution, it is also quite false. First of all, there is no lottery in South Carolina yet. Second, the actual amount of money Virginia and Georgia collect in revenue from North Carolina lottery players is about \$35 million — far less than the administrative costs a North Carolina lottery would send out-of-state.

Other factors would reduce the net benefit of creating a state-run lottery. State and local governments could lose more than 10 percent of their sales-tax revenue as consumers increased their discretionary expenditures to purchase lottery tickets rather than taxed goods. And the revenue produced would likely be both unreliable and less than expected.

Yet again, the question considered here has nothing whatsoever to do with the use of any potential lottery proceeds. It has everything to do with the moral authority of the state.

The state is one of three things: morally superior to the people it allegedly serves, morally neutral to them, or morally inferior. Given that the state derives its authority from the constitutional authority of the governed, it stands to reason that the state is morally inferior to both the electorate and the Constitution.

Because this is the basis for the state's legitimacy, how is it that the state can run a gambling operation but may forbid all others within its jurisdiction (except a few Indians) from doing so?

While there are principled economic and budgetary reasons to avoid adoption of a lottery, the legal, moral, and constitutional concerns are perhaps more substantial. In addition to those already raised, the impact upon the weakness of dedicated gamblers, their families, and the poor could be substantial.

There is no substitute for honestly earned income and an accountable, principled government. For the state to enter the business of gambling would be to put greed and weakness on a pedestal and accountability and responsibility closer to the circular file.

CALIFORNIA BLUES

Power woes derail N.C. utility deregulation

It's interesting how politicians so often show, in Shakespeare's words, so much "sound and fury signifying nothing." Take the issue of deregulating North Carolina's electric utility industry, for example.

As politicians in Raleigh both generate and bow to misinformation and demagoguery in trying to delay or kill the promotion of market competition, they look to California's current electric power problem and claim that the Golden State's deregulation has failed.

One day they are in favor of deregulation and the next they run scared based on a politically driven frenzy to

discredit the concept based on half-baked measures that never amounted to deregulation in the first place. But then, we should perhaps give the politicians the benefit of the doubt. As Aldous Huxley once observed, "the only completely consistent people are the dead."

However, this does not really justify obfuscation and delusion parading as caution. For starters, the California electric utility market was never really deregulated. As *The Wall Street Journal* has reported, electric power prices in California have been regulated all along. First, state regulators require "all suppliers be paid the price exacted by the costliest, least efficient plant operating" in the state. Second, because no major power plants have been built in the Golden State for a decade, utilities are forced to make their wholesale energy purchases from out of state suppliers.

While energy prices have been rising nationwide, California's power providers have been barred by law from passing along those higher prices to consumers. As a result, in the last seven months California's three investor-owned utilities have amassed deficits around \$12 billion.

By partially decontrolling the wholesale side of the market and maintaining strict controls on retail prices and generation, California's public utilities have seen their wholesale costs rise by 500 percent with no legal authority to pass on those costs.

Calling this deregulation is like calling a horse an ass.

Politicians often claim to be engaging in reform to bring about a demanded

desire with which they may disagree. The reform is implemented half-heartedly with so many strings attached that it is impossible to meet the stated goals for success.

When the "reform" inevitably falls short of the desired results, they call it a failure and launch a drive for a return to the pre-existing status quo. There is another name for this strategy. It's called bait and switch.

Such a scenario, as is now being played out in California, gives public officials who happen to be less than certain about a politically acceptable direction the ability to use someone else's public policy disaster to delay true reform and deregulation.

Sen. David Hoyle, D-Gaston and cochairman of the legislature's electricity deregulation commission, announced the abandonment, for now at least, of deregulation attempts in North Carolina.

Hoyle sensibly supports and has promoted efforts to streamline regulations so as to ensure adequate power-plant development in North Carolina. And as the state also retains a mandated 15 percent energy reserve, we have more leeway than does California. What's more, we do not need to rely on wholesalers outside of the state for our electric power supply.

Yet other legislators are actively promoting solar and wind power alternatives that, if cost competitive, we would already be using on a greater scale. They are far more expensive. Until the costs of natural gas, oil, coal, and other power-generating resources become prohibitive or the other alternatives become cheaper, solar and wind power will remain scarcely used. It appears as though we are seeing one step forward and two steps backward.

California's electric utility problems are a direct result of government intervention in the market, through both regulation and price controls. In essence, not much has changed except that government is strangling California's utility industry by forcing it to pay more for power than it can charge.

There certainly are lessons for North Carolina in this fiasco. One is not to engage in halfway measures. Another is to ensure a fully competitive market with freely floating prices. Such an approach would properly regulate supply and demand in a way no bureaucrat is capable of.

CHOICE CHOICES

What's best for the children?

From cities and counties across the land, and extending now to the federal arena, the issue of using public money to pay for education at private schools will soon become more widely discussed than ever. While President George W. Bush's education proposals, which include a school-choice component, are much in the news, the issue strikes even closer to home in North Carolina.

Cabarrus County officials, studying a recent report by

the county attorney, are entertaining the option of becoming the first local government in the state to offer a measure of public funding for students who attend private schools. Article IX, section 2, ¶ 2 of the N.C. Constitution authorizes local aid to public education but it appears to be silent on the question of public aid to N.C. children who attend private educational institutions.

Other than the state constitution, the only substantial guidance that appears available is a 1979 ruling by the N.C. Supreme Court. The Court ruled that county governments may not "initiate and fund their own programs for public schools; rather, county commissioners are delegated the power to fund only those school-related programs proposed by the board of education."

As far as it goes, this appears to be correct. But the debate should raise some salient questions both for N.C. voters and for the American people. The central argument against public aid for students who attend private schools is predicated on the establishment clause of the First Amendment to the U.S. Constitution, which stipulates that "Congress shall make no law respecting an establishment of religion . . ."

This argument against school choice is predominantly concerned with the idea that public money might flow to private, religious schools. Yet it is based on a false premise and a misunderstanding of the issue.

To begin with, we are not talking about Congress or the state either promoting or establishing any religion. The First Amendment requires that government treat religion with neutrality, not hostility. If parents believe that their children can best be educated in a religious setting, one might well argue that the "free exercise" clause of the amendment not only allows but requires government to provide such a choice — as we already do in public programs that subsidize preschool and higher education.

In addition to discriminating against parents with strongly religious views, the state has an artificial stranglehold on charter schools, capping their number at 100. It seems as if the public school establishment is intent on killing any competition to its monopoly.

It is true that there are legitimate concerns about both charter schools and private schools being held accountable. But any new enterprise requires time to achieve its goals. And while some progress has been made in bringing greater accountability to public schools, the progress is both meager and slow. The real battle here is between those who believe in monopoly and those believe that competition and accountability will best serve our children.

There is an interesting contrast in public policy at work here, too. There is no clause in the N.C. Constitution authorizing state government to engage in so-called "economic development," whereby the state uses taxpayer funds to subsidize rich corporations. Yet "economic development" is viewed by so many as an essential tool to encourage the state's prosperity.

But to risk using public funds to experiment with advancing the education of our children through expanding charter schools and aid to private education is somehow a mortal peril to our state and the constitutional foundations of what is left of our republic. This is absurdity stretched to the limits of credulity. We can use public money to subsidize rich corporations but not to promote the proper education of our children?

POWER GRAB

The real agenda behind Smart Growth

Sometimes the arrogance of government is superseded only by its incompetence. Exhibit A, for the moment, is the North Carolina Smart Growth Commission, which has asserted that the state should coerce uncooperative localities into submission if they do not adhere to what the state may define as appropriate growth management.

Taking a cue from the federal government in the art of extortion, the commission, according to the *News & Record* of Greensboro, promotes the idea that "the state (should) force all counties, cities and towns to create official growth plans because some refuse to do it themselves."

In essence, the commission wants state government to force localities to implement so-called "Smart Growth" mandates or lose state funds. As one Commission member, Randy Billings of Greensboro, said, "what is good about this is that it requires people to think about their future and not just let things happen."

Mr. Billings' comment succinctly summarizes the view

of the North Carolina Smart Growth Commission. Sadly, that view is wrapped in so many layers of arrogance and contempt for the average citizen that we are hard put to offer a rational response. But offer we will.

In response to the commission's recommendations, Marlene Sanford of the Triad Real Estate and Building Industry Coalition said quite correctly, "people in this state do not want the state government to take over. The thinking that somebody in Raleigh knows better than local officials where we should locate a convenience store is ridiculous." Touché!

That has been our point all along. There is simply no substitute for holding public officials accountable at the point at which they are closest to those who grant them the honor of serving. There is a very simple reason for this.

It is a safe assumption that locally elected officials know their communities and their respective concerns to a far greater degree than does any politician or bureaucrat

sitting in a cinder block cubicle in Raleigh.

We are hopeful that citizens from Manteo to Murphy will rebel against the we-know-better-than-you crowd who seek to seize control of local growth decisions.

If the people of North Carolina value their liberty and believe they and their fellow citizens should control how their towns grow and prosper, then the Smart Growth Commission's recommendations should be loaded onto a bonfire and incinerated.

Arrogance is never an appealing quality, especially in public officials. Unfortunately, it can be found too easily in the work of the commission.

Truly Smart Growth would mean trusting producers and consumers of housing and other developments to make

decisions about their own land and money. The public sector would provide services in a way that supports rather than conflicts with these market choices. Unfortunately, what Smart Growth has become is a bald-faced power grab that threatens true self-government. *CJ*

The Smart Growth Commission's recommendations should be loaded onto a bonfire and incinerated.

Media Flubs Coverage of Poverty Report

Those on the right side of the political spectrum often ridiculed for complained about the "biased liberal media." I myself have often urged my fellow conservatives not to blame others when their own shortcomings — whether in ideas or in presentation — lead to their exclusion from the policy debate.

But that's not to deny the inescapable truth that the media are biased leftward. My point is simply that the bias is neither nefarious nor insurmountable.

Consider a recent case. The N.C. Justice and Community Development Center and N.C. Equity, two left-of-center policy groups, released a report earlier this month called "Working Hard Is Not Enough." It purported to demonstrate that, for the purposes of measuring poverty, the federal poverty line is set far too low.

Using expenditure data on housing, child care, food, and other necessities, the authors constructed a "living income standard" — in effect, an alternative measure of poverty — for sample households in North Carolina. Then, using income data from tax returns, they made the astounding charge that one-third of North Carolina families "cannot meet even the barest of bare bones budgets."

Now, for anyone with even a passing familiarity with poverty data, the report should have set off a variety of alarm bells. Do tax data accurately reflect a family's standard of living? If government, an employer, or some other entity pays for a "necessity" on the list, such as housing or health care, is that accounted for in the authors' conclusions? More fundamentally, it is plausible that one third of North Carolinians lack enough income to live at a basic level?

The answer to all these questions is no. A long-recognized fact of income measurement is the unsurprising notion that families rarely report all of their income to tax collectors. Some households rely on off-the-books income. Others get regular subsidies from parents or other relatives (think college students and retirees) that are not reported as income.

Furthermore, the study simply ignores the value of nonmonetary benefits, which can be substantial. For example, the report computes the poverty status of each family regardless of whether it is eligible for free Medicaid benefits, free child care, public housing subsidies, and Food Stamps.

We can get a sense of just how misleading the report's findings are by considering that, according to federal data from 1995, the average income of the poorest 20 percent of households was \$8,350. But average expenditures, including unreported income and savings withdrawals, was \$14,607. And if you add in the value of government benefits received, average expenditures for the bottom quintile was \$20,335 — nearly two and a half times the reported income!

Unfortunately, the state's news media made no attempt at all to question the findings or recommendations of the report, other than to quote officials of the Easley administration saying that a tight state budget might prevent any immediate response. No policy analysts were quoted questioning the report's dubious methodology. No economists were asked about the

likely impact of raising the minimum wage from \$5.15 to \$8.50 an hour (even the most liberal economist would surely forecast massive unemployment from a 65 percent hike in wages without any commensurate rise in worker productivity).

The News & Observer of Raleigh actually ran a front-page headline to the effect that a third of North Carolinians were in poverty — which no one living in the real world could possibly believe.

Media bias bears little relation to the image, conjured up by some conservatives, of back-room plots and rampant partisanship. Rather, it is the inevitable consequence of the fact that few persons with free-market views go into journalism. Newsrooms are full of well-meaning, talented people who accept liberal conclusions at face value while subjecting conservative ones to great skepticism.

I'm not complaining about the skepticism, which is appropriate and improves the debate. What I am saying is that it should be applied consistently. Among other things, skepticism would have prevented this embarrassing episode of media cluelessness by leavening the standard-issue leftism of "Working Hard Is Not Enough" with a little common sense.

Black and the Sectional Divide

Last month, the General Assembly came to town, convened its 2001 regular session, and settled a political question that the November election had left unanswered: who would lead the North Carolina House?

An unlikely alliance of Republicans and black Democrats had almost succeeded in upending Mecklenburg Democrat Jim Black's election as speaker two years before. After Republicans gained four seats in November, yielding a 62-58 Democratic majority, a similar strategy began to take shape again.

But in the end, the half-dozen Democrats that would-be speaker (or would-be congressman) Toby Fitch was able to bring to the table were more than offset by the inability of minority leader Leo Daughtry to keep as many as 10 Republicans in the fold.

Raleigh insiders are chattering about all the machinations and the supposed deal-making that kept Black in power. But I would submit that his reelection had more to do with regional politics than the partisan or pork-barrel variety.

Gov. Mike Easley is from Rocky Mount. Senate Leader Marc Basnight represents the Outer Banks. Fitch not only hails from Wilson but is rather liberal by North Carolina standards. For many Republican lawmakers, local leaders, and business executives west of Raleigh, the prospect of dumping Black for Fitch was just too much to stomach.

North Carolina's longtime sectional divide has increasingly become a partisan one as fast-growing Piedmont counties have trended Republican. Still, some differences transcend party and even ideology. As did support for another term for Speaker Jim Black. *CJ*

Hood is editor and publisher of Carolina Journal.

John Hood

Editorial Briefs

Professor Feinstein's Class

Searching for common sense in California might seem as futile as searching for honesty in Washington. But then again, recent comments by Sen. Diane Feinstein (D-California) on the subject of her state's energy woes might qualify on both counts.

Speaking at hearings on Capitol Hill concerning the state's flawed "deregulation" plan and recent rolling blackouts, Feinstein observed that, shocking as it may seem, the laws of economics apply to electricity no less than to other resources.

"We've got to get through the summer," she said. "There will still be a shortage of electricity. In a strict deregulated system, the [higher] rates would cause people to conserve. Absent that, there is no incentive to conserve."

Feinstein also observed that the state's process for permitting new power plants is too restrictive, thus keeping local supply below demand and forcing state consumers to bid against others to purchase power from outside the state.

The University of Chicago's economics department might consider giving her an honorary degree.

\$200M In the Lost and Found

- In early February, Gov. Mike Easley announced a number of budget-savings measures designed to forestall a budget deficit for the current fiscal year that was rapidly approaching \$800 million.

Among the ideas adopted were several that fiscal conservatives had long championed, such as redirecting unneeded contributions to the state pension system. Particularly notable was the governor's observation that the Employment Security Commission has excess funds in its Unemployment Insurance reserves.

This point has been made strongly, often — and as far as we can tell, solely — by *Carolina Journal* executive editor Don Carrington. More than a decade ago, the state overcharged employers to build up an extra \$200 million reserve in case an economic recession crimped revenues and boosted the need to pay UI benefits beyond what the system's regular reserves, held in Washington, could finance.

Unfortunately, the reserve fund wasn't reduced or eliminated as North Carolina's regular UI account grew huge. State agencies used interest on the \$200 million to fund a variety of programs unrelated to paying benefits to unemployment workers.

At his February news conference, Easley listed the reserve as one area where the state could find money if it needed to in balancing its budget. Our only objection is that the idea was at the bottom, rather than at the top, of his list.

News Media Takes a Punch

If it's in the newspaper, it must be true. Right?

Not exactly. Take the "fact," often reported during the Florida recount fiasco, that punch-card machines were more likely to be located in poorer counties and those with higher minority populations than in white, middle-class areas.

It sounds plausible, since newer technologies such as optical scanners and touch-screen computers are costly. But it doesn't happen to be true, according to a nationwide study of county-level demographics and voting equipment. Researchers Stephen Knack of the University of Maryland and Marth Kropf of the University of Missouri-Kansas City found that punch cards were somewhat more likely to be found in areas with higher incomes and fewer minorities, while African-American voters have more access to touch-screen voting than whites do.

Naturally, these findings do not suggest that the election process is fine the way it is and that no reforms or investments are needed. What they do show is, once again, the danger of believing what is asserted without questioning the source.

Bush's Tax Cuts Are Still Important

By ROY CORDATO

Assistant Editor

The Federal Reserve is taking aggressive action to lower interest rates. It recently lowered the discount rate, the rate that the Fed charges when it makes loans to member banks, by half a percent, then followed that up by cutting the federal funds rate by another half percent.

In light of the Fed's actions, many pundits and even some economists are saying that President Bush's proposed \$1.3 trillion across-the-board tax cuts are no longer necessary. With Alan Greenspan taking control of the economy through monetary stimulus, Bush's tax plans are obsolete, they say. But they are wrong.

The idea that Federal Reserve interest-rate cuts and tax cuts are substitutes for one another is the false legacy of the Keynesian school of economics (named for its founder, John Maynard Keynes), which dominated economic thinking in the 1940s, '50s, and '60s.

In the Keynesian view, the entire purpose of monetary and fiscal policy was to control aggregate spending. The more spending and less saving that occurred, the faster the economy grew according to the theory.

Keynesian thinking holds that in an economic downturn the government should stimulate demand, either through cutting taxes and increasing government spending or by increasing the growth rate of the money supply.

The latter is what the Fed is attempting to do by reducing the interest rates at its disposal. During times of inflation, the opposite policies should be pursued, according to Keynes.

Theory Vs. Facts

Keynesian theory led to the now discredited arguments that recession and inflation cannot possibly occur at the same time and that large government budget deficits are good for economic growth.

By the early 1970s, shortly after President Nixon announced that "we are all Keynesians now" in justifying his disastrous wage-and-price controls, the economy suffered its first inflationary recession, and Keynes' model was finally rejected by much of the economics profession.

The purpose of across-the-board cuts in marginal tax rates, as proposed by President Bush, is not to give a short-term boost to aggregate demand, which, at best, is all that the Fed's interest rate reductions can accomplish.

RALEIGH

Higher tax rates discourage people from pursuing productive, income-earning activities. A reduction in rates will enhance long-term economic growth by reducing the tax penalty against work, saving, and investment.

In other words, the focus of the Bush tax plan is on the healthy, long-run expansion of the supply of goods and services and not on trying to give the economy a quick shot in the arm by getting people to spend more.

Indeed, without an expansion of investment and productivity, any short-run boost in demand brought about by monetary stimulus will simply translate into higher inflation rates down the road.

In this sense, Greenspan's interest-rate cuts do not negate the need for George Bush's tax cuts but actually make them all the more necessary.

The economic justification for tax cuts is not that they put more money in people's pockets, thereby encouraging them to increase their spending. This is Keynesian thinking at its worst.

Instead, across-the-board tax-rate reductions allow people to keep more of what they earn, encouraging them to work, save, invest, and be more productive. The Fed's interest-rate cuts speak to none of these issues.

Ultimately the most important reason for Bush's tax cut is that it will transfer \$1.3 trillion over ten years from federal government control back to the individual citizens who earned the money in the first place.

Even if Bush's tax plan would have no impact on economic growth, it is fully justified on the following grounds. Every dollar of income that a taxpayer is allowed to keep gives him greater control over his own life and enhances individual liberty. In a free society, this is always reason enough to cut taxes.

CJ

Cordato is Vice President for Research at the John Locke Foundation.

*Economic Outlook***Regression, Progression, And Who Gets Soaked By Taxes**

By MICHAEL WALDEN
Contributing Editor

The new year of 2001 may be a "taxing" one. Although the federal government is running a budget surplus, there's still the long-run solvency problem of Social Security. One option is to increase Social Security taxes. In North Carolina, a shortfall in the state budget is looming, and increasing tax rates may be on the table. And let's not forget local governments. Many local governments in fast-growing counties face funding requirements for infrastructure and services that may entail increasing existing tax rates or creating new taxes.

So elected officials from county commissioners to state legislators to federal congressmen and senators may be considering new taxes in 2001. Of course, there are many important factors to contemplate with taxes. One very important factor is the burden of taxation. Specifically, who pays taxes, and how does the payment change with changes in the taxpayer's income?

Types of Tax Burdens

In discussing the burden of taxation, economists have developed three descriptive terms: progressive, regressive, and proportional. A progressive tax is one in which the percentage of household income paid in the tax increases as household income rises. A regressive tax is one in which the percentage of household income paid in the tax decreases as household income increases. Finally, a proportional tax is one in which the percentage of household income paid in the tax remains constant across all household income levels.

It's important to realize that a regressive tax does not necessarily mean that higher-income households pay fewer dollars in the tax than lower-income households. In most cases, higher-income households actually pay more dollars in the tax, but the percent of their income paid in the tax is less than for lower-income households.

It's also important to realize that "progressive" should not necessarily be interpreted as "good" and "regressive" as "bad," although some do make that connection. In the context of tax burden, progressive means the tax rate progresses, or increases, as income rises. Similarly, regressive means the tax rate regresses, or decreases, as income rises.

Specific Taxes

Let's look at the burden of some specific taxes. Income taxes are progressive for the simple reason that income tax rates are higher at higher levels of household income.

There are currently five federal income tax rates: 15 percent, 28 percent, 31 percent, 36 percent, and 39.6 percent. For married households, the lowest 15 percent rate currently applies to taxable income up to \$45,200, whereas the 28 percent rate applies to taxable income between \$45,200 and \$109,250. North Carolina's income tax is also progressive, although the rates are much lower.

Sales taxes and property taxes have long been thought to be regressive. Sales taxes are claimed to be regressive because the percentage of household income that is spent declines as household income rises. For example, budgetary data show that households with incomes under \$30,000 spend all of that income, whereas households with incomes between \$50,000 and \$70,000 spend 75 percent of their income. Since the sales tax is applied to spending, the sales tax paid as a percent of household income declines as household income rises.

There's a similar argument for the property tax. Again, budget data show that higher-income households spend a smaller share of their income on shelter than do lower-income households. Thus, if residential property taxes are paid by homeowners and are passed on to tenants by landlords, then property taxes as a percent of household income will likely decline as household income increases.

However, these traditional views of the regressivity of sales and property taxes are not without criticism. Several economists have argued that the spending rates of low and

high income households are much more similar over the lifetime of the households. That is, a high-income household may save money this year, but that money will be spent in later years. If this is accurate, then the sales tax is much less regressive than commonly thought and may even be proportional.

Likewise, some studies have shown that a significant part of the property tax is effectively paid by higher-income developers, builders, and financiers. As a result, these studies show the property tax to be progressive.

What is the tax burden of one of the biggest taxes of all, the Social Security tax? Since the tax is not paid on all the income of high income households (in 2001, the Social Security tax is paid on the first \$80,400 of a taxpayer's income), many claim the Social Security tax is regressive.

However, this viewpoint ignores the fact that when Social Security benefits are paid back to retirees, low-income retirees get back more per-dollar paid in than do high-income retirees. This makes the pay-out phase of Social Security progressive.

What's the net result for Social Security? Rather complicated studies show that, considering both the taxes paid and benefits received in Social Security, the tax is progressive except under the most heroic of assumptions.

There have been efforts to make supposedly regressive taxes less regressive. For example, property taxes are sometimes not levied on some minimum value of property for

In contrast, progressive taxes are often embraced as being politically correct. This is based on the point of view that since the rich have more money, they should pay a bigger percentage of it in taxes. In economics, the notion is that the marginal value of a dollar declines as a person acquires more dollars. That is, an extra dollar to a rich person is worth less than an extra dollar to a poor person.

Thus, the reasoning continues, to equalize the "burden" or "sacrifice" of taxes, rich people must not only pay more dollars but must also pay a higher percentage of their income in taxes.

There is a major problem with this theory. The idea of the marginal value of a dollar is a conceptual construct that can't be directly measured. Hence, we have no empirical measures of how the marginal value of a dollar changes as the taxpayer's income changes.

Without these measures, there's no way to know how to change the tax rate to match changes in the dollar's marginal value. Therefore, policymakers must guess about how to change tax rates. Of course, guesses can be wrong.

But what about regressive taxes? Shouldn't they still be avoided? Well, let's look at supposed regressive taxes in more detail.

Take the sales tax. As already noted, the sales tax is claimed to be regressive because the poor spend more of their income and save less than the rich. Thus, more of the poor's income is subject to the sales tax, and this results in the poor paying a higher percentage of their income for the sales tax than the rich.

Yet, implicit in this comparison is that the income not spent by the rich goes untaxed. As already mentioned, this is likely not accurate in the long run, as today's savings by the rich may very well be spent in later years and then be subject to the sales tax. But even in the year that income is saved, those funds are still subject to the income tax. Also, if the savings are invested and earn returns, those returns are generally subject to taxation.

Let's not forget the fact that savings perform an integral function in our economy that benefits everyone. Savings are the source of investments in new technology that ultimately increase the productive use of resources (including labor) and result in higher standards of living. In fact, some economic research suggests that sales taxes are actually associated with faster economic growth because they motivate households to spend less and save

more. This enhances productivity and leads to a larger economy.

Thinking Comprehensively

My suggestion is that, rather than worrying about the incidence and burden of individual taxes, the burden of taxation on households be considered comprehensively. Look at what households at various income levels pay in the totality of taxes, and then compute these as a percentage of their income. When done, I expect the finding will be that the complete tax system is, indeed, progressive.

Also, I argue that the tax burden should not necessarily be the primary factor considered in tax analysis. Equally important is whether the tax attempts to relate the taxes paid to the services received from government. For example, the property tax helps fund local police and fire protection services. A strong case can be made that the benefits from these services are directly related to the value of property. That is, households living in more expensive houses effectively receive more police and fire protection.

So, rather than focusing on the alleged regressivity of the property tax, an equally important perspective is that the property tax makes those who receive more government services pay more in taxes.

There's more to taxes than their burden. Limiting taxes to those that aren't regressive, by a narrow definition, will substantially limit the options of policymakers. *CJ*

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Dr. Strange-Gov

Or How I Stopped Worrying And Learned to Love Campaign Finance Reform

By JOHN HOOD
Editor

I have never been on the road to Damascus. Like Saul, however, I have experienced an epiphany and changed my mind on a matter of great importance. Long critical of the kind of campaign finance reform advocated by Sen. John McCain in Washington and by Sen. Wib Gulley, D-Durham, and others in Raleigh, I have now decided to support the idea.

In retrospect, the only reason it took so long for me to come around is that McCain, Gulley, and other supporters made such bad arguments for their position.

They had cast the issue as one of reducing corruption, ensuring competitive elections, and taking politics out of the hands of the wealthy and giving it back to "the people."

These were, and remain, poor reasons to impose contribution limits, ban soft money, and control how much money candidates spend running for office. They reflect either naivete (because the wealthy will always have a disproportionate role in political campaigns) or deception (because campaign finance reform will make elections less, not more, competitive).

I am persuaded by a different set of arguments, most of which came to me during a particularly tedious morning of legislative committee meetings in Raleigh.

RALEIGH

First of all, it is no secret that today's limits on political contributions — \$1,000 per person in federal races and \$4,000 in state ones — are already so low that they force politicians to spend an inordinate amount of time going to fundraisers, phoning potential donors, and devising clever ways around the limits.

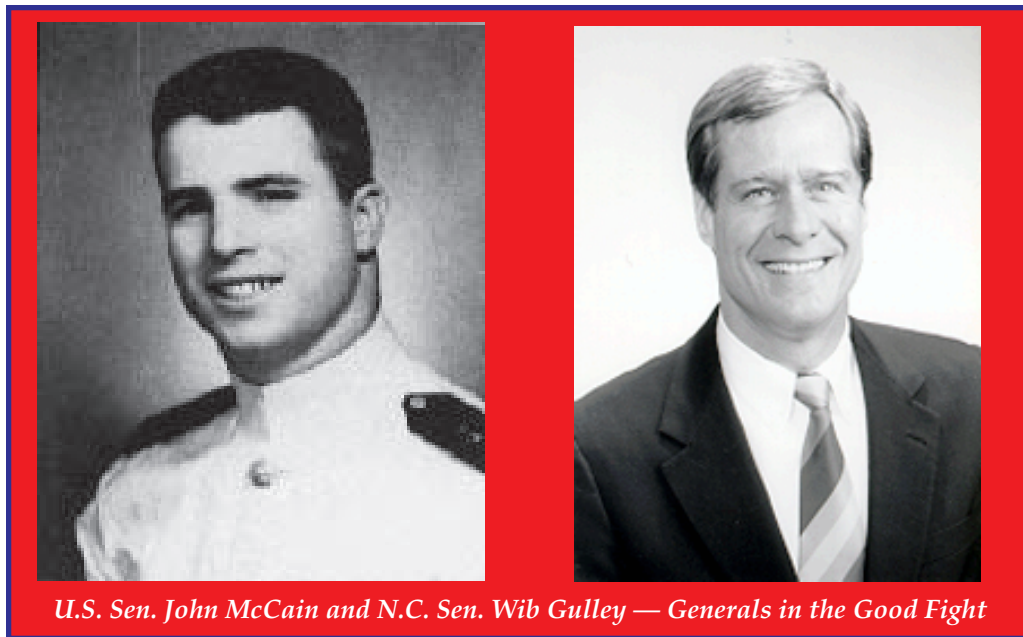
The federal cap, in particular, is confining because it hasn't been adjusted for inflation in 30 years. Raising money for a run for Congress, Newt Gingrich once observed, is like filling a bathtub with a teaspoon.

But what I used to see as a negative I now see as a positive. The time that politicians must spend raising money is time they can't spend sitting around in tedious committee meetings, boring their colleagues as well as observers with rambling, incoherent speeches and passing legislation to waste our money and tell us what we can and can't do.

I now favor radical reductions in contribution limits — to \$10 per person or so — in the expectation that politicians will then spend virtually all of their time eating lukewarm chicken at fundraisers and glad-handing at ribbon-cuttings rather than wielding actual political power.

Precious Polity Fluids

I've also had a change of heart about soft money. These are the largely unre-



U.S. Sen. John McCain and N.C. Sen. Wib Gulley — Generals in the Good Fight

stricted sums, sometimes reaching the hundreds of thousands of dollars, that millionaires and corporations pony up to Democratic and Republican organizations for "party-building" and "getting out the vote."

I used to think that soft money was a reasonable way of financing political activity because of the low limits on direct contributions to candidates. Now I see that soft money facilitates legislators actually doing their jobs — which, as I've already mentioned, I now think is undesirable.

It also serves to transfer wealth out of the hands of corporate treasuries, where it is used to create even more wealth, and into the hands of politicians and consultants, where it is used to steal even more wealth.

And finally, I now believe that all candidates, no matter how marginal, should have access to taxpayer funding. The reason is that this would almost certainly lead to more third-party candidates of a left-wing persuasion — Greens, Socialist Work-

ers, perhaps even Communists.

(The Libertarians wouldn't take the money due to their inconvenient belief that free persons shouldn't be forced to subsidize the propagation of views they may find offensive).

In addition to making campaigns far more entertaining, these candidates would provide excellent fodder for my column and the John Locke Foundation's direct-mail solicitations.

So there you have it. I am now an enthusiastic convert to the ranks of campaign finance reformers. My only concern is that the delay required in amending the U.S. Constitution — the First Amendment protecting political speech will have to be abolished, of course — may be so lengthy that I may be retired before it is implemented.

I don't want to miss all the fun. CJ

Hood is editor and publisher of Carolina Journal.

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