

- School Reform:
More Than One Model

N.C. Alone Raises Taxes

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Rebels on the Radio

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and Opinion from
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Easley Employs Smoke and Mirrors in Economic Policy

*Strange announcements
come with great fanfare,
questionable substance*

By DON CARRINGTON

Associate Publisher

Ten months after taking office as the state's chief executive, Gov. Mike Easley finally became a visible player in state economic development policy last fall. Why did it take Easley so long? Perhaps the governor had his hands full hiring a staff, moving in to the governor's mansion, developing a budget, pushing for a state lottery, and otherwise learning the ropes in a job with lots of responsibilities.

Easley's foray into economic development began on Halloween when he announced appointees to the state Economic Development Board. It continued through the first week of December, when his press office announced that four manufacturing plants would be built in North Carolina.

However, a *Carolina Journal* investigation of the announcements reveals that the administration employed smoke and mirrors in an apparent attempt to demonstrate Easley's prowess at economic development.

Will a new board save us?

Easley waited until Oct. 31 to appoint 22 members to the 33-member Economic Development Board. The lateness of the appointments evoked criticism even from one of his new appointees.

"We missed a year of opportunity by not having an economic development board in place," new board member Phil Kirk told *The News & Observer* of Raleigh in December. Kirk is president of North Carolina Citizens for Business and Industry and also chairs the State Board of Education.

When announcing the board members, Easley said, "North Carolina's economy is in rapid transition. It is critical that we have a strategic plan in place to guide our economic development investments."

Easley's predecessor, Gov. Jim Hunt, also had an economic development board. Hunt had challenged that board to develop a strategic plan. "The 1999 plan is an ambitious strategy that is working to go beyond maintaining economic prosperity and a high quality of life," said then-Chairman Mark



Even Wal-Marts are now asking for economic development incentives in North Carolina.

Bernstein in August 1999.

Plan or no plan, Dr. Michael Walden, an economist at N.C. State University, maintains there are limits to what governors or economic development boards can do to direct state economic activity. "Governors and economic development boards cannot affect broad economic change and they are not good at controlling the microinvestment economy — that is best left to consumers," he said.

On the other hand, the officials can help citizens develop skills, but not necessarily in a state-run education and training program, Walden said. State administrators also can try to foster a generally favorable business climate by providing a balanced regulatory climate and a simple and broad-based tax code, he added.

Ranking reality

Two days after announcing the board picks, the governor's office issued a release praising *Site Selection* magazine's ranking of North Carolina as the No. 1 location among all states for doing business in 2001.

"This ranking shows that we're doing the right things to ensure long-term economic growth in North Carolina," Easley

said. "Our challenge is to make future growth translate into good jobs for all of our families, and strong investments in all of our communities. I'm confident that we're going to take the steps we need to accomplish this goal."

The press release ended with "More information on the rankings is available at the *Site Selection* web page at www.siteselection.com." CJ's examination of the ranking process on the website shows that the magazine's criteria was not based on any action taken this year. The criteria used by the magazine were: (1) total new and expanded corporate facilities for 2000, (2) total new and expanded corporate facilities for 1998 through 2000, (3) total new and expanded facilities per 1 million residents for 1998 through 2000, (4) total new and expanded facilities per 1,000 square miles for 1998 through 2000, and (5) results from *Site Selection*'s annual survey of corporate real estate executives who work for companies with nationwide operations.

The Easley press release did not mention that *Site Selection* magazine's rankings failed to include three important points:

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**Subsidy for Wal-Mart?
Person County blocks
a \$126,000 'slam dunk'**

By DON CARRINGTON

Associate Publisher

Doesn't a new Wal-Mart Supercenter deserve a subsidy from taxpayers? After all, supporters of just such a plan in Roxboro claimed last month, a \$20 million center would create 350 jobs and up to \$170,000 annually in property taxes. Supporters also said the project would bring in an additional \$3 million in annual sales tax revenue.

"This is a slam dunk," Glen Newsome, Person County Economic Development Commission director, said frequently during his testimony Dec. 17 at a public hearing on a proposed \$126,000 economic development incentive for Wyatt Development Co. of Aiken, S.C.

Newsome was the point man for a team of subsidy supporters that included his economic development commission chairman, the project developer, and the Roxboro city manager.

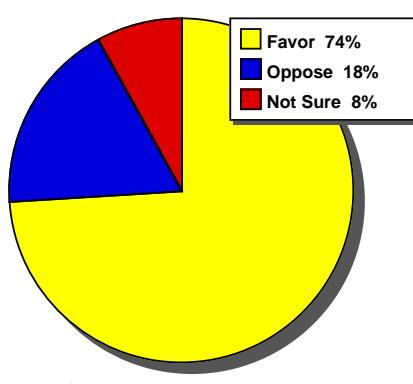
The incentive would have represented about half the cost of extending water and sewer lines to the site of a new shopping center called Roxboro Commons. The Wal-Mart Supercenter will anchor the shopping center.

Six local residents and one visitor spoke against the subsidy at a hearing. In his remarks, Newsome noted the presence of a speaker from the John Locke Foundation. He said the Locke representative did not live in Person County and did not understand the county's economic needs.

One opponent, C. T. Hall, a local business owner, said a big retailer like a Wal-Mart Supercenter would be detrimental to small, established businesses in Roxboro. He said that for the developer and Newsome "to ask us to help finance them coming to Roxboro is just absurd. The idea. It's just adding insult to injury."

After hearing from both sides of the issue, the commissioners grabbed Newsome's ball and performed a "slam dunk," but it was not to his liking. They voted unanimously to reject the Economic Development Commission's recommendation.

Family Tax Breaks for Health Care?



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ON THE COVER

- Were a string of economic development announcements, accompanied by great fanfare, by Gov. Mike Easley a true testament of his ability to lure business to North Carolina? *Carolina Journal's* Don Carrington digs beneath the surface to find out. **Page 1**

NORTH CAROLINA

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Calendar

CNN Journalist Robert Novak To Speak At Locke Luncheon

Syndicated columnist and CNN personality Robert Novak will speak at a John Locke Foundation Headliner luncheon at noon Feb. 11 at the Brownstone Hotel in Raleigh.

Novak was born Feb. 26, 1931, in Joliet, Illinois. His first newspaper jobs were as a reporter for the *Joliet (Ill.) Herald-News* and the *Champaign-Urbana (Ill.) Courier*, where he worked while attending the University of Illinois from 1948 to 1952.

Following service in the U.S. Army during the Korean War, Novak joined the staff of the Associated Press, where he worked in bureaus in Omaha and Lincoln, Neb., Indianapolis and later Washington, D.C., where he covered Congress.

In 1958, Novak left the AP for a position in the Washington bureau of *The Wall Street Journal* as Senate correspondent and political reporter, becoming chief congressional correspondent for the *Journal* in 1961.

On May 15, 1963, Robert Novak teamed up with the late Rowland Evans, then congressional correspondent for the *New York Herald Tribune*, to write the political column "Inside Report." One of the longest-running syndicated columns in the nation, it is distributed by Creators Syndicate to more than 300 newspapers nationwide.

After 30 years on "Inside Report," on May 15, 1993, Rowland Evans retired from the column, which Novak now writes three times a week. Evans passed away in April 2001.

"Inside Report" is noted for its rapidly moving dateline and its hard-hitting analysis of national and international developments. The *Chicago Sun-Times* has been the home newspaper to the column since 1966.

In the course of his career as a columnist, Novak has crisscrossed the country



Journalist and TV personality Robert Novak

numerous times to test grass-roots sentiment for local campaigns and national conventions. He has traveled around the globe to report wars, revolutions and international conferences and to interview leaders in many parts of the world — his 1978 trip to China included an exclusive interview with Deng Xiaoping, which opened the way for normalization of U.S.-Chinese relations.

Novak produces the biweekly newsletter "Evans-Novak Political Report." Novak has contributed to most of the nation's periodicals.

Novak has also coauthored the following books with Evans: *Lyndon B. Johnson: The Exercise of Power; Nixon in the White House: The Frustration of Power*, a compre-

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- A review of the book *Stealing Secrets, Telling Lies* by James Gannon. **Page 18**

- A review of *Rebels on the Air-An Alternative History of Radio in America* by Jesse Walker, and *The Great American Tax Dodge* by Donald L. Bartlett and James B. Steele. **Page 19**

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- Editorials on Easley's economic development claims and Raleigh Mayor Charles Meeker's 34-point agenda. **Page 21**

- John Hood on freedom of speech at taxpayer-funded universities. **Page 21**

- Michael Walden suggests several New Year's resolutions for North Carolina politicians and policymakers. **Page 23**

PARTING SHOT

- The "GWINCH" (see the article), and an "ARSE," conducted an evaluation of the Teapot Preschool in Wilmington. *Carolina Journal* has obtained a copy of the disciplinary report. **Page 24**

hensive study of the first two and one-half years of the Nixon administration; and *The Reagan Revolution*, an analysis of Ronald Reagan's blueprint to transform the U.S. government.

A respected television personality as well, Novak can be seen on Cable News Network's weekly "Novak, Hunt and Shields" interview program. He also appears on and serves as coexecutive producer of CNN's political roundtable "Capital Gang." He is a regular cohost on CNN's "Crossfire" program.

Cost for the lunch is \$15. Contact Kory Swanson at (919)828-3876 to register.

• John Locke Foundation Chairman and President John Hood will continue to tour throughout the winter promoting his latest book, *Investor Politics: The New Force That Will Transform American Business, Government, & Politics in the Twenty-First Century*. Upcoming events will take him to Chicago, Seattle, Michigan, New England, Tennessee, South Carolina, and Florida.

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 conducted at the Locke offices in downtown Raleigh at 200 W. Morgan Street, Suite 200. Parking is available in nearby lots and decks.

On Jan. 21 former academic William Lynch will discuss his unique proposal on Social Security.

If you would like to join us, call Kory Swanson for details or email him at events@johnlocke.org.

Easley Off the Mark on Economic Development Announcements

Continued From Page 1

• The ranking criteria represented time periods from 1998 to 2000. Easley became governor in January 2001.

• A related story listed Hunt as the current governor of North Carolina even though it correctly listed Easley's secretary of commerce, Jim Fain, as the current agency chief.

• The survey of corporate real estate executives that counted for one-half the weight of the final ranking was conducted in August. Survey respondents could not have been fully aware of the tax increase that Easley supported and signed into law Sept. 26.

The survey question posed to executives read, "Based upon your experience, what are the top 10 state business climates, taking into consideration such factors as lack of red tape, financial assistance and government officials' cooperation?" In this final category North Carolina actually ranked fifth — behind Arizona, Georgia, Florida, and Texas.

Also, the statement that "data are from many sources and not warranted to be accurate or current" by the authors casts further doubt over the objectivity of the ranking process.

Smoke and mirrors

Easley went to Chicago the last week of November to promote North Carolina to economic development consultants. The N.C. Department of Commerce told CJ that the meeting was held at a restaurant. Twelve plant location consultants attended the meeting.

The following week, new job announcements coincidentally appeared. Easley's office announced in early December that four manufacturing plants would be built in the state. However, CJ's analysis of the information in the four press releases revealed that the Easley administration misrepresented several of the announcements.

Easley's reports included two plants that had been announced months ago. Also, Easley announced another project at least one month before the time the company planned to make its own announcement.

The Viscotec Automotive Products facility in Burke County was the only new project where the timing of the governor's announcement and the actual plans of the Japan-based company were consistent.

On Dec. 7, Easley's office promulgated a press release announcing a major investment by Universal Leaf in Rocky Mount. "Gov. Mike Easley today made his fourth major job announcement this week when he unveiled plans by Universal Leaf North America to invest \$100 million and bring 1,000 new jobs to Eastern North Carolina," the press release said.

"Our competitive edge is our willingness to invest in our workforce even during tough economic times," Easley said. "While other states are cutting schools, universities and community colleges, we are making greater investments that will pay tremendous dividends."

What Easley's press release failed to mention was that Universal Leaf had announced the new Rocky Mount facility months ago. "We are extremely pleased to announce that we have selected a site in Nash County for our new processing facility," Universal Leaf President Ray M. Paul said in a May press release found on the company's web site.

Earlier in May the company had announced it would build a new facility in either Nash County or Wilson county. "In

2001 Economic Development Highlights

The Real World:

- ♦ **May 31 Universal Leaf announces Rocky Mount facility**
- ♦ **June 7 BorgWarner announces expansion in Asheville**
- ♦ **Dec. 2 N&O story critical of Easley's economic development efforts**



Gov. Easley's World:

- ♦ **Oct 31 Easley appoints economic development board**
- ♦ **Nov. 2 Easley salutes Site Selection's No. 1 ranking for North Carolina**
- ♦ **Dec. 5 Easley announces BSH Appliance expansion in New Bern.**
- ♦ **Dec. 6 Easley announces BorgWarner expansion in Asheville.**
- ♦ **Dec. 7 Easley announces Universal Leaf plant in Rocky Mount**
- ♦ **Dec. 11 Flextronics offered tobacco-fund incentives to stay in Franklin County**

the end however," Paul said, "Universal chose the Nash County site because it offers more options for the current project and for future growth. It is almost equally distant from our existing North Carolina plants in Henderson and Wilson, thus making it possible for a number of our current employees in those factories to work in the new facility."

Paul made no mention of the "workforce investments" as the major factor to which Easley referred six months later when the governor repeated the announcement. Easley also made no mention of the fact that Universal would be closing its other facilities, therefore creating few or no new jobs.

In March 2000, when Universal Leaf announced plans to right-size operations,

then-company President R. E. Foy, Jr. said the company's U.S. tobacco operation faced numerous challenges. He said the challenges included "the far-reaching effects of the Master Settlement Agreement on U.S. cigarette sales and leaf use, and unprecedented political and legal attacks, all of which have combined to change the outlook for tobacco production in the United States and to create a difficult operating environment."

Foy, of course, was referring to lawsuits against tobacco companies. Easley, as North Carolina's attorney general, was a key player in the lawsuits. At the time, the company said it would be laying off more than 1,500 workers in Kentucky and North Carolina.

On Dec. 6, Easley made another announcement of a major new plant. He announced that BorgWarner Turbo Systems' new North American headquarters and technology center would be located in Asheville. The \$50 million facility was touted as bringing in 100 new highly skilled jobs over a period of five years. Actually, the new facility represents an expansion of the company's existing manufacturing and distribution facility in South Asheville, where 400 employees already work. The company

also employs 500 people in the neighboring town of Fletcher.

Again, this was not a new development. In its investigation, CJ found that BorgWarner already had announced the project at a meeting in Asheville in June.

Taxpayers will assist the project. The company is estimated to receive \$500,000 in grants over five years from Buncombe County. State tax credits are estimated to be more than \$1 million.

Premature announcement

On Dec. 5, Easley announced a major manufacturing expansion in New Bern. This one was BSH Home Appliances, a partnership of the German companies Bosch and Siemens Home Appliances. The company is the third-largest manufacturer of household appliances worldwide. It already employs about 400 people at its New Bern dishwasher plant.

According to the governor's press release, the company plans to hire more than 1,400 employees over the next five years. Usually, such an announcement would be treated as good news for any community. But CJ's investigation found that the announcement was premature.

Jackie Burton, a company spokeswoman, told CJ that BSH was not ready to make the announcement to fit Easley's schedule. "We will have a groundbreaking to suit our own interests — to suit our own timetable. An official announcement will be done in January," she said. Even though the New Bern location was not mentioned, the company had announced in June that it was "investing significantly to grow in the North American marketplace."

Smokers pay Flextronics to stay

Easley actually launched part of his current policy when he was attorney general by helping to set up the Golden LEAF

Foundation. The foundation is charged with using \$2.3 billion of the state's share in the national tobacco settlement to help North Carolina communities cope with the demise of the tobacco industry.

At the time the fund was set up, many critics warned that since the money could be used for virtually any purpose, the LEAF foundation would merely become the "mother of all slush funds."

The critics' warnings have come true. The LEAF foundation has given away millions of dollars in the name of economic development. Among the gifts are \$125,000 for a blueberry blast freezer in Bladen County, \$150,000 to help market goats in Franklin County, and \$63,450 to create a farmer's market in Rockingham County. These grants are only possible if tobacco companies can continue to sell cigarettes and smokers can continue to buy them.

In July 2001, Flextronics, a California-based company that manufactures network and consumer electronics, announced that it would be laying off employees. Cuts included jobs at the company's Youngsville facility in Franklin County.

On Dec. 11, the Golden LEAF Foundation announced five new grants totaling \$2 million to entice Flextronics to stay and expand its operation in Youngsville.

Some people praised the fund. "Golden LEAF? It's the greatest organization I've ever been around," Ronnie Goswick, Franklin County economic development director, told *The News & Observer* after the grant was awarded.

The official response

CJ asked the N.C. Department of Commerce why the Universal Leaf and BorgWarner projects had been announced by the governor months after the companies had already publicly announced the projects. Tad Boggs, a Commerce Department spokesman, said, "Since the governor and his staff put that information together, I do not know."

CJ's repeated requests for an explanation from Easley spokesman Fred Hartman were ignored.

Around the State

• The Associated Press reported Dec. 20 that N.C. senatorial candidate Elizabeth Dole earned nearly \$2.3 million in speaking fees during the last two years. The wire service said her average charge per speech was \$40,000.

The story was based on a report she filed with the Senate, which also set the value of various assets held by Dole and her husband, former U.S. Sen. Robert Dole, at \$7 million to \$23 million.

In contrast, AP reported that Democratic candidates usually gave their speeches away. The story said Secretary of State Elaine Marshall, if she received an honorarium, always returned the money.

Rep. Dan Blue of Wake County said he sometimes accepted expenses, but no fees.

Erskine Bowles, former chief of staff for President Clinton, "has given no paid speeches," according to his spokesman.

• Former Superior Court Judge Ray Warren would apparently rather switch than fight. Last year he switched from the Republican to the Democratic Party, in order to run for the Senate seat being vacated by Jesse Helms.

In November he changed his mind about which office to seek: He is going to challenge U.S. Rep. Robin Hayes, the R-8th District. Warren believed he might have a better opportunity to win in a race not dominated by so many well-known candidates, as the Senate race is.

• Last month *Carolina Journal* reported the legislature's move to avoid a public vote on incurring debt to build three prisons, by instead channeling financing through a non-profit corporation established by Treasurer Richard Moore.

Rep. Fern Shubert, R-Union, likened it to moves made by failing power company Enron, who, according to the *Wall Street Journal*, "had transactions with certain partnerships... run by its own officers — but were treated as separate."

The *Journals* said "the company's debt level was much higher than revealed, thanks to the partnerships, which allowed Enron to keep some debt off its books." "Is that not like what North Carolina just did to finance three new prisons while sidestepping the constitutional requirement that voters decide on debt?" Shubert asked.

• Gov. Mike Easley granted Rep. Toby Fitch, D-Wilson, a Superior Court judgeship for Edgecombe and Wilson counties. He will fill the vacancy left by G. K. Butterfield's appointment to the N.C. Supreme Court.

"I'm sure that some will be happy to see me go," Fitch told Raleigh's *The News & Observer*. One of those may have been Easley himself, as Fitch often was an obstacle to the agenda of Democratic Party leadership in the state.

He regularly led a group of eight black Democrats, teaming up with Republican opposition, to extract more minority black districts and lower sales taxes from his party leadership.

CJ

N.C. Alone Raised Income Taxes in 2001

Other state legislatures cut their budgets and tapped into reserves, tobacco money

By PAUL CHESSER

Associate Editor

North Carolina stands out as having the only state legislature in the nation that raised personal income tax rates during last year's session.

According to a National Conference of State Legislatures report on state budget and tax actions in 2001, North Carolina stood alone by raising income taxes by one-half of a percentage point on single residents earning more than \$120,000 and married people who earn more than \$200,000 annually. Adding to the burden, the General Assembly also implemented a half-cent increase in the state sales tax, in addition to a number of other specialized tax increases and fees.

Despite a near-nationwide problem in reaching revenue projections, other states steered clear of such measures, although many have found less visible ways to extract taxpayer monies through selective taxes and fees. Still, many others have avoided new taxes altogether and have tapped rainy-day funds and tobacco settlement funds.

"So far, tax increases have been rare," said Corina Eckl, a policy analyst for NCSL.

It seems that few saw the revenue drop coming. According to NCSL:

- Forty-three states and Washington, D.C. reported at the end of November that for fiscal year 2000 revenues have fallen short of projected levels.

- Twenty-one states and Washington, D.C. reported spending above budgeted levels.

- At least 36 states have implemented or are considering budget cuts or holdbacks.

- Twenty-four states may draw from their rainy-day funds or tobacco settlement money.

- Twenty-two states have taken actions such as hiring freezes, travel restrictions, and capital project cancellations.

- Six states have convened special sessions of their legislatures to correct budget problems, and several others are considering such measures.

North Carolina's taxing actions

When the N.C. legislature adopted the state budget in late September, it established several tax increases in the process.

The new taxes were expected to raise revenue by \$435 million in 2001-2002 and \$620 million the next year. Combined with tax increases passed earlier in the legislative session, lawmakers raised more than \$685 million in new assessments on taxpayers in each year of the budget.

"North Carolina is moving forward," Gov. Mike Easley said a week before he signed the package into law. "We will not sit idle waiting for better economic days. Our state has come together like never before to ensure that our children get the education they deserve and our most vulnerable citizens get the care they need."

Both House and Senate Democrat majorities passed the tax increases in the face of Republican opposition. In an attempt to minimize criticism, they raised tax deductions for married couples by \$500 in 2002 and \$500 in 2003.

The legislature also implemented a statewide tax holiday starting in August, which will exempt taxes on purchases of school supplies, clothing, and computers.



Gov. Mike Easley, who supported and signed into law the only income tax increase in the nation, said in September, "North Carolina is moving forward."

But taxes were raised in several specialized areas. Out-of-state phone calls are now subject to a 6 percent tax, while in-state long-distance taxes were reduced by one-half percent, also to 6 percent.

Satellite TV service is now taxed at 5 percent, and a 3 percent increase was placed on liquor sales. Lawmakers also targeted high-priced automobiles for more sales taxes and HMOs, which will be required to pay a 1 percent gross premiums tax to the state starting in fiscal 2002-2003. The tax almost certainly will be passed on to customers.

In addition, the state repealed a children's health insurance tax credit for middle-income wage earners.

"This is absolutely the worst time you can take to raise taxes on the people of North Carolina," said House Minority leader Leo Daughtry, R-Johnston.

Despite all the measures taken by the legislature, state revenues reaped 5 percent less than projected for the first quarter of fiscal 2002. Rep. David Redwine, cochairman of the House Budget Committee, told the *Winston-Salem Journal* in December that if revenue continues to lag, "we'll be somewhere between \$650 million and a billion dollars short for the year."

As a result, Easley has cut most state agencies' budgets by up to 4 percent, and placed a freeze on all unnecessary travel, purchasing, and hiring. Many legislators and capital-watchers speculate that the governor might call the legislature into a special session in early 2002 to deal with budget problems.

How other states are coping

Other states contended with slowing economies by cutting taxes to stimulate growth. NCSL reported that despite the economic downturn, "states will enact net tax cuts for the seventh consecutive year."

The 46 states that had approved budgets by the time the report was compiled aggregate implemented \$1.4 billion in personal income tax cuts and \$325 million in

sales tax reductions. North Carolina's figures were not included because its budget hadn't been passed before the NCSL report was issued.

However, states reported they increased fees by \$328 million. Most fee increases were imposed on motor vehicles. Specific increases reported were corporation and business taxes, tobacco taxes, healthcare provider taxes, alcoholic beverage taxes, and motor fuel and vehicle taxes.

Michigan and Oregon cut personal income taxes by \$393 million and \$309 million respectively, and each is facing lagging revenues — but neither is reneging on cuts. Instead, Michigan has canceled \$29 million in capital projects, reduced the general fund budget by \$314 million, made \$78 million in transfers from restricted funds to the general fund, and moved \$120 million from transportation and tobacco settlement funds to the general fund.

Also, the Michigan legislature cut its own budget by 5 percent. In contrast, North Carolina's legislature recently completed its longest session in history at a cost of \$20 million.

Also, most N.C. lawmakers accepted per-diem checks during Thanksgiving week despite not being in session.

"Certainly in comparison to what's happening in other states... what (Michigan's) administration is doing is stellar," said Lawrence Reed, president of the Mackinac Center for Public Policy, a free-market think tank in Michigan.

In Oregon, the latest estimates are that revenues will fall short by \$720 million. As a result, state agencies have been asked to supply potential savings of 10 percent, in 2 percent increments, which, if fully implemented, would total \$1.2 billion.

Medicaid obligations, in addition to other individual state health programs, almost universally are bloating state budgets.

Idaho reduced taxes by more than 3 percent of fiscal 2000 collections, reducing both personal income and business tax rates. The state's sales tax collections have been near sufficient, despite facing spending increases of 15 percent each year for the last decade on Medicaid. Gov. Dirk Kempthorne has implemented a 3 percent spending reduction for state agencies.

According to NCSL, the traditional high-tax states of Hawaii, Maryland, and Rhode Island "continued to phase in personal income tax reductions that had been approved in prior years."

All three states face revenue shortfalls, but are dealing with it through fund transfers, cuts, and freezes.

Pennsylvania, which implemented significant business tax reductions last year, has lost \$166 million in revenue collections, and the governor has ordered \$200 million in spending cuts, targeting specifically Community and Economic Development Agency.

In Georgia, revenues are down 6.4 percent compared to the first four months of fiscal 2001. Gov. Roy Barnes has sought \$740 million in reductions. South Carolina placed a 4 percent budget reduction on all agencies, and took \$100 million from its rainy day fund.

CJ

Past policies expose airliners to terrorism

S.C. Attorney General Says North Carolina IDs Are Inadequate

By PAUL CHESSE

Associate Editor

While North Carolina's legislature settled in for its (probably short) winter's nap, and both the current and former state attorney general similarly snoozed, a voice from their neighbor to the south roared in December over the Tar Heel state's licensing problems.

South Carolina Attorney General (and soon-to-be Republican gubernatorial candidate) Charlie Condon asked U.S. Attorney Gen. John Ashcroft to require airline passengers using identification issued by four states, including North Carolina, to present additional photo identification in order to board planes.

In a letter to Ashcroft, Condon wrote that because four states — Tennessee, Virginia, and Utah in addition to North Carolina — issue driver's licenses to illegal aliens, "I would respectfully request you...insist that all airport security personnel, ticket agents and gate agents ask for additional photo identification when a passenger presents a driver's license from one of the four states in question."

"Since September 11th, every day, illegal aliens have been getting on planes all over this country with nothing more than a

"The INS is not usually out patrolling the streets...as our law enforcement officers are." — Attorney General Charlie Condon

fices to gain such identification. According to the driver's license section of the DMV, an estimated 400,000 licenses have been issued by the state since 1997 to people who said they did not have Social Security numbers.

In addition, *Carolina Journal* reviewed letters from DMV examiners detailing widespread address misrepresentation. CJ also viewed many samples of "address proof" submitted by some applicants, which were merely unverifiable addresses scribbled on scraps of paper.

driver's license to carry them on board," Condon wrote. "That absolutely should not be happening in this country. This is a very dangerous situation because, just as we saw on that terrible September day, one of these illegal aliens could be a terrorist."

North Carolina recently tightened requirements for obtaining a driver's license. Applicants must now provide a Social Security number or taxpayer identification number issued by the Internal Revenue Service. In addition, they must show proof of residency.

The state had developed a nationwide reputation among illegal immigrants as an easy place to obtain a driver's license. Nonresidents of the state and undocumented aliens often flooded Division of Motor Vehicle offices to gain such identification. According to the driver's license section of the DMV, an estimated 400,000 licenses have been issued by the state since 1997 to people who said they did not have Social Security numbers.

In addition, *Carolina Journal* reviewed letters from DMV examiners detailing widespread address misrepresentation. CJ also viewed many samples of "address proof" submitted by some applicants, which were merely unverifiable addresses scribbled on scraps of paper.



South Carolina Attorney General Charlie Condon wants state law enforcement officers to be able to make arrests for violations of federal immigration laws.

DMV Commissioner Carol Howard told CJ that procedures for not questioning applicants were put in place July 12, 1999, and had the approval of the office of then-Attorney General (now Governor) Mike Easley. The governor has been publicly silent on the DMV problems, and current Attorney General Roy Cooper has said little on licensing, other than issuing a statement saying, "The Department of Transportation

has taken steps to restrict those who would receive driver's licenses."

In this year's legislative session, Rep. Ed Nye, D-Bladen; Rep. Larry Justus, R-Henderson; and Rep. Russell Capps, R-Wake, proposed bills further restricting and even recalling falsely issued licenses, but the legislation got little attention despite the General Assembly's late adjournment.

Although Easley has been quiet about DMV problems, he did participate in a summit on security in December with South Carolina Gov. Jim Hodges. The two met at Winthrop University in Rock Hill, S.C., along with public safety and health officials from both states. According to an Associated Press report, both governors "vowed to help each other in the event of an emergency or terrorist attack," and quoted Easley as saying, "Our willingness to share information is very important."

Condon called the meeting "little more than a public relations gimmick," saying there were no specifics in the agreement.

Condon is moving aggressively in his state on illegal-alien issues, offering legislation empowering South Carolina law enforcement officers to make arrests for criminal violations of federal immigration laws, and negotiating with the Immigration and Naturalization Service to allow South Carolina officers to be deputized as INS agents.

"The INS is not usually out patrolling the streets...as our law enforcement officers are," Condon said. "It just makes good sense." *cj*

Nonprofits disburse revenue from lawsuits

Who's Watching Tobacco Funds?

By PAUL CHESSE

Associate Editor

During his successful run for governor in the 2000 election, Mike Easley said he would seek an affordable prescription drug program for low-income elderly residents. Last month that benefit was created by North Carolina's Health and Wellness Trust Fund Commission.

The nonprofit agency, charged with the responsibility of disbursing 25 percent of \$2.3 billion the state will receive from a national tobacco settlement, was created with the blessing of the General Assembly. Besides the health fund, half of the tobacco settlement funds are designated for distribution by the Golden LEAF Foundation, which was created to soften the economic impact upon those affected by the state's tobacco economy. Several legislators from both parties are concerned about accountability for the settlement's use.

"I would like to see us have direct oversight over every penny that flows through that fund," said Rep. Marc Crawford, R-Buncombe. "We don't have that."

What the state has is nonprofit agencies deciding where the public funds will go. Both the Golden LEAF Foundation and the Health and Wellness Trust Fund Commission are overseen by boards whose members are appointed by the governor, Speaker of the House Jim Black, and Senate President Pro Tempore Marc Basnight.

The legislature requires both agencies to report its activities, progress, and financial conditions on an annual basis to a joint legislative commission on government operations. However, their actions operate outside the purview of legislative commit-

tees, lobbyists, public discourse, appropriations, and debate. Some politicians are uncomfortable that the state's three most powerful Democrats have the authority to appoint decision-makers to the boards.

"It's a joke," said Rep. Billy Creech, R-Johnston. "It's a big slush fund — a scam by the former attorney general and now governor to file that lawsuit for supposed health reasons."

"I think the General Assembly took the easy way out by handing off its responsibilities," Crawford said. "When the power is given to the bureaucratic element... they in turn open a huge door to activities which were not intended."

Some of the awards Golden LEAF made went to activities with marginal or no relation to the tobacco industry or its dependent communities. One grant went to a library system in four rural counties to link its computers to the Internet, because "in many cases, people do not own a computer and have to rely on the local libraries to provide this service." In December it was announced that Golden LEAF would provide \$75,000 for the movie production of the novel "Cold Mountain" if the film were to be shot in the state.

Some Democrats are taking a "wait and see" attitude. "Give it a try," said Rep. Warren Oldham, a Forsyth County Democrat who co-chairs the appropriations committee. "We had to arrive at a plan and see if it works."

Some Democrats said their goal was to avoid politicization of the funds by removing it from the legislature's appropriations process, but now wonder about the money.

"A larger portion should have been allocated to health-related issues," said Rep. Beverly Earle, D-Mecklenburg. *cj*

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School Reform Briefs

• A number of articles appeared in newspapers in November citing a surge in high school dropouts across the state caused by the introduction of higher standards. Over the last several years, the percentage of dropouts in ninth through 12th grade rose from 5.3 to 6.8 percent in 1999, falling again slightly in 2000.

The 2000 Census also shows that North Carolina is struggling to keep teenagers in school. The Census found that North Carolina had the nation's second-highest percentage of dropouts among teens 16 to 19 years old.

A study by *The Charlotte Observer* found that while the state did set new definitions for dropouts in 1999, more than three-fourths of the increase represents not the change in definition but the "unheralded costs of raising standards before students were prepared to meet them."

According to a four-month investigation by *The Observer*, students who left school cited several reasons as cause, including repeated failure on tests, fear of senior exit projects, and concern they wouldn't earn enough credits to graduate.

The Observer also said the costs include "an additional 4,400 students who completed high school in 1999 but didn't pass the tougher competency exam," and failed to receive their diplomas.

However, the current competency exam measures only what students learn through about the eighth grade. A harder competency test will be given for the first time in the spring of 2004 to measure content taught in grades seven through 11, with mathematics tested only through Algebra I and science through biology.

Some changes in standards, such as requiring more students to further their math, English, and social studies skills, did occur within individual districts.

State Supt. Mike Ward is hoping that more local districts will implement techniques, such as tutoring, to help students stay in school.

State officials, however, have failed to contend that the standards implemented through the state's ABC system has caused the increase in dropouts.

"I do not believe that higher standards necessarily means more dropouts," State Board of Education Chairman Phil Kirk said at the release of the 2000 dropout data. "I am pleased to see that more young people are making the wise choice and staying in school. That is the best choice they can make to become successful adults later on."

Ward also said it was the district's responsibility to keep students in school, not the state's.

In North Carolina, a student is counted as a dropout if he:

- Was not enrolled in school during the full school year.
- Was not enrolled on the 20th day of the current school year.
- Has not graduated from high school or completed a state- or district-approved education program.

Students are not included in the dropout data if they transfer school districts, home school, or attend a state-approved educational program.

CJ

"Success for All" Tops List of Reforms

Rigorous curriculum forms core of most popular "whole-school" model in NC

By SHERRI JOYNER

Assistant Editor

Whole-school reform models have become a common answer for educators searching for methods to boost academic achievement.

Reform models have been emerging for several decades. Direct Instruction, Core Knowledge, and Edison Schools are a few examples of the school reform methods receiving significant amounts of analysis over the last several years. But most whole-school reform models are not widely known, and many were created not by educators but by psychologists.

Another little-known fact is that many of the models have come from universities. Among them are Accelerated Schools from Stanford, Multiple Intelligences from Harvard, and the School Development Program from Yale.

While most schools may use one component of a model, few schools opt for an entire school transformation. In an effort to learn which methods were popular in North Carolina, nine organizations offering different models were contacted — yielding several dozen schools in North Carolina that have implemented a full whole-school reform design. These schools use one of the following programs.

Success for All

One of the most common reform models in the nation, Success for All, is used in more than 1,500 schools across the United States and in 28 schools in North Carolina. Created by social scientist Robert Slavin and originally designed to serve as a crisis-intervention for at-risk students, Success for All provides a group of scripted strategies to improve reading for every child.

The program is designed to work with kindergarten through sixth-grade, grouping students by ability level rather than by grade level. Depending on the level, a 90-minute daily reading session may include reading by the teacher to the students, choral reading, phonics and word-attack strategies, vocabulary lessons, writing, and discussion and analysis. Every eight weeks the students are assessed to allow regrouping as they progress.

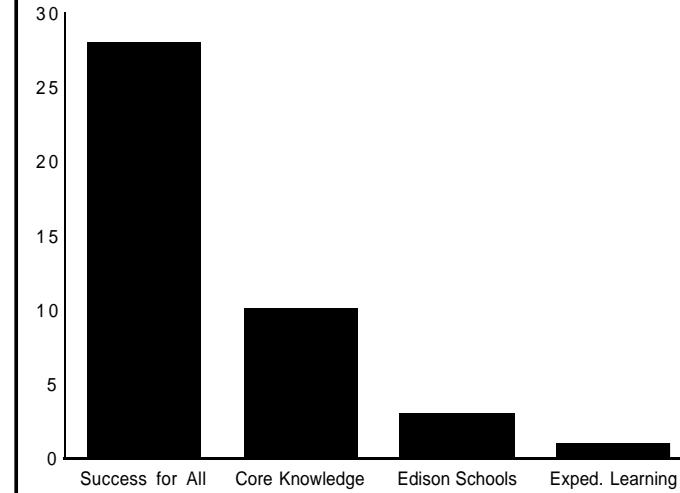
The program overall seems to yield results. Several rigorous studies of the program have shown positive effects on student achievement. Teachers in New York who were originally skeptical of the program have begun to praise the model. They report that students in early grades are showing greater skills in reading comprehension. But the program is expensive.

The initial cost to implement Success for All is more than \$250,000. The cost isn't just for curriculum — frequent on-site technical assistance and other support are given during the implementation period.

Core knowledge

Ten schools in North Carolina have fully implemented Core Knowledge, a rigorous curriculum program that has proven to have higher academic success. Created by E. D. Hirsch, a professor of English Literature, Core Knowledge uses a content-rich curriculum to encourage strong academic growth. Hirsch contends that stu-

Whole School Reform Models in North Carolina



SOURCES: Success for All Foundation, Core Knowledge Foundation, The Edison Project, and Expeditionary Learning Outward Bound.

dents often wind up learning the same material year after year because of an unspecified and thus redundant curriculum.

The sequence used in Core Knowledge lays out a spiral of information that allows students to build on their knowledge, steadily understanding the broader and deeper scope of what they are learning.

Unlike many of the other school reform models, Core Knowledge does not tell educators how to teach the material; it tells them only what should be taught.

A three-year study of Core Knowledge by the Center for Social Organization of Schools at Johns Hopkins University found that teachers use a wide range of progressive techniques, including cooperative learning and hands-on learning, in the classroom. Teachers also reported that the program enhanced their professionalism by requiring them to come up with strategies to teach the more challenging curriculum.

Overall, the program is highly cost effective, costing much less than the average school reform model. At about \$50,000, a school can implement Core Knowledge at less cost than the average \$130,000 to implement other school reform models.

Several rigorous studies of the program (Success for All) have shown positive effects on students achievement.

The Edison Project

In contrast to other school reform models, Edison is run by a for-profit company. Founder Chris Whittle designed the program along a nine-prong strategy to garner high educational success within a public school's budget. Included in these elements are organization, a strong curriculum, research-based and purposeful instruction, assessment to provide accountability, professionalism, family involvement, and technology. Each student above second grade receives a computer.

Edison schools are much different than traditional school reform models in many aspects. As James Traub of the Fordham Foundation said, "If one may place all the 'guru-driven' models — Direct Instruction, Multiple Intelligences, Core Knowledge — at one end of the spectrum, the Edison Project belongs at the opposite end."

Edison schools use a multitude of ideas and concepts. For curriculum, Success for All is used for reading and language arts, and the Chicago Schools Mathematics Project for math instruction.

Students at Edison campuses also attend school much longer than traditional students because classes last for up to eight hours a day for more than 200 days a year. Over one academic year, Edison students will attend school nine weeks longer than students in traditional public schools.

Consistently, the Edison design is used in disadvantaged schools and neighborhoods as the next-best alternative. With an advanced-technology plan, ambitious academic program, and a strong focus on character and ethics, Edison has attracted many students from low-income families.

Three Edison schools are operating in North Carolina. The first one created, Carver Heights Edison in Goldsboro, had earlier been performing consistently low on assessments and failed to improve with the assistance of a state team.

In its first year of operation as an Edison school, Carver Heights educators noticed a number of changes. Administrators reported that the technology plan impressed them, that students were learning Spanish as early as in kindergarten, and that teachers noticed overall improvement. One teacher said that the program changed the attitude of the children. Now after several years in operation, the school is meeting expected growth on end-of-grade tests.

Expeditionary learning

On the rise in most states, Expeditionary Learning-Outward Bound teaches students through hands-on learning and project-based assignments. For example, if a class was studying ecology, students might spend a week in the field.

The program is an adaptation of a pre-war European model that was developed by Kurt Hahn, who fled Germany for England in 1933.

The largest difference between this program and others is the importance it places on learning outside the classroom. Teachers commonly switch between abstraction and application. The program is intended to help children discover their passions through physical adventure.

Some adventures still take place in the classroom, especially for lower grades. One first-grade class reported an expedition called "Books, Books, Books!" in which the class participated in reading, writing, and acting out their own books and plays.

Although the program has yielded promising results, a small number of schools use the program. Fewer than 75 schools operate in the nation. Only one is located in North Carolina, in Buncombe County. CJ



A high-school student learns welding at a vocational public school in North Dakota.

Tracking customizes students' coursework

Vocational Education Working Harder

By BRIAN GWYN

Editorial Intern

New trends in America's schools are stirring a resurgence in vocational education. In the past, vocational courses were offered to students who weren't likely to go to college. But today, more schools are offering programs that provide technical education for students already on track to attend college, thanks to legislation passed by Congress that requires state boards of education to look at how these programs function.

In 1998, Congress passed the Perkins Act, which set a list of requirements in vocational education that states must meet to obtain federal funding. The act was designed to make the boards more accountable for career and technical programs. In accordance with the bill, the N.C. Department of Public Instruction developed a set of goals that schools' vocational programs must meet in the five years the legislation is in effect. The vocational guidelines were integrated into the ABC accountability standards in 1998 after the passing of the act.

General arguments

Vocational education tracks were designed to give students who may never go beyond secondary education a chance to develop technical skills.

In North Carolina, students decide in the eighth grade which course track they will follow in high school: college preparatory, college technical preparatory, technical preparatory, or general preparatory. The decision is made based on discussions with counselors who look at the children's past academic records. Once in high school, the system is flexible enough to allow students to move from one program to another.

Tom Newsome, vocational chair at Broughton High School in Raleigh, said students are free to take any class in any track, as long as they meet their general requirements to graduate.

According to a study by RAND in 1992, however, students actually do not have as much of a voice in the assignment process as suggested. The authors of the report say that assignment decisions made by educators are often made on the basis of human capital considerations, structural and ideological considerations, and race and social class. The study notes that for a variety of reasons, these considerations seem to have a dramatic influence on the types of classes students may take in high school.

Different opportunities exist for students who take college preparatory or college technical preparatory courses as opposed to technical preparatory or general preparatory curricula. Students who graduate from high school with a technical preparatory degree do not necessarily meet the prerequisites for entry into college because most technical preparatory programs do not require skills such as

foreign language proficiency. Also, technical preparatory students' drive to achieve may be diminished by low expectations of school counselors, critics of tracking say. The critics also argue that students are placed in lower tracks without true regard for the students' potential.

The National Center for Research in Vocational Education also found that "low-income and minority students participate in vocational curriculum tracks at higher rates and in academic curriculum track at lower rates than affluent and white students." The report, "Educational Matchmaking: Academic and Vocational Tracking in Comprehensive High Schools," also says low-income and minority students are consistently over-represented in low-level and remedial academic courses.

"Racial differences are the most pronounced in the very highest college-preparatory tracks — honors class subjects such as English and mathematics — with white and Asian participation far outdistancing that of African Americans and Latinos," the report says.

Supporters of the current assignment structure say an increasing number of students are completing either the college preparatory or the college technical preparatory tracks. Steve Hauge, senior director for the Wake County High School Career and Technical Education program, said 80.7 percent of the county's graduates in 2001 met the requirements for one of the two tracks. Part of the accountability criteria put in place for the vocational program specifically measure the increase in graduates of the programs from year to year. "We want to challenge the students to meet their ability," said Lynn Moody, director of Wake County's Career and Technical Education program.

The tracks

The college preparatory track enables students to compete in the college selection process. Students completing the program meet the basic requirements for college admission and often have access to higher-level classes.

The college technical preparatory track is geared toward students interested in careers requiring minimal college education. Often, the programs align with local community college offerings and students receive dual credit for college and high school.

The career preparatory program is designed for students who want to go directly into the workforce. The focus is to give the students as much technical training as possible. Unlike the first two tracks, the career preparatory program does not force students to meet all college admission requirements.

The occupational course of study is designed for students who have disabilities. Students are assigned to this group based on the decision of the individualized education plan team, which determines types of learning methods that would be effective for each particular student. CJ

Low-income and minority students are consistently overrepresented in low-level and remedial academic courses.

There's No Reason To Thwart Charters

It truly sickens me to see how many people are opposed to the expansion of charter schools in North Carolina. The current 100-charter-school cap is barely innovative. In fact, 53 counties in North Carolina do not have any charter schools located in their districts. But over the past year we have learned that charters offer many benefits to a community.

Charter schools are providing an abundance of one-on-one attention to students, smaller class sizes, and a caring environment — all at a lower cost to taxpayers than traditional public schools. Many charter schools also specifically serve at-risk students whose needs are not being adequately met in the traditional classroom. The few partnerships we can find between local school systems and charter schools demonstrate that both entities can work together to serve students who were previously being left behind. This is an example of the good that can come from the expansion of charter schools.

But the myth that charter schools fail to educate students seems to spread despite evidence to the contrary. This fall, an independent study on N.C. charterschools found that their students were registering gains equal to or higher than students in public schools.

Yet those who voiced objections in the December State Board of Education meeting said the cap on charter schools should not be raised because too many charters have problems, mostly with finances. Indeed, most charter schools that have been shut down over the last three years were closed because the schools were struggling financially. But traditional public schools also struggle with a variety of problems. Just this past fall an audit of the Iredell-Statesville Schools found that the system mismanaged money, leading to a \$3.2 million shortfall in the 2001-02 budget. As a result, the school system has reduced expense allocations, cut central office positions, and eliminated refreshments at meetings. The superintendent was also suspended with pay.

Other problems, including grade falsification, have also plagued schools. Early last year, the principal of Hillside High School in Durham was suspended and transferred because of grade tampering. After a six-month investigation by Durham Public Schools, we learned that grades were changed for three students and 259 students were promoted who were ineligible, according to school board policy, because they missed too many classes.

Let me be clear: I believe charter schools with financial problems or those failing to garner enough support, evidenced through school enrollment, should be shut down. The closing of one failing charter school may allow the creation of one successful charter school. But in no way should education policy in this state, on whether to expand charter schools, be based on the few schools that have had serious fiscal complications.

In all candor, charter schools are being held to higher standards than are traditional public schools. Too many educators believe that if charter schools don't do everything better than traditional public schools, then North Carolina doesn't need them.

If education officials are looking for perfection, they will never find it. Since the beginning, schools have been an experiment. Every few years new reforms are introduced to solve problems and to increase academic achievement.

Now charter schools are providing more options for families, are proven to be successful, and can ease crowding in the traditional school system. Why not expand? CJ

Joyner is an assistant editor at Carolina Journal and policy analyst with the N.C. Education Alliance.



Sherri Joyner

School Reform News From Across the Nation

U.S. at International Average

A new international test, the Program for International Student Assessment, found that U.S. 15-year-olds perform at an average level compared to peers in other industrialized countries. Finland, Canada, Iceland, Belgium, Japan and New Zealand scored significantly higher than the U.S. average. Scoring significantly below the average were Greece, Brazil, Portugal, Luxembourg, and Mexico.

PISA is sponsored by the Organization for Economic Cooperation and Development, an intergovernmental organization of 30 nations. The test will be administered every three years. Although the test measures reading, mathematics, and science, each year PISA focuses on one particular subject area in more depth.

In reading literacy, 12 percent of U.S. students scored at level five, the highest proficiency level, while 18 percent scored at or below level one. Overall, about one-third of U.S. students perform at the highest two levels, four and five. About 60 percent of students in the United States perform at level three or above, and more than 80 percent at level two or above.

In mathematics, eight countries outperform the United States and seven have higher average scores for science literacy.

"Unfortunately, we are average across the board compared to other industrialized nations," said Secretary Rod Paige in a U.S. Department of Education Press Release. "In the global economy, these countries are our competitors — average is not good enough for American kids."

PISA also tracked gender differences. While males and females scored similarly in mathematics and science, the difference was more dramatic in reading literacy. On the combined reading literacy scale, female 15-year-olds outperformed male 15-year-olds in every country.

The study also found that parents' education in the United States is strongly linked to student performance in all subject areas. As reported by PISA at <http://www.pisa.oecd.org>.

Top scoring high-risk schools

The Education Trust released the first state-by-state analysis of high-poverty and high-minority schools that score in the top one-third of all schools in their states.

The report, *Dispelling the Myth Revisited*, finds that in the year 2000 more than 4,500 high-poverty and high-minority schools score in the top one-third, often outperforming predominantly white schools in wealthy communities.

More than 290 schools in North Carolina met the criteria to be included in the report.

Surveys of the schools' principals identified six shared common characteristics. These include:

- Extensive use of state/local standards to design curriculum and instruction, assess student work, and evaluate teachers



- Increased instruction time for reading and mathematics
- Substantial investment in professional development for teachers focused on instructional practices to help students meet academic standards
- Comprehensive systems to monitor individual student performance and to provide help to struggling students before they fall behind
- Parental involvement in efforts to get students to meet standards
- Use of assessments to help guide instruction and resources, and as a healthy part of everyday teaching and learning.

The report demonstrates that schools with high-risk populations can succeed. All of the schools in the analysis have poverty and minority levels of at least 50 percent, and many are even greater.

The report is similar in nature to *What Works, Education Solutions for High-risk Students*, a study released this fall by the North Carolina Education Alliance. *What Works* highlighted 19 traditional public schools and two charter schools that successfully serve high-poverty populations in North Carolina.

Most of these same schools are also highlighted in *Dispelling the Myth Revisited*. As reported by the Education Trust at <http://www.edtrust.org>. The pdf version of *What Works* is also available online at <http://www.educationalliance.org>.

Choice, enrollment, and diversity

Some schools in Michigan are losing students because of the open-enrollment option available to parents through the Schools of Choice Program.

Plummeting student populations are forcing budget cuts in a handful of Wayne County school districts. Since the state began to tie funding to student populations, districts with declining enrollments have struggled to run their schools with less money each year. Some schools are handling the budget problems by cutting spending and teaching positions; others are considering closing.

"We're on a fixed income, and we don't know what that income is until after the school year starts and we count the students," said Nancy Hadley, business manager of Flat Rock Schools.

Redford Union Supt. Brian Motter has had to adjust for decreased enrollments. Last year, the district furloughed teachers in January to make up for a \$1.3 million deficit. Redford Union also closed three elementary school this year.

While some districts lose students, many school systems have boosted enrollments. Surprisingly, the fastest-growing districts this year are not filled with new subdivisions, freshly paved roads, or modern schools.

The top four districts instead included neighborhoods of brick homes more than 40 years old and schools building with rich histories.

"It's actually improved our district a lot because we're getting students from other cultures," Southgate Supt. Dave Penden said. "We're much more diverse now. And the money helps a lot, too." As reported by *The Detroit News*. c

Freedom matters in education

Expanded Educational Options Can Boost Student Performance

By SHERRI JOYNER

Assistant Editor

RALEIGH

State policymakers are always looking for ways to increase the performance of N.C. students. Every year North Carolina struggles to gain just one point on the nationally touted SAT exams or to improve its standings on another national test. Although the answer never seems simple, it may be as easy as expanding educational opportunities available to students and their families.

A recent report, *The Education Freedom Index*, by Jay P. Greene of the Manhattan Institute for Public Policy, found that freedom in education can boost student achievement.

Greene calculated each state's educational freedom by measuring five educational options: availability of charter schools, availability of government-assisted private school options, the degree of restrictions on home-schooling, the ease with which one can choose a different public school district by relocating, and the ease with which one can choose a different public school district without changing residency.

The five forms of choice capture educational opportunities available to families. They also can be influenced by state lawmakers.

According to the study, Arizona has the highest Education Freedom Index score, 3.27, due to its many charter schools, its light regulations on home schools, a private school tax credit, and its unrestricted interdistrict choice program. Arizona was closely followed by Minnesota, Wisconsin, New Jersey, and Oregon in educational freedom.

Ranking last among the 50 states is Hawaii, with a score of 0.61. Because of its smallness, Hawaii has only one school district, making it impossible to move to another district or to offer an interdistrict choice program. The state also fails to offer any assistance for private schools expenses and has few charter schools.

Boosting achievement

Education freedom boosts academic performance. The report found that for every additional point scored on the EFI, a state can expect an additional 5.5 percent of its students to test proficient on the National Assessment of Education Progress.

Greene also found that a one-point increase in the EFI for a state would lead to a 21-point increase in the average SAT verbal score and a 22-point increase in the average SAT math score.

"Put simply, states with more education freedom have higher average student achievements," Greene said.

After controlling for other factors including percent of minorities, median household income, per-pupil spending, and average class size, EFI is still a significant predictor of student achievement.

The increase in academic performance is high, considering the average state has only 26.5 percent of its students performing at the proficient level on the 1998 Reading NAEP, the 1998 Science NAEP, and the 1996 Writing NAEP. To get the same benefits, policymakers would have to find a way to increase the average household income by \$19,000.



Charter-school founder Roger Gerber discusses the importance of expanding education options.

To further make the case, the study compares Texas and South Carolina. The two states are similar in many respects, but differ in the availability of educational opportunities. Both states have high percentages of minorities (41 percent for Texas, 31 percent for South Carolina), both states have

median household incomes below the national average, (\$33,072 for Texas, and \$34,665 for South Carolina), both spend the same amount per pupil, and both have very similar teacher-student ratios.

Even with these characteristics, Texas students perform higher on academic tests. On average, 24 percent of students score proficient on the NAEP in Texas, compared to 17.7 percent in South Carolina. Texas also posts higher SAT scores.

Greene argues that the difference between the states is the opportunities available to families in Texas. Texas offers more charter schools, fewer restrictions to home school, and smaller school districts.

Freedom in North Carolina

Families have been fighting for more choices every year in North Carolina. In May, more than 1,000 charter school students, parents, administrators, board members, and supporters representing 24 schools flooded the state capital to ask legislators to raise the 100-limit cap on charter schools.

The turnout for the event illustrated the public's demand for more choices in public education, said Roger Gerber, president of the League of Charter Schools. "Fifty-two counties in North Carolina are without charter schools. The General Assembly needs to allow the creation of more charter schools now, not later."

Overall, North Carolina ranked low, in 38th place, on the Education Freedom Index at 1.81, but is still considered a "partly free" state. North Carolina didn't rank much better on individual factors, either, ranking 36th for home-schooling options, 31st for interdistrict choice, and 41st for relocating options.

Surprisingly the report indicates that North Carolina still has one of the stronger charter school laws in the nation, ranking third overall. The ranking is in direct opposition to a similar scorecard released earlier this year by the Center for Education Reform. In the CER rating, North Carolina dropped from 11th to 15th out of the 38 states that allow charter schools. c

Program Innovation Spotlight

Children's Scholarship Fund Proves a Godsend for Charlotte Family

By ANGIE VINEYARD

Guest Contributor

CHARLOTTE

If you ask Sheila Faison to point to one thing that has made the most difference in the lives of her children, the single mother of four will answer you quickly, "The Children's Scholarship Fund."

Hers is a story she never tires of telling. It is a story of frustration, desperation, hundreds of prayers and a blessing she can't put into words. It is a story of parent-teacher conferences, hundreds of tears, hard choices, and sacrifice. And it is the story of her children's future that finally sprouted wings three years ago with a phone call from a friend.

When Faison's oldest son, Najee, was 5, he was more than his kindergarten teacher could handle. Najee attended a public school and while he had little problem with academics, he grew bored easily in class. Time after time, Faison would get phone calls and reports that Najee couldn't sit still or that he was talking too much. They came so frequently that Faison dreaded every day her son went off to school.

"It just got to the point where I thought, 'Lord, I will not go through this another year. There's got to be something else.'"

Disillusioned with the lack of structure for her son and skeptical about his future, Faison called the Department of Public Instruction in Raleigh to learn of her rights.

Told that, legally, her son did not have to attend school until he reached the age of 7, she chose to keep Najee home for a year and hired a tutor to give him one-on-one instruction. But eventually, he and his younger brother Kendall had to be enrolled in public school.

Faison had set her sights on private Berean Junior Academy, a school with small kindergarten-through-eighth-grade class sizes and a Christian emphasis. Searching diligently for ways to enroll Najee and Kendall in the school started by Berean Seventh Day Adventist Church, she refused to give up.

A secretarial position became available at the school, which would also translate into tuition discounts for Najee and Kendall. But as a medical transcriber, Faison was making \$15 an hour. Taking the job at Berean would mean a 60 percent pay cut. She chose the secretarial position.

"It was a tough decision to make," she said. "But I did what I had to do for my children because I knew that this was a better environment for them than what they



Children's Scholarship Fund parent Sheila Faison and her children, Najee, Kendall, and Briana.

would have encountered in public school."

Faison is quick to point out that her qualms are not with the public school system.

"I'm a product of public school and I turned out good," she said. "But the Christian background that they need and that input on a daily basis, I knew that this was a better place for them."

Her sons flourished at Berean, but the tuition was still more than she could handle. She still needed a miracle.

And then one day in 1998, Faison got a phone call. Her children's aunt had just watched "Oprah" and learned how hundreds of children had been given a second chance at education through The Children's Scholarship Fund. Faison scribbled down the number to CSF headquarters in New York and called for an application. Once it came in the mail, Faison filled it out, mailed it and she said she, "went home and waited on my blessing."

"It just got to the point where I thought, Lord, I will not go through this another year. There's got to be something else."

When the first round of scholarship letters were mailed to Charlotte families months later, there was one for Faison.

"I was just overwhelmed. I opened the letter and I read it and I said, 'Yes! We've got it!' And my kids said, 'Mama what are you talking about?' And I said, 'You all got your scholarship!'"

Answered prayers

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"I was just overwhelmed. I opened the letter and I read it and I said, 'Yes! We've got it!' And my kids said, 'Mama what are you talking about?' And I said, 'You all got your scholarship!'"

Of the 50 students that attend Berean, 14 receive scholarships from CSF. Three of the fortunate 14 are the Faison siblings — Najee, 11, Kendall, 9, and 7-year-old Briana.

Their mother stated that they've flourished mentally, spiritually, and physically. Singing in the school chorus and taking an active part in the school plays, her children have blossomed under the student teacher ratio of 12-1, Faison said. Their minds have

been stretched; their need for structure satisfied, and each child's self-confidence has skyrocketed.

And it shows. Najee, Kendall, and Briana have all consistently maintained A and B honor roll status since coming to Berean.

"My children get the same love and discipline that they would get if they were at home," a grateful Faison said. "They have wonderful teachers who are Christian-rooted. If something were to happen, I wouldn't need to get a phone call every day because the teachers would handle them like they would handle their own children."

The Faison family was one of the first families to receive a scholarship. They are currently in their third year. When the scholarships were given out, each family knew that they would be awarded this assistance for four years.

John Walton, founder of CSF, has committed another challenge grant to continue families like the Faison's for another four years. This year CSF-Charlotte will be hosting a campaign to match Walton's challenge.

Lindalyn Kakadelis, director of CSF-Charlotte, said, "We must do everything possible to continue this educational option for Najee, Kendall, and Briana! Thanks to this program supported by the Locke Foundation and Children's Scholarship Fund, over 400 students have educational options." *ca*

CAROLINA JOURNAL Publisher John Hood Garners Praise for His Most Recent Book:

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CAROLINA JOURNAL

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Course of the Month

The University of North Carolina at Greensboro is the host university of this month's winning course. It's from the "Environmental Studies" program, considered one of UNCG's "Special Programs in Liberal Studies" (note: not the liberal arts, "liberal studies"), and it is particularly special:

REL250.01 RELIGIOUS TRADITION & CARE OF THE EARTH

This course introduces the student to the study of religion by focusing on the ways that various religious traditions view and treat the natural world. Religious rituals, symbols, stories, and ethical systems generate different cultural and social responses to nature. In our present age, when species and natural systems are threatened with extinction, we need to understand the biases of various religious traditions, especially those of the West, and offer proposals for an ethic of sustainability. We will study indigenous people and western and eastern religions. We will also look at current attempts in the West to fashion a more life-enhancing ethic.

Come to think of it, we need to understand the environmentalists' biases, such as "In our *present* age, when species and natural systems are threatened with extinction" (CM wonders if UNCG knows about Duke's course on "Imagining Dinosaurs").

What, pray tell, is meant by "especially those of the West" in context of "various religious traditions," and why "especially?" Has any reference to a religious tradition of the West ever meant anything other than the Judeo-Christian tradition?

This class, however, isn't just about examining your religion, it's about getting you to change it for the good of the planet ("offer proposals for an ethic of sustainability").

Compare the last few sentences in the course description to what Robert Whelan wrote about in his paper for the Institute for Economic Affairs, on the topic of "Wild in the Woods: The Myth of the Noble Eco-Savage":

"Greens continued to argue that the entire Western lifestyle was at fault, and that the problems could not be solved by tinkering with it at the margins. Western consumerism and industrialism were traced to the arrogance towards nature which was supposed to be the legacy of the Judeo-Christian tradition, in which man is seen as something apart from and superior to the rest of creation. Science itself was seen as an expression of this 'separateness' from nature: it allowed man to dominate and control the physical environment to such an extent that the very composition of the atmosphere was supposed to be critically affected."

"The only solution, according to the Greens, was a radical reassessment of our lifestyle, and this in turn would involve a reappraisal of our relationship with the rest of nature. We would have to 'redefine our relationship with the planet'. Fortunately, there were convenient role-models at hand. The native peoples of the earth were said to be living in the sort of harmonious relationship with nature which ensured minimal environmental damage."

Kum-ba-ya, my Tree, Kum-ba-ya. c

UNC-Chapel Hill's Agreement with Nike at Odds With Efforts to Reform Big-Time College Sports

By JON SANDERS

Assistant Editor

RALEIGH

The University of North Carolina at Chapel Hill's recently concluded deal with the Nike Corporation raised anew fears of the corruption of the university. Critics worried that the athletic tail was now vigorously wagging the academic dog. Supporters said the university was gaining money for education in a tight year while getting Nike to clean up its labor practices to boot.

One thing is certain about the \$28.3 million deal, which was signed Oct. 15 and takes effect July 1: UNC-CH and Nike have completely yoked their public images together. Nike now has permission to use UNC-CH logos in its advertisements, and UNC-CH must carry Nike logos on the university's web site and game programs. The key part of the agreement (see inset on the highlights of the deal) is that Nike agrees to provide UNC-CH with more than \$18 million worth of athletic equipment, uniforms, and shoes, and the university agrees to use Nike products exclusively at all practices, clinics, and games.

Having made the greatest commitment yet to this union (dwarfing the previous agreements between the university and the corporation — 1997's deal was worth only \$11.6 million, and 1993's only \$4.5 million), the partners worked to shore up their own potential public-image problems by association. UNC-CH brokered an agreement to get Nike to adhere to its labor code of conduct, give full disclosure of all manufacturing plants making UNC-CH merchandise, and pay for a UNC-CH monitoring group to travel down to inspect Nike manufacturing plants. Nike obtained an agreement from UNC-CH that all UNC-CH apparel not manufactured by Nike — worldwide, UNC-CH has 580 licensed dealers with 2,700 manufacturing sites to make UNC-CH merchandise — to be manufactured according to Nike's standards.

In announcing the deal in October, UNC-CH Chancellor James Moeser said that the Nike money would help the university maintain services while the state fought a budget crisis. It prevents UNC-CH from having to choose between "fewer sports or massive reallocations of funds from the university."

Commission's 'Call to Action'

Just months before UNC-CH and Nike concluded their agreement, the Knight Foundation Commission on Intercollegiate Athletics released a major report decrying the corruption of big-time college athletics. Entitled "A Call to Action: Reconnecting College Sports and Higher Education," the report came 10 years after the commission's landmark first report and was prompted by the failure of those reform efforts to turn back the tide of corruption. As the commission grimly noted, "the cultural sea change is now complete. Big-time college football and basketball have been thoroughly professionalized and commercialized."

The commission is cochaired by UNC President Emeritus William C. Friday. Co-chair Theodore M. Hesburgh, president emeritus of the University of Notre Dame, credits Friday with the idea of reconvening the commission for further reform efforts.

The commission's report outlines numerous problems with big-time college athletics that "are all evidence of the widening chasm between higher education's ideals and big-time college sports. The problems the commission called "the most glaring"

Highlights of the UNC-CH/Nike Deal

What UNC-CH gets:

- More than \$18 million worth of uniforms, shoes, and equipment.
- A chance to avoid cutting athletics or reallocating funds ("Without it [the Nike money], we'd have two choices — fewer sports or massive reallocations of funds from the university," Chancellor James Moeser, *The Daily Tar Heel*, Oct. 17, 2001).
- 10 percent of royalties from Nike sales bearing UNC-CH logo (up from 8 percent in previous deal) — these royalties have averaged \$539,000 over the last three years.
- \$200,000 annually from Nike to the Department of Athletics, half going for incentives for non-football or basketball teams.
- \$500,000 annually from Nike for men's basketball head coach Matt Doherty.
- \$150,000 annually from Nike for women's soccer head coach Anson Dorrance.
- \$75,000 annually from Nike for men's football head coach John Bunting (who will receive an additional \$75,000 from the university).
- \$75,000 annually from Nike for women's basketball head coach Sylvia Hatchell.
- \$15,000 annually from Nike for men's soccer head coach Elmar Bolowich.
- \$15,000 annually from Nike for men's and women's track and field head coach Dennis Craddock.
- \$15,000 annually from Nike for baseball head coach Mike Fox.
- \$100,000 annually from Nike to the Chancellor's Academic Enhancement Fund.
- Administrators, faculty and students being taken on trips financed by Nike to its manufacturing plants.
- Five foreign exhibition tours for athletics squads (two tours each for men's and women's basketball and one for women's soccer), financed by Nike up to \$175,000.

What Nike gets:

- Guarantee that all teams, coaches, and staff use Nike products exclusively at all official occasions such as games, practices, and clinics.
- The manufacture of UNC-CH game uniforms.
- Permission to use UNC-CH logo in advertising Nike products.
- Tickets to UNC-CH home games and postseason tournaments.
- Full-color sponsorships in game programs for football and men's basketball.
- Acknowledgment in media guides, public address announcements, and the UNC-CH athletics department's official Web site, TarHeelBlue.com
- Right to use UNC-CH marks to advertise Nike products, subject to UNC-CH approval.
- Corporate signage in Kenan Memorial Stadium and the Dean E. Smith Center if UNC-CH adopts a policy allowing it.
- Guarantee that other manufacturers making apparel bearing UNC-CH logos meet Nike's manufacturing standards.

About those "sweatshops":

- Nike must adhere to UNC-CH labor code of conduct and the Fair Labor Association's code of conduct for manufacturing UNC-CH licensed merchandise.
- Nike must make full disclosure of all manufacturing plants making UNC-CH merchandise and submit to outside monitoring of the labor standards therein.
- Nike must finance trips to manufacturing plants by university groups and host with UNC-CH a forum on labor issues.
- UNC-CH has an escape clause from the contract should labor violations be found.

Source: UNC-Chapel Hill News Services

are "academic transgressions, a financial arms race, and commercialization."

"Sports as a big business for colleges and universities," the commission states, "is in direct conflict with nearly every value that should matter for higher education."

Nevertheless, the commission notes that "It is still possible that all college sports can be reintegrated into the moral and institutional culture of the university. Indeed, in sports other than football and basketball, for the most part that culture still prevails." But bringing about that possibility requires "a concerted grassroots effort by the broader academic community — in concert with trustees, administrators, and faculty — to restore the balance of athletics and academics on campus."

Coming as it did mere months after the commission's call for action, the UNC-CH/Nike agreement threw cold water on the reform efforts. Ironically, UNC-CH was once featured by the *Chronicle of Higher Education* in 1997 in an article given a headline with language anticipating that of the commission's: "U. of North Carolina is Proud of Its Balance of Big-Time Athletics and Quality Academics." Commission recommendations that UNC-CH ignored in its agreement with Nike include:

- Reducing expenditures in big-time sports (see Moeser's boast about the Nike deal helping UNC-CH avoid this choice)
- Bringing coaches' compensation "in line with the prevailing norms across the

institution" (\$845,000 of Nike money will be used annually to supplement coaches' compensation at UNC-CH)

• Prohibiting athletes from "being exploited as advertising vehicles" (which means "Uniforms and other apparel should not bear corporate trademarks or logos of manufacturers or game sponsors").

The commission expressly wrote against the burgeoning commercialism of college sports and the companies' role in it. "With the money comes manipulation," the commission warned. As stated in the report:

"Equipment manufacturers inundate prominent coaches and universities with goods and money in exchange for exposure — advertisements of all kinds on campuses, stadiums, and field houses, and logos on uniforms, shoes, and every conceivable piece of equipment. There is a clear and sharp message in such deals: This is business; show us the money."

Friday himself spoke against the UNC-CH/Nike deal at a symposium conducted in November at UNC-CH. Appearing with fellow commission members Douglas Dibbert, president of the General Alumni Association, and LeRoy Walker, chancellor emeritus of North Carolina Central University, Friday called the agreement further promotion of big-time college sport's "arms race," where colleges compete for bigger deals. "The way commercialization's grown so large does not let the university control their own destiny," he said. c



Caswell Building in Raleigh, administrative home of the North Carolina Community College System.

Community Colleges Find More Needs After Absorbing \$600 Million From Voters

By PAUL CHESSER

Associate Editor

Raleigh bond money approved by taxpayers is now flowing to schools in the North Carolina Community College System, but judging by claims made by the oversight organization, it may not be long before they clamor for more.

The \$600 million supported by voters as a bond referendum in the Nov. 2000 election, part of a \$3.1 billion package for higher education capital improvements, will be issued to the 59 colleges in the system over the next six years. Issuance of the money is backloaded, with about \$48 million distributed this year, and increasing annually until \$135.5 million is distributed in the fifth year and \$125.8 million in the final year.

When requested by the General Assembly to study building and renovation needs for the entire system, the State Board of Community Colleges returned with an estimated cost for needs of almost \$1.18 billion. The board determined projected student enrollment for the next 10 years, and looked at the "footprint" at every location—how many buildings existed, which of those were temporary, how many needed to be demolished, and which new buildings were in the planning stages. Those criteria then determined what would be needed for new construction, based on space needs versus existing capacity, resulting in a "gap analysis."

The legislature permitted a bond referendum funding half that amount to move forward. Leading up to a vote on the proposal, the community college system worked hard to demonstrate its need for the bonds to fund more than 400 capital projects.

Point-by-point, the community college system made its case for passage of the referendum:

- **Enrollment.** The system estimated that student population statewide would grow by 50,000 students over the next 10 years. The system said "these enrollment growth pressures have been compounded by decades of underfunding for upgrading existing buildings, and many classrooms and laboratories are in dire need of renovation to meet current safety codes and educational standards."

Emphasizing the expected enrollment growth rate, the system further claimed it would "be unable to admit many qualified students unless we quickly address [these] capital needs." However, the community college system did not mention that standards for qualification at its schools are minimal, and thus implied that such an education is an entitlement to virtually all of North Carolina's citizens.

Enrollment grew by about 10 percent this year, far sur-

passing the community college system's expected growth rate of 3 to 4 percent. The accelerated pressures of larger-than-expected enrollment may render the currently funded projects obsolete sooner than expected.

- **Age.** The community colleges claimed that the entire system is almost 40 years old, with many of the campus buildings individually several years older. The system said that "many community college buildings have undergone little or no renovation since their initial construction, due to limited local resources."

The system further explained that community college buildings are the property of the counties that sponsor them. Some of the "wealthier" counties are required to provide matching funds for each state dollar spent on capital projects. However, of the \$600 million that was approved, only \$132 million is matched with funds from non-state sources. "Poor" counties are not required to match funds for their upgrades and new construction.

Given that little or no funding has been provided for capital improvements in the past, and many counties will likely have little or no resources to maintain facilities in the future, taxpayers may be approached again soon for permission to borrow more money for further construction needs.

It is also likely that new construction needs will arise during the six years that already-determined needs are funded, which again addresses only *half* of the needs identified by the State Board of Community Colleges.

- **Cost.** The "Frequently Asked Questions" section on the North Carolina Community College System website, addresses questions regarding the size of the debt, taxes, and tuition. In the case of whether the amount of debt is too large for the state to carry, the system website answered an unequivocal "no," claiming North Carolina's annual debt service would barely exceed 3 percent in any given year, and that "financial experts consider any amount under 5 percent to be conservative to moderate debt."

Similarly, questions about raising taxes, tuition, and student fees were also denied as possibilities. The website said "no one can predict whether taxes will go up for other reasons" and that "many state leaders have plainly stated that the state will be able to repay these bonds without the need to raise taxes." The system also denied that tuition and fees would be used to repay the bonds.

In late September of this year the legislature passed significant tax increases and a tuition increase, with the maximum in-state tuition rate per semester raised from \$440 to \$496. The increases may not be directly related to the capital improvements, but clearly the state's debt burden is greater than it was.

Higher Education's Diminishing Returns

It's usually in a class on economics that people hear about The Law of Diminishing Returns. The law can be put like this: If you add more and more of some factor of production, eventually you'll get less and less benefit from the additional increments of it. An example will help to clarify that.

Suppose a farmer adds some fertilizer to his field in spring. A little fertilizer will help his crop yield, say 100 pounds per acre. Perhaps doubling it would increase his yield further and be worth the extra cost. At some point, however, the farmer would reach the point where adding more fertilizer starts to do less and less good. It begins to cost more to buy more fertilizer than the extra crops are worth. When that's the case, the farmer has gone beyond the point of diminishing returns and is wasting money and a scarce commodity.

That's the law of diminishing returns. You don't even have to have studied economics to understand it. People intuitively know to look for the point where the costs of more of something outweigh its benefits.

They do so, anyway, if they bear the costs. Where people can get the benefits of something but stick others with the costs, however, they often go past the point of diminishing returns. Politicians fit that description. They spend other people's money and often subsidize things that are politically popular even if it means putting resources to uses with minimal utility. Higher education is a good example.

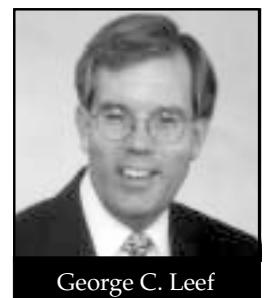
Our higher education establishment has convinced many people that the key to the state's success lies with the UNC system. UNC-Chapel Hill's Chancellor James Moeser recently said, "If knowledge is the capital of our new economy, research universities are the sources of that capital and will be at the center of thriving economies." He'd have us believe that our economy would be running short of its fuel — knowledge — if it weren't for UNC and similar institutions.

Moeser wants people to equate "knowledge" and "learning" with the kind of formal education he represents. But in his book *The Joy of Freedom*, economist David Henderson calls this "one of the biggest snow jobs." He writes that "Schools don't have a monopoly on learning: They don't even have a large market share." His point is that people have a strong incentive to learn what they really need to, and often do most effectively outside of formal education.

In the past, a much smaller percentage of Americans enrolled in colleges than now, prior to the proliferation of government subsidies following World War II. Nevertheless, there was rapid economic and technological progress throughout the 19th and early 20th centuries. Most people found that they reached the point of diminishing returns on formal education before college. This doesn't mean that they stopped learning after their years of formal schooling ended. They learned what they needed or wanted to on the job, at home, in libraries, etc. Formal courses leading to degrees made sense for some, but most people took other approaches.

Thanks to state and federal subsidies, tremendous numbers of students now go to college, but many have little or no real interest in academic pursuits. What benefit they might get from post-high school studies comes packaged along with lots of dubious courses to constitute a "degree." The cost of all that is enormous, but it isn't buying more learning, just more "education." For many students, college is a high-priced substitute for learning they would have done anyway.

In higher education, we're well past the point of diminishing returns. *cj*



George C. Leef

Leef is director of higher education policy at the American Council of Trustees and Alumni and also directs the Pope Center for Higher Education Policy.

Bats in the Belltower

OK, So You're Innocent; Here's Your Punishment

The saga of Orange Coast College professor Kenneth Hearlson is an exhibition of the Kafkaesque absurdity that only takes place in academe. A tenured professor of political science, Hearlson was accused of verbally accosting four Muslim students in his classroom during a Sept. 18 lecture. The students alleged that Hearlson accused them of being "terrorists," "murderers" and "Nazis" and that he even told them "You killed 5,000 people" and "You drove two planes into the World Trade Center. You were the cause of what happened Sept. 11."

Hearlson, a born-again Christian, had been protested by Muslim students before. Last year he condemned fliers passed out by Muslim students on campus to mark "Anti-Zionist Week." The fliers featured a swastika and barbed wire across a Star of David. Hearlson called them a "hate-filled message [from] Muslim students on campus," prompting a raucous debate. Campus security had to be called.

According to *The New York Times*, Hearlson's Sept. 18 lecture to his class on Introduction to Government, which is generally regarded as provocative (one of the aspects that attracts students to the class), was particularly so that day. Among other things, Hearlson questioned why no Muslim nation had spoken out against Osama bin Laden, why Muslim leaders appeared either to deny the Holocaust or to wish Adolf Hitler had succeeded in killing more Jews, and why Muslim nations could condemn the attacks of Sept. 11 but not criticize terrorist attacks against Israel.

After the four Muslim students complained, the college acted quickly though without investigation, first placing Hearlson on administrative leave and then barring him from returning to campus.

Then, as they say, the other shoe dropped.

Turns out two students had taped Hearlson's offending lecture. The tape completely exonerates Hearlson. For instance, during his lecture a Muslim student informs him that she doesn't condone violence, and Hearlson replies, "You don't believe in that and I agree with you." He went on to say he agreed with President Bush when he said "It is not a condemnation of the Muslim. It is a condemnation of those who carried out the attack."

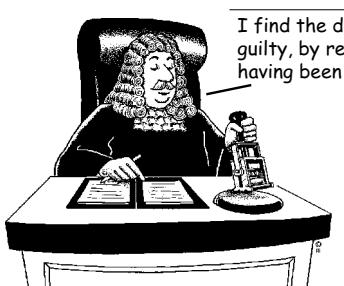
At another point in the lecture a student tells Hearlson that Muslims are not all killers, and Hearlson again agrees with the student, and adds that "What I am saying is that I want to see the Arab world stand up and say, 'This is wrong. What was done to America was wrong.'" Hearlson did use a generic "you" in the lecture, but a student interrupted him at that point and brought it to his attention, at which point Hearlson clarifies that "I am talking about Arab nations."

Nowhere on the tape is anything approaching the name-calling and finger-pointing at Muslim students that Hearlson was alleged to have done; if anything, the tapes show Hearlson went out of his way to prevent that misunderstanding from happening.

It took an 11-week investigation involving interviews of more than two dozen people and a 73-page report for the college to come to that conclusion. It cleared Hearlson of the accusations, which it called "unsubstantiated," and reinstated him.

Then, despite all of that, the college also issued Hearlson a letter of reprimand. Hearlson's accusers, meanwhile, were never disciplined for their lies.

As Hearlson told *The Chronicle of Higher Education*, "It's like going to the court and the jury says, Not guilty. But then the judge says, I'm going to punish you, even though you're found innocent." Fittingly, a college spokesman told the *Chronicle* that President Margaret Grattan, "believes that academic freedom is alive and well here at Orange Coast College." *cr*



By JON SANDERS

Assistant Editor

Tuition increases at the 16 campuses in the University of North Carolina have upset students and parents. A Pope Center look at the issue found that the average increase this year for in-state students in tuition and fees at a UNC school was greater than the average increase nationally. Nevertheless, the cost in tuition and fees to attend UNC schools is still lower than the regional and U.S. averages for college tuition and fees.

Nationally, this year saw the largest increases in public college tuition since 1993, according to the College Board. The nation's economic downturn and the crimp it put on state budgets get most of the blame. Private colleges also saw increases, but not as great as those of public colleges.

The College Board reports that tuition and fees at public, four-year colleges rose by an average of 7.7 percent in the academic year of 2001-02. At private, four-year colleges the increase was a milder 5.5 percent.

The average increase for tuition and fees at UNC schools, however, was 12.9 percent. North Carolina State University, UNC-Asheville, and UNC-Greensboro received the largest increases among the UNC schools, 17.6 percent.

The average increase in tuition and fees in public colleges in the South were higher than the national average, at 10.0 percent, still less than UNC's 12.9 percent increase.

Regardless, tuition and fees at UNC schools still trail those of public colleges in the South and nationally. In the South, the average student cost in tuition and fees in a public college in 2001-02 was \$3,198, which is 33 percent higher than the average student cost in tuition and fees at UNC schools. Only N.C. State and UNC-Chapel Hill's tuition and fees (\$3,228 for N.C. State and \$3,219 for UNC-CH) exceeded the South's public-college average of \$3,198.

In the nation, the average cost in tuition and fees in a public college was \$3,754 — 56 percent greater than the UNC average. The average cost in tuition and fees of at-

tending a UNC school in 2001-02 was just \$2,411.

UNC's Tuition Increases

School	Tuition and fees 2001-02	1-year increase, percentage
Appalachian State	\$2,270	16.3%
East Carolina	2,501	10.8
Elizabeth City State	1,840	9.1
Fayetteville State	1,770	14.8
NC A&T State	2,239	15.5
NC Central	2,350	15.5
NC School Arts	2,877	11.0
NC State	3,228	17.6
UNC-Asheville	2,426	17.6
UNC-Chapel Hill	3,219	16.3
UNC-Charlotte	2,456	15.1
UNC-Greensboro	2,589	17.6
UNC-Pembroke	2,069	11.9
UNC-Wilmington	2,583	11.5
Western Carolina	2,237	-1.0
Winston-Salem State	1,918	6.3
UNC averages	2,411	12.9

Region

South	3,198	10.0
Nation	3,754	7.7

(Sources: UNC General Administration, The Chronicle of Higher Education, The College Board.)

The table below shows how the tuition and fee increases at UNC compare regionally and nationally (in terms of in-state tuition and fees only):

Racial Preferences in University Admissions: Over for Now in Georgia, Not Yet in Michigan

By JON SANDERS

Assistant Editor

In early December, racial preferences were ended (for the time being) at the University of Georgia, while the battle raged on at the University of Michigan.

Officials at Georgia announced that race and other non-academic factors would not be used in admission decisions for next fall's freshman class. This announcement followed the university's decision not to ask the Supreme Court to review a decision by the U.S. Court of Appeals for the 11th Circuit that struck down the university's use of race as one of the factors it considered in deciding among applicants.

The other nonacademic factors nixed in Georgia's admission decisions for next fall include place of residence, socioeconomic status, and legacy status (whether an applicant's relative attended Georgia). Applications will now be weighed on high-school grades in 16 core courses and standardized-test scores, with grades being given twice the weight of scores. Specially skilled applicants with aptitudes in such areas as art, music, computing, and athletics will receive exceptions.

Georgia president Michael F. Adams has said the university may give more time to review the appellate court's decision, alter the university's admissions process for future classes, "considering such attributes as leadership potential, student activities, socioeconomic background, and demonstrated academic achievement."

Meanwhile, the U.S. Court of Appeals for the Sixth Circuit took up arguments *en banc* — before the full, nine-member panel of judges — of two challenges to the University of Michigan's race-preferential admissions, *Gratz v. Bollinger* (concerning undergraduate admissions) and *Grutter v. Bollinger* (concerning law-school admissions). Critics see the cases as likely to appear before the Supreme Court, especially because circuit courts have issued conflicting rulings nationwide on similar cases. District courts within the Sixth Circuit have even split on the cases, with

Judge Patrick J. Duggan upholding the undergraduate admissions policy in *Gratz* and Judge Bernard A. Friedman striking down the law school's admissions policy in *Grutter*.

A key dispute in both cases is the interpretation of the landmark Supreme Court decision *Regents of the University of California v. Bakke*, which is the only time the court ever ruled on racial preferences in admissions to institutes of higher education. Lawyers for Michigan argue on the basis of the Justice Lewis F. Powell Jr.'s opinion in favor of limited us of race-based admissions to ensure a racially diverse campus.

Lawyers for the plaintiffs argue that none of the other justices subscribed to Powell's diversity justification and instead viewed race-preferential admissions only to address racial discrimination by the university itself or society at large (the court now applies strict scrutiny to racial preferences used for that purpose).

One of those subsequent rulings was made in the case of *Adarand Constructors Inc. v. Mineta*, for which a petition for writ of certiorari was recently dismissed as "improperly granted" by the court last month. The court originally ruled on the case in 1995, which was brought by a subcontractor who was denied a federal highway contract despite his having the lowest bid, because he was a white male; the contract was awarded to a minority contractor as part of a program by the Dept. of Transportation that awards contracts to "disadvantaged business enterprises" to "level the playing field" among racial groups. *Adarand* was the first case where the court applied strict scrutiny to race-preferential programs would have to pass strict scrutiny. It also remanded the case back to the 10th Circuit, and had worked its way back before the Supreme Court.

While the court's decision not to review *Adarand* keeps the federal program it challenges standing, there are several active cases challenging the same program. The court's decision prevents it from issuing an awkward ruling now on the merits of this case. Another case may provide the court a better perch upon which to decide the issue. *cr*

'Bad speech' at UNCW

Controversy Builds Over Professor's Criticism of Student's E-mail

By JON SANDERS

Assistant Editor

Controversy continues to swirl around what the University of North Carolina at Wilmington did to a professor for criticizing a student's mass-distributed e-mail as "bad speech."

The controversy began a week after the terrorist attacks of Sept. 11. UNCW senior Rosa Fuller sent an e-mail addressed to the students and faculty of UNCW about the attacks, citing the World Socialist Web Site (www.wsws.org) in blaming the attacks on the United States itself, which she called the world's "main source of oppression," and in hinting that President Bush would benefit from the results of the attacks. "If you support open, unbiased, democratic discussion of all the facts, please forward this e-mail to friends and acquaintances both on and off campus," Fuller concluded.

UNCW Criminal Justice Prof. Mike Adams, one of the recipients of Fuller's e-mail, responded to Fuller's invitation, saying the student's e-mail was "undeserving of serious consideration" and "an intentionally divisive diatribe." Adams, however, noted that "The Constitution protects your speech just as it has protected bigoted, unintelligent, and immature speech for many years."

"I sincerely hope that your bad speech serves as a catalyst for better speech by others," Adams wrote. He forwarded his response to all the original recipients.

Fuller received many replies to her missive, some not to her liking. She blamed Adams for many of the responses she received. Fuller told the Pope Center that Adams "berated me with a series of abusive epithets, which falsely represented me as dishonest, intentionally divisive, bigoted, unintelligent, and immature."

"I have reason to believe Dr. Adams sent copies of his false representation of me to others, inside and outside the University community," she said. Because of that suspicion, Fuller asked the university to inspect Adams's e-mails, hold him accountable for violating the UNCW Computing Resource Use's policy against "abusive or defamatory communications," and to prevent Adams from using the campus computing system for e-mail.

When the Pope Center first reported on the controversy, UNCW had rebuffed Fuller's efforts as frivolous, and Adams had praised the administration in general for its patience. UNCW officials had, nevertheless, brought students in for questioning,

searched Adams' e-mail log, and read part of two messages before determining that they were private.

Since then the battle has escalated. The university has given Fuller an account of the names, the e-mail addresses, and the dates and times of Adams' e-mail communications of Sept. 17 and Sept. 18. UNCW also reviewed the on-campus inboxes of Adams's correspondents, both student and faculty. The Foundation for Individual Rights in Education (www.thefire.org), a nonprofit education foundation that works to protect individual rights on college campuses, got involved. Adams appeared on the Fox News show "Hannity and Colmes." Fuller's father, Dennis Fuller, also attacked Adams, calling him an "unsavory character."

Later, Adams learned that Harold M. White Jr., a UNCW lawyer, had criticized Adams's handling of the case and of his privacy complaint in a university classroom. "You understand I never really know what to trust about what students say," Adams said, "but it really made me nervous to be told the administration was being critical of me behind the podium."

Adams also learned that Dennis Fuller, who once taught at UNCW, had complained about him before the university's Board of Trustees and to university administrators. Fuller called Adams a right-wing ideologue who used the classroom to espouse his political views. Adams made public-records requests of Fuller's complaints against him. So far, those requests have not been met. "It's disturbing. The very act of examining e-mails is very outrageous," Adams said. "It is distressing that they will not respond to my requests, but they will grant [the Fullers'] requests."

Greg Lukianoff, director of legal and public advocacy at FIRE, wrote to UNCW Chancellor James Leutze, saying that although "the outrageousness of this invasion of privacy and complicity in punishing core political speech should be self-evident," the university has instead "legitimized Fuller's frivolous and dangerous legal claims." Lukianoff called on UNCW to affirm that Adams did no wrong, apologize to Adams, and reject Fuller's claims.

UNC Provost and Vice Chancellor for Academic Affairs John Cavanaugh said, "Dr. Adams was never investigated, threatened, or sanctioned for saying anything by

this administration," although "we were forced to respond to a narrowly framed request for certain records [but] we did not turn over any records to the requestor."

"I and others in this administration have been quite vocal in our support of faculty members' rights to speak open and freely in support of whatever position they choose," Cavanaugh wrote.

"There are these comments — 'Yeah, I support your rights' — and then there are actions — actually reading your e-mail," Adams said.

He said junior faculty had told them they were worried about the university's intrusion into e-mail. "They said, 'Oh, my God, they can do that?'" he said. Because of the concerns, some professors obtained private e-mail addresses, Adams said. "You want to talk about a chilling effect, it's there."

"The administration at UNCW has begun an effort to conceal what occurred and to spin its way out of the public relations nightmare," said FIRE Director Thor Halvorssen. He said Cavanaugh's denials were "demonstrably false."

"It appears that they (FIRE) are trying to raise controversy out of what is indisputably an unpopular e-mail from this student for publicity for their organization," said Harold M. White Jr., UNCW's lawyer.

White said Halvorssen was mischaracterizing the issue.

White explained that UNCW officials had rebuffed Fuller's public-records requests for access to Adams' e-mail on three grounds, including privacy. So Fuller requested access to anything the university itself considered public record, which UNCW granted. The university considered the transmission logs public records, but only those of public employees (faculty), not students.

"The biggest rub of all this is [FIRE] wants to attribute motive," White said. "Political considerations have had absolutely nothing to do with this. FIRE is making it out to be some sort of liberal academic plot to get Adams, and that's the biggest lie. It's just ridiculous."

White acknowledged that Adams had objected to the inspection of his e-mail. White said the university and Adams disagreed over who, Adams or UNCW, should determine which messages were public record and which messages were private.

Adams said that is not so. "I objected, period — on the basis of principle," he said. "I do not understand what I may have said to them to give them the impression that I was departing from that general moral principle. It's something that we can all understand: It's just morally wrong."

"I'm pretty certain that the state owns the bathroom stalls on campus, but decent people don't go peeking over them," Adams said. □



UNC-Wilmington
Professor Mike Adams

North Carolina at War.com

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Town and Country

• The City of Cary has begun running ads, at taxpayer expense, in various media in the Triangle. The ads purport that Cary is successful at growth control and that success has made the city livable.

The *News & Observer* of Raleigh has reported on two occasions that Cary is hurting for business. Cary leads the Triangle in vacant office space. According to the Oct. 26 issue of the *N&O*, 19 percent of Cary's total office space sits vacant. The same issue states that high impact fees and other government charges make Cary "one of the most expensive places to develop."

Though North Raleigh is also experiencing a downturn in office space rental and leases, Cary leads the Triangle by a wide margin.

The article said the developer who has the "biggest bet on Cary" is election law violator Craig Davis. He was found guilty by the State Elections Board of giving illegal contributions to Mayor Glen Lang's campaign.

Not only is Craig Davis Properties building apartments and office buildings in Cary at a rapid pace, but Davis also plans to move his whole operation into a new building that will be located in the city.

The ads were supposed to run during the election last year, but a North Carolina judge determined that they would violate campaign laws and influence races outside the Cary city limits.

• On Nov. 29, Bill Grogan of the Concerned Citizens for Good Government sponsored a town meeting in Laurinburg that featured Scotland County School Board Chairman Buck Carter.

There were about 100 people in attendance. Many came to the public meeting hoping the school board would offer to sit down with taxpayers and discuss alternatives.

Carter was asked what he would say to a person who loses his home because of onerous taxes that are necessitated by a school floor tax. He responded, "I say point taken."

When Carter and the rest of the school board, including School Supt. Shirley Prince, were asked how much money would be enough to fund the school system, they could not come up with a figure.

Prince addressed the audience when the attendees were becoming restless. Prince argued that the state average spent on schools may not always go up; it could go down. The audience groaned loudly upon hearing her defense of the tax. When someone asked Prince when there had been an occasion when the floor tax decreased, she could not answer.

The average cost of school revenues has not receded in North Carolina since the floor tax was instituted. It has always risen. This is even more burdensome, according to Bill Grogan, when considering that Scotland County is a poor county. Residents of the county rank near the bottom of the spectrum in ability to pay, Grogan said. Grogan asked, again, that the school board find some way to alleviate the burden of the tax, but board members have continued to balk. **cr**

Falling by the Wayside in Wilmington

Neighborhood association gets the official runaround, loses opportunity for funding

By ERIK ROOT

Assistant Editor

In November, Wilmington voters turned out several members of the city council. Katherine Moore (re-elected), Jason Thompson, and Mayor Harper Peterson took office in December and brought to the city a governable majority to protect property rights. However, the election was about more than just property and annexation though those were the overriding issues. Beneath the surface of the annexation issue were alleged corrupt practices of the city government.

Less than 24 hours after being sworn into office, the new council went into closed session and fired City Manager Mary Gornto. Gornto was behind many of the questionable dealings that the city got involved in during her tenure — including the public misrepresentation of certain members of the Wilmington community.

Soon after her firing, those who called into WAAV radio in Wilmington to speak on the subject were overwhelmingly supportive of the new council's actions. One host, Harvard Jennings, had the defeated antiproperty rights candidate Jack Watkins on his show. Watkins was critical of the decision to fire Gornto. Watkins' remarks prompted many responses callers, such as: "You just don't get it [Mr. Watkins]... The mayor and the council were elected to effect change. [You] are all upset because Queen Mary the First had bestowed upon her the royal order of the boot."

One person who claimed he, and his organization, was mistreated and misrepresented by city officials was Nat Fullwood. Fullwood, a former employee of the John Locke Foundation, left his Raleigh home in late 2000 for Wilmington on the promise from the city that they would be funding an organization he had agreed to head: The Family and Neighborhoods Institute of North Carolina.

TFNI was called The Bottom Neighborhood Association. In order to better reflect its mission and scope, The Bottom Neighborhood members changed the group's name to TFNI. The change was registered with the state and it encompassed no other significant changes in the organization. TFNI seeks to train, educate, and assist low-income people to find work. It also tries to clean up neighborhoods by helping with drug abuse, prostitution, and other social problems that afflict those neighborhoods.

Part of the funds the City of Wilmington distributes are HUD grant monies. These were the monies that TFNI officials were particularly interested in securing for their organization. TFNI had also received funding from private sources.

When Community and Development Services Manager Beth Rohrbaugh neglected to inform TFNI of a public hearing on HUD funds, Fullwood wondered about the city's integrity. The "problem" of notifying the community at large when public hearings would be held was commonplace. It appeared that only those people that city wanted to attend got invited to the "public," hearings Fullwood said. He suggested to Rohrbaugh that the community development offices organize a mailing list (both snail and e-mail) to better notify the community of meeting times, deadlines, and other information. The idea, however, was never implemented.

On Jan. 22, months after the name change of the Bottom Institute to TFNI, Fullwood received a letter from Assistant City Manager Ted Voorhees. In the correspondence, Voorhees said he and



Nat Fullwood. Photo Courtesy of John Davis, *Wilmington Journal*

Rohrbaugh looked forward to working with TFNI and turning its proposal for community development into a contract. However, he said that a vacancy in the community development offices would prevent such a contract from being formally written until the position was filled in February.

Rohrbaugh and Voorhees asked Fullwood to draft a proposal that would be converted into a contract because, as Rohrbaugh said, her department was grossly understaffed. Fullwood agreed to undertake a task that typically belonged to the city.

City reneges on deal

It is at this point that the relationship began to deteriorate rapidly. Soon after the meeting, Fullwood directed a letter to Rohrbaugh's office requesting she release already allocated funds for fiscal 1999-2000. In a letter to Rohrbaugh in April, Fullwood wrote that it appeared the community development office portrayed an "obstructionist attitude."

Despite the problem, the community development leaders saw no reason to deny the proposal that the nonprofit had drafted when the two sides met.

Fullwood was not so sure. If the city would withhold previously allocated funds, would it follow through on an agreed contract proposal? The answer was no. According to a letter from Rohrbaugh to Fullwood dated April 6, TFNI "would need to apply

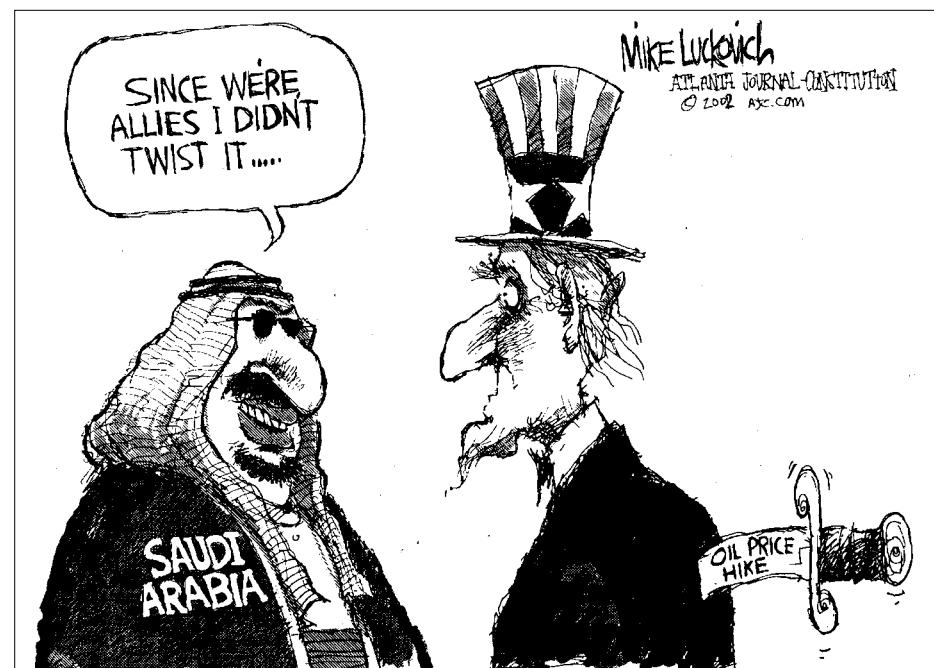
**The City of Wilmington
"deliberately shafted
and railroaded [us] out
of the public hearings
for the 2001/2002 fis-
cal year."**

approval. However, when asked who approves a nonprofit for CDBO status, he said he did not know. He blamed the decision to deny TFNI funds on a HUD representative, whose name he also forgot.

Finally, Voorhees denied that a community development department should help guide groups they intend to fund. Even though city officials had numerous meetings with TFNI, there is no evidence that they notified TFNI its proposal would eventually be turned down because it applied for too much money.

Voorhees maintained that it was not his job to help organizations apply for money correctly and if they want too much, he said, "Well, sorry."

Charles Ferebee, director of community planning and development for HUD, acknowledged the problems in Wilmington though, he said, officials' actions were strictly "legal." Ferebee said he is "optimistic the new staff will do good things." **cr**



Across North Carolina

Confusion Reigns Over TTA in North Raleigh

By ERIK ROOT
and PAUL CHESSEUR

Weeks after Raleigh's mayoral campaign has ended, confusion over the future of the Triangle Transit Authority threatens to sidetrack plans to implement a proposed rail system in the region.

Newly elected Mayor Charles Meeker and the man he defeated, former Mayor Paul Coble, *The News & Observer* of Raleigh, former transit chief Jim Ritchey, and Raleigh City Council member Kieran Shanahan have all expressed divergent views about the system, which may cost taxpayers as much as \$1 billion.

Coble and Shanahan have criticized the plan for a long time, calling it a potential financial boondoggle that is seriously flawed. "I have never been an opponent of this thing, as long as it makes sense," Coble said.

The latest element that doesn't make sense to Coble, and other critics like Shanahan, is a recent revelation that the rail service will be delayed several years in reaching North Raleigh. However, there is disagreement regarding whether a delay was ever implemented, or just being considered.

"I think it was blown up as an issue, and it really wasn't one," Ritchey said. Ritchey recently accepted a position with the Georgia Regional Transportation Authority, based in Atlanta.

Confusion may have stemmed from a *News & Observer* article Nov. 26 that trumpeted, "North Raleigh faces rail service delay." The story's lead said, "When commuter trains begin running through the Triangle in 2008, they won't make it to North Raleigh, cutting out thousands of riders in the first years of the new system."

That wasn't entirely true, Ritchey said. Suggestions for a delay came from the authority's consultant, which recommended that the North Raleigh segment not be built until 2013. However, the *News & Observer* reported that TTA board members were "troubled" by that idea, and "asked [the consultant] to bring other alternatives to their monthly meeting." The fact that the board made that request indicates a final decision had not been made on a North Raleigh delay when the article ran.

Ritchey said the consultant, Bob Peskin, used the opening date of the North Raleigh segment of the rail line as one of the variables, with options for slowing or speeding the construction of that portion. Other variables included trackwork (single or double), frequency of trains, number of stations, and yard and shop location.

Ritchey said that at a December meeting, the board decided to open the system running trains at 15-minute intervals, which would allow the TTA to move forward with opening a North Raleigh segment in Phase I of the plan.

However, the assumption that North Raleigh would be delayed provided more fodder for Coble and Shanahan to heap criticism on Meeker, the TTA, and the whole commuter rail service idea.

"Now the people who pay the largest portion of it — North Raleigh — aren't even going to have it," Shanahan said.

Those assumptions caused Meeker's two chief critics to speculate that while the new mayor was running for office partially on a platform of promoting regional rail, including a North Raleigh leg, information delaying that portion didn't emerge until after the election.

Because Meeker works for the law firm that lobbies on behalf of the TTA, his opponents suspected he was privy to some inside information that was withheld until after he was safely elected. But the mayor denies this charge.

"That article was the first thing I saw anything about [a delay]," said Meeker.

While Ritchey said a delay until after 2010 "was discussed," the board ultimately decided on a plan that would allow opening rail service to North Raleigh in 2009.

"Opening it at 15-minute frequencies means North Raleigh can open in 2009," said Ritchey, while admitting the intervals are not the most desirable for a commuter rail system.

Ritchey said part of the problem was informing political leaders and the public on the process of implementing the entire system. As presently planned, North Raleigh is expected to open toward the end of the Phase I portion. The first part of the phase, from 9th Street in Durham to the state



Newly elected Raleigh Mayor Charles Meeker

government station at Capital Boulevard in Raleigh, is expected to open by December 2007.

"One of the dilemmas in trying to communicate this issue, is they think this thing should open all on the same day," Ritchey said. "There are very few 35-mile roads that open all on the same day."

"It's very normal for major projects like this to open in segments. That's really what we're trying to communicate."

Those communication efforts apparently were unsuccessful in reaching Coble, who said the TTA routinely exercised bureaucratic obfuscation by systematically changing plans and costs, keeping the public confused.

"Every single presentation (about commuter rail) was that they were going to North Raleigh at the same time," Coble said. "That was the piece that everyone thought was going to open up."

Part of the reason for considering a delay of rail to North Raleigh was expected low ridership and the costly expense of building the line. Ritchey said also that efficient use of engineers, consultants, and staff were a consideration.

Ritchey insisted that not opening a North Raleigh leg until 2009 was part of the plan all along. He said each year he sends a briefing — he called it a local government annual TTA report — to both city and county governments. He said on Feb. 6, he reported the timetable

to the Raleigh City Council, at a time when TTA was also making a pitch to city and elected officials to raise the vehicle registration tax an additional \$4 per vehicle to benefit TTA. The *News & Observer* reported that "the cost of the plan has risen sharply over the past two years because engineers have found that the line is more difficult to build than they anticipated."

Critics found that another opportunity to pounce. "It's really not a viable option for Raleigh, in the near future," Shanahan said, "even if you could address the cost issue, which no one has done yet."

Both Coble and Shanahan said TTA already is partially funded by a 5 percent tax on automobile rentals in Durham, Orange, and Wake counties. They have complained that plans for rail service to Raleigh-Durham Airport are part of Phase II, which is far into the future. They said customers paying the majority of car rental taxes at airports won't receive the benefit of rail service for many years.

"There's lots of flaws in the process," Shanahan said. He also believes service should go to Southeast Raleigh, which isn't planned.

Some observers suggest that key supporters of commuter rail are losing their passion for the project. Shanahan said that Ritchey, even though he is moving to a job with greater responsibility in Atlanta, "doesn't even believe in the vision anymore. Here when it's supposed to get off the ground, he's up and leaving."

However, Meeker is still on board in full support of a rail system. "I support the regional rail because I think it's good for Raleigh," he said. *cr*

NC Local Elections Aren't Really Local

By ORSON SCOTT CARD
Guest Columnist

GREENSBORO

We just had another pathetic "local" election that will make no difference in our lives. Hardly anybody voted, but then, why should we? In my city of Greensboro, we had only two choices — to continue with the same club that runs things year after year no matter how badly they do, or to elect the anti-FedEx group that raised self-serving self-delusion to new heights. Some choice.

Well, it's not going to change any time soon because we don't have local government. Greensboro has more than 200,000 people. The original Constitution provided that a member of the House of Representatives should represent about 40,000 people. By that standard, we should have five congressmen from our city alone.

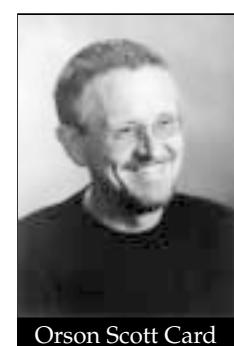
Are you getting the picture? That's why most of us don't know a single person who holds elective office. Imagine, if you will, the impossible: Genuine local government in North Carolina. In Guilford, for example, imagine the county divided into compact civic units of about 10,000 people, each with its own elected council. We wouldn't pay anybody who served on such a council, because it wouldn't be even a part-time job. And it wouldn't cost anything to run for office because you could walk through the neighborhoods of your local council and meet everybody who wanted to talk. Imagine each council hiring a few policemen who would soon know personally every family in the neighborhood, who would respond to local calls because that was their job. Imagine having zoning decisions made by a council that actually lived in the neighborhoods affected.

I can already hear the arguments against it. We have professional firefighters — could we afford them if we had 30 or more separate departments? Of course we couldn't, but I wouldn't localize firefighting, because it's one of the few areas where centralized training pays off. Nor would I eliminate citywide and countywide law enforcement — large-scale traffic enforcement and criminal investigations would simply be separated from the highly visible local officers who would help to keep the peace in the first place.

What would welfare look like if it was administered by unpaid councils elected by local neighborhoods, audited by a central authority? People in real need might actually be treated with respect, as human beings with a temporary financial problem. Freeloaders would be identified easily because the officials would know them personally. Few indeed are the aspects of local government that would not be improved, or at least not worsened, by actually making the decisions locally instead of in a central office that, because it is responsible to hundreds of thousands of voters, is in fact responsible to nobody.

As for the argument that centralized government is more cost-effective: When you have a government for more than 200,000 citizens, you end up with a bureaucracy. There are many people whose jobs consist of making people under them work up time-consuming reports in order to present those reports to people higher up the food chain. With local government, those jobs would be completely unnecessary. Government gets expensive in part because administrators have to be paid substantially more than their underlings. So the more layers you add, the higher the salaries at each layer have to be.

When people moan about how local elections get such a low turnout, you might point out to them that part of the reason may be that we don't actually have any local elections. Democracy. Wouldn't it be nice to give it a try? Who knows? It might even work. *cr*



Orson Scott Card

Card is an author and writer who lives in Greensboro. A version of this article appeared in the Rhinoceros Times.

Local Innovation Bulletin Board

Taxed to Death

Offering some lessons that could be taken to heart in North Carolina, the Buckeye Institute recently released three studies on Ohio's estate tax. The North Carolina estate tax return, Form A-101, must be filed with the North Carolina Department of Revenue at the same time the federal estate tax return is due, nine months from the date of death.

The studies were principally composed by Dr. Robert Lawson, director of the Center for Economic Growth and Prosperity at the Buckeye Institute for Policy Solutions. The studies, "Why Does It Cost So Much to Die in Ohio," "Estate Tax Hurts Ohio Economy," and "Making Sense of the Ohio Estate Tax," appear on the Buckeye Institute's web site, <http://www.buckeyeinstitute.org>.

"Estate Tax Hurts Economy"

"The estate tax is one of the reasons that Ohio is at a competitive disadvantage in attracting and keeping entrepreneurs and investment. Congress recently passed legislation to phase out the federal estate tax. Consider the following true story, which illustrates Ohio's woes. In 1996, the mother of a Toledo area businessman died and left him as executor of the estate. He had prepared for this event by having his mother give himself and other family members as much money as possible before her death. He assured his mother not to worry because 'the money is still there; it's just not in your name.' The man was proud of himself for getting his mother's estate down to just a few thousand dollars at the time of her death. He knew this small estate would not be subject to the federal estate tax, but imagine his surprise when he discovered his Ohio estate tax liability was \$1,200.

A couple of years later, now with an estate worth several million dollars of his own, the man purchased a second home in Florida. Shortly after purchasing the home, he made Florida his state of residence, in part, to avoid the estate tax. Noting that he will likely have an estate that is much larger than his mother's, he could not help but boast about the money he will save by transferring his residence to Florida.

"Thirty-seven states and the District of Columbia levy a 'pick up' tax based solely on the federal government's 'state death tax credit.' This tax is essentially free to the taxpayer since it merely moves some tax money from the federal level to the state but leaves the total tax liability unchanged. Eleven other states with an inheritance tax (a tax in which the rate is based on the relationship between the decedent and the heir) also add a 'sponge tax' to take advantage of any unused state death tax credit. The estate tax hurts state competitiveness and punishes the most productive citizens."

The estate tax, along with Ohio's punitive income tax, has significantly contributed to creating an environment that causes people with significant assets to leave the state and discourages entrepreneurs from relocating to, and investing in, Ohio. For those who stay in Ohio, the estate tax's complexity imposes significant costs for compliance and estate planning. Recent federal legislation phasing out the federal 'state estate tax credit' over the next five years will make

Ohio's estate tax even more burdensome when compared with other states. For example, consider an estate with a value of \$1.5 million. While this may seem like a large estate, it is not really. The estate would likely include the value of life insurance, retirement benefits, and all real and personal property. A relatively modest farm with a couple of buildings, some land, livestock, and a few expensive pieces of equipment could easily be worth \$1.5 million. This person would face state estate tax liability in Ohio (after the federal state death tax credit) that is at least \$31,400 greater than almost all the other states, including the 38 jurisdictions which tax only the federal 'pick up.' This situation will only get worse in the future. After the federal 'death tax credit' is phased out in 2005, many of the 38 estates will choose not to have a death tax at all. A \$1.5 million estate would then face a state tax liability in Ohio that is \$79,700 more than those jurisdictions.

Ohio's population and aggregate personal income has lagged behind the national average and other states in the Midwest because of her poor tax and fiscal policies, including its punitive estate tax. If Ohio desires to regain its competitive edge, an appropriate starting point would be to repeal the Ohio estate tax. This action will encourage investment and would send a message that those with significant assets will not be punished or chased to other states."

"Why Does It Cost...to Die?"

"Ohio is one of only 13 states to tax estates beyond the level set by the federal government's 'state death tax credit.' Eleven of these states levy inheritance taxes; only Oklahoma has an estate tax comparable in structure to Ohio's. The remaining 37 states plus the District of Columbia only levy a 'pick up tax' equal to the federal government's state death tax credit. In these states, the estate tax is essentially 'free' to the taxpayer since it merely moves some tax money from the federal government to the state level but leaves the total estate tax liability unchanged.

To put this in perspective, consider a taxable estate of \$2 million. In 2002, Ohio's estate tax liability would be \$114,700. In those 38 states, including Florida, which levy only a 'pick up tax' based on the federal estate tax's state death tax credit, the estate tax on this sized estate would be just \$74,700. It is \$40,000 cheaper to die in Florida than Ohio for someone with a \$2 million estate. For a \$5 million estate the Ohio estate tax liability is \$324,700 and the liability in the 'pick up tax' states is \$293,700. By 2006, the federal estate tax's state death tax credit will expire (it is being phased out between 2002 and 2005), and those states which rely on the 'pick up tax' will no longer have an estate tax at all. If nothing is changed by the time the death tax credit expires in 2006, it will be \$114,700 cheaper to die in Florida with a \$2 million estate (\$324,700 for a \$5 million estate).

The Buckeye Institute is located in Ohio and research on the estate tax may be viewed at the institute's website.

Johnston County's Allen Mims Talks about Slow Government

By ERIK ROOT

Assistant Editor

CLAYTON

CJ: What is your background?

Mims: I am 51 years old. I grew up in Raleigh and went to NC State University, where I got an engineering degree. I became a plant manager in Wendell, where I worked for eight years.

My mother died when I was 8 years old, and my dad bought a farm in Johnston County. That's when I fell in love with Johnston County.

The growth in Johnston County has kinda done away with the farming. I got involved with the Clayton Planning Board and I enjoyed dealing with the issues while I served on that board.

I ran for State Senate in 1996. I lost that race, but won in Johnston County.

People approached me to run for county commissioner because a longtime commissioner, James Cash, decided he was not going to run. I decided to give it a shot and won fairly handily.

I have enjoyed serving the people of Johnston County for the past three years. The commissioners have done a good job keeping the county living within its means.

CJ: So, what has been the most challenging thing since you have been county commissioner?

Mims: The slowness of government. Government moves slow. It is hard to get a consensus. That can be a good thing. Sometimes government just needs to take care of problems instead of talking about them for six months.

Probably the biggest challenge is making sure we live within our means — that we can build schools and keep the tax rate where it is. We have been able to do it so far. We have not raised taxes in the three years I have been a commissioner.

Getting our arms around growth is another challenge. We do not want to grow faster than we can provide services.

CJ: Johnston County is growing very rapidly right now.

Mims: According to the census in the last 10 years we are the fastest growing county in the state.

CJ: How do you balance growth with providing services?

Mims: In the past, counties have been more reactive to growth. But we are trying to be more proactive. We have a wonderful staff that works for the county. In the next few years we are planning to have water all over the county.

Of course, when you are doing services like that you have to make sure that such services pay for themselves. There's no sense in using property taxes to force someone who doesn't have water or sewer to pay for someone else's services.

We just had our bond rating increased because of our good, fiscally conservative approach to finances. We really don't have a lot of control over growth. We did pass a growth ordinance to limit the number of permits, but we had it generous enough that allowed people to continue to build. People are going to come to an area if they

want to come. You can't force folks to move into a walking community. If that is what the market wants, then it will fly.

CJ: The Republicans have a 6-1 majority now on the county commission.

Mims: In 1998 Wade Stewart and I were elected, which made a four-person Republican majority. I think some have said that it was the first time in 70 years that the Republicans had such on the county commissioners. In 2000 we added two more to make a six-to-one majority.

The county is changing, but there's still a majority of Democrats in the county. Even our Democrats on the whole are fairly conservative. I just think they like the conservative makeup of the commissioners.

I think they have liked the way we have managed taxes. We have been able to hold our rate, and when we do our revaluation for 2003 we hope to stay revenue-neutral. If our tax base doubles, we ought to be able to cut our tax rate in half. That's what I am hoping will be done and at least we need to stay close to that.

The state requires us to keep a certain amount of dollars in our fund balance (I think it's about 8 percent) and that helps us with our bond rating. But I do not want to keep more in there than we need to. I think the money will be better put to use in the people's hands, not the government's.

Just because we have money doesn't mean that gives us license to go and spend it on things we don't need, like golf courses and things like that.

We do have some people advocating for a convention center. But it's dead in the water. It is a good idea, but I am not sure the timing is right.

We do need meeting space. But as far as a convention center, I would rather see that done as a private thing. Perhaps it could be a part of a hotel or motel complex that a business builds.

CJ: You are in the process of revaluation now?

Mims: We do it every eight years, but we are looking at doing it every four years and doing it in house. That should get rid of some of the sticker shock. I don't care whether my house doubles in value. What matters is the tax rate.

CJ: Any parting thoughts on the future challenges on the horizon when it comes to Johnston County?

Mims: Well, school funding...I am on a finance committee and we are working to keep our debt where we can manage it. If we keep on growing like we have the school needs and the buildings are going to be the major things we will need to account for.

But an education does not mean anything if you are not safe. We also need to keep our fire and rescue and sheriff's department in top shape. We have not scrimped on that. When our sheriff hands you a budget, you know that's what he needs and not what he wants.

We buy a couple ambulances for our rescue squads every year or so. We also just bought another 600 acres for a landfill. All this talk about regionalization is nice, I guess, but as a county, you have to prepare and look out for yourself.

From Cherokee to Currituck

Davidson Sheriff's 'Happy Ramadan' Card Is Sad, Critics Say

By ERIK ROOT

Assistant Editor

Critics attacked Davidson County Sheriff Gerald Hege after he mailed out Christmas cards showing the sheriff holding the decapitated head of Osama bin Laden.

The card depicts a desert background with Hege dressed in a combat uniform and wearing a beret. Hege said he paid for the card with own money.

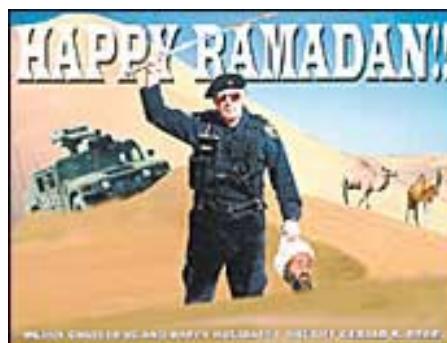
The greeting reads "Happy Ramadan. Merry Christmas and Happy Holidays! Sheriff Gerald K. Hege."

Many are not laughing at the sheriff's brand of patriotism. Critics believe that the card is insensitive, insulting, and inappropriate. But Hege defends himself by saying President Bush wants bin Laden dead or alive. Some believe that Hege could have shown his support for the war in other ways.

Still, Hege said the cards are used for a private purpose and are sent not out at public expense. "I do have a private life," Hege said.

Dealerships pay for patriotism

According to WRAL-TV, car dealerships in Fayetteville could pay for displaying their patriotism. Many dealerships are flying small American flags from the antennas on vehicles that sit on their lots. The city council "tolerated" the flags after the attacks of Sept. 11, but now



Sheriff Hege's card stirred up a ruckus.

they say the time is up and if the dealerships keep the flags on the cars, they will have to pay a fine for violating a city ordinance that forbids the flying of balloons and official or unofficial flags.

City officials sent inspectors to the offending businesses and told them to remove the flags. However, two businesses are keeping the flags flying.

Meanwhile, the city council will meet to decide on whether the ordinance should be enforced.

Bats not batty

The News & Record of Greensboro reports that investors for the Greensboro Bats minor league baseball franchise are "working quietly" to buy land for the team. Property owners have been approached by representatives for the Bats to buy land.

So far, the city of Greensboro is not

involved in the effort to relocate the Bats to a new stadium. Greensboro City Councilman and real estate broker Robbie Perkins said, "It's a land deal, as far as I can tell, with private money and private initiative."

Usually towns and cities get involved in such sports endeavors (see next story below) but, if successful, the city could get a revitalized downtown without using taxpayer money in the effort.

Zebulon drops suit

The town of Zebulon dropped a lawsuit against the Carolina Mudcats minor-league baseball team in the face of a ruling unfavorable to the town, according to *The News and Observer* of Raleigh.

The town wants to renegotiate the contract it has with the team because the town found that it was losing money on the deal. The town wants the Mudcats to either pay the town more money or move out of the stadium. The town says it is losing \$70,000 a year.

The town apparently decided to drop the case because the judge told the lawyer representing the two sides that he intended to rule in favor of the Mudcats. The news, however, did not stop town officials from threatening to refile the lawsuit. "We could file the suit again tomorrow. We are not afraid to," Mayor Bob Matheny said.

Mudcats owner Steve Bryant said hopes the town will make a more "realistic offer." Bryant said he has been willing to work with the city.

"We're willing to roll up our sleeves and sit down at the table. But there's a lot of hard feelings... Every time we've made them an offer, they've come back with something totally off the wall," Bryant said.

The foundering Waves

The Wilmington Waves have been in financial trouble for some time, according to the *Star-News* of Wilmington. The minor league baseball team accepted the resignation of President and General Manager Sam Hinds. The Wave's financial troubles come despite renovation of the stadium where the team plays. The Wave's experience is similar to that of many other franchises across the country, which have seen a decline in attendance even after stadium upgrades.

The team has not reported the extent of its financial troubles.

Garbage privatization

The Courier Times of Roxboro reported that the City of Roxboro will consider privatizing its garbage collection. City Manager Jim Freeman is expected to recommend the action.

Freeman said the city would realize "substantial cost savings" from the privatization. Two businesses are vying for the contract: Waste Industries and Republic Waste. Waste Industries would buy the city's waste collection vehicles if its proposal is accepted by the city.

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From the Liberty Library

• What's the real story of globalization? Is it a "race to the bottom," as the critics of capitalism insist? Or a race to the top, as Swedish journalist Tomas Larsson suggests? Larsson spent 10 years reporting from Bangkok, and in his book *The Race to the Top: The Real Story of Globalization*, he takes readers to the slums of Rio de Janeiro, a bicycle factory in Korea, a brothel in a back corner of Thailand, and more. In all the places, he finds that the changes of the past 10 years have given people tremendous opportunities. His perspective on globalization differs from those of Pat Buchanan and William Greider, based on his on-the-spot reporting from all over the developing world. This release can be ordered online at www.cato.org.

• *Break These Chains* is an account of Milwaukee's school choice program, the first such publicly funded program in the United States. Daniel McGroarty details the battle of inner-city parents fighting to free their children from a failing public education system. The reader goes inside the classrooms and courtrooms, down the hallways of bureaucracies, and right into the middle of political and personal power struggles. It is a story of individuals who, despite relentless opposition from teachers' unions, school boards, and local politicians, demanded the right to send their children to good schools and won. McGroarty illustrates what can happen when low-income parents fight institutionalized poverty. The book shows how school choice can work effectively, offering parents an alternative to the public schools assigned to them and hope for those trapped in a stagnant system. More on this title at www.primapublishing.com.

• Books about Ronald Reagan are all the rage these days, and Prima Publishing has its own contribution as well. In *The Age of Reagan, 1964-1980: The Fall of the Old Liberal Order*, author Stephen F. Hayward brings to life the tumultuous decade and a half that preceded Reagan's ascent to the White House. Based on scores of interviews and years of research, Hayward takes readers on a journey through the most politically divisive years the United States has had to endure since the decade before the Civil War. In Washington, the old liberal order was collapsing under the weight of a long string of failed policies. Hayward brings new insight into the failure of Lyndon Johnson's Great Society, the oddly liberal nature of Richard Nixon's administration, the significance of Reagan's years as California's governor, and the political earthquake that was Reagan's presidential campaign in 1980.

• In *The Broken Hearth*, former drug czar William Bennett discusses trends that undercut the ideal of the nuclear family as the essential foundation of society. Bennett traces the effects of these trends and weighs their impact on the present and future health of society. The integrity of families is, Bennett argues, a strong and legitimate interest of society at large. More details on this title at www.randomhouse.com. *cr*

On Culture

Star Trek's Diversity Takes a Welcome Turn

By JOHN HOOD

Publisher

All I can say is, it's about time. From the beginning, the pioneering science fiction series *Star Trek* has advanced the cause of diversity on television. And now, with the latest series *Enterprise*, the franchise is furthering this noble effort.

In the original series, creator Gene Roddenberry made a special effort to represent a variety of human cultures on his futuristic starship — a Scottish engineer, a Japanese helmsman, an African communications officer, a Russian navigator, and so on. He explained that the diversity wasn't just a personal interest of his but a key part of making his future Federation realistic; surely, 200 years from now, any racial hangups would be long-since discarded.

Extending diversity further, Roddenberry originally cast the second-in-command of the *Enterprise* as a woman (his later wife, Majel Barrett) and eventually promoted a Vulcan, Mr. Spock, to the job.

And the good thing was that — with the understandable exception of Spock, a

non-human — *Star Trek's* diversity never came across as a big deal. Mr. Sulu didn't make occasional political speeches about historical injustice to Japanese-Americans (although the actor, George Takei, did in fact experience it). Lt. Uhura was never on race-relations pins and needles; indeed, there is a scene in one episode where President Abraham Lincoln, or at least something taking his form for a time, uses a word to describe Uhura that, on second thought, he fears has offended her. The lieutenant merely shrugs it off with a "we've outgrown that sort of thing" remark that warms the heart.

So what new frontier of diversity has the new *Enterprise* challenged? Well, it's not so much new as neglected. Since the end of the original series, which featured the



Enterprise resident Southerner Trip Tucker makes time with Vulcan science officer T'Pol.
Photo courtesy of Paramount Pictures

irascible Dr. McCoy as medical officer, there hasn't been a real Southerner on the show until now. Chief Engineer Charles "Trip" Tucker, played by actor Connor Trinneer, is an honest-to-goodness Southern good-old-boy with a disarming smile, a thick accent, and a penchant for getting into trouble. All the more reason to catch this new, and intriguing, show. *cj*

Book Review

Gannon's 'Secrets' Resonates With the Times

• James Gannon; *Stealing Secrets, Telling Lies*; Brassey's, Inc. 2001; 324pp.; \$26.95

By GEORGE C. LEEF

Contributing Editor

RALEIGH

In the movie *Good Will Hunting*, the almost inevitable anti-American jab is thrown near the film's end, in a scene where Will Hunting, a young, disturbed mathematical genius is discussing possible employment with an official of the National Security Agency. After Hunting gets the NSA interviewer to concede that the agency's role is to break codes, we receive one of the most ridiculous soliloquies that Hollywood has ever inflicted on the viewing public. Hunting, played by Matt Damon, launches into a long-winded hypothetical that starts with him breaking the code of some middle-Eastern group that opposes the United States, rambles on through bombing, an energy crisis, and environmental devastation, and ends with economic ruin for ordinary Americans. Code breaking by the U.S. government is thus revealed to be a terrible thing. The stunned NSA official, of course, never replies.

Recent events are an embarrassment for those who hold to the idea that breaking codes of anti-American groups is a terrible thing to do. It is conceivable that if the NSA or some other federal agency had been intercepting and reading the communications of Osama bin Laden, the hijackings of Sept. 11 could have been prevented. No matter what Hollywood may think, breaking codes and penetrating enemy plans is not just stupid, nasty meddling, and James Gannon's new book *Stealing Secrets, Telling Lies* gives us an excellent historical overview of the benefits of spying and code-breaking in the 20th century.

Gannon's 16 chapters, beginning with the Zimmerman telegram, whose decipherment revealed a German plan to foment war between Mexico and the United States in 1916, and ending with the story of spying that helped to bring about the demise of the Soviet puppet state in Poland — and indeed the collapse of the whole Soviet system — show that history could have turned out much differently had it not been for the

bravery and ingenuity of Americans, Britons, Poles, and others who engaged in the dark arts of code-breaking and espionage.

Most of Gannon's material has been covered before, but he brings new insights and details to his stories of cryptanalysis and espionage. The breaking of the Japanese "Purple" code before American entry into World War II, for example, has been widely written about, and the man generally given credit for the critical breakthrough was William Friedman. Gannon points out, however, that while Friedman assembled the brilliant team that cracked Purple, the astounding efforts of Frank Rowlett, a young mathematical genius from southwestern Virginia, whom Friedman recruited, have not received the praise they deserve. The Purple story also touches on Pearl Harbor and Gannon notes that owing to a shortage of manpower, U.S. cryptanalysis concentrated exclusively on the intercepts of messages sent in Purple, the top Japanese code.

Six chapters are, in whole or in part, devoted to the most successful intelligence operation of World War II, the British code-breaking operation at Bletchley Park, code-named Ultra. Relying upon mathematical geniuses, military daring (especially the rescue of code books from sinking U-boats), and some German cryptographic mistakes, Ultra enabled allied planners to thwart German initiatives from 1943 on.

Arguably the most vital Ultra success was in the Battle of the Atlantic, where the ability to read German naval communications made it possible first to route convoys away from U-boat packs, and later to go on the offensive against the packs. Gannon correctly observes that the battle was not a one-sided affair. German code-breakers were at times able to read allied communications and at those times the U-boats managed to sink large numbers of merchant ships with their cargoes of food and war material for England.

Eventually, however, the Allies

Espionage and code-breaking are even more important now than earlier in history, since we have much less reaction time...

achieved an intelligence monopoly. Their own codes were secure, but those of the enemy were open. From mid-1943 to the end of the war, the majority of U-boats that sortied out into the Atlantic never returned.

Allied leaders knew they had a crucial weapon in their ability to read enemy communications and also knew that it would be lost if the Germans came to suspect that their codes had been broken. Using Ultra information in ways that could arouse suspicion was unthinkable. During the campaign against Rommel's Afrika Korps, Gannon notes, the allies knew when ship-

ments of supplies and reinforcements would leave Italian ports. They decided never to attack Axis convoys, however, without first having a plane make visual contact, thus making it seem that the subsequent attack came from the chance sighting.

Gannon's book was published before the terrorist attacks of Sept. 11, but its relevance is as plain as the wreckage at the WTC site. We still live in a very dangerous world and are just as much at risk from attacks by maniacal, vision-driven zealots as at any time in the 20th century.

Perhaps more so. Espionage and code-breaking are even more important now than earlier in history, since we have much less reaction time than previously. Our efforts at intelligence gathering and espionage have been hampered in recent years by the squeamishness that comes from listening too much to the kinds of people who perpetually whine about our supposed economic and cultural hegemony over the poor, noble, Third World.

Our 21st century war against terrorism is one in which intelligence is just as important as it was during World War II and the Cold War. We have evidently lost the edge that our intelligence operations once had.

I recommend Gannon's book as a reliable antidote to the naïve thinking that views American intelligence-gathering as pure wickedness. It has been crucial in the past and may again in the future. *cj*

Book Review

'Rebels on the Air' Makes Waves Over Heavy-Handed Government

• Jesse Walker; *Rebels on the Air—An Alternative History of Radio in America*; New York University Press; 2001; 326pp.; \$24.95

By GEORGE C. LEEF

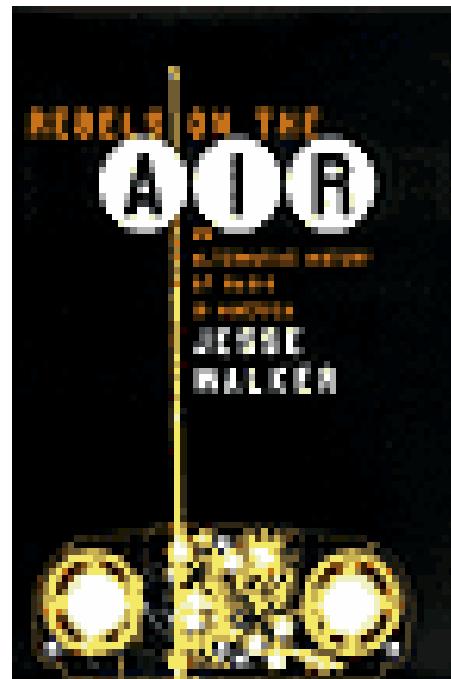
Contributing Editor

You don't have to be harboring an escaped Cuban child to receive an unexpected, predawn visit from a federal SWAT team.

Early in the morning of Nov. 19, 1997, Leslie Brewer was awakened by a pounding on his door. Upon opening it, he discovered an armed Special Weapons and Tactics team, backed up by dozens of federal officials and local police. The government agents burst in and ordered Brewer and his wife to the floor. The Brewers were handcuffed and guns were pointed at them while agents fanned out to search their house in Tampa, Fla. The object of the search: radio equipment. Brewer had violated the law by broadcasting without a license—an occasional low-power program on an FM frequency. Several other similar raids were pulled off against other area "pirate" broadcasters that day. All were assessed substantial fines, suffered the confiscation of property, and now have criminal records.

That is but one of the many episodes of governmental hostility to unlicensed free speech on the airwaves that *Reason Magazine* writer Jesse Walker includes in his new book *Rebels on the Air*. Right from the first page, Walker's passion for his subject is evident. This is a book by a lover of radio who has amassed a storehouse of information about its history, particularly the history of governmental meddling in the medium. The book's message comes through strong and clear: Radio would be far more than it now is if the government—usually a tool for entrenched interests that want to squash competition—would step aside and allow freedom to work.

Anyone who still clings to the notion that the United States was a laissez-faire



paragon a century ago will have to abandon it upon reading the opening chapters of "Rebels on the Air," which deal with the early history of radio in the United States. Wireless communication was only nine years old when Congress passed the Radio Act of 1912. The key provision of that law was its prohibition against all unlicensed broadcasting. Most of the then-useable spectrum was reserved for government use, and most of the rest assigned to commercial stations. Amateurs were "exiled to an ethereal reservation" consisting of "a piece of the spectrum considered almost useless," and limited to one kilowatt of power.

U.S. Navy forces change

Why the heavy-handed intervention? Walker notes that "Self-regulation was widespread and growing, a rich spontaneous order nurtured by the amateur associations, from small college clubs and Boy Scout groups to large metropolitan federa-

tions." The force behind the Radio Act was the U.S. Navy, which was not interested in spontaneous order in radio. Occasionally, its radio communications had suffered from interference and amateur pranks, but Walker points out that the problem could have been solved with a far less draconian measure than the clumsy, authoritarian Radio Act. The Navy needed only to encrypt its transmissions, Walker observes. A minor problem was turned into the excuse for a massive increase in governmental control.

The Radio Act was the camel's nose under the tent. As is the case with nearly everything the government begins to regulate, more and more statutes and regulations would issue forth from Washington over the next few decades, with uniformly bad results, Walker shows.

The next major assault on radio freedom was the Radio Act of 1927. Herbert Hoover, President Coolidge's secretary of commerce, had become alarmed over stories about widespread radio interference, and saw increased federal regulation as the answer. Walker, however, demonstrates that the problem stemmed from the government's own policy of cramming so much radio into such a small slice of the spectrum. "For some impenetrable reason," he writes, "the Commerce Department required all news, lectures, entertainment, etc.—in short, virtually all broadcasting—to take place at the same frequency: 360 meters, or 833.3 kHz." Simply allowing more of the spectrum for the growing radio market would have ameliorated the interference problem.

There was another approach to the problem that held great promise, but was never given a chance to work by Hoover, namely the common law. Citing Ronald Coase's trailblazing work, Walker argues that it would have been far better to have allowed broadcasters to stake their claims to frequencies and then protect their frequencies against interference through tort law, much as a homesteader would sue to stop trespass on his land.

During the 1920s, such a common law-based order in radio was emerging, with spectrum rights being traded and some court decisions recognizing a right against interference. Unfortunately, the free-market, common law regime that was beginning to break through the crust of federal regulation was strangled in its cradle by the 1927 Act, which eliminated all individual rights in the radio spectrum. Henceforth, the Federal Radio Commission, later renamed the Federal Communications Commission, would assign frequencies and naturally politics would play a leading role.

Walker has sharp words for National Public Radio, as one would anticipate. Congress tacked on a provision for public radio as an afterthought in the 1967 Public Broadcasting Act, one of those grandiose socialist forays so beloved by President Lyndon Johnson.

A few radio people had hopes that NPR would become an innovative, locally-directed enterprise, but anyone familiar with the federal government would have seen the folly in that belief.

Walker rounds out his book with a discussion of new broadcasting technologies. Innovators keep finding ways to transmit communications to people that would bypass the FCC's control of the artificially restricted airwaves. There is, for instance, satellite radio. That technology has been in existence for a decade, but the FCC did not award its first license until 1997 and permits only a very small portion of the band to be used by two satellite services. It appears that the FCC is once again the Maginot Line behind which conventional broadcasters who don't want competition are hiding.

At times, "Rebels on the Air" dwells too much on the wild and wooly cast of characters in the story of the government's suppression of the free market in radio, but that is a small cavil. The book is a great addition to the literature of the ways in which the state uses regulatory edicts and strong-arm tactics to stifle people's freedom. *cc*

Book Review

'Great American Tax Dodge' Ignores Facts, Figures, and Reason

• Donald L. Barlett and James B. Steele; *The Great American Tax Dodge Little*, Brown and Company, 2000, 292 pp

By E. FRANK STEPHENSON

Guest Contributor

MOUNT BERRY, GA.

It is difficult not to like a book that predicts the demise of the U.S. income tax before its 100th birthday (2013). Yet "The Great American Tax Dodge" is immensely unlikeable. That authors Donald Barlett and James Steele treat their prediction as a rallying cry for preserving the current tax monstrosity rather than a cause for optimism is enough to explain the awfulness awaiting the reader.

Of the several factors Barlett and Steele blame for eroding the income tax, two top their list. First are the offshore tax havens, now more readily accessible via the internet, referred to as "treasure islands." Barlett and Steele give us a rambling travesty of such places as the British Virgin Islands and Costa Rica while overlooking the useful competition that such places provide to restrain our domestic tax system from being even more draconian.

Moreover, Barlett and Steele fail to recognize that the costs people will incur to use such tax havens reflect the massive in-

efficiencies introduced by our tax code. (This is a mistake they repeat later when reporting that the estate tax affected "a mere 1.4 percent of the adults who died" in 1995; obviously, they have never heard of estate planning.)

Barlett and Steele's other primary culprit in undermining the sacred income tax is—please read this sitting down—Congress, which "slashed" the IRS's funding. According to the authors, the same rapacious Congress that can hardly bear to cut taxes by \$1.25 trillion even with projected surpluses totaling \$5.6 trillion, systematically seeks to stealthily end the income tax by leaving the IRS in a "weakened state."

This outrageous assertion hardly merits discussion—wouldn't it stand to reason that if Congress really wanted to undermine the income tax that it would do so openly so it could reap the political benefits of repealing an unpopular tax?

If the logic supporting the claim that Congress seeks to erode its cash cow is overwhelming, the evidence is even weaker. No less than 13 times do Barlett and Steele claim that Congress has "withheld funding," "made sure the IRS no longer has the resources to catch tax cheats," or "[w]ith each passing year [since 1991]... continued to slash the service's auditing capabilities."

Not once, however, do they provide budget figures to support these statements.

Dodging the statistics

As the suspicious reader might guess, there is a reason for this great American statistical dodge: The IRS budget did not decline over the 1990s. The IRS was appropriated \$7.09 billion (measured in 1997 dollars) in 1991, received \$7.21 billion in 1997, and spent more than that in every intervening year.

Instead of looking directly at resource availability, Barlett and Steele cite declining audit rates and IRS employment. Declining audit rates, however, are consistent with interpretations other than congressional miserliness.

According to IRS Commissioner Charles Rossotti, the audit rate "substantially understate[s] the IRS's capability to find errors in returns" and, because of increasing computer scrutiny of returns, "there is no need to return to the levels of individual audit coverage that existed even five years ago."

The misrepresentation of the IRS's budget is hardly the only sleight of hand foisted on the reader. For example, an assertion that "tax dodging has become a way of life for

one-third to one-half of all Americans" is illustrated in a chapter called "The Tax Cheat NextDoor" by the Wildenstein family, which has homes on three continents and spends more per year (\$60,000) on its dogs than most families earn. If tax cheating is so ubiquitous, couldn't Barlett and Steele have found a more representative (albeit less sensational) example?

Of course, Barlett and Steele do not confine their jujitsu to statistics. They proclaim "that in a democracy all citizens should be treated the same," but they argue for a tax code with "a dozen or more rates that rise as income goes up." Evidently the meaning of "same" depends on one's income. Not that this is surprising in a book that invokes the tired cliche of the robber baron and frets about "an unbridgeable chasm, between the have-mores and the have-lesses."

This book is long on fanciful anecdotes, short on solid evidence, and utterly devoid of any respect for individual liberty or property rights. As a result, reading Barlett and Steele is even more painful than filling out a tax form. *cc*

Frank Stephenson is an assistant professor of economics at Berry College.

Editorials

EASY MONEY

NCAE, the IRS, and political shellgames

Integrity in government and the political process is predicated on the idea that, once laws are passed, they shall be abided. But, apparently, if one runs a political operation attuned to the sensibilities of the ruling class, there is a lesser inclination that suggests self-selection as to whether one will abide by the law. The North Carolina Association of Educators is a case in point.

For many who whine about campaign finance "reform," their silence speaks volumes when left-wing political allies blatantly violate existing campaign finance laws.

Still, for the children, let us, for a moment, dissect the rot of contradiction that now defines the NCAE, which is apparently using tax-deductible contributions for political activity without properly reporting those expenditures.

The Landmark Legal Foundation, based in Virginia, has called upon the Internal Revenue Service to investigate the activities and tax filings of the National Education Association and five of its state affiliates. One of those five offshoots is the NCAE. Along with NEA-affiliated organizations in Pennsylvania, Nebraska, Kansas, and Minnesota, Landmark is challenging the NEA and the NCAE to come clean on their political activities.

The core of the 20-page Landmark complaint is that the NEA and the five affiliates, targeted simply because they were the state associations from which information was most readily available, engaged in undisclosed political actions and expenditures during the 1996 election cycle. Political activities by such groups must be fully, accurately, and publicly disclosed. In essence, the Landmark complaint suggests that the NEA and its many affiliates spent substantial operating funds on taxable political activities, failed to report those expenditures to the IRS, and so subverted both campaign and tax reporting laws.

When nonprofit organizations spend money on political activities such expenditures must be held separate and reported separately. Yet the NEA has indicated no such activity to the IRS since 1994. And working with its state affiliates, it is clear that the NEA, especially in 1996, colluded with the Democratic Party in a National Coordinated Campaign to sway the political process without disclosing information about its activities which, by law, it is obligated to make available.

While NCAE properly accounted for \$265,000 through its PAC for the 1996 election cycle, it failed to report any other such items on its required IRS Form 990. Documents reviewed by *Carolina Journal* also attest to a deeply entwined relationship between the Democrat National Committee, the N.C. Democrat Party, individual campaigns, and other constituent groups. As part of the rules for each campaign to receive funds from the Democrats' Coordinated Campaign, the DNC suggested that the North Carolina Steering Committee include a representative from the North Carolina teachers' union, or the NCAE. Then NCAE President John Wilson, who now serves as the national NEA executive director, was a key member of the govern-

ing structure of the steering committee. He was designated also as a member of the powerful management committee for the campaign. This committee was responsible for the campaign's day-to-day operations. This was an explicitly and overtly political operation.

The Responsibilities of Nonprofits

To the extent that any organization has tax-exempt status, whether a politically charged union such as the NEA or a charitable nonprofit, that status should be diligently adhered to and strenuously observed for accountability. Tax deductibility is not an unlimited license to promote partisan agendas. We could make a solid argument against the use of tax exemptions to shape behavior. Yet it is also true that — to the extent we allow such deductibility under current law — the application of such breaks to any and all organizations who receive them should be rigorously enforced. To play fast and loose with campaign finance laws fuels voter cynicism over campaign expenditures and the law in general to a far greater degree than does the amount of money spent.

In his humorous perversity Mark Twain got it at least half right when he wryly noted that "virtue has never been as respectable as money." There is much to salute about the role of money in politics as an enabling tool for communication, organization, and mobilization. It is a necessity. While the NCAE and its parent NEA may or may not have qualms of conscience regarding their apparent inability or blatant unwillingness to abide by the laws of campaign finance, they should surely be held to account.

We feel compelled to highlight this as one more example of two strains in American politics that need to be dealt with; 1) The unauthorized use of employee funds by their constituent unions for political activity and 2) The skirting of tax laws through money shuffling and subterfuge. While we recognize that it is human nature to minimize the ability of others to seize one's money, it is also true that when the law is successfully flouted it becomes a source of hilarity and contempt. By example, the teachers may be teaching us something on that score.

TO LEARN? Kids are not lab experiments

It really wasn't that long ago, for those of us butting against middle age now, that children walked to school everyday confident, secure, and comforted by the familiarity of their neighborhood school. It was an age when school administrators actually concentrated on the education and well-being of children. With the onset of forced busing in the 1960s this gleam of idyllic and intimate harmony in children's lives changed as America embarked upon a vast experiment of social engineering in the public schools. To this day, we battle foolishly over the machina-

tions of school board schemes intended to juggle our children as pawns in a regime of political correctness aimed more at brainwashing than education. The recent school reassignment plan proffered in Wake County is illustrative of this conflict.

William R. McNeal, superintendent of the Wake County Public School System, recently claimed that the board's plan was not "social engineering" but "entirely about academic success." But a central reason the most recent reassignment proposal has raised the hackles of parents is that the plan, at least according to *The News & Observer* of Raleigh, for the first time "moves large numbers of students from middle and upper-income areas to satisfy diversity goals."

The Christian Science Monitor observed on Dec. 21 that "for many (school) districts, income-based school placement represents a legal path toward racial diversity." Wake County School Board administrators have not been shy about pointing to the alleged need for "socio-economic diversity" in devising their

schemes for, yes, social engineering with our children as guinea pigs for facile racial and cultural equivalence.

Wake County's proposal seeks to move 5,800 students to different schools beginning in the fall of 2002. While there exists a grandfather clause for students in particular grade levels who can also ensure their own transportation to and from school, the final proposal will be presented Jan. 22 to the school board. Due to its controversial nature, the plan has generated heated opposition even among those parents who do not normally involve themselves in such disputes. The Parent Teachers Association in Wake has taken a lead in organizing a campaign of letters and telephone banks to protest the proposal.

While the PTA has a proprietary interest in the reassignment plans because many of its leaders will suffer a direct impact through the reassignment of their own children, their concerns are legitimate and on point. Undermining the case for forced reassignments to promote "diversity" is Dean Hering, president of the Jeffreys Grove PTA in Raleigh, who said "the big issue here is what do you tell students if you move them every three years? They can't build a sense of community and take a stake in the school." Precisely.

Thankfully, the PTA, despite the concerns of many, is taking a high profile in opposing the reassignment and their concerns about a sense of community are cogent. Following the onset of forced busing throughout the nation's public school systems in the 1960s and 1970s, community participation in those schools fell, as did membership in the PTA. The less public schools were seen as community institutions, people came to feel disconnected with their children's schools. Volunteerism among parents tumbled.

Terri Stern, PTA copresident at Lynn Road Elementary, who has taken a vocal lead in the battle against Wake's reassignment plan, said, "If you don't think your children will be there next year, why would you get involved?" The odds are you, and many parents like you, wouldn't.

American public education can be a wonderful thing and has offered many a leg up in life they would not have otherwise had. It has also been twisted, manipulated, and abused by those who have their own political agendas. When we are still struggling to get sixth-graders to master fifth-grade math and when so many children can barely write a sensible and grammatically correct paragraph, why are we wasting valuable time and resources and shuttling kids like so much cattle in the name of "diversity?"

Schools, by definition, are intended to be educational enterprises and not social laboratories. From the 1952 Supreme Court decision on *Brown v. Board of Education* that abolished the rule of "separate but equal," to Little Rock, the Boston riots, and the momentous April 1971 decision by the Burger Court implementing forced busing in Charlotte, an interesting dichotomy emerges.

Busing was promulgated to promote equal civil rights. Yet the policy is among the most antidemocratic, tyrannical tools in American history. If we yet deign to strive for a government of laws rather than of men we must forever strive for law that is made by those constitutionally anointed by the elective process.

Like racial preferences in government hiring and university admissions, forced busing in America, whether to battle alleged civil rights infractions or, in our day, to promote "diversity," is a judicial construct never passed into affirmative law by any legislative body with a presumed authority to do so. The tyranny of judges, and of small-minded school administrators, is no way to make laws, trod on the rights of parents, or manipulate America's children.

But that is the regime we have. Kudos to the PTA for standing up to it.



BUYING JOBS?

Snake oil salesman Easley on the road

Can government create prosperity? Or is it people who create wealth through entrepreneurial activity? History is rife with lessons that make the answer clear: Free and innovative people are the fount of true wealth. To the extent that government has any positive influence at all on economic prosperity it resides primarily in protecting our property rights and getting out of our way. Outside of core government functions such as public safety, unlimited-access highways, and courts, it is difficult to find examples where a state program has resulted in net economic growth.

So when politicians pop up with promises of government-subsidized prosperity we should one and all be on our guard. Gov. Mike Easley is quickly becoming a Jack-in-the-Box for condoning and perpetuating such foolishness. He repetitively bounds forth with "new" business recruitment announcements, themselves often old news simply wrapped in a pretty, new holiday ribbon, that attest to his faith in government's ability to pick winners and losers. The debates over "industrial policy" in the 1980s were as inane and devoid of substance as are those today in favor of "economic development" incentives offered by the state of North Carolina.

Sadly, even if one believes in the efficacy of economic development policy, he would be hard-pressed to accept the sincerity of Easley's pronouncements. In their blatant cynicism alone these public relations ploys are contemptuous of the informed citizenry both desired and required within the constructs of democratic government. With apologies to Rod Serling, we offer for your consideration the following: Easley's office celebrated several new manufacturing facilities in early December about which the governor was either misled by his staff or about which he deliberately and substantially misled North Carolina citizens.

Easley's pronouncements included two enterprises — publicized months ago — as though they were altogether new projects. One company, planning to actually exercise its own public relations thunder, was pre-empted by the politically desperate Easley operation as the governor's minions and the grand pooh-bah himself jumped the gun to take credit. If the goal is to recruit new business, it is hard to see how anyone could be successful with such a ploy when those businesses one must supposedly flatter are toyed with by a politician's public relations operation for his own facile political gain.

A sterling example is that of Universal Leaf, based in Rocky Mount. With a \$100 million investment that would allegedly include 1,000 new jobs in financially strapped eastern North Carolina, the company announced its plans months ago.

Yet on Dec. 7, wary of a lack of positive achievements attributable to the governor, Easley launched a song and dance announcing the project and claiming credit for it after the fact. Indeed, Universal Leaf announced its intentions in May 2001, fully eight months before Easley went to grab the flag. With the closing of other Universal facilities, Easley neglected to mention that the project actually created few or no net new jobs.

On Dec. 6, Easley announced a new effort by Borg-Warner Turbo Systems, a project Borg had already announced in June 2001. The company is slated to receive more than \$1 million in state tax credits and \$500,000 in grants from Buncombe County.

Whatever one thinks of economic development policy, it is particularly cynical and base of Easley to play prima donna in announcing done deals long after the fact, in mugging private enterprise for political gain, and in pretending that holding a press conference somehow contributes to our prosperity. Let's put more effort into initiatives that might really help — like reforming our punitive tax code, made worse last year by the governor himself.

MEEKER MUDDLE

34 goals = no progress

Anyone in marketing understands the rule of threes. People tend to think in trifectal increments. One, two, threes and a ,b, c's represent a formulation easily absorbed. Thus we find ourselves immensely puzzled by the dense, 34-point agenda of Charles Meeker, the newly elected mayor of Raleigh.

The successful acquisition and exercise of power is achieved through incremental gradations. True political geniuses such as Ronald Reagan and Jesse Helms understood instinctly the art of simplicity. Focus on two or three large issues upon which to expend one's political capital and you are rewarded by collateral achievement. Meeker has no apparent understanding of this principle.

With his announced 34-point agenda for the city of Raleigh, he wants the city council to vote on each item within the next three to six months. He said, "I do expect the council to consider all these options." Many of Meeker's proposals bear a degree of approval and a sincere measure of scrutiny.

Does Raleigh truly need a full-time lobbyist when a part-time mayor, who should be truly dedicated to actually *being* an effective mayor, and who not coincidentally lives in Raleigh, can walk four blocks to talk to legislators?

Does Raleigh need to continue participation in planning for a mass transit system via the Triangle Transit Authority when, after promises made and broken, one of the most densely populated areas of the Triangle — North Raleigh — is left entirely out of the package?

Does Raleigh want to pursue a "smart growth" policy that precludes, due to selfish political inhibitions, constructive infill development, which is the essence of "smart growth" theory?

While we have no objection to visionary politics, they must also be calibrated by expectations of realistic achievement. But ambition must also be tempered by certain Machiavellian principles indicating an understanding of the possible. As Henry Adams wrote in 1907, "practical politics exists in ignoring facts." This is true to the extent that a successful leader must have the presence of mind to discern which facts he should and can successfully ignore. Alternatively, he must also have the ability to harness the truth to the yoke of his most cherished goals.

Charles Meeker is no political virgin. Whatever his ambitions for the future, it will be an interesting, and perhaps redundant, exercise to gauge a win-loss ratio on his 34 points within the time frame he has demanded. Many of his goals are nothing but nebulous political rhetoric, while others would have far-reaching consequences. The reaction to his agenda will be a measure of Meeker's leadership. Our guess is he will fall far short of his goals. *cr*

As War Recedes, Politics Returns

As if scripted by the writer of a television series, America's war on terrorism has followed a familiar autumnal arc. In September, the story began with a (quite literal and tragic) bang. During the ensuing weeks, the audience got to know the main characters in the drama — Bush, bin Laden, Rumsfeld, Putin — and watched them choose among options fraught with import and peril.

The action intensified in October with military deployment and hit a crescendo in November with battlefield victories.

This story arc then concluded with an uncertain peace, the main villain on the loose but harried, and new and more consequential story lines — in Iraq, Somalia, the Philippines, and the Indian subcontinent — hinted at for the new year.

During the recent holidays, it was the season of the rerun on television — and also in the current crisis. At least for a time, our attention was turned to other things. In North Carolina and in Washington, one of these things was the return of partisan politics.

It's not as if the war really displaced partisanship, as some breathless commentators suggested in the immediate aftermath of 9/11. Political divisions persisted but driven underground for a time. Now they are resurfacing, on issues as diverse as an economic stimulus bill, trade policy, agriculture subsidies, judicial nominations, Enron, and cloning for medical research.

Will the General Assembly Be Back Soon?

Within our state, the disgraceful conduct of the North Carolina General Assembly over the past five months — an over-long, over-spent session, a bitter redistricting fight, a huge tax increase in the midst of recession — is starting to come back into focus.

Basically, legislators may have to start over. Continued weakness in state revenue collections may trigger a special session early this year — that is, if Gov. Mike Easley, who has the authority to make reductions himself, really wants legislators around to take the political heat. There might be a lot of it. Some observers are talking about a state budget deficit in FY 2001-02 approaching \$1 billion again, though the best bet appears to be a somewhat smaller, but still yawning, hole in the budget supposedly "balanced" by last year's tax increases.

Lawmakers may also have to redraw congressional and legislative districts. On Dec. 20 a federal judge rejected state Democrats' attempt to keep a Republican redistricting lawsuit out of state courts, correctly pointing out that if a defendant can kick a case into federal court whenever any federal law might be involved, there is virtually no limit to jurisdiction-shopping games. Why did this decision matter? Because the GOP thinks it has a better chance challenging the maps in state court, on state issues, while Democrats are hoping that a federal appeals court — or a



John Hood

conflicted U.S. Supreme Court — will head off such a challenge.

Meanwhile, candidates or would-be candidates are starting to jockey for position. National Democrats are not-so-quietly trying to push former N.C. House Speaker Dan Blue and Secretary of State Elaine Marshall out of the U.S. Senate primary in order to clear the way for former Clinton Chief of Staff Erskine Bowles.

National Republicans are attempting the same for their favorite candidate, Elizabeth Dole, albeit with less zeal because they don't really consider Lexington attorney Jim Snyder a threat to her nomination (Blue, on the other hand, is a very real threat to Bowles, and in my mind is the Democratic frontrunner).

In the only two competitive congressional districts, the 8th and the 13th, there is a lot of activity. Rep. Robin Hayes cast a courageous vote for free trade late last year. This isn't going over well with labor unions and other protectionist lobbies now seeking his defeat in the new 8th district, which stretches from Charlotte to the outskirts of Fayetteville and is more Democratic than it used to be. At least three Democrats, including former state legislator Billy Richardson of Fayetteville and Superior Court Judge Ray Warren of Charlotte, have announced plans to challenge Hayes.

In the new 13th district, beginning in Raleigh and thrusting north and west to Greensboro, state senators Brad Miller and Bill Martin and former party chief Lawrence Davis are among the big-name Democratic aspirants, while former Raleigh Mayor Paul Coble and former Raleigh Chamber of Commerce leader Carolyn Grant head up the Republican list. More may join the latter primary if the district is redrawn to be more competitive.

More than a few state legislators, including Republican workhorse Art Pope of Raleigh and Toby Fitch, leader of a dissident faction of Democrats in the House, have either announced their intentions not to return or are considering doing so. One of Pope's last accomplishments was a state court victory that will force three newly appointed appellate judges to run for re-election in 2002 rather than 2004 (as the legislature foolishly and unconstitutionally tried to allow). That adds three more competitive races to a political landscape already filling up with the kind of partisan politics that was supposedly out of fashion a short while ago.

Finally, U.S. Senate John Edwards is moving ever closer to his expected presidential run, and rumors abound about Gov. Easley's re-election intentions in 2004. *cr*

In short, politics is back in North Carolina — at least until new episodes of the war on terrorism start running early this year. *cr*

Hood is president of the John Locke Foundation and publisher of Carolina Journal.

Editorial Briefs

IRA Savings and State Limits

Federal law allows individuals to invest up to \$3,000 in tax-favored IRA savings plans. But some states still limit investments to \$2,000 — meaning that those investing \$3,000 in a deductible Individual Retirement Account could owe state taxes on \$1,000.

While some states are in the process of adjusting their laws, others faced with large budget deficits are reluctant to adopt changes that could cost them revenues.

At least 14 states have laws that conflict with increased federal savings limits on 401(k), IRAs, and other tax-friendly savings plans. Experts report the biggest trouble spot to be California, where the top state tax rate is 9.3 percent.

Benefits experts aren't sure how states would tax excess contributions, but in a worst-case scenario a state could determine an entire plan no longer qualifies for special tax treatment.

Some employers aren't allowing workers to increase contributions to their retirement plans until the issues are resolved.

Experts say that because raising the amount of contributions is voluntary, some companies believe the safe answer is to do nothing.

Capital Punishment and Costs

When a defendant is brought to trial on a capital charge, most observers focus on the justice of the outcome. But there is an economic side to the proceedings that is often overlooked: the cost to taxpayers.

Just prosecuting a capital crime can cost an average of \$200,000 to \$300,000, according to a conservative estimate by the Texas Office of Court Administration.

Add indigent-defense lawyers, an almost-automatic appeal, and a trial transcript, and death-penalty cases can often cost many times that amount.

Such costs can be an unexpected and severe budgetary shock to smaller counties, which must often raise taxes and cut services or both in order to pay for the proceedings.

Dartmouth College economist Katherine Baicker has found that counties that bring a death-penalty case have tax rates 1.6 percent higher than those that don't.

She found that counties with a death penalty also spend 3.3 percent less on law enforcement and highways. The same pattern of raised taxes and spending cuts hits all death-penalty counties regardless of size, she discovered.

To mitigate the financial burden, local officials in some states are pressing state governments for relief. Other states have begun to set up what amount to death-penalty risk pools — allowing counties to pay in annually and receive funds in the event of a death-penalty case.

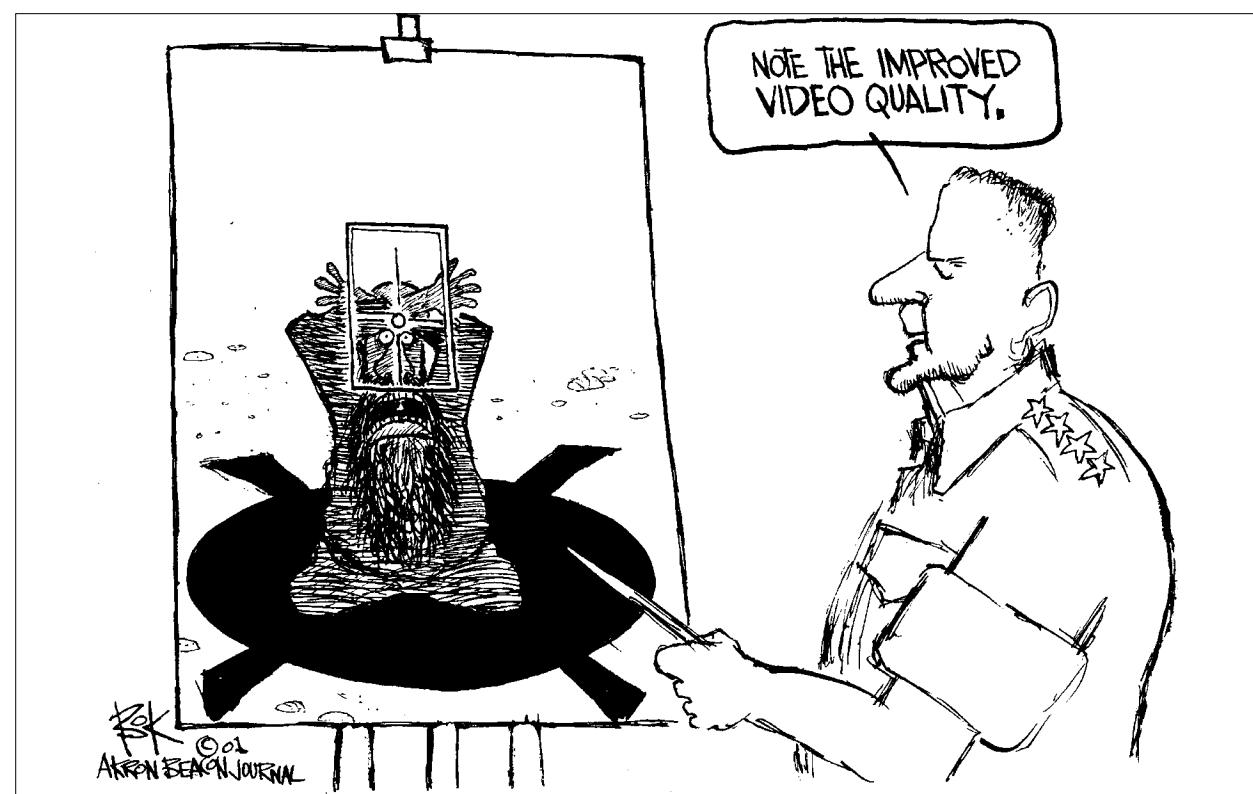
Sept. 11 and Jury Awards

Legal experts have found an inescapable link between the Sept. 11 attacks and the outcome of jury awards last year.

A study recently published by *Lawyers Weekly USA* found that many proceedings were postponed after the attacks. Experts suggest this was because lawyers feared the horror of the attacks would leave jurors less sympathetic to injuries suffered by many plaintiffs.

The total amount in the nation's 10 largest jury awards rose to \$5.7 billion last year. But last year's awards were skewed by two verdicts that totaled more than \$4 billion — one against a cigarette company and another against an industrial polluter. The numbers in the remaining cases, mostly product liability and medical malpractice claims, showed a downward trend.

The median amount of the 10 largest awards fell to \$186 million, a drop of 31 percent from 2000. The median amount awarded in punitive damages plummeted to \$47.5 million from \$150 million the previous year. Punitive damages made up more than 85 percent of the jury awards in the top 10 list.



Bill Clinton Undermined Security

By MARC ROTTERMAN

Contributing Editor

Since Sept. 11, America has been through a roller coaster of emotions. After the initial shock of the attacks on the World Trade Center and the Pentagon, the United States was left grief stricken and outraged.

For many of us, the outrage has not subsided. The question now is, "How did we get to this point?"

Who got us into this fix? What was the FBI doing and could better intelligence have prevented the atrocities? Why didn't American intelligence foresee this coming and take countermeasures?

These are legitimate inquiries. During this next year, these and other questions are going to be asked by lawmakers and opinion leaders. In my opinion, these will be pivotal issues in the 2002 elections.

In short, our nation's national security was undermined, and the issue won't go away. And it's a story that liberals don't want you to hear about or pay attention to.

Liberals crippled intelligence agencies

Beginning in the 1970s, liberal Democratic members of Congress went out of their way to cripple America's intelligence agencies. They were aided by Washington-based left-wing think tanks such as the Institute of Policy Studies and the Center for National Security Studies that influenced the Church and Pike committees in Congress that were set up to investigate America's intelligence agencies during and after the Watergate scandal.

The Church Committee had a significant number of former Institute of Policy Studies staff serving on the committee. Many conservatives would argue that without the institute in 1974, the Hughes-Ryan Act, which crippled intelligence operations, would not have been passed or come into existence.

Leading hard-core congressional Democrats such as Charles Schumer, Pat Schroeder, and John Conyers, led the pack in consistently opposing the Intelligence Agents Protection Act. The legislation was designed to protect the lives of American intelligence agents by preventing anyone from revealing their identities.

Opposition by the left in Congress straight-jacketed America's ability to protect its intelligence agents — severely handicapping the nation's ability to defend the home front.

Thankfully, under the leadership of President George W. Bush and Attorney General John Ashcroft, the 107th Congress passed the Patriot Act, reversing many of the devastating legislative effects of the 1970s.

The fact is, after the Gulf War, the nation felt invulnerable. The swiftness of our victory over Iraq lulled the United States into a false sense of security. Many in the Clinton administration did not want to hear that the world was still a dangerous place and that tyrants such as Saddam Hussein were still a threat to his own people and to the citizens of the world.

Domestic tranquility trumped our nation's national

security. Bill Clinton's focus was on the scandals of his own making and those of his own administration.

The questions many conservatives and Americans have been asking is: Why didn't the Clinton administration go after Bin Laden's network years ago? After all, terrorists bombed the World Trade Center in February 1993 — Clinton's first full month as president. Terrorists also bombed U.S. troops in the Khobar Towers in June 1996 and U.S. embassies in Kenya and Tanzania in August 1998. The attack on the USS Cole was in October 2000.

Clinton's pernicious legacy

Clinton's response was to fire Tomahawk cruise missiles at targets in Afghanistan and the Sudan in August 1998. Obviously, bin Laden and Al-Qaeda survived the attacks. The fact is, Clinton did not give terrorism a high priority.

Clinton treated previous bin Laden-linked attacks, including the embassy bombings and the attack on the Cole, as law-enforcement cases.

What is becoming abundantly clear is that no one in the Clinton administration was watching the store.

Rep. Bernie Sanders, Independent-Vt., appointed to the House Intelligence Committee by the Democrats, lost no sleep as he introduced a bill to cut the intelligence budget sight-unseen every year of the Clinton administration. And in the past, Sanders has also noted that his job was not to go through the intelligence budget — that he had not even looked at it.

The Clinton team is now engaged in what it does best, and that is "spin." Clinton views his life and his legacy as a permanent campaign. Not content to leave the world stage, Clinton and his aides are attempting to repair his battered image.

Recently, Clinton summoned his former advisers and aides to his Harlem office. He called the meeting to enlist support and to promote his administration's "achievements" in dealing with terrorism while he was president.

What he is attempting to do is rewrite history.

Clinton would like us to forget that the Chinese either stole or were given important missile-guidance technology on his watch. He would have us forget that he was too bogged down in his own personal scandals to deal with bin Laden, Al Qaeda and the nation-states that support terrorism.

Make no mistake about it, Clinton intends to play a central role in setting the policy agenda for the Democrats in the upcoming congressional races and beyond.

Conservatives have an obligation to make sure that Clinton and his crowd do not get away with rewriting history. Those who stood watch in the Clinton administration and their allies in Congress who turned a blind eye when our intelligence apparatus was being undermined must be held accountable.

Marc Rotterman is a senior fellow at the John Locke Foundation and treasurer of the American Conservative Union.

New Year's Resolutions for North Carolina Policymakers

By MICHAEL L. WALDEN

Contributing Editor

As the calendar changes years, many of us make New Year's resolutions. Although most of them are personal, there's no reason why politicians and policymakers can't make resolutions about public policies and issues.

Here's my list of five recommended resolutions for those involved in state and local economic policies.

Control spending

1. I resolve to keep the growth in government spending in line with growth in the economy.

Politicians spend money. So if public revenues are available, the natural inclination of politicians is to spend the revenues until they're gone. Aside from the question of whether all government spending is needed and efficient, there's another problem with always spending all public revenues. When the economy is growing, public revenues — especially state public revenues — grow faster.

This occurs for two reasons. First, the North Carolina individual income tax is progressive (the tax rate rises as taxable income rises) and it is not indexed to inflation. Thus, a booming economy pushes taxpayers into higher tax brackets and produces a bonanza of new revenues for the state. Second, a growing economy usually results in rising investment values, such as stocks, and another boom in tax revenues from capital gains. This means that when the economy is doing well and growing, state tax revenues and spending are increasing even faster.

But look what happens when the economy goes in reverse and a recession occurs. The growth in state tax revenues stops, and may even fall, and the levels of state spending previously committed to can't be maintained.

The solution is for politicians to always keep the next recession — and there will always be future recessions — in mind. Unfortunately, this requires thinking that extends many years, and certainly beyond the next election.

Heed the forces

2. I resolve not to try to buck economic forces that are bigger than me, my community, or my state.

Our economy never stands still. The winds of economic change are always swirling. Yet often we try to go against the economic tide. To do so is a fruitless waste of time, energy, and usually, money. An excellent example is

the structural change ongoing in the textile and apparel industry. This industry has always moved to locations that have low-cost labor.

To fight this, as many North Carolina leaders and politicians have done, is simply to delay the inevitable. Instead, the focus should be two-pronged. First,

focus on developing and expanding those industries for which North Carolina has an economic competitive advantage. Second, work to retrain and relocate workers who, through none of their faults, now find themselves displaced from work.

Help people, not places

3. I resolve to publicly assist people, not places.

People drive today's economy; places do not. That is to say, firms today put a greater emphasis on the skills and talents of people rather than on the characteristics of places in their location decisions. In economics lingo, human capital is more important than physical capital.

In terms of attracting new businesses and enhancing economic development, this means it is more productive for government to assist people in developing and improving their talents and skills rather than to build roads, airports, and other infrastructure. If firms are attracted to an area because of the available skilled labor force, the infrastructure will follow. Plus, people are mobile. Roads and airports aren't. So if government mistakenly spends millions on local infrastructure and then the firms don't come, this is literally millions of dollars "down the drain."

The premier example of mistaken infrastructure investment in North Carolina is the Global Transpark. The critics, including the author a decade ago, were correct: You can build it, but they won't necessarily come.

Match money and places

4. I resolve to spend public money where it is raised.

Most people understand government must perform certain functions and we must be taxed to pay for those



functions. Most people also support certain levels of government safety-net programs for the indigent.

But support for government wanes when people don't see a direct correspondence between the taxes they pay and the services they receive. This frequently happens when taxes are paid to a distant level of government, and that level of government decides how to spend the funds.

An excellent example of this disconnect between taxes and services is gasoline taxes and roads. About one-third of the price we pay per gallon of gasoline goes for state and federal gas taxes. The state gas taxes go to Raleigh, and policymakers there decide how and where the funds are spent. Federal gas taxes go to Washington, and again, politicians and bureaucrats decide what to do with the money.

The obvious solution to this disconnect and confusion is to spend gas taxes in the county where they're collected. If parts of the country or state need help in building and maintaining their roads because they're poor regions, then have separate and clearly identifiable gas taxes, or better yet, other types of taxes, that are specifically used for this kind of assistance.

Simplify tax code

5. I resolve to simplify the tax code.

Long ago (perhaps it was the day after the first tax was passed!) politicians gave up the notion that the tax code should be used only to raise public revenues. We now know the tax code is also used for many other purposes: reward certain activities, punish other activities, redistribute income, help one's friends, hurt one's enemies, for example. Politicians love to use the tax code to achieve goals that are unrelated to public finance.

Both federal and state tax codes are loaded with deductions, exemptions, credits, and special tax rates that complicate the tax code and have narrow benefits. The codes are also rife with arbitrary divisions between "deserving" and "undeserving" taxpayers. All these complications create confusion, suspicion, and distaste among citizens.

The solution is to simplify the tax code. Politicians should look to the broader good rather than tonarrow special interest when changing the tax code. c

Michael Walden is a William Neal Reynolds distinguished professor in the Department of Agricultural and Resource Economics at North Carolina State University and an adjunct scholar with the Locke Foundation.

Economic Outlook

Leftists Have a Longtime Love Affair with Corporate Taxes

By DR. ROY CORDATO

Contributing Editor

Nothing about President Bush's proposed stimulus package has irritated liberals more than his plan to eliminate the Corporate Average Minimum Tax (AMT). It has been referred to as corporate welfare and an attempt by Bush to reward big corporations for past campaign contributions. According to *The News and Observer* of Raleigh "this smacks of a simple giveaway to the president's corporate allies." As economist Murray Rothbard once put it, "It's no crime to be ignorant of economics... but it is totally irresponsible to have a loud and vociferous opinion on economic subjects while remaining in this state of ignorance."

The AMT is a punitive tax that has the effect of punishing corporations simply for being a corporation. It does this by setting a floor on the amount of taxes that a company must pay. If a corporation takes all of its legal deductions and finds that it owes less than the AMT floor, then it must pay the higher amount. Ideologues on the left who feel that corporations exploit everyone they come in contact with, see this punitive arrangement as simply a way of doling out justice. But unfortunately, ignorance of economics is not only "irresponsible," in this case it is self-defeating, assuming that the left is truly concerned about the "underdog" constituencies that it claims to represent.

There are few propositions in economics that are more settled than the idea that corporations do not, indeed cannot, pay taxes. This conclusion stems from recognizing

the obvious, namely that corporations are legal entities and legal entities don't pay taxes, people do. Every dollar that a corporation takes in, whether it is kept and reinvested or paid out in dividends, ends up accruing to the benefit of one or some combination of three groups—the company's stockholders, its employees, and/or its customers. There is no other possibility.

Corporate revenues benefit many

Corporate revenues will benefit shareholders either directly through the payment of dividends or indirectly, if the money is reinvested and the company grows, through capital gains. The money may also go to workers in the form of higher wages, again either directly in the form of bonuses or salary increases or indirectly, if the revenues are reinvested and corporate growth makes future wage increases possible. And finally, corporate revenues will accrue to the benefit of its customers in the form of lower prices. Again, this will happen either directly or through expansion and increased efficiencies, such as economies of scale, that the money will make possible.

If every dollar that comes into a corporation benefits one of these three groups, then it should be obvious to anyone who hasn't shut down all thought processes on the subject that every dollar that a company shells out in corporate taxes must come from one of these three groups. Corporate taxes are paid by consumers in the form of higher prices; workers in the form of lower wages; and/or shareholders in the form of fewer dividends and reduced

capital gains. This exhausts the possibilities.

What this means is that the real beneficiaries of Bush's repeal of the corporate AMT are everyday folks — the family that buys a kid's meal from McDonalds, the person who greets you at the door at Wal-Mart, and the state employee whose pension plan is heavily invested in the stock market. In other words, it is the constituency that the liberals claim they alone represent.

The political reality is that all corporate taxes are hidden from the people who actually pay them and therefore are easy for opportunists to demagogue. After all, when the IRS receives payment for these taxes it doesn't directly draw on the personal account of some checkout clerk at Food Lion and it doesn't appear as a line item on the sales slip for our groceries. It is written on a check with the company's logo at the top and drawn on an account that is in the company's name. It is easy then to prey on the ignorance of one's constituency to gain votes or contributions to your non-profit that, of course, is an advocate for the downtrodden and against greedy corporations.

The fact is that the whole idea of a corporate income tax is a fallacy. Truth and honesty in politics dictate that its name be changed to the corporate employee, customer, and shareholder tax. But don't look for the self-appointed advocates for these groups to champion this idea any time soon. c

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

Dear Teapot: Your Toys Are Brewing Violence

Wilmington facility closed for warping children's minds, teaching hatred and stereotyped gender roles

December 27, 2001

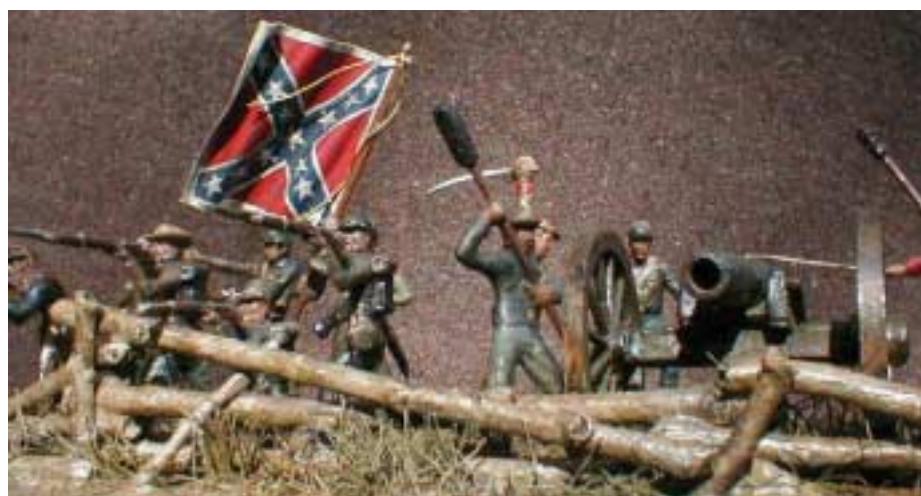
Teapot Preschool
Shirley Eugest, Director
Wilmington, NC

Dear Ms. Eugest,

The probation agreement you signed with the Greater Wilmington Instructional Network for Child Health (GWINCH) in lieu of your unsatisfactory November evaluation stipulates that your facility will be subject to unannounced reviews of its recreational stimulants (hereafter, "toys") and surrounding recreational environment by a state-appointed Area Recreational Stimulant Evaluator (ARSE). In accordance with this agreement, I conducted an evaluation of the Teapot Preschool on Dec. 26, 2001.

I note with satisfaction that the offending toys have been removed since the last state-appointed ARSE conducted an evaluation. Toy army men with guns teach nothing but violence and hatred. Furthermore, all of the soldiers were exactly alike. Children need toys that stimulate an appreciation of diversity. If, hypothetically, the network were to allow toy soldiers in preschool, we would require them to be diverse. So their removal from Teapot was a small victory for diversity and peace.

Nevertheless, I still find that Teapot continues to force children to engage in violent, hateful, and insufficiently diverse



In the wrong hands, toy soldiers could teach boys that they can be boys.

play, including what I witnessed yesterday:

- Boys engaging in violent play with Barbie dolls.

In my short visit to Teapot, I saw boys using dolls to kick other dolls, making dolls "karate-chop" other dolls and children, even pointing the dolls' arms straight out and making "PRKSH, PRKSH" noises clearly imitative of gunfire. Also, I overheard one boy make one Barbie say to another, "We don't need guns, Osama, we have bombs," and then drop a football on her. At one time I thought I would cheer the day I saw boys abandoning their scripted gender roles and playing with Barbie dolls, but this sense-

lessly violent "playing," cultural insensitivity, and sexist disregard for any latent pedagogical purposes of the Barbie dolls and the girls who apparently desired to play with them made my hair stand on end.

- Barbie dolls.

They're still too thin to be role-model toys for young girls. "You got to be thin to get you a Ken" is a horrible message. And after today's spectacle, it strikes this ARSE that more proportionate dolls would not lend themselves as easily for use as toy-soldier stand-ins. Worse, it seems the Barbies' thin-is-in gender coding was reinforced by the boys' sudden interest in playing with them, meaning the girls got the

sexism loud and clear without even the negligible benefit of playing with the dolls. Sadly, the girls did not seek to join the boys nor to reclaim a gender-male toy but instead chose to occupy themselves with a game of "Tag."

- Girls playing "Tag."

I am aghast that this monstrous, so-called game is still allowed in civilized countries. Do we know nothing about child psychology? A young child, especially a young girl, has enough crushing self-esteem issues to deal with than to be burdened with the additional social stigma of being cruelly labeled "It" and then callously ostracized by her laughing, fleeing peers. Why couldn't a facilitator care enough to lead them in a rousing game of "We're All Okay," "Duck Duck Quack" or "I Win, You Win, We All Win, Let's Play Again?"

It is therefore with great disappointment and, I might add, exasperation that I must direct Teapot Preschool to close immediately. This day care poses a very real threat to the children of the Greater Wilmington area. All children attending Teapot will be bused immediately to the safer, state-approved educational environment at Inner City Druggie Den Preschool and Daycare.

Appalled,
Tim Pest

Area Recreational Stimulants Evaluator
Greater Wilmington Instructional Network
for Child Health



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