

CAROLINA JOURNAL

Golden LEAF: Economic Development or Golden Fleece?

Politicians use nonprofit to advance philosophy of economic development

By **PAUL CHESSE**
Associate Editor

In February 2001 as Gov. Mike Easley settled into office, some observers pondered whether he would continue, as former Gov. Jim Hunt did, to try to use government to direct economic growth toward certain business sectors in North Carolina.

That question has been answered. Government intervention in the economy has become Easley's, and legislative leaders', guiding philosophy. Whereas Hunt steered the state down the road of luring businesses with financial incentives, Easley hit the accelerator — starting when he was the attorney general.

After helping arrange the 1998 settlement of the states' lawsuit against tobacco companies, Attorney Gen. Easley and Gov. Hunt persuaded the General Assembly to create the Golden Long-term Economic Advancement Foundation, known as the Golden LEAF Foundation.

The foundation is responsible for distributing half, or \$2.3 billion, of North Carolina's share of the settlement money. Golden LEAF's board members would theoretically give money to interests that help "tobacco-dependent" communities, improving "the economic and social condition of North Carolina's people."

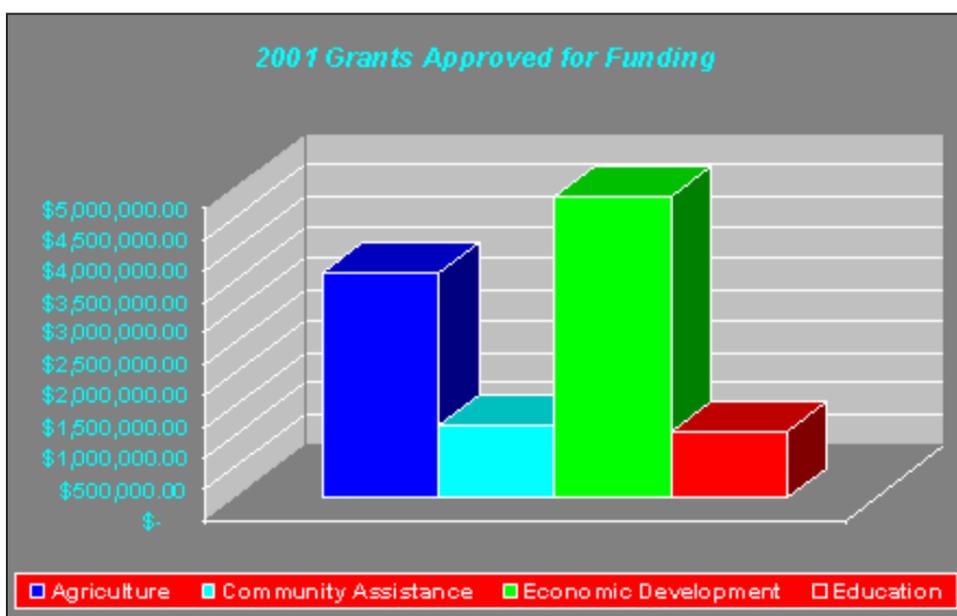
Golden LEAF was established as a nonprofit organization so that the tobacco settlement money would be directed away from appropriations through the state's general budget.

It was also argued that the money could be distributed outside the influence of politicians.

In the first two years it awarded grants, in 2000 and 2001, Golden LEAF's policy was to distribute money earned only from its investments. In 2000 that amounted to just over \$5 million, while in 2001 Golden LEAF awarded almost \$9 million.

Developments in August, however, suggested that actions taken by Golden LEAF came under increasing influence by state political leaders. After some discus-

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A Golden LEAF chart shows its allocation of money, most of it for economic development.

sions with Easley and Senate President Pro Tem Marc Basnight, Golden LEAF officials announced the organization would change its approach. Dipping into the nonprofit's principal, Golden LEAF leaders said Aug. 14 that they would fund \$85.4 million in investments and grants to lure biotechnology industry to North Carolina to stimulate the state's economy.

"Our state is already recognized globally as a leader in biotechnology," Easley said in a statement timed to coordinate with Golden LEAF's announcement. "But no such leader exists in biomanufacturing. I want North Carolina to stake that claim. I want the biomanufacturing industry to hear me loud and clear when I say that North Carolina is open for business."

Golden LEAF President Valeria Lee and board Chairman S. Lawrence Davenport were joined by Easley and Basnight at a press conference announcing the initiative.

Golden LEAF's 15 board members were appointed by Easley, Basnight, and Speaker of the House Jim Black. In an Aug. 25 article for the *Winston-Salem Journal*, Basnight characterized biotechnology proposals as Democratic Party initiatives.

Lee said the foundation will provide

\$42 million in venture capital funds that would "invest in biopharmaceutical companies developing and manufacturing their products in North Carolina."

The investments and grants will leverage an additional \$264 million in outside investments and create at least 25,000 new jobs over the next five years, Lee said. If the \$2 million in venture capital investments is successful this year, the foundation will invest \$108 million in biosciences over the next six years.

Golden LEAF also would provide \$10 million and "take an ownership position" in an extraction and processing plant for biodiesel fuels. Calling it "an alternative energy (that) holds great promise for North Carolina," the new plant will be built in the eastern part of the state, cost \$45 million, and employ up to 100 workers within two to three years.

Community colleges and universities will also receive \$7 million for worker training and research and development.

"None of this works without our continuing investments in education," Easley said. Davenport credited Easley with bring-



S. Lawrence Davenport chairs the Golden LEAF board.

State board flouts law by failing to fashion new plan before pushing incentives

By **DON CARRINGTON**
Assistant Publisher

The State Economic Development Board has failed to produce an updated economic development plan for the past three years, even though North Carolina law requires the plan to be reviewed and updated annually.

And in another apparent violation of the law, over the past few weeks the board released and promoted the Economic Stimulus and Job Creation Act, which apparently is a component of a yet-to-be-released comprehensive plan.

Since the master plan has not been released, legislators and the public have no way of knowing whether the cash-grants-for-new-jobs component of the Job Creation Act is part of an overall strategy or what many opponents have called it — a last-minute gimmick.

An North Carolina statute that describes the requirements for the state's economic development plan says "the board shall review and update this plan by April 1 of each year."

The original plan, created in 1994, covered a period of four years, and state law says "each annual update shall extend the time frame by one year so that a four-year plan is always in effect."

The law also requires the board to report annual updates of the plan to the governor and the Joint Legislative Commission on Governmental Operations.

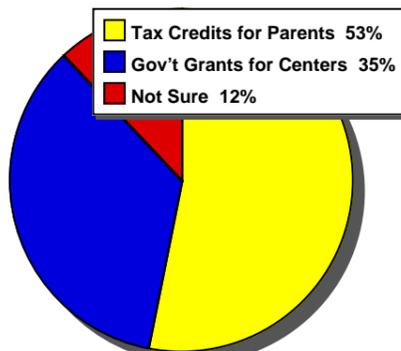
The primary function of the board is to develop and update the comprehensive plan, according to the statute. The most recent update was released in the summer of 1999 — months past the deadline for that year.

Stephanie McGarrah, staff coordinator for the Economic Development Board, said the new plan will not be released until November.

On Aug. 26 in the debate over the economic stimulus bill, Rep. Verla Insko, D-

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Best State Child Care Policy?



% of N.C. Respondents in Oct. 2000 JLF Poll

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ON THE COVER

• Government intervention in the economy has become Gov. Mike Easley's guiding philosophy. Whereas former Gov. Jim Hunt steered the state down the road of luring businesses with financial incentives, Easley hit the accelerator, starting when he was the attorney general. *Page 1*

NORTH CAROLINA

• In anticipation of an election year like no other in North Carolina history, the John Locke Foundation has released *Agenda 2002: A Candidate's Guide to Key Issues in North Carolina Public Policy*. *Page 4*

EDUCATION

• Charlotte-Mecklenburg Schools recently released end-of-year reading and math test scores for third-grade Bright Beginnings participants that showed students in the program did not perform any better than the other nonparticipants. *Page 7*

• Lindalyn Kakadelis writes that educating the public on school choice is vital, because surveys say 66 percent of the public does not understand vouchers, and 81 percent do not understand charter schools. *Page 7*

• Given the state's budget crisis, many legislators are looking for ways to cut wasteful spending. Some lawmakers are focusing on teachers who go back into the classroom the year after they retire—and receive full pension and salary. *Page 8*

HIGHER EDUCATION

• Like a bad parody of campus political hy-

persensitivity, the issue involving the University of North Carolina at Chapel Hill's "Qu'ran requirement" has been stretched to absurd proportions. *Page 10*

• He was held up as the poster boy in defense of racial preferences in the fight against California's Proposition 209, the ballot initiative outlawing preferences in 1996. Now Patrick Chavis is dead, shot during a carjacking in a poor neighborhood near Los Angeles. *Page 11*

• George Leef writes about the flap at UNC over the summer reading, *Approaching the Qur'an: The Early Revelations*. In picking that book, officialdom has done the equivalent of ordering up plates of spaghetti for everyone, when they could have had filet mignon, grilled salmon, or something else, Leef says. *Page 11*

• Separate budget proposals in the N.C. Senate and House show the differing and often conflicting ways the two chambers have tried to address funding higher education during tight fiscal times. *Page 12*

LOCAL GOVERNMENT

• A new study shows that major transportation infrastructure projects built over the past 70 years habitually went over budget. Though not included in the study, cost overruns on several major projects in North Carolina are remarkably similar to those documented in the study. *Page 14*

• The index page of his website sports the bold letters "we find money." Local governments looking to save money turn to a Winston-Salem C.P.A. named Bob Segal. *Page 15*

• An interview with Steve Holland, a Pender County commissioner. *Page 16*

THE LEARNING CURVE

• Hans Marc Hurd reviews the summer blockbuster film *Signs*. *Page 18*

• Reviews of the books *The New Americans: How the Melting Pot Can Work Again* by Michael Barone, and *A Prelude to the Welfare State: The Origins of Workers' Compensation* by Price V. Fishback and Shawn Everett Kantor. *Page 19*

OPINION

• George Leef writes that lawyers are trying to protect their exclusive domain over real estate closings. He says the government and the State Bar should not interfere with the rights of individuals who employ whom they want for legal work. *Page 22*

• Marc Rotterman writes that John Walker Lindh, "the American Taliban," got the deal of the century — a plea-bargain agreement from the U.S. government that spared his life. *Page 23*

• Michael Walden says that when it comes to Major League Baseball's problems, the best solution is to loosen restrictions on team movement and guaranteed markets, allowing unprofitable small-market teams to move to large markets. *Page 23*

PARTING SHOT

• The last couple years the test results have been ok. This year only 47 percent did ok!! We do not know why they dun so bad. *Page 24*

Calendar

Former CIA Director R. James Woolsey to Speak at Dinner

R. James Woolsey, former director of the Central Intelligence Agency, will speak at a special John Locke Foundation dinner at 7 p.m. Oct. 30 at the Brownstone Hotel in Raleigh.

Woolsey is a partner in the law firm of Shea & Gardner in Washington, D.C. He returned to the firm in January 1995 after serving for two years as director of the CIA. He has practiced at the firm for 17 years, on four occasions, since 1973.

Woolsey's law practice has been in the fields of civil litigation, alternative dispute resolution, and corporate transactions. Increasingly his practice has been international.

He has served recently as counsel for major American and overseas corporations in both commercial arbitration and the negotiation of joint ventures and other agreements. He serves regularly as a neutral (both as an arbitrator and a mediator) in commercial disputes between major companies.

Woolsey has been a member of the boards of directors of several corporations, including: USF&G, 1995-present; Sun HealthCare Group, Inc., 1995-present; Yurie Systems, Inc., 1996-present; Martin Marietta, 1991-1993; British Aerospace, Inc., 1992-1993; Fairchild Industries, 1984-1989; Titan Corporation, 1983-1989, DynCorp, 1988-1989.

Woolsey has also served in the U.S. government as: ambassador to the Negotiation on Conventional Armed Forces in Europe (CFE), Vienna, 1989-1991; under secretary of the Navy, 1977-1979; general counsel to the U.S. Senate Committee on Armed Services, 1970-73; advisor (during military service) on the U.S. Delegation to the Strategic Arms Limitation Talks (SALT I), Helsinki



R. James Woolsey

and Vienna, 1969-1970. He was also appointed by the president as delegate at large to the U.S.-Soviet Strategic Arms Reduction Talks and Nuclear and Space Arms Talks, Geneva, 1983-1986.

Woolsey has been a director or trustee of numerous civic organizations: The Smithsonian Institution (chairman, Board of Regents' Executive Committee), 1989-1993, The Center for Strategic & International Studies, 1991-93, 1995; The Goldwater Scholarship Foundation, 1988-90; The Aerospace Corporation, 1982-89; and Stanford University, 1972-74.

He has been a member of The President's Commission on Federal Ethics Law Reform, 1989; The President's Blue Ribbon Commission on Defense Management (Packard Commission), 1985-1986; and The President's Commission on Strategic

Forces (Scowcroft Commission), 1993.

Woolsey was born in Tulsa, Okla. in 1941. He is married to Suzanne Haley Woolsey, the chief operating officer of the National Academy of Sciences. They have three sons: Robert, Daniel, and Benjamin. Woolsey attended Tulsa public schools, graduating from Tulsa Central High School in 1959.

He received his bachelor of arts degree in 1963 from Stanford University (with great distinction, Phi Beta Kappa), a master of arts degree from Oxford University, where he was a Rhodes Scholar 1963-65, and an LL.B from Yale Law School in 1968, where he was managing editor of the *Yale Law Journal*.

For more information or to preregister, contact Kory Swanson at (919) 828-3876 or events@johnlocke.org.

Shaftesbury Society

Each Monday at noon, the John Locke Foundation sponsors 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 at 200 W. Morgan St., Suite 200, Raleigh. Parking is available in nearby lots and decks.

"Locke Lines"

The John Locke Foundation produces a monthly audio magazine called "LockeLines," which features speeches made at JLF events each month. "LockeLines" includes Headliner speeches as well as Shaftesbury Society speeches and commentary by Locke staff. To subscribe, call Kory Swanson at (919)828-3876. *cj*

Golden LEAF, Incentives Advance State-Driven Economic Policy

Continued From Page 1

ing UNC System President Molly Broad into discussions about the proposal.

Of the \$7 million, \$5.5 million is targeted for industry-specific worker training. The remaining \$1.5 million would set aside a source of funds for community colleges and universities "to create new production processes and applications to help private industry and aspiring entrepreneurs move new products and practices to market," Golden LEAF's press release said.

Golden LEAF will also grant \$3 million for predevelopment costs for businesses relocating or expanding in the state. The nonprofit is also offering \$5 million to certify industrial sites.

Golden LEAF will give the nonprofit North Carolina Rural Economic Development Center \$3.4 million as a "loan loss reserve" for its Capital Access Program. The program gives lenders assurance to extend credit to borrowers who don't qualify for traditional loans. Billy Ray Hall, president of the Rural Center, is also on the board of directors for Golden LEAF.

After two years of distributing awards, most of Golden LEAF's board members have chosen to direct millions of dollars to other organizations that they represent (see accompanying graphic). The organizations received \$6.5 million of Golden LEAF's grants in its first three years, and include tobacco interests, other economic development partnerships, and the state university system.

Other political appointees decide where Golden LEAF's money goes as well. R. V. Owens, III, a prolific Democratic fundraiser and nephew of Basnight, serves on the organization's board. A high-ranking Easley adviser, John Merritt, and gubernatorial appointee Lisbeth Evans, the state's Cultural Resources secretary, are also Golden LEAF board members.

Despite all the political connections of its appointees and Easley's stated vision for the program, Davenport said the board of directors of Golden LEAF acted mostly on its own on the biotechnology initiative.

"We sort of passed it by the [political] leadership," Davenport said.

He said discussions about more ambitious Golden LEAF "investments" began after its last round of awards in November 2001, with a commitment by members to discuss specific proposals in the spring.

Davenport said Easley "got excited" early in the discussions, but "there was nothing specific [suggested] on his part." He said Easley's participation was of the "maybe you should think about this, maybe you should think about that" nature.

As for the actual influence that political leaders wield over Golden LEAF, Davenport said the foundation was "certainly more independent than anything else we have in this state."

Still, opponents of the entire Golden LEAF project questioned its legitimacy and its directors' judgment.

"I don't think that was the intention of the settlement money," said House Minority Leader Leo Daughtry, R-Johnston. "This is not tax money. When the money was arranged by consent order, I thought it was for the cost of Medicaid and the benefit of farmers and distressed workers."

The aggressive move by Golden LEAF signaled the beginning of a flurry of activity by Easley and legislative leaders to gain approval for more business incentives as the 2002 session drew to a close.

NC Economic Stimulus Act

Following the Golden LEAF announcement, officials from Easley's office and the

Golden LEAF Foundation: Grants Made to Groups With Ties to Foundation Board Members

Directors: *S. Lawrence Davenport, chairman*

Member of North Carolina Tobacco Foundation: Received \$130,500 from Golden LEAF

Michael Almond

President of Charlotte Regional Partnership: Received \$108,000 from Golden LEAF

Jessie Bunn

Member of North Carolina Tobacco Foundation: Received \$130,500 from Golden LEAF

Julius Chambers

Former chancellor of N.C. Central University: Received \$200,000 from Golden LEAF

Billy Ray Hall

President of N.C. Rural Economic Development Center: Received \$3.4 million from Golden LEAF

Richard Holder

Secretary of NCSU Specialty Crops Program: Received \$300,000 from Golden LEAF

Claude Mayo

Chairman of Nash County Board of Commissioners: Received \$400,000 from Golden LEAF

Debbie Worley

Member of North Carolina Agricultural Foundation: Received \$1,961,750 from Golden LEAF

Member of North Carolina Tobacco Foundation: Received \$130,500 from Golden LEAF

Total awarded by Golden LEAF directors to own organizations: \$6.5 million

Others: *Lisbeth Evans*

Secretary of Dept. of Cultural Resources & Gov. Easley Appointee

John D. Merritt

Senior Assistant for Policy and Communications for Gov. Easley

R.V. Owens, III

Nephew of Senate President Pro Tempore Marc Basnight

Department of Commerce lobbied hard for the passage of the N.C. Economic Stimulus and Job Development Act. They nearly won a blank check to offer businesses interested in relocating or expanding in North Carolina.

The original bill provided for three appointees of Easley — the secretaries of commerce and revenue, and the state budget director — to decide which businesses would qualify for incentives offered by the state. Up to 25 businesses per year would be chosen to receive as much as an 80 percent rebate on income taxes withheld from new employees, for up to 15 years.

Bill supporters originally wanted no financial cap on the legislation so the state could offer incentives to businesses without limitations. The House, however, couldn't stomach an unlimited financial commitment, with some members pointing out the state's \$1.5 billion budget deficit.

Amendments to the bill placed a cap of \$15 million per year in grants, which advocates later said would limit the fiscal impact to \$540 million over the next 15 years. The House also changed the bill to expand the evaluating committee from Easley's three appointees to a total of seven officials. Grants could last only as long as 12 years, and the tax rebate percentage was lowered to 75 percent of employees' withholding.

However, the new provisions apparently did not factor in the impact of rising salaries in covered jobs. Assuming a 4 per-

cent annual growth in salaries for participating companies, the program's cost could balloon to as much as \$676 million. In addition, an obscure clause allowing the awards committee to include additional future positions could allow the program to soar to more than \$1 billion.

Perri Morgan, state director of the National Federation of Independent Business, was one analyst who noticed that the spending cap in the bill may turn out to be higher than originally reported to lawmakers. "I have been meeting with members of the Senate to discuss the cap problem and other concerns with the bill," she said.

Easley's political path

The biotechnology initiative and Economic Stimulus Act are two signature issues of Easley's, and their political use may determine the legacy of his governorship.

Critics say it's an effective political ploy to give away public money to private businesses, then take the credit for the number of jobs drawn to the state.

"There's no net benefit to the state using these incentives," said Michael Munger, chairman of the political science department at Duke University and an economist.

"Politicians can only claim credit if they've done something," he said. "Politically it makes sense and is business as usual."

"This is just the classic need to have a program so you can claim credit." *CT*

State Panel Flouts Law

Continued From Page 1

Orange, inquired about the lack of an updated economic development plan. Insko asked the bill sponsor, Rep. Bill Owens, D-Pasquotank, whether he was aware of the requirement for annual updates. Owens is also vice chairman of the Economic Development Board and did not answer directly. He indicated that he would look into it.

Strategic plan was due in August

According to Department of Commerce information, in November 2001 Gov. Mike Easley charged the board with developing a comprehensive strategic economic development plan, to be unveiled in August 2002.

The 37-member board serves as the state's top economic development advisory body and is responsible for recommending such policy to the governor. The governor appoints 23 members to the board and designates the chairman, currently Gordon Myers of Asheville, and the vice chairman.

One objective from the plan that is now in effect (from 1999) was to "create a more competitive tax climate in North Carolina that generates adequate revenues while maintaining a competitive posture relative to other states." North Carolina currently has the highest individual income and corporate income tax rates in the Southeast. *CT*

Around the State

• Despite the \$1.5 billion gap in its budget, the state will purchase 1,120 acres of land in Watauga County, if Gov. Mike Easley signs the bill into law as expected. The Associated Press says the Department of Environment and Natural Resources "still has to find a total of \$4.7 million to buy the tracts." The land would be designated "natural areas" for the state's park system, and the AP report said the parcels "are home to rare plant species."

• The U.S. Fish and Wildlife Service is awarding a \$2 million grant to the N.C. Wildlife Resources Commission to buy land along the Little Tennessee River. The land, in Swain and Macon counties, is owned by the land management arm of Duke Energy, which is considering whether to sell or use it for other purposes. The cost of purchasing the land would far exceed the \$2 million grant, according to the Wildlife Resources Commission. The director of the Little Tennessee Watershed Association, Carla Norwood, said the land is "the No. 1 conservation opportunity in the state—probably in the Southeast right now." The spotfin chub and Appalachian elktoe mussel, which make their home in the river, are considered to be endangered. Reported by the *Asheville Citizen-Times*.

• *Newsweek* continued the national media focus on North Carolina in its Aug. 19 issue, writing its own critique of how the state has spent its share of the national tobacco settlement money.

• Redistricting placed Democratic state Senate incumbents Ellie Kinnaird and Howard Lee in the same Orange County district, creating a quandary for the *Chapel Hill News*. Who to endorse? "Unfortunately, we must choose between the greater of two goods," the editors wrote Aug. 27. Because "she believes strongly in helping those without power, votes her conscience and acts on her own convictions even at risk to her own political well-being," the *News* decided on Kinnaird.

• Two other papers refused to endorse Cabarrus County's lawsuit against the state to recover tax reimbursements withheld by Easley to balance the budget. The *Independent-Tribune* of Concord said "all that's being accomplished is county taxpayers suing themselves as state taxpayers," calling it a "lose-lose proposition." The *Salisbury Post* editors were a more charitable, writing that "right is right, and wrong is wrong, and the state has wronged local government." But the *Post* warned that by seeking "a remedy through the courts, rather than through lobbying and elections, we all will pay the price. A chunk of precious tax money will go to attorneys, and the state budget will get bigger."

• The *Winston-Salem Journal* reported that when Easley spoke to the N.C. Association of County Commissioners in August, he was introduced as "the man who owes us \$1.5 billion." CJ

*John Locke Foundation sponsors statewide events***Agenda 2002 Book Released, Tour Begins**

By PAUL CHESSER
Associate Editor

RALEIGH

In anticipation of an election year like no other in North Carolina history, the John Locke Foundation has released *Agenda 2002: A Candidate's Guide to Key Issues in North Carolina Public Policy*.

Published every two years during the state's major election cycles, *Agenda* is a 60-page examination of public policy in the state, with recommendations from foundation scholars. Candidates can look to the publication for treatments on budgets, taxation, education, local government, business regulation, health and human services, and other major policy issues government leaders face.

In conjunction with the release of the report, the "Freedom Agenda Tour"—organized by the foundation, the state chapter of Citizens for a Sound Economy, and a variety of local organizations—began Sept. 3 at a meeting in Wilmington.

Foundation Chairman and President John Hood and Vice Presidents Don Carrington, Roy Cordato, and Kory Swanson are among the speakers at the various events, which include sponsored luncheons and receptions, appearances before civic groups, and presentations at monthly meetings of grass-roots organizations. Locke analysts will also make dozens of appearances with North Carolina's print and broadcast media during the tour, which concludes Sept. 24 with a luncheon in Fayetteville.

"The purpose of *Agenda 2002* is to inform candidates, journalists, business and community leaders, political activists, and the general public about the serious issues facing North Carolina state and local governments," said Hood, who edited the new report. "Because we believe so strongly in the importance of public debate about the future of our state, we are investing significant time and resources into our tour to give citizens a chance to obtain a free copy of the report and ask questions about it."

Some of the key findings in *Agenda 2002* are:

State budget

After adjusting for inflation and population growth, North Carolina's general fund budget grew by 75 percent in the past 20 years. The total state and local tax burden nearly doubled during the same period. State tax cuts in the mid-1990s were more than offset by larger state and local tax increases in the early 1990s and additional tax increases in each of the past three years.

"North Carolina's state budget reflects its governmental priorities," Locke scholars say in the report. "Unfortunately, over the past two decades governors and lawmakers have usually chosen to add new programs to the state budget without considering the merits of existing programs and finding ways to fund higher-priority items by eliminating lower priorities."

Recommendations for cutting waste, based on the foundation's 2002 alternative state budget, include:

- \$255 million in wasteful subsidies to corporations;
- \$221 million in state services that should be the responsibility of users instead of taxpayers;
- \$100 million in bureaucratic duplication;
- \$218 million in nonteaching personnel and expenses in public schools;
- \$87 million in unappropriated subsidies for research and arts organizations that

Don Carrington, vice president of the John Locke Foundation, speaks at an Agenda 2002 event.

should be funded privately or locally.

In addition, *Agenda 2002* proposes that the state adopt a Taxpayer Protection Act, which would require General Fund budgets to grow in tandem with inflation and population. If a strict Taxpayer Protection Act had been in place during just the past five fiscal years, the state's General Fund budget would have been about \$1.5 billion lower in FY 2001-02—eliminating the budget deficit for that year.

Education

Scores on the state's end-of-grade tests have risen far more rapidly than has North Carolina's performance on independent national tests, raising questions of reliability in the wake of recent mistakes in the state's test design and scoring.

"The state's tests are flimsy guides to student achievement," the report says. "To achieve 'grade level' often means that students need not get even half the questions right, so they can expect to pass simply through educated guessing."

The report also says most questions on math tests do not involve computation. Spelling and grammar don't count on most writing tests. And while both state tests and the well-respected National Assessment of Educational Progress use four levels of achievement, the performance necessary to earn Level 3 on state tests is lower than the NAEP's Level 2. In other words, it states, North Carolina's expectations are too low.

Recommendations by John Locke Foundation education experts include replacing the state's end-of-year tests with an independent and credible national test of student performance such as the Iowa Test of Basic Skills.

North Carolina should also set a goal of at least half of students showing proficiency and 90 percent testing at the "basic" level as defined by reputable national tests such as the NAEP, they suggest.

Medicaid & health insurance

North Carolina's Medicaid program is among the most expensive state programs in the United States. It has grown so rapidly that it threatens the long-term fiscal health of state and local governments. A similar pattern emerged after North Carolina created its Health Choice program in 1999 under the federal government's Child Health Insurance Program. The main effect of the free or low-cost insurance, offered to nonpoor families, was to induce some ei-

ther to drop their private coverage or avoid buying coverage after leaving Medicaid.

The other fiscal time bomb in Medicaid is the aging of the population. Because most families expect that their elderly members will be able to tap Medicaid funds should they need long-term care, few are purchasing long-term care insurance or building their savings. These trends will make the promise of Medicaid coverage increasingly difficult to fulfill in the future without massive tax increases or drastic reductions in other state services.

The John Locke Foundation recommends that poor families be offered vouchers or refundable tax credits with which to purchase private insurance, enroll in managed care, or deposit into savings accounts. The Health Choice program should be curtailed, with the savings used to offer tax credits to families for private health care.

The overall picture

Looking at 20 years of trends in education outcomes, highway quality, crime rates, and other indicators of the success of public services, few improved at a rate corresponding to the rate of growth in government spending, and some actually worsened during the period, the report notes.

Foundation scholars will address these issues and trends as they tour the state. The organization has conducted regional meeting tours every spring and fall since 1997. The foundation's "Tax Awareness Tour" in April attracted more than 1,300 participants at two dozen events through the state.

A statewide poll of likely voters traditionally concludes the foundation's Agenda project; the Agenda 2002 Poll, including questions on policy issues and candidate preferences, will be released in early October.

During the past three election cycles, the foundation's Agenda polls have been among the most accurate predictors of electoral outcomes of any publicly released poll in North Carolina.

"Freedom Agenda 2002 Tour" events include scheduled stops in: Winston-Salem, Sept. 4; Raleigh, Sept. 5; North Wilkesboro, Sept. 9; Charlotte, Marion, Boone, and Bakersville, Sept. 12; New Bern, Asheville, and Hickory, Sept. 13; Lincolnton and Lenoir, Sept. 16; Goldsboro, Wilson, and Wingate, Sept. 17. Also, Hillsborough, Sept. 18; Sanford, Laurinburg, and Roanoke Rapids, Sept. 19; Southern Pines, Sept. 20; Clinton and North Raleigh, Sept. 23; and Fayetteville, Sept. 24. CJ

Reception, lunch, tour, and a cross-country walk

Horse Park Invites Legislators, Their Families to Special Day

By DON CARRINGTON
Associate Publisher

RALEIGH

The Carolina Horse Park Foundation near Southern Pines has invited members of the General Assembly and their families to a special Legislature Day in the Park on Sept. 28. The 250-acre park is located about 10 minutes from Southern Pines at a rural site in Hoke County called Five Points.

Foundation officials routinely promote the project as a rural economic development initiative even though the majority of the 20 foundation board members live in Southern Pines or Moore County. Only three live in Hoke County.

Activities include a reception, lunch, tour, and cross-country walk. The event also coincides with some actual horse-and-rider events. "During your visit you will enjoy some of the best horse and rider teams perform the Dressage and Cross Country Phase of this equestrian triathlon," the invitation states.

Park received Golden LEAF grant

Late last year, the park received a controversial \$200,000 grant from the Golden Long Term Economic Advancement Foundation. Golden LEAF is a private nonprofit organization set up by the legislature in 1999 to receive one-half of North Carolina's \$4.6 billion tobacco settlement. The premise of the original lawsuit was to reimburse



Carolina Horse Park stages the Stoneybrook Steeplechase Festival.

state governments for the costs of taking care of sick smokers. Tobacco companies financed payments to the states primarily by raising the price of cigarettes.

The governor, speaker of the N.C. House, and the president pro tem of the Senate each appoint five members to the Golden LEAF board.

Carolina Journal featured the grant in a cover story in its February 2002 edition. More recently, national television media including ABC, NBC, and CNN, picked up

the story. Many sources interviewed by the networks ridiculed the horse park grant.

The invitation to lawmakers was accompanied by an additional invitation letter signed by four Democrat state senators: Tony Rand, Aaron Plyler, William Purcell, and David Weinstein. "The park brings a lot of people to Hoke County," Purcell told Carolina Journal.

He said that he was not aware of any further requests for public or Golden LEAF funds, but that he would look at any future

request.

The horse park foundation's letter defended the grant, claiming the park was an "economic development opportunity of enormous potential and low risk."

The senators said the "Golden LEAF Foundation understood these potential benefits to the region when they awarded a grant of \$200,000 to the park to assist in the administration and preparation for the events that have already attracted large numbers of visitors."

Originally wanting \$300,000 to fund the construction of horse barns, the horse park foundation instead settled for \$200,000 from Golden LEAF to offset operating expenses. The grant money came in late 2001.

In 2000 the park also received a \$25,000 grant from the taxpayer-funded North Carolina Southeast Economic Development Commission and \$3,500 from the state tourism office.

The Southeast Economic Development Commission was also a sponsor of Stoneybrook Steeplechase Festival conducted at the park in April 2001.

Sen. Hugh Webster, R-Alamance County, told CJ he will not attend the Sept. 28 affair at the horse park.

He perceived the occasion as a way for park officials to persuade legislators that the project is deserving of further public support.

"They have had their hors d'oeuvres and they must be getting ready to ask for some real money," he said. *cj*

Foundation awards money to county that he leads

Golden LEAF Board Member Has Multiple Overlapping Roles

By PAUL CHESSER
Associate Editor

RALEIGH

J. Claude Mayo, an insurance businessman and tobacco farm owner in Nash County, holds three positions creating an opportunity to influence how the Golden LEAF (Long-term Economic Advancement Foundation) grants awards to other organizations he represents (see graphic, Page 3).

Mayo is the chairman of the Nash County Board of Commissioners, and also serves on the board of directors for the Carolinas Gateway Partnership, which pursues economic development opportunities for Nash and Edgecombe counties. Mayo also serves on the board of directors for Golden LEAF, whose headquarters is in Rocky Mount (in Nash County).

In 2001 CGP requested a grant for \$1 million to Nash County, for services offered to Universal Leaf North America to build its new tobacco processing plant there. Golden LEAF awarded \$400,000 later in the year for the county's engineering costs to extend water and sewer to the new plant. The Golden LEAF award did not play a part in drawing Universal Leaf to the county, but alleviated costs to Nash County for delivering utilities to the project.

"The plant was coming anyway," said S. Lawrence Davenport, chairman of the board of directors of Golden LEAF. "It was just a chance for us to help out."

Mayo apparently was appointed to the Golden LEAF board after it voted to support the Universal Leaf project. He also said he "wasn't familiar" with CGP's application for the grant when he was appointed to Golden LEAF's board. He said the two coun-

ties, plus the cities of Rocky Mount and Tarboro, pay CGP to represent the areas for economic development purposes.

"Our economic developers are the ones that worked this out," Mayo said.

Davenport said Golden LEAF is considering proposals again this year from CGP. Awards will be announced in November.

Both Mayo and Davenport denied that Mayo has a conflict of interest in representing Golden LEAF, CGP, and Nash County.

"Absolutely not," Mayo said, adding that he would abstain from any Golden LEAF votes on CGP proposals.

"What are we going to do, kick 'em off every time we come across something like that?" Davenport said. "If we used that criteria, we'd all have to quit."

Golden LEAF has a conflict-of-interest policy, written by its legal counsel, Dave Kyger of Smith, Moore LLP. He says it is modeled after a similar policy issued by the Internal Revenue Service.

Kyger said the policy requires a board member to identify any project considered by Golden LEAF in which he would have a financial interest. In such an instance, a board member could make presentations and answer questions about the project, but could not participate in deliberations or votes on a project.

"The way philanthropic organizations have dealt with this...there's going to be conflicts," Kyger said. "I don't think you want to exclude every project one of your members is involved with."

"I'm going to vote my conscience with anything on Golden LEAF," Mayo said. "I'm going to vote for anything to enhance the quality of life of these people down here. We need all the help we can get." *cj*

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— Sen. John McCain



North Carolina CSE members protest state tax increases at a rally in Raleigh.



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SAT Scores Improve

Welcome news arrived in late August about North Carolina students' SAT scores. Average total scores jumped six points in 2002. Another piece of good news is that this year's result continues the upward trend in North Carolina SAT each year since 1990, with the exception of 1993-94, when scores remained flat.

Historically, North Carolina's scores have lagged those in both the Southeast and in the nation. This year, for the first time, North Carolina students' scores surpassed the average total scores for students in the Southeast. And while North Carolina's SAT scores remain lower than the national average, they have been climbing at a faster pace than in any other state.

In 1995, North Carolina students' scores stood 53 points below the national average. With consistent gains in scores over the years, the gap has been narrowed to 22 points in 2002. Average SAT scores for North Carolina students now stand at 998, compared to the national average score of 1020.

Male test-takers have historically achieved higher scores on average than have females.

However, the 2002 results show female students closer than ever to the scores of their male counterparts. In North Carolina, the 2002 results reveal a 30-point gap between men's and women's scores.

White and Asian students in North Carolina outscored other ethnic groups in the state. They also surpassed the national average for the ninth consecutive year.

Even those groups that consistently lead in numerical results do not always have uninterrupted gains. Asian students' scores fell by six points as compared to 2001, and Hispanic students' scores dropped by 14. Despite this year's decline, North Carolina's Hispanic student population leads the nation in SAT scores among Hispanic test-takers.

There has been and continues to be a positive correlation between family income and SAT scores. In addition, scores are virtually unchanged both between and within income categories. Students whose families are more financially secure consistently perform better on the test than do those with less economic stability.

Higher high school grade point averages are reasonably good predictors of higher SAT scores. Forty-five percent of North Carolina's SAT test-takers had GPAs of A-, A, or A+. These students scored higher than students in the state achieving lower GPAs.

Despite this, high school students in the high-GPA group from North Carolina do not score as well on the SAT as students with comparable GPAs elsewhere in the nation. Students with a GPA in North Carolina of A+ had scores 34 points lower than their national counterparts.

Those with GPA's of A or A- had scores lower than their counterparts as well. The differences are smaller for those with a B or C GPA, but all North Carolina students scored below the U.S. average when compared to students with identical GPAs.

More complete information about students who are taking the test, their academic backgrounds, and the compilation of results can be viewed in *The North Carolina SAT Report 2002*. CJ

N.C. Teachers Paid Above National Average

Teacher salary ranks 13th in nation after adjusted for benefits and cost of living

By SHERRI JOYNER
and KAREN PALASEK

Assistant Editors

RALEIGH

After heavily funding teacher pay over the last several years, North Carolina ranks 13th in the nation in teacher compensation, and remains above the national average.

Cost-of-living and benefits differences give the misleading impression that North Carolina's teacher pay lags most other states in the nation. Not so, the data reveal, once wages are adjusted for cost of living and benefits in each locality. North Carolina's teachers actually rank third highest in the Southeast, and surpass 37 states nationally in real compensation — purchasing power of their wages plus tangible benefits such as the employer contribution to pensions.

Below the national average?

Ranking teacher salaries by state is a common practice. But the nature of the teacher workforce and cost of living are important differences, and to cite the national average as a benchmark requires careful measurement. Adjusted state-by-state rankings provide an apples-to-apples comparison, although the 2002 statistics do not include a "teacher experience" variable for lack of recent data. Failing to consider these differences creates the misunderstanding that a lower dollar salary always means a less-affordable standard of living. Some organizations, such as the American Federation of Teachers, do consider cost of living, but exclude other factors such as teacher benefits.

Policymakers at the state level ignore nondollar information as well. As a result, North Carolina teachers have been miscast as underdogs in the national teacher pay scale.

Apples-to-apples comparisons

The North Carolina Education Alliance study, *Ranking Teacher Pay 2002*, adjusted raw salaries by cost of living and employer pension contributions. Raw salary data are supplied by the National Education Association, and reported from each state as a statewide average salary. Both the NEA and the North Carolina Education Alliance recognize that statewide differences can mask differences among school systems. Studies often rely on these statewide averages nonetheless, mainly because all 50 states report salary information on at least a statewide basis. Few data sets are disaggregated by the value of health benefits, total hours of work and vacation, job security or other non-wage items.

Cost-of-living effects

The results of the adjusted state-by-state comparison indicate that at a \$48,321 adjusted salary, North Carolina teachers are above the adjusted national average of \$45,239, and above the adjusted national median salary of \$44,994 for 2002.

Following a method similar to that originally created in the late 1970s and revamped and updated in the 1990s by the Bureau of Labor Statistics, the North Carolina Education Alliance used American Chamber of Commerce Researchers Association data to construct an up-to-date interstate index. This interstate index is the most reliable means of adjusting teacher compensation currently available.

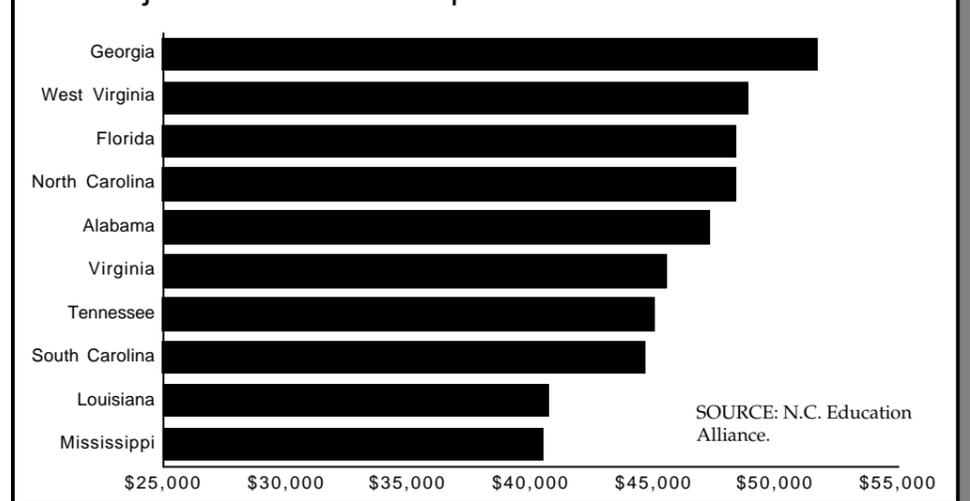
Cost-of-living studies for the 50 states show how different areas of the country,

2000 Interstate Cost-of-Living Index

State	Normalized Cost-of-Living	State	Normalized Cost-of-Living
Alabama	0.91	Montana	*
Alaska	1.22	Nebraska	0.97
Arizona	0.98	Nevada	1.01
Arkansas	0.89	New Hampshire	0.93
California	1.14	New Jersey	*
Colorado	1.11	New Mexico	0.97
Connecticut	1.25	New York	1.28
D.C.	*	North Carolina	0.96
Delaware	1.04	North Dakota	0.92
Florida	0.94	Ohio	0.98
Georgia	0.95	Oklahoma	0.94
Hawaii	*	Oregon	1.01
Idaho	0.96	Pennsylvania	1.04
Illinois	1.02	Rhode Island	*
Indiana	0.95	South Carolina	0.92
Iowa	0.93	South Dakota	1.00
Kansas	0.99	Tennessee	0.93
Kentucky	0.95	Texas	0.93
Louisiana	0.94	Utah	0.98
Maine	*	Vermont	0.93
Maryland	1.02	Virginia	0.99
Massachusetts	1.34	Washington	1.02
Michigan	0.96	West Virginia	0.90
Minnesota	1.02	Wisconsin	1.01
Mississippi	0.89	Wyoming	0.99
Missouri	0.99	U.S. Average	1.00

ACCRA Cost of Living Index for the Third Quarters of 1990 and 2000, and Second Quarters of 1990 and 2000. 2000 Interstate Cost-of-Living Index was calculated using ACCRA data from 1990 and 2000 to update the 1990 AFT COL and the 1990 McMahon COL. These two indices were then averaged and normalized to reflect an estimate of the differences in cost of living between states.

Adjusted Teacher Compensation for the Southeast



and different states specifically, rank in cost of living. There is a consistency in the year 2000 rankings with earlier measures among the states.

The states ranking highest in the index are mainly Northern and Northeastern states — Massachusetts, Connecticut, and New York — and Alaska. At the bottom of the index are Southern and Southeastern States — Arkansas, Mississippi, Alabama and West Virginia. North Carolina experienced a slight drop in the cost of living from 1999 to 2000, the index showing it slightly below the national average.

Adjustments and rankings

In most states, teacher salaries were raised slightly in the last year. The U.S. raw salary average listed by the NEA increased

from \$43,445 in 2001 to \$44,614 in 2002.

Taking these adjustments as well as cost of living into account, North Carolina ranked 13th in the nation in 2002 in adjusted teacher compensation. Lowest-ranking states in the adjusted compensation scale were Nebraska, Arizona, Kansas, North Dakota, and South Dakota. New York, which has one of the highest raw salary rankings in the nation, dropped to 26th after adjustments were made.

States receiving the highest post-adjustment compensation were Michigan, Pennsylvania, Illinois, California, and Georgia.

Adjusted salaries in the Southeast varied widely. South Carolina, Tennessee, Mississippi, and Louisiana all fell below the national average. Above the national average were Florida, Georgia, West Virginia, Alabama, Virginia, and North Carolina. CJ

Bright Beginnings Fails to Demonstrate Progress in Reading, Math by Third-Graders

By JENNA ASHLEY
Editorial Intern

RALEIGH

Charlotte-Mecklenburg Schools recently released end-of-year reading and math test scores for third-grade Bright Beginnings participants that showed students in the program did not perform any better than the other nonparticipants.

The group of students, enrolled in 1997-1998, was the first to reach the third-grade tests, where the effects of early-intervention programs usually begin to fade out.

In every past year, school officials reported that Bright Beginnings participants outpaced eligible nonparticipants by impressive margins. Hopeful proponents of the program anticipated similar results for the third-grade end-of-year tests for this original prekindergarten group.

Bright Beginnings is a preschool initiative begun in 1997 by former Charlotte-Mecklenburg Schools Superintendent Eric Smith. The program has been lauded as an innovative local pilot program and as an alternative to former Gov. Jim Hunt's initiative, Smart Start.

Bright Beginnings' proponents claim that, unlike Smart Start, Bright Beginnings is more clearly focused on academics and was designed to be evaluated yearly as students entered the Charlotte-Mecklenburg Schools system.

Smart Start primarily uses statewide taxpayer dollars to subsidize child care. Bright Beginnings shifts money away from child-care subsidies, using it instead to provide academic preparation to a smaller number of truly needy children.

Bright Beginnings advocates hailed the program as a success after participants showed greater academic preparedness than their peers did during their first years of elementary school. This year's tests—the first time student's took the state's end-of-grade tests—were the first real challenge.

Bright Beginnings has been touted for its academic focus, an element many preschool programs lack. Superior Court Judge Howard Manning cited Bright Beginnings as an example of how North Carolina should be serving its at-risk preschool population. But so far, the program does not appear to have lived up to expectations. It has not been able to escape many problems seen in preschool intervention.

Performance: the bad news

On their third-grade state tests, both end-of-grade and pretests, the Bright Beginnings participants did not perform as well as they had in earlier years.

Both Bright Beginnings participants and eligible nonparticipants had 69.5 percent of students performing at or above grade level overall on end-of-grade tests.

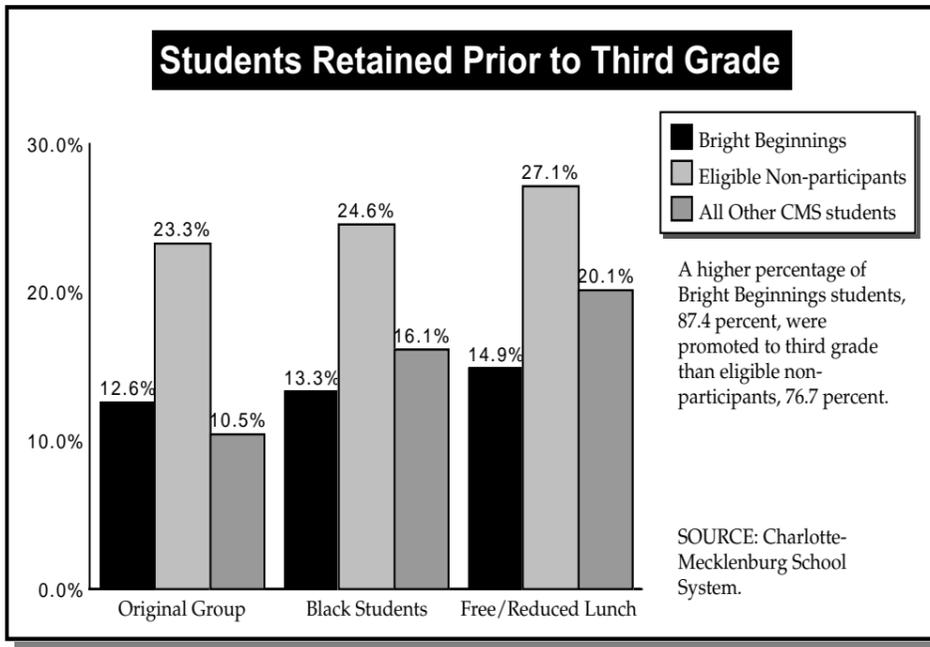
The Bright Beginnings students performed slightly better than their peers in math, 63.4 percent, compared to 60.8 percent at grade level, but participants and eligible nonparticipants had exactly 70 percent performing at or above grade level in reading.

Especially telling is that among groups that are most likely to benefit from early-intervention programs, Bright Beginnings participants actually performed worse than their nonparticipating peers.

Of the 881 black students in the original pre-K group, only 66.7 percent performed at or above grade level in reading, compared to 71 percent of their eligible peers and 69 percent of all other black third-graders.

Of the original 781 Bright Beginnings participants eligible for school lunch, a common measure of low-income status, 65.8 percent performed at or above grade level on reading tests, compared to 68.3 percent of their eligible nonparticipating peers and 63.9 percent of all other third-graders from low-income backgrounds.

Some Bright Beginnings results were encouraging. A higher percentage of Bright Beginnings students scored in



the top category on math and reading tests than did their eligible peers. Specifically, only 12 percent of black nonparticipants scored in the top category for reading, while 20.7 percent of black students in the original Bright Beginnings group placed in the highest level.

Additionally, retention rates for participants in Bright Beginnings were significantly lower than the rates for eligible nonparticipants. In 1998, only 12.6 percent of Bright Beginnings kindergarten students were retained compared to 23.3 percent of eligible nonparticipants and 10.5 percent of all other kindergartners. Among children on subsidized lunch and black students, retention rates for Bright Beginnings participants were significantly lower than among their peers.

However, by the third grade the effects of Bright Beginnings seem to be fading as participating students revert to the performance of their peers. Bright Beginnings students are still far behind overall third-grade performance. Only 69.5 percent of Bright Beginnings students performed at or above grade level, compared to 84 percent of all other third-graders.

Where is Bright Beginnings heading?

Barbara J. Pellin, assistant superintendent of Student, Family and Community Services for the Charlotte-Mecklenburg Schools system, said she is "certainly optimistic" about Bright Beginnings' future. She said retention rates are a "key piece of information" to consider when evaluating the program's effectiveness. For example, some eligible nonparticipants whose low performance would have otherwise affected the control group's average score have not yet reached the third grade due to retention.

Pellin also noted the program's substantial evolution in academic basics since the original prekindergarten group enrolled. Bright Beginnings now provides a much more rigidly structured literacy program than it did at its inception and now has five years of experience in preschool curriculum. The CMS system will focus additional program revisions on expert counsel provided by Dr. Carolyn Denton from the Center for Academic and Reading Skills at the University of Texas Health Science Center.

Critics and advocates of Bright Beginnings are calling for further testing of the program. Proponents claim that modifications to the program since its inception in 1997 will give Bright Beginnings participants the benefits they need to perform at grade level in the future.

Critics ask whether it is wise to expand spending on a program that has only been in existence for five years and has not yet demonstrated a significant benefit to its participants.

The small pilot program has cost North Carolina taxpayers \$62 million over the five years during which it has operated. It currently serves more than 3,000 at-risk preschoolers in the Charlotte-Mecklenburg area. The CMS system will soon be evaluating Bright Beginnings' organizational structure and will also be consulting the research of other scholars following the progress of the first pre-kindergarten groups in Bright Beginnings.

Educators Mislead Public on Choice

Last month, I sat on a panel discussing the voucher movement and its impact on North Carolina. Before the discussion began, the associate executive director for governmental relations with the American Association of School Administrators and the director of the (kill any kind of private school choice) Voucher Strategy Center for the National School Boards Association spoke on how to stop any choice initiative that could possibly affect North Carolina.

One of the men guaranteed the audience that four quick sound bites would surely defeat any choice initiative for families in North Carolina. These statements, proven effective in other states, will work anywhere. They are: private schools discriminate; initiatives subsidize the wealthy; initiatives bust budgets; initiatives do not improve education at neighborhood schools.



Lindalyn
Kakadelis

It doesn't matter whether the information is accurate. The sole purpose is to win the campaign. And when it comes to financing such initiatives, the claim is that one should not worry because the teachers' unions always win.

Here is the confrontation for each of the education bureaucrat's statements:

First, public schools themselves discriminate by using criteria to determine attendance for magnet schools, special education, or management school assignments. The system discriminates when it tells parents that they cannot choose the educational provider outside of the system's schools.

Second, the initiative determines eligibility—ensuring, for instance, that only low-income families are served. For example, the Children's Scholarship Fund-Charlotte serves only families that qualify for free and reduced lunch. Every family must document income annually. The Cleveland voucher program operated similarly. Cleveland families that received vouchers have incomes below 200 percent of the poverty level. They certainly aren't wealthy.

Third, there are valid studies that verify voucher programs can save money. A report from the Milwaukee Public Schools estimates the district would spend millions more if its vouchers were eliminated. It estimated the system would incur \$70 million of added operating expenses and would have to borrow up to \$70 million of new facilities if the nearly 10,000 Milwaukee voucher students returned. Choice opponents use half-truths. They consistently tell how much money they believe is lost, but ignore the fact that the system will not have the associated costs of educating the child.

Fourth, competition always improves a product. When schools compete, students win. Bad restaurants go out of business, but bad government schools are allowed to continue forever because of ensured financing. Their customers are locked in with no options.

The question is not whether school choice will be available in North Carolina, but when and how. We need legislation that supports K-12 education—ALL K-12 education. Some want to portray this as a conflict between public education and private education. But a variety of educational providers are needed to serve the needs of every child. North Carolinians need to learn from other states and embrace quality legislation for educational choice.

Surveys report 66 percent of the public does not understand vouchers, and 81 percent do not understand charter schools. The percentage is lower on understanding educational tax credits. John Quincy Adams said, "To furnish the means of acquiring knowledge is the greatest benefit that can be conferred upon mankind." Educating the public on choice is vital.

School Reform News From Across the Nation

Public Support for Vouchers

More of the public are supporting vouchers. The results of the 34th annual Phi Delta Kappa/Gallup Poll showed that support for vouchers has been increasing significantly, even though the polling question was phrased in a way that might be expected to generate a negative reaction.

When asked whether they would favor a policy that would allow parents to send their children to private schools at public expense, 46 percent, up from 34 percent last year, favored the idea. Men tended to favor the choice of private schools with public money in greater numbers than did women—51 percent of the men versus 46 percent of



women. Age of the respondent seems to have been a factor as well. Fifty-one percent of those between the ages of 18 and 29 thought the voucher idea was acceptable. But among those 50 years old or older, the acceptance rate dropped to 37 percent.

Variations on the question produced similar results. Asked whether parents should be allowed to send their children to any school they chose, with the government paying all or part of the tuition, 52 percent said yes, up from 44 percent last year.

Questioned about *No Child Left Behind*, 57 percent of those surveyed believed that the federal government's heightened involvement is a good thing, and two-thirds favor annual testing in grades three through eight.

The Center for Education Reform also released a survey that found higher support for vouchers.

When asked whether they favored giving parents the equivalent of the tax dollars allotted for their child's education, permitting them to use the money to send their child to a private school of their choice, 63 percent of participants responded positively. As reported by the *Thomas Fordham Foundation*.

Innovations in public schools

The rules of education are changing. With the recent ruling of the Supreme Court, more states are considering offering vouchers to students.

Test scores are dismal across most of the nation, and school systems are looking for improvement. According to the National Assessment of Educational Progress, 29 percent of fourth-graders are proficient in math, and 24 percent are proficient in reading.

In search of a solution, states are taking innovative approaches.

In Philadelphia, the local public school system contracted with three private companies to run about 45 of the city's schools.

The New York City public school system picked a federal prosecutor with a career in antitrust law, as opposed to a career educator, to lead the education system.

Pennsylvania passed a \$30 million state tax credit for businesses that contribute money either to public schools or to organizations that provide tu-

ition assistance for children whose parents opt for private schools.

The number of charter schools and home-schooled students is also expanding rapidly. The number of private programs that provide scholarships to low-income students, such as the Children's Scholarship Fund, is increasing.

Teachers lack subject knowledge

A state-by-state analysis released by the Education Trust found that many classrooms use a practice known as out-of-field teaching.

The report, *All Talk, No Action: Putting an End to Out-of-Field Teaching*, offers a look at one of the biggest challenges states face today in meeting the new requirements of the

No Child Left Behind Act.

The bill specifies that new hires in Title I secondary schools must have a major or the equivalent in each and every subject in which they provide instruction. By 2005-06, that requirement will apply to all secondary teachers in every state receiving Title I funds.

The report found that high-poverty and high-minority schools are much more likely to be assigned out-of-field teachers than are other schools. The study also showed no progress toward reducing out-of-field teaching. Between 1993-94 and 1999-2000, rates became slightly worse overall. In middle schools across the nation more than 50 percent of core academic classes are taught by out-of-field teachers. As reported by *The Education Trust*. The study can be found at http://www.edtrust.org/main/news/08_21_02_outfieldteach.asp.

Florida vouchers lose ground

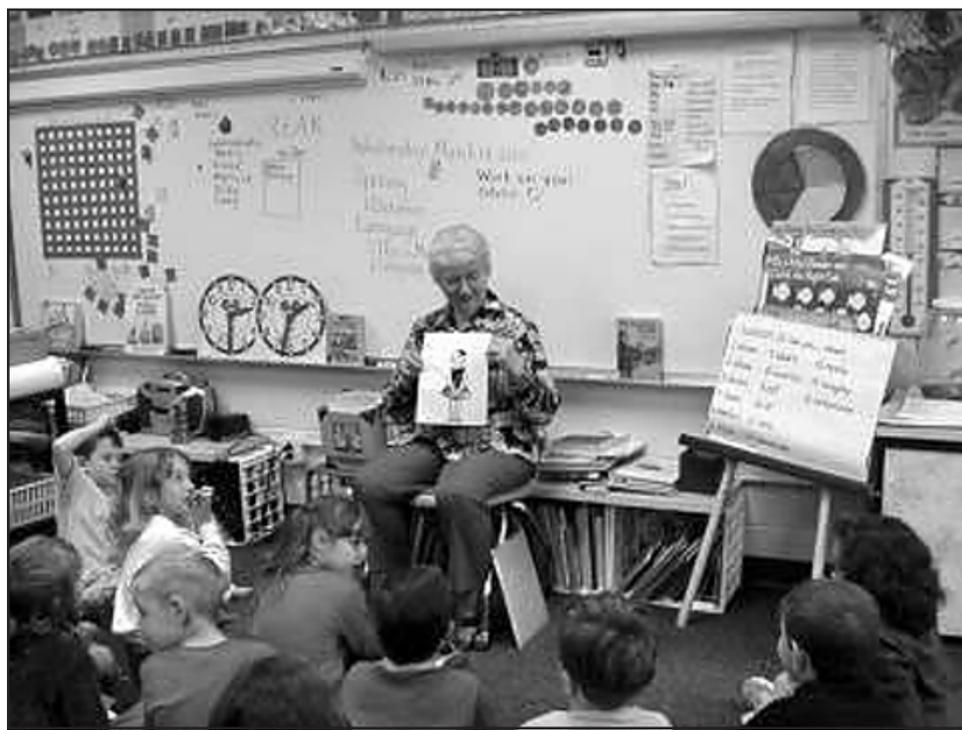
A state judge struck down the only state voucher program in the nation last month. The news came as a setback for Florida voucher proponents, but the decision was stayed, allowing nearly 700 students who planned to use the vouchers this year to continue in the program.

While the recent federal decision states that such a use of tax dollars does not violate the U.S. Constitution's establishment clause, the battle over parental choice in education is far from over and is now moving to the states.

Thirty-eight states, including Florida, have constitutional provisions that are more restrictive of taxpayer choice in education funding than is the U.S. Constitution. These provisions, known as "Blaine Amendments" explicitly prohibit or severely restrict a parent's choice to use education tax dollars for the school of their choice, especially if it is a religious school, said Phillip W. De Vos with the Acton Institute.

Former Speaker of the House James G. Blaine proposed the amendment to the U.S. Constitution in 1875, restricting the availability of tax money for use in religious schools.

De Vos said the restrictions are based on antireligious bigotry over a century old, and prevent millions of American children from receiving the best education possible. As reported by the *Acton Institute*. CJ



Educators say the state needs double dipping as an incentive to retain experienced teachers.

Pocketing salary and pension at the same time

Double Dipping, A Teacher's Pet

By BRIAN GWYN
Editorial Intern

RALEIGH

Given the state's budget crisis, many legislators are looking for ways to cut wasteful spending. Some lawmakers are focusing on teachers who go back into the classroom the year after they retire—and receive full pension and salary. Both the Senate and the House have a provision attached to their respective budgets that would affect teacher retirement plans.

Legislators think the practice of taking both salary and pension at the same time is problematic for two reasons. First, the practice as it stands violates IRS rules that require time off between retirement and re-hiring. Second, taking the pension and the salary at the same time is a form of "double dipping" in which the teachers are getting money that would be rightfully theirs if they were either retired or working—but it shouldn't be both.

The Senate provision under discussion would only allow teachers to earn up to 50 percent of their previous salary during the year immediately following retirement. If their earnings exceed that amount, "the retirement allowance shall be suspended as of the first day of the month following the month in which the re-employment earnings exceed the amount above."

The House provision would be virtually identical except that it would "not apply during the 2002-2003 fiscal year to any person who prior to September 1, 2002, entered into an employment contract or commitment for some or all of that year."

The current provision already states that a state employee can receive only 50 percent or \$23,600, whichever is greater, of their previous salary in a given calendar year while at the same time receiving full pension. However, since teachers work through two calendar years, they can collect 50 percent of their previous pay in the fall and 50 percent in the spring—totaling 100 percent of their previous salary. The critical part of the new House and Senate provisions is that they set the earnings limit within 12 months of retirement rather than the calendar year. Some fear that teachers will still take advantage of the provision by earning their full salary in the fall, which would only be half of their previous income, then leave before the spring semester.

A recent survey by the state treasurer's office found that at least 583 school employees retired then went directly back to work in 2001. Accounting for the minimum sal-

ary that a teacher could earn over the 30-year period it takes to retire, the state spent more than \$14 million on pensions for employees who received their regular paychecks at the same time during the 2001-'02 school year. The number could be higher, since the estimate includes only employees who returned the survey.

Double dipping isn't going away

The estimate also does not include employees who took advantage of another provision in the N.C. general statutes. Teachers can wait six months after retiring, then re-enter the school system, keeping both the salary and the pension.

According to the 2002 Teachers and State Employees Retirement manual, "if you retire and are re-employed to teach on a substitute, interim, or permanent basis, you may teach without earnings restrictions and not have your retirement interrupted..." This plan was introduced specifically to address the teacher shortage in the state by providing an incentive for experienced educators to come back to teach.

Carolyn McKinney, president of the N.C. Association of Educators, said double dipping puts more experienced teachers in the classroom. "We need to retain their expertise during this teacher shortage," she said. "Our educators need to be able to return to the classroom."

McKinney said the provisions under discussion would deter experienced teachers from coming back into the schools.

Some wonder whether allowing teachers to earn both salary and pension as an incentive is a sound way to promote merit in the educational system. Poorer districts may become dependent on the money because it does not have to come out of the local coffers. The money comes from a fund created by a variety of contributors.

Teachers pay 6 percent of their checks toward the retirement system. The employer—the state—pays 5 percent. The rest is made up of investment income in which the Treasurer's office divides up into bonds, equities, stocks, and real estate. The money that is used to pay the benefits to retired teachers comes from the same set of funds that pays all retired state employees.

Some see the new provisions as halting the trend of using double dipping as an incentive to bring back experienced teachers. Both the House and Senate are committed to some form of reduction of the practice. The only question is to what degree. CJ

School Innovation Spotlight

Dawson Elementary Engages Parent and Community Support

By KAREN Y. PALASEK
Assistant Editor

SCOTLAND NECK

Expectations ordinarily might not run high for Dawson Elementary School in Scotland Neck, considering the population it serves, but school administrators still manage to get the job done.

"Dawson School is dedicated to providing the highest expectations for the most effective education for all students," reads the school's mission statement. Eighty-seven percent of the children qualify for free or reduced lunch. There are no athletic programs and no frills.

Dedication and involvement of students, parents, and community, however, has enabled Dawson to make great strides in student proficiency in overall math and reading, climbing from 61.8 percent in 1997 to 91.9 percent in 2002.

It is clear that leadership at Dawson plays an important role in the story of its success. Its principal, Ronald Hayste, has been with the school for two decades. Paula Jones, Dawson's assistant principal, has held her post nearly as long. Both have made the curriculum and community resources work for their students.

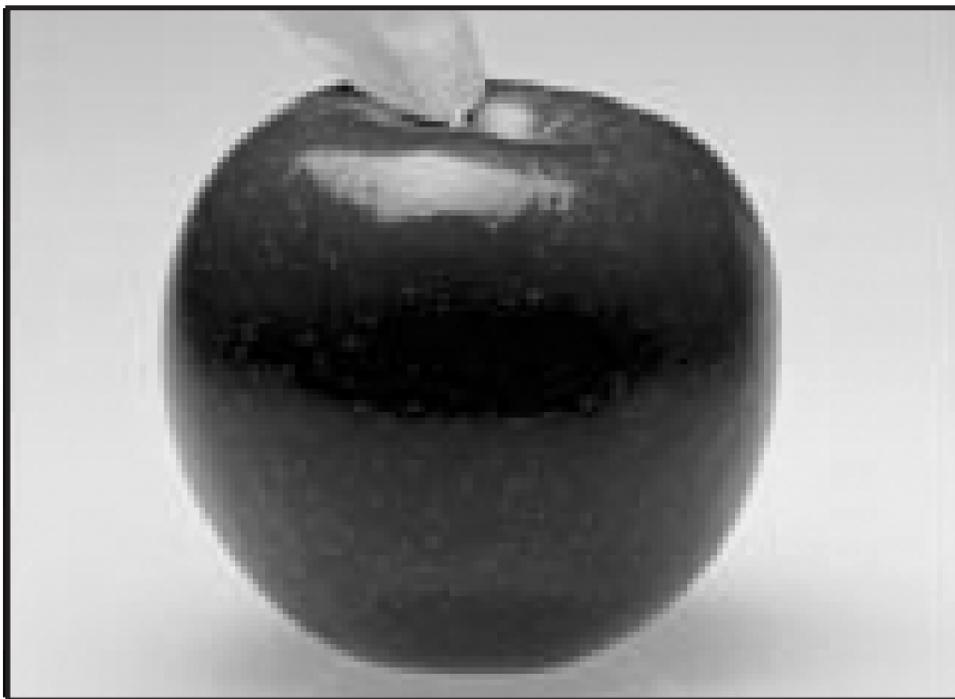
Guidelines for the school improvement plan, and the parent-and-teacher school improvement team follow the same format throughout the county. The school improvement team involves teachers as well as interested parents. All parents have the opportunity to participate via surveys at the planning stage. Together, administration and home implement educational programs and enforce school policies.

How has Dawson managed to rise above its low-proficiency ratings? Hayste has effectively implemented a plan to focus academic activity on core academic skills, use frequent assessment, and feedback for students and teachers, and track progress through follow-up and reteaching where necessary.

The three A's

With an emphasis on reading, writing, and math, high expectations translate into demanding the three A's: attendance, attitude, and achievement.

Attendance policy cannot succeed without family support. As a school, Dawson tends to emphasize the role of the family in each child's education in a variety of ways. One is through its homework policy. All students receive homework assignments



Dawson Elementary School in Scotland Neck exceeds expectations in student proficiency.

Monday through Thursday, with weekend homework left as a teacher option. Homework assignments have a maximum daily time limit. They are also checked daily by teachers.

A regular flow of information between school and home takes place in the form of "Wednesday folders." Each week students bring home some of their work or test results for parents to see. Often the folder will include a note about the student's progress or performance, or some information about what the class has been working on that week.

Parents are free to contact Dawson teachers about their child's progress and behavior, and are encouraged to do so whenever they feel the need.

Progress reports are issued every three weeks, giving students, parents, and teachers a chance to address concerns as they arise.

Positive parental support represents one key element in increased pupil success at Dawson. A number of other factors have also contributed to proficiency gains. To attain the achievement goal, teachers at Dawson work toward student mastery of the core subjects. One way they accomplish this is by reteaching wherever necessary. This also involves after-school tutorials.

After-school programs begin in February each year, when at-risk students have been identified. A community church,

Mary's Chapel in Scotland Neck, contributes money for after-school refreshments. Parents and students also receive nutritional information for goal-setting in the five-a-day guidelines made available through the school.

Hayste credits part of the improvement at Dawson to continuity in teaching staff. A low teacher turnover rate may promote more consistent pursuit of student and

school goals. Twenty of his 24 years as a principal have been devoted to Dawson Elementary. Jones has spent all but 10 of her 28 years in education at the school.

Attitude

Some of the biggest issues in many public schools are student behavior and attitude. These have brought attention to student clothing and other outward expressions in school. Dawson follows the district policy in requiring that students wear school uniforms. Any family that can't afford the uniform is assisted by community sponsors, which is another way the school draws support for its mission.

Behavior problems are not a serious issue for the school, according to the administration. When they do occur, a three-stage process is initiated to halt the behavior and correct the problem quickly.

With no athletics and a once-a-week physical education program, the school offers little physical outlet for students. In place of this, students are encouraged to participate in community sports and recreation programs.

Activities such as Pee Wee sports, Boy's and Girl's Clubs, Scouts, and other organizations are available. These community-based resources serve to further tie community, family, and school interests, and may help to promote more cooperation among them. This active partnership seems to have worked for Dawson. CJ

Advertisement for John Hood's Book

CAROLINA
JOURNAL

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Bats in the Belltower

The Foundation for Individual Rights in Education (online at www.thefire.org) is a relatively young organization dedicated toward helping individuals on campus "who are the apparent victims of illiberal policies, double standards, intolerable violations of their rights, and intrusions upon their private consciences." The organization was founded by Harvey A. Silverglate and Alan Charles Kors, coauthors of *The Shadow University: The Betrayal of Liberty on America's Campuses*, after that book prompted "hundreds of communications and pleas for help from individuals."

FIRE is investigating several instances of "the politicized university" intruding upon individual liberties. Among them are two recent cases:

- A student journalist at American University was punished by the university this spring for videotaping a public speech by Tipper Gore. Though nothing indicated recording was banned at the event, plainclothes campus police (who the student, Ben Wetmore, said refused to identify themselves) demanded the tape, and when Wetmore refused, put him on the ground, arrested him, and confiscated the tape. He was charged with seven violations, including "possession of stolen property," that being Mrs. Gore's "intellectual property."

The university's administrative trial of Wetmore proceeded like a kangaroo court, FIRE said. The university prohibited Wetmore from having legal representation, and the jury consisted of two people — one, a student that had submitted charges of impeachment against Wetmore in student government in 2000, and the other, the student who served as clerk for the campus director of judicial affairs and mediation services, Katsura Kurita, who also happened to be prosecuting and judging Wetmore. Wetmore was convicted of five violations, placed on one year of disciplinary probation, ordered to attend a conflict resolution workshop, given 40 hours of cleaning the campus auditorium, assigned several papers to write on "the topic of 'Conflict Resolution,'" kicked out of student government, and told the next incident would be resolved by his expulsion.

- The University of West Virginia has designated two small areas on its campus as "Free Speech Zones," which has "transformed ninety-nine percent of this public institution into an oppression zone of censorship," FIRE said. "Students have been punished for exercising their free speech and constitutional rights in the parts of campus off-limits to liberty." FIRE is working with the university that span the political spectrum. Its goal is for the university to recognize that "one of the most vital missions of a university 'is to serve as the ultimate Free Speech Zone,'" as well as acknowledge that its own policies and regulations that guarantee freedom of access and expression at all campus resources and facilities (not to mention the fact that as a public university, the institution is bound by the First Amendment). CJ

Assigned book on Koran provokes lawsuit, ire of lawmakers

UNC-Chapel Hill's Reading Requirement Embroils School in National Controversy

By JON SANDERS
Assistant Editor

RALEIGH

Like a bad parody of campus political hypersensitivity, the issue involving the University of North Carolina at Chapel Hill's "Koran requirement" has been stretched to absurd proportions. There is still this troubling aspect, however, of it not being a bad parody of campus hypersensitivity.

In May, the university announced the book it had selected for this year's Summer Reading Program, a novel program UNC-CH uses to bestow a unified experience among a disparate incoming class of freshmen (and transfers) as well as to introduce them to university intellectual life. The book, as people across the nation now know, is Michael Sells' *Approaching the Qur'an: The Early Revelations*, which according to the program's official web site (www.unc.edu/srp) "consists of thirty-five suras, or short passages from the chief holy book of Islam, that largely focus on the experience of the divine in the natural world and the principle of moral accountability in human life."

Why this book? As explained on the web site: "Westerners for centuries have been alternately puzzled, attracted, concerned, and curious about the great religious traditions of Islam. These feelings have been especially intense since the tragic events of September 11. *Approaching the Qur'an* is not a political document in any sense, and its evocation of moral "reckoning" raises questions that will be timely for college students and reflective adults under any circumstances. The Carolina Summer Reading program is especially happy to offer a book of enduring interest this year that also offers the Carolina community an appropriate introduction to the literature and culture of a profound moral and spiritual tradition that many of us now wish to learn more about."

The problem, however, was another aspect of the program. The web site's overview initially stated "students are **required** to contribute to small group discussions led by selected faculty and staff" (boldface in original). The mandatory requirement, called constitutionally "fishy" by a state official with the American Civil Liberties Union, opened the university to criticism. By late May Chancellor James Moeser was telling *The News & Observer* of Raleigh about all the angry e-mail he was receiving.

On May 28 Terry Moffitt, chairman of Family Policy Network and UNC-CH alumnus, issued a statement saying that the "entire university system in North Carolina should be ashamed of itself for forcing a religion on students that many will find not only offensive, but totally opposed to their own religious views."

As controversy mounted, the university relaxed the reading requirement. Moeser sent a response to the e-mails he had received in which he said, "I assure you, if any students or their families are opposed to reading parts of the Qur'an because to do so is offensive to their own faith, they may choose not to take part in the summer reading. There is no penalty for not reading the book — only a missed opportunity."

The program's web site was changed to reflect this clarification. It now reads: "Although the summer reading is required, if any students or their families are opposed to reading parts of the Qur'an because to do so is offensive to their own faith, they may choose not to read the book. These stu-

dents should instead complete their one-page response on why they chose not to read the book."

Criticism continues

UNC-CH's modification of its stance did nothing to stem the tide of the criticism, which was increasingly occurring out-of-state. In one prominent case, Fox News' "The O'Reilly Factor" brought Dr. Robert Kirkpatrick, who selected the reading, to be grilled by host Bill O'Reilly. "Islamic fundamentalism is our enemy," O'Reilly said. "And I would have preferred you to have an overall global look at the Islamic world rather than the Koran." Kirkpatrick said there were many books to choose from, each with its own slant, and "we were trying to pick a book that did not have a particular slant."

Meanwhile, Family Policy Network made overtures of suing the university over the requirement, but it was unable to secure the ACLU's help in doing so. On its web site (www.familypolicy.net) it advertised for students "philosophically opposed to being required to study Islam," on whose behalf FPN could sue. On July 22, FPN filed suit in federal district court in Greensboro on behalf of three students, one evangelical Christian, one Catholic, and one Jewish.

The suit alleged that the university chose the book carefully "to create a favorable opinion of the religion of Islam," that the small-group discussion meant "students are compelled to participate in a seminar in which they are required to reveal their innermost thoughts and beliefs about Islam," either through participation or by writing papers explaining why they chose not to participate.

What the book left out

The purported "whitewashing" of Islam by the university referred to the fact that Sells' book focused only on the certain suras, omitting the ones that refer to the execution of non-Muslims. For example, sura 9:5 says, "Fight and slay the pagan wherever you find them," and sura 4:89 states that "those who reject Islam must be killed." It was a point made by other critics of the university who didn't support FPN's lawsuit; they said that if UNC-CH wanted students to better understand the people waging war on the United States, it would be better to present a warts-and-all ap-

UNC Board of Governors resolution on academic freedom

Resolved, that the Board of Governors supports students, faculties and administrations of the university's 16 campuses in their commitment to freedom — religious, academic and political; their exchange of ideas; their examination of different cultures; and their working to understand conflicting values of all kinds, with the confidence that thoughtful study and intellectual inquiry are fundamental to this university and the goal of this board.

proach to Islam or a closer look at Wahhabism, the violent strain of Islam professed by Osama bin Laden and the terrorists. This aspect led William F. Buckley Jr. to wonder in *National Review* in August whether we should "ask Muslim leaders to circulate only the University of North Carolina edition of the Qur'an."

The chancellor continued to say in the face of all the controversy that the university was using the book because its subject was timely, not because it supposedly promoted one religion.

Still, it began to take its toll on the understandably frustrated Moeser, who in *The Daily Tar Heel* July 18 referred to the critics as being on a witch-hunt.

On Aug. 7, the budget committee of the N.C. House approved 64-10 an amendment that would appropriate no state money to summer reading programs that singled out one religion. The move provoked a national outcry and quickly drew comparisons with the infamous Speaker Ban

Law of the 1960s used to prevent communists from speaking at UNC schools.

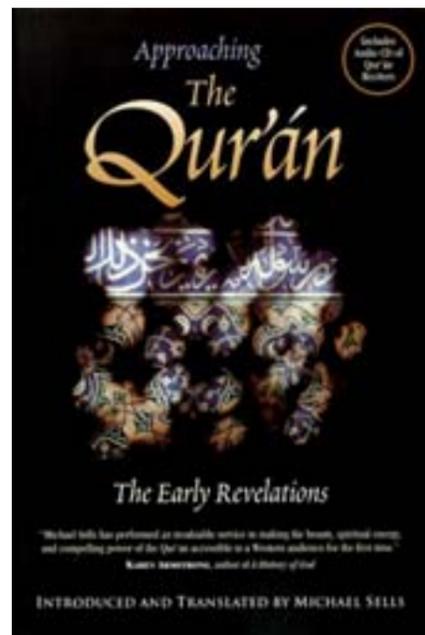
Then the other shoe dropped. On Aug. 9 the UNC Board of Governors failed to approve a resolution in favor of academic freedom on campus. The resolution included in its definition of freedom "religious, academic and political" and "examination of different cultures."

Board members said that the resolution failed on procedural grounds and that most members had not even read it. The resolution passed on Aug. 22, but the public-relations damage had already been done. In the interim, UNC faculty at Chapel Hill and at many other campuses had passed their own resolutions favoring academic freedom.

Meanwhile, on Aug. 15, federal Judge N. Carlton Tilley Jr. ruled on the FPN lawsuit in favor of the university. The group said it would continue to pursue action against UNC-CH. On Aug. 19 discussions of *Approaching the Qur'an* began, with hordes of state and national media in tow. Students held a rally in favor of free speech in the Pit before the discussions.

The rally became, in the words of the N&O report on the event, a "free-speech free-for-all, with students waving placards with messages ranging from 'Just say no to censorship' and 'No war in Iraq' to 'Martha Stewart stole my 401K.'

In other words, despite a summer of controversy, it was a typical day at UNC-CH. CJ



Chavis, 'Poster Boy' of Affirmative Action And Media Bias, Killed During Carjacking

By JON SANDERS
Assistant Editor

He was held up as the poster boy in defense of racial preferences in the fight against California's Proposition 209, the ballot initiative outlawing preferences that was passed overwhelmingly in 1996. An ardent defender of racial preferences, in 1995 he was profiled as racial preferences' best answer in the pages of *The Nation*, *The New York Times Magazine*, *The Washington Post*, and the *Los Angeles Times*. Sen. Edward Kennedy, in defending racial preferences before the Senate Labor and Human Resources Committee in April 1996, hailed him as "the perfect example" of their goodness.

Now he is dead, shot during a carjacking in a poor neighborhood on the outskirts of Los Angeles. His name is Patrick Chavis, and he was one of a few students admitted to the University of California at Davis Medical School under an "affirmative-action" program in 1973, the same year Allan Bakke, who had significantly higher entrance credentials, was rejected. As a well-known defender of racial preferences, Chavis was often referred to in media accounts as the very student who took Bakke's place, Bakke's name having become well-known because the lawsuit he brought against the university resulted in a landmark Supreme Court decision in 1978, laying the foundation for the diversity justification for racial preferences in admissions.

Mere months before his death, however, Chavis had become a different kind of poster boy — that of media bias. Former Newsweek reporter William McGowan's new book, *Coloring the News: How Crusading for Diversity Has Corrupted American Journalism*, opened with a discussion of Chavis' "beatification" in the *Times* and other media, because of their failure to report the rest of the Chavis story — revelations of Chavis' professional misconduct, which left one patient dead and resulted in a criminal investigation and his license being suspended in 1997 by the California Medical Board.

The Chavis story is tragic and grotesque. While as a single example it offers no more proof of the moral wrongness of racial preferences than it did (at one time) proof of their moral rightness, it does illustrate the danger of employing the fallacy of the good example in building a public-policy case. Following are the details in the public glorification and subsequent humiliation of the late Dr. Patrick Chavis.

On June 11, 1995, Nicholas Lemann wrote a lengthy, cheerleading piece about "affirmative action" racial preferences for *The New York Times Magazine*. Toward the conclusion of the article, he contrasted the careers of Chavis and Bakke, who had procured the Supreme Court to be admitted into the UC-Davis medical school in 1978.

Bakke, Lemann wrote, was "an anesthesiologist in Rochester, Minn.," after having completed his residency in the Mayo Clinic, and "does not appear to have set the world on fire as a doctor." Chavis, who "freely admits he would not have been admitted strictly on the basis of his grades and test scores" and who "grew up in South Central Los Angeles, the eldest of five children from a welfare mother," provides primary care in "underserved areas." For Lemann, the case was dramatically simple: "If Chavis hadn't gotten into medical school, his patients wouldn't be treated by some better-qualified white obstetrician; they'd have no doctor at all."

Lemann categorized the "old-fashioned kind of discrimination" Chavis was still facing as "an example of the good [affirmative action] does," providing a list of problems that now read not as proof of continued discrimination, but as a precursor of Chavis' future misconduct. He had been placed under professional review by the Long Beach Memorial Medical Center, where he "was the only black OB admitting patients"; he had won a discrimination suit against the hospital, but the judge had overturned the verdict because the damage awards were too high; he had been audited by the state and the Internal Revenue Service, which, Lemann wrote, Chavis "does not attribute to bad luck" (he quotes Chavis boasting about "fight[ing] the system").

"There's no way in hell — if it wasn't for some kind of affirmative action, there wouldn't be any black doctors,"

Chavis told Lemann in the article's conclusion. "Maybe one or two. Things haven't changed much."

Shortly thereafter, Tom Hayden and NAACP Legal Defense Fund counsel Connie Rice sang Chavis's praises in *The Nation*, his chief virtue being he was "providing primary care to poor women." They, too, felt the need to attack Bakke. "Bakke's scores were higher, but who made the most of his medical school education?" they asked. "From whom did California taxpayers benefit more?"

Then Kennedy joined the chorus, calling Chavis "the perfect example." He said that "the supposedly less qualified African-American student [is now] a successful ob-gyn in central Los Angeles [actually it was Compton, a nearby suburb], serving a disadvantaged community and making a difference in the lives of scores of poor families."

The praises ended abruptly the next year. *Boston Globe* columnist Jeff Jacoby broke the rest of the story. Chavis had his license suspended by the Medical Board of California, who spoke harshly of his "inability to perform some of the most basic duties required of a physician." As McGowan later wrote, the board condemned Chavis' "poor impulse control and sensitivity to patients' pain." A doctor who had worked with Chavis had

given the board's investigators "a tape recording of patients screaming horrifically, with Chavis responding, 'Don't talk to the doctor while he's working,' and 'Liar, liar, pants on fire.'"

Chavis was also found guilty of gross negligence and incompetence in his treatment of three liposuction patients, two who somehow escaped bleeding to death (one had lost 70 percent of her blood) and one who wasn't as fortunate. Tammara Cotton, the woman who died, complained during her liposuction of sudden difficulty in breathing, to which Chavis responded, "If you can talk, you can breathe." Chavis did not stay to administer emergency medical treatment to any of the three. Chavis's sole training in liposuction, which Jacoby wrote was becoming an increasing focus of his practice, had been "a four-day course at the Liposuction Institute of Beverly Hills — only half of which he completed."

The judge in the case, Samuel Reyes, ruled that letting Chavis "continue to engage in the practice of medicine [would] endanger the public health, safety, and welfare." (Hayden and Rice's rhetorical question rings quite counter to their intent in asking it at this point.)

Why McGowan chose these events as the lead example in his media-bias book was that "after having set [Chavis] up as such a model for 'diversity' in university admissions, news organizations should have at least felt an obligation to report the sequel to the story." They didn't. *The Los Angeles Times*, although it reported the Chavis suspension, waited more than two months before identifying him as the Chavis, doing so "in the most anguished and ambiguous terms" and "allowing Chavis himself to call the official sanctions against him 'a lynching.'" *The Washington Post's* only mention of it was "a snide op-ed piece disparaging those who would make the Chavis case 'a cautionary tale' about the danger of racial preference." *The New York Times*, however, "committed the most glaring journalistic malpractice," McGowan wrote. "Although Chavis literally now had blood dripping on his hands, the *NY Times* ran nothing to amend their false portrait of an affirmative action hero, or question the legitimacy of the race-conscious social policy that had made him a doctor."

The media's willful omission of a "riveting, nationally newsworthy story central to the country's discussion of racial preferences" was what angered McGowan. Especially damning is McGowan's discovery that the media were still more interested in attacking Bakke for the Cause. "Indeed, as most journalists freely admitted when I spoke to them about the case," McGowan wrote, "if it had been Alan Bakke who was caught in such flagrant malpractice the press would have been all over the story without questioning the newsworthiness of such a development."

Chavis's life came to a tragic end on the night of July 23. The issues that enveloped his life, wittingly or not, however, are still burning public-policy issues. They deserve more responsible debate than the sanctification of the One Good Example, a tactic that not only can be disastrous, but also clouds the debate with too much emotion. CJ



Sen. Edward Kennedy, D-Mass.

Approaching the Qur'an: Why Bother?

By GEORGE C. LEEF
Contributing Editor

Suppose you are dining at a fine restaurant. You look over a menu that has many excellent items you are sure you would enjoy. At the bottom you see this: "Plate of Spaghetti Without Sauce." It's priced the same as the other entrees. Would you order the spaghetti, or something else?

We confront here a basic tenet of economics called opportunity cost. When you decide to do one thing, you necessarily forego doing others. When you order an item from the restaurant's menu, you give up the opportunity to dine on the others, at least at that time. So even though there is nothing wrong with eating plain spaghetti, why do it when you could enjoy many other dishes that would be more tasty and nutritious?

That is the way I look at the flap at UNC-Chapel Hill over the required (sort of) summer reading, *Approaching the Qur'an: The Early Revelations*. In pick-

ing that book over all others, UNC-CH officialdom has done the educational equivalent of ordering up plates of spaghetti for everyone, when they could have had filet mignon, grilled salmon, or something else. It isn't that reading about the Qur'an is a bad thing (and it certainly does not trample on the First Amendment, since UNC-CH is neither establishing nor preventing free exercise of a religion), but with so many other books that would do more to enlighten incoming students about the world around them to choose from, choosing this particular book is silly.

Approaching the Qur'an gives the students some of the verses from the Islamic holy book. (Whether they are actually "revelations" is a point that Christians, Jews, Hindus, Buddhists, and all other infidels might dispute.) It also gives them some commentary on their impact in society in Muslim countries — such as that people on a hot, crowded bus all quiet down when someone puts in a tape recording of recitations from the Qur'an. It's all very poetic. Readers can pick up some words of Arabic.

There's nothing frightening in the selections. No discussion of the chilling calls for violence against nonbelievers, or of the extremely subordinate, chattel-like position of women under Islam. Students who read the book won't find anything to explain why some followers of Islam would regard the killing of thousands of people who had never done them any harm September 11th as a cause for rejoicing. Nor will they gain any insight into the thinking behind the suicide-bombing campaign against Israel.

Little of value is learned from a study of only the pleasant parts of the Qur'an. The Islamic world is of interest to the general public now not because of its ancient writings, art, or mathematics but because of its modern authoritarianism, intolerance, and aggression. A book exploring the contemporary world of Islam would have been a sensible choice for UNC-CH students. One that seems to whitewash Islam is not, and in the aftermath of the terrorist attacks, seems almost calculated to be provocative.

UNC-CH Chancellor James Moeser has defended the school's choice by writing, "We want to create an intellectual climate in which students can come to their own conclusions and turn information into personal insight and knowledge."

But of course, UNC-CH already has such a climate. Certainly students can read and come to their own conclusions. But why not provide them with summer reading material that gives them something more substantial to think about than a sanitized sampler from the Qur'an? It's hard to see what "conclusions" anyone could draw from a merely descriptive book of some selected texts.

UNC could have and should have done much better. CJ

George C. Leef

Course of the Month

UNC-CH's Proposed Sexuality Minor — Hey, Everybody's Doin' It

This month's selection is, at this writing, only a recommendation. It is for a new academic program at the University of North Carolina at Chapel Hill. It would be a certificate program, similar to a minor in the field of "sexuality studies." According to the *News & Observer* (July 29) of Raleigh, students in the program would take five courses that "delve into issues of sexual identity, sexual ambiguity and the role of sex in society, politics, art, law, history and religion."

Of interest to CM are the assumptions driving the recommendation, which, of course, are exactly the justifications one would expect from scholars for beginning a new program of academic study:

- **UNC-CH needs to establish a program to study sexuality issues as a way to make homosexuals feel more comfortable, on campus and off.**

"Glen Grossman, a UNC-Chapel Hill graduate student in epidemiology, did his undergraduate work at Tufts University in Boston, where he felt comfortable being gay," the *N&O* article on the recommendation began. "But last semester he and a friend had a different experience on Franklin Street one night, when they walked by some students who called them a derogatory name." Grossman, a member of the study committee who made the recommendation, said that the "environment [at Chapel Hill] makes us feel terrible. It makes us feel unwelcome."

The report by the "Provost's Planning Committee on LGBTQ Climate" says, "Because of widespread social stigmatization and discrimination against sexual minorities, there is pressure for LGBTQ individuals—students, faculty and staff—to remain 'invisible' or 'closeted', thereby undermining their equality, restricting their self-development and diminishing their opportunity to contribute fully to the intellectual and social life of the University."

- **Everybody is doing it.**

"In the last five years, just about every podunk college [CM aside: good analogy] in the United States has established something [in the field of sexuality studies]," said John Younger of Duke University in the *N&O*. "It's very mainstream. I find it fascinating that UNC has languished until now."

Committee head Pamela Conover, whose classes in sexuality studies have been discussed by CM before, told the *N&O* "There's a clear sense that UNC was not setting the trend when compared to other public universities."

The report puts this "need" in glowing terms. "Major universities in North Carolina and across the country are already offering courses, certificates, minors and even undergraduate majors in Sexuality Studies, and most of the public universities that UNC-Chapel Hill compares itself to already have some sort of academic program in this rapidly expanding interdisciplinary area," it states. "Yet UNC-Chapel Hill has no centralized academic program to ensure that our own students will have courses regularly available to them or that our faculty will be encouraged to offer these courses. With a significant number of

faculty members at Chapel Hill currently wishing to teach, or already teaching, in the field, and strong undergraduate and graduate interest in taking Sexuality Studies courses, the University is in an excellent position to establish a program that will be a model for the North Carolina system as a whole and enhance our national reputation as a leading research institution."

It also states, "Creating a Program in Sexuality Studies would begin to bring UNC-Chapel Hill up to the level of the other top public universities (like UC Berkeley, UCLA and the University of Michigan), and would make it a leader among southern universities in the field of Sexuality Studies."

- **UNC-CH already has special programs for women and blacks. Let's be fair here.**

"Supporters liken the program to women's studies or African-American studies," wrote the *N&O*.

"Over the last decade, this strong commitment to the values of equality and diversity has been reflected tangibly in the University's establishment and development of the Black Cultural Center and the Women's Center," said the report. Elsewhere, the report found it "important to note that two other committees also address 'diversity' issues: the Status of Women Committee is charged with addressing ongoing concerns of women faculty, and the Black Faculty and Students Committee is charged with addressing 'recruitment procedures and the ongoing concerns of black faculty members and students' and also that "'theme housing'" currently includes a 'women's perspectives' and UNITAS multi-cultural hall, [but] there are no housing options specific to LGBTQ students and no way for incoming students to identify 'friendly' roommates."

- **If you don't study sexuality, you're ignorant.**

Grossman told the *N&O*, "Regardless of what they believe, if students haven't critically examined these issues, they can't consider themselves an educated member [sic] of society."

"Accordingly, absolutely any effort to improve the overall climate for LGBTQ individuals at UNC-Chapel Hill must be fundamentally grounded in the intellectual life of the University, for one of the most effective ways to combat intolerance and discrimination against sexual minorities is through education," the report says. "Thus, students must be given the opportunity to discuss and study issues involving sexuality and sexual minorities as part of the regular curricular offerings of the University, and faculty must be encouraged to incorporate issues concerning sexuality into their teaching and research."

The report recommends that "The Provost and the Deans should explicitly communicate to the Chancellor's Advisory Committee, the 'Tenure and Promotion Committees' in the College and various professional schools, and to the departments that Sexuality Studies is a valued and legitimate area of research, teaching, and scholarship. CJ

Senate, House Budgets Differ In Funding of Higher Education

By JON SANDERS

Assistant Editor

RALEIGH

Separate budget proposals in the N.C. Senate and House show the differing and often conflicting ways the two chambers have tried to address funding higher education during tight fiscal times.

The key item of agreement between the chambers regarding the University of North Carolina and the North Carolina Community College System is that of tuition increases. Both chambers have approved tuition increases of 8 percent for in-state students and 12 percent for out-of-state students at UNC schools, and of \$3.25 per semester hour (to \$34.25) for in-state students and \$17.50 per semester hour (to \$190.75) for out-of-state students at NCCCS schools. They would also tack on a tuition surcharge of 25 percent for UNC students who are taking more than 110 percent of required credit hours. They would also increase financial aid to students attending private college in North Carolina by \$2.25 million and increase the Need-Based Financial Aid fund for NCCCS students by \$1 million.

Other items of agreement between the chambers are:

- Reductions in reserve funding for UNC facilities with delays in completion dates (\$2.7 million reduction);
- Directions that scholarship trust funds rely on fund balances for one year (\$1.9 million reduction for one year);
- Increases in funding for enrollment increases at UNC schools (\$68.8 million increase);

- Elimination of funding for Systemwide Projects now that the General Statutes are available on-line (\$27,000 reduction);

- Reduction in all special allotment programs by 10 percent (\$167,000 reduction);

- Reduction by 50 percent in the professional development programs (\$500,000 reduction);

- Reduction in the Academic Support Supplement (\$3 million reduction)

In other areas, the budgets were in conflict. The House proposal made more and greater reductions to UNC than did the Senate budget, chief among them reducing general fund appropriations by each campus' projected amount of overhead receipts and the elimination of state support for the operation of the Dean E. Smith Center at UNC-Chapel Hill. The House would also, however, increase need-based financial aid for UNC students. Independent proposals by the House budget for UNC are:

- Elimination of support for the operation of the Smith Center at UNC-CH (\$1.2 million reduction);

- Reduction of the general fund budget for tuition remission (\$5.2 million reduction);

- Elimination of the appropriation to the Endowment for the Center for Alcohol Studies, this year (\$500,000 reduction, this year);

- Reduction of the general funds budget for each campus based on its projected overhead receipts for 2002-03, which are directed to support operation of its physical plant (\$10.0 million reduction);

- Reduction in the funding for contracted services from MCNC (\$400,000 reduction);

- Elimination of funding for the NC Progress Board (\$250,000 reduction);

- Elimination of funding for the Center for International Understanding (\$500,000 reduction);
- Provision for inflationary increases at

Key Items in Senate, House Higher-Education Budgets

Both chambers

- Tuition increases
 - UNC: 8 percent, in-state students; 12 percent, out-of-state
 - NCCCS: \$3.25 per semester hour, in-state students, \$17.50 per semester hour, out-of-state students
- Tuition surcharge of 25 percent — for UNC students still enrolled after having taken 110 percent of required credit hours
- Financial aid increased to students attending private NC colleges
- Need-based financial aid increased to NCCCS students

Senate Only

- No appropriations supplement for NCCCS summer-term courses (traditionally offered using regular-term appropriations)

House Only

- Reduction in general fund appropriations due to overhead-receipts revenue
- Elimination of state support for operations at the Dean E. Smith Center at UNC-Chapel Hill

Source: www.ncga.state.nc.us

the N.C. School of Science and Mathematics (\$115,000 increase);

- Provision for continuing operations of the N.C. Teach program (\$500,000 increase);

- Increased funds for need-based financial aid for UNC students (\$4.5 million increase)

Overall, the House's proposed reductions for UNC were \$13.1 million more than the Senate's.

The House, however, was more generous to the NCCCS than was the Senate, proposing \$6.4 million more in appropriations than the Senate. The chambers disagreed on funding public radio at the Isothermal, Craven, and Gaston campuses: The Senate wanted to cut funding by 10 percent (\$15,000) whereas the House wanted to cut funding by 50 percent (\$75,000) but provide one-year funding for the additional 50 percent, as well as provide funds for Gaston's radio station (\$150,000). They also differed slightly on the amount by which to adjust for over-realized receipts (the House's proposed total reduction of \$3.3 million continuing and \$2.3 million nonrecurring was \$600,000 greater than the Senate's) and the amount by which to fund the NCCCS enrollment request (the House's proposal of \$51.8 million was \$1.1 million greater). Other differences were:

- Elimination of the state subsidy for the sawmill program at the Haywood campus (\$143,000 reduction, Senate only);

- Reducing the appropriation for equipment (\$2 million reduction, House only);

- Continuing funding the N.C. Information Highway at 45 campuses (\$1.3 million increase, House only);

- Removal of the supplemental appropriation for curriculum summer term projects, which had been offered using regular term funds (\$7.2 million reduction, Senate only)

CJ

Issues in Higher Education: Teaching American Essentials

Colleges Are Unfairly Criticized for Not Teaching American Basics

By JON SANDERS

Assistant Editor

About every year or so, a group interested in education reform will poll college seniors about ought-to-be-well-known facts concerning American history, politics, and other subjects. The surveys invariably find about the same thing: In those subjects, students don't know diddley except Bo, they don't know Jack except Nicholson, they don't know ___ except as one of Carlin's Seven Words You Can't Say on Television (or print media, for that matter).

Also invariably, those studies direct the blame at the universities. Why don't college seniors — who are supposed to be some of the most highly educated people in the country — know about the nation's founding? Why can't they distinguish between Karl Marx's writings and Thomas Jefferson's? Why are they conversant on the subject of "Beavis & Butt-head" but not on James Madison? How come they know more about Snoop Doggy-Dog than how many senators are from their home states, let alone know who they are?

In short, what are colleges teaching these kids? It sure doesn't seem to be

the basics for American citizenship. How can our colleges and universities keep turning out graduates woefully unprepared for informed living?

These studies generally receive copious media attention, as they should. It is unquestionably a matter of concern when those who have spent the greatest amount of time in education seem to know so little about things that should inform their thoughts and actions as American citizens. This concern has been expressed throughout American history, but perhaps the idea was encapsulated best by famed American orator and Congressman Daniel Webster, speaking upon the completion of the monument to commemorate the Battle of Bunker Hill in 1843.

Quoth he: "Knowledge is the only fountain both of the love and the principles

of human liberty."

In other words, students need to know these things because that knowledge itself helps them understand how — and why — to propitiate their legacies as they inherit the mantle of American leadership.

The role of higher education

Nevertheless, rarely in the public discussion of these studies is the question asked: Why is students' lack of basic knowledge the fault of colleges? Should we be wanting institutions of *higher* learning also charged with imparting elementary facts?

The reason appears to be post-hoc. The

students polled are usually college seniors, so obviously they never learned this stuff in college, therefore the reason they haven't is because the colleges don't teach it.

It is likely true that colleges by and large *don't* teach the basics. At this point public outcry should be suspended in

favor of considering *whether* they should be expected to. After all, only a small percentage of American citizens attend college. *All* children are compelled, however, to receive schooling at the lower levels. It is upon those schools — high school, junior high, elementary and even primary schools — that the outrage over kids being ignorant of American essentials should be directed.

Polls of college seniors detect only what the presumably smartest young adults in America don't know — what about those who leave high school and enter either the workforce or some other, less rarified providers of education and job training? What do *they* know — or, perhaps more to the point, what *don't* they know of American essentials?

The Heartland Institute recently published a progress report on the "National



Education Goals" set in 1990 by the National Education Goals Panel in *The National Education Goals Report: Building a Nation of Learners*. Heartland found very little progress toward those goals — the only progress being slight increases in

percentages of students demonstrating grade-level "competency" in reading and mathematics (in reading, only one-third to two-fifths of students, depending upon grade level; and in math, only one-sixth to one-fourth of students, depending upon grade level) and in percentages of students starting school "ready to learn" (fat lot of good that might do them, given the schools' lack of progress in academic measures).

Heartland found no achievement of these laudable goals:

- Students leaving grades 4, 8, and 12 competent in the subjects of English, mathematics, science, foreign languages, civics and government, economics, arts, history, and geography;

- Adults literate and in possession of the knowledge and skills needed to compete in a global economy;

- U.S. students first in the world in mathematics and science achievement;

To be sure, colleges should be ready to

shoulder *some* of the load of the education duties neglected by the public schools, but their reach extends only as far as the few students who pursue collegiate education. Even when colleges fail to shoulder this load, they shouldn't be expected to shoulder the blame. Now, however, the lower-level institutions get off relatively scot-free, while higher-education administrators stammer in the unwelcome light of public scrutiny, knowing they can't now affix the blame where it belongs because doing so will only invite *more* criticism for dodging the issue (and how dare they blame public schools).

Far too often colleges are used in the public forum like a Band-Aid decorated with smiley faces, to cover over gaping holes exist in the lower levels of education:

- *Kids don't know how to read?* No problem; colleges will just offer more "remedial" education (first-year English often being the sole remaining required classes on campus).

- *Minorities not learning enough?* Fear not, O ye public-school system; our institutions of higher education will just employ racial preferences and call that action "affirmative."

- *Applicants don't know the Gettysburg Address, couldn't find Gettysburg on a map, and think Lincoln might have said "From each according to his ability, to each according to his needs"?* Oh, colleges ought to fix that; why, for shame!

(What about the kids who won't go to college?) Quiet, you. CJ

Why should institutions of higher learning be charged with the responsibility of teaching the essentials of American citizenship?

cartoon goes here



**A Web Site Providing a State Perspective
on 9/11 and the Current International Crisis
From the John Locke Foundation**

Recent Articles and Columns Spotlighted on NCAatWar.com Include:

¥ Military historian Victor Davis Hanson argues that the Western way of war and Western notions of freedom and civilization are proving their worth.

¥ Moderate Muslim clerics preach peace in Durham and Greensboro while a former Black Panther leader calls First Lady Laura Bush a murderer at Duke.

¥ North Carolina's economy, hurt further by wartime deployments, awaits help from Washington, where disagreements about tax cuts block a stimulus bill.

¥ Dr. Andrew Taylor, NCSU Political Scientist, on the likely impact of the war on North Carolina politics and the U.S. Senate race.

¥ As U.S. Marines from Camp Lejeune participate in military action near Kandahar, Seymour Johnson airmen prepare for deployment to the Mideast.

¥ Gov. William Yarborough, former head of Special Warfare Center at Ft. Bragg, distinguishes terrorism from legitimate armed resistance.

¥ Locke Foundation President John Hood argues that North Carolina short-lived anti-war movement unknowingly exposed its own fallacies.

For the latest news, analysis, and commentary on the war on terrorism, visit what National Review once named its Cool Web Site of the Day located at www.NorthCarolinaAtWar.com or www.NCAatWar.com.

Town and Country

• As noted in the August edition of *CJ*, we wrote that we would report on the developments of the Chatfield case against the City of Wilmington.

Chatfield, again working as a *pro se* plaintiff with no legal experience or education, has beaten a team of lawyers hired by the city.

Chatfield has claimed that the Wilmington Housing Finance and Development Corporation has long been a corrupt organization. However, it was difficult to obtain the agency's records because agency officials argued that the agency was a private organization although it receives money from public coffers and several public officials sit on the organization's board.

Only when the North Carolina Press Association asked why the *Star-News* of Wilmington did not act when the newspaper became aware of violations of the state open meetings and records law did the paper begin to take the matter seriously. It took a private citizen, Kent Chatfield, to pursue what other newspapers have historically done.

New Hanover County Judge Jay Hockenbury ruled that WHF&D violated the law and that it must comply immediately.

WHF&D lawyer John Wessell wants to challenge categorization of the agency as a public entity. Wessell questions what it means for government to be public. Wessell is making what has become known as a Clintonian definition, or a redefinition of the meaning of words — in this case what it means for government to be public. The problem is that WHF&D officials do not want to open the agency's books or meetings because they do not want citizens to observe their questionable activities. It would be more difficult for the officials to engage in questionable activities if they had to conduct their business in full public view.

Upon adjournment, one person overheard Chatfield say he wondered whether Wessell and the team of lawyers got their degrees from a "box of Crackerjacks." This prompted Wessell to chase down the judge, who had left the court room, to tattle on Chatfield for the slight.

• On a related note: WHF&D Executive Director Greg Gaweda did not bolster the case that WHF&D is properly run when he told the *Star-News* of Wilmington that "the agency does not have an approved budget for the existing budget year." That's news to board chairman Al Westmorland, who says Gaweda's statement is inaccurate. But how inaccurate? Westmorland said the agency has a "certain flow of income" and "knows what its annual expenses will be." If that is a "budget" then under Westmorland's definition it certainly would be. Most public and private entities, however, keep accurate books. *CJ*

Transportation Projects Built on Falsehoods

North Carolina follows the pattern of large cost overruns after projects are approved

By MICHAEL LOWREY

Associate Editor

CHARLOTTE

A new study by three Danish researchers shows that major transportation infrastructure projects built over the past 70 years have habitually gone over budget. To make matters worse, the overruns are not caused by random errors, but rather stem from deliberate distortion and lies to get projects approved. Though not included in the study, cost overruns on several major projects in North Carolina are remarkably similar to those documented by the Danish researchers.

The research

The paper by Bent Flyvbjerg, Mette Skamris Holm, and Søren Buhl, titled "Underestimating Cost in Public Works Projects: Error or Lie," appears in the Summer 2002 issue of the *Journal of the American Planning Association*. It is the first large sample, statistical analysis comparing forecasted cost to actual cost for transportation-related infrastructure projects. The authors are professors at Aalborg University.

The core of the paper is a comparison between estimated costs at the time the decisions were made to proceed with the projects and the projects' final cost. The difference between the estimate and the final cost was the amount of the cost under or over estimation. The authors collected data on 258 transportation infrastructure projects costing a combined \$90 billion.

The researchers explicitly reject the notion that such a cost comparison is inherently unfair. Some have argued that such an approach amounts to comparing apples and oranges, that often the final outcome bears little resemblance to the concept that was originally approved. Undetected geological problems and safety and appearance upgrades, so this argument goes, can fundamentally change the nature, and cost, of a project as it is built.

Flyvbjerg and his coauthors argue, however, that frequently such costs are intentionally ignored early in a project to make it seem less expensive and to increase the probability that it will be approved. "If such tactics are indeed a main mechanism in cost underestimation, as existing research indicates then, clearly, comparing actual project cost with estimated costs at the time of the decision to build does not entail the error of comparing apples and oranges but is simply a way of tracking how what was said to be a small, inexpensive apple turned out to actually be a big, expensive one," they said.

Other specific findings include:

- Costs were underestimated in 86 percent of projects. Only in 14 percent of projects were cost estimates correct or were costs overestimated;

- Actual costs were, on average, 28 percent higher than estimated costs;

- Project type matters. Rail projects came in on average 44.7 percent over their estimated costs. For fixed-link (tunnel and bridge) projects, the difference was 33.8 percent, on average. Road projects cost 20.4 percent, on average, more than estimated when the decision was made to proceed.

- Geographical location plays only a small role. The 258 projects in the study include 181 from Europe, 61 from North America, and 16 from Japan or developing

Charlotte Transit Cost Projects

Corridor	1998 Estimate	Current estimate
South	\$227 million	\$377 million
North	\$219 million	\$167.4 million
UNC-Charlotte	\$114 million	\$243.7 million
Independence Blvd	\$126 million	\$221 million
Airport	\$74 million	\$177.6 million
Uptown improvements	\$0	\$43.3 million
Total	\$760 million	\$1.224 billion

Note: The Charlotte transit system plan involves more elements besides the corridors.
Source: Charlotte Area Transit System

countries. While there are apparently differences between Japan and other regions and the United States and Europe, there is no statistically significant difference in average cost escalation between the United States and Europe

- Cost estimation has not improved over time. As the authors note "underestimation today is in the same order of magnitude as it was 10, 30, and 70 years ago."

Based upon these findings, the authors conclude that the original cost figures were off not because of some error in estimation, but rather because the forecasters and promoters of projects were engaging in deception and lying to get favored projects started.

The Charlotte transit plan

If rail projects are, as Flyvbjerg and company's research show, more likely to have a large cost escalation, then the cost explosion in Charlotte's transit system should come as little surprise. In 1998, Mecklenburg County voters approved an additional 0.5 percent sales tax to fund a major expansion of the transit system. The expanded Charlotte Area Transit System would operate either light rail or buses on

dedicated busways on five key corridors in the Queen City (Interstate 77 area north from Uptown Charlotte to Huntersville and Davidson, a route paralleling South Boulevard to Pineville, Independence Boulevard, airport, and to UNC-Charlotte). Details of the plan, such as exact routes, location of stops, and even choice of bus or rail for each corridor was not specified. The estimated cost was \$831 million.

By 2002, the total cost of the system had ballooned to \$2.1 billion. Included in that figure is more than \$1 billion in increases in project scope to what was presented to voters just four years earlier.

In addition, the costs of four of the five corridors had increased by at least \$95 million each. The cost estimates from 2001 to 2002 on the first line to be built, the south corridor to Pineville, increased by \$37 million, or 11 percent. The cost increased even after a \$21 million bridge was removed from the project. Additional cost increases are likely, as only about one-third of detailed design work is complete on the route. Construction is scheduled to begin next year.

The cost explosion in Charlotte was predicted by transit expert Wendell Cox. In a 2000 report on Charlotte's transit proposal, he noted that \$2.9 billion would be a more likely cost figure, especially because

changes in the scope of the project and design and construction management costs were not included in original estimates. Cox also questioned whether enough money was left to build the airport and Independence Boulevard routes.

Transit in the Triangle

While Charlotte's transit plan involves five corridors to bring people to and from its center city, transit in the Triangle has emerged as a means to link Raleigh, the Research Triangle Park, Durham, and Chapel Hill. The keystone of the endeavor is a regional rail link between Durham, the RTP, and Raleigh. A spur to Raleigh-Durham International Airport may be added in the future.

The first phase of the project was estimated to cost \$622 million, cover 35 miles, have 16 stations, and be ready by 2008. After the concept was approved, it proved more difficult, and expensive, to build than was originally thought. As a result, completion of the last five miles (three stations) of the project in north Raleigh will be delayed until at least 2010. Current total cost estimates are at least \$754.8 million and may be revised upward again later this year.

The Highway Trust Fund

In 1989, the General Assembly established the Highway Trust Fund to address some of the state's road needs. An additional gasoline tax and higher highway use and title fees were to go toward completing 28 designated intrastate projects, seven urban loops, and paving dirt roads.

The trust fund, and the additional fees that fund it, were successfully sold to the legislature as being temporary. When the projects were completed, the extra taxes were supposed to be removed. At the time, completion of the specified projects was estimated to take 13.5 years to complete.

The reality has proven different. A 1998 audit showed that the state had not considered inflation or the possibility of cost overruns in its cost calculations. Planning and engineering costs and the expense of conducting environmental impact studies were also not considered.

Revenue projections for the new taxes, meanwhile, were also overly optimistic; the fund took in \$1.1 billion less than originally projected in its first eight years. The completion date remains uncertain.

The state auditor projected 2019 in his 1998 audit of the Trust Fund, though with several major projects still facing either court challenges or still awaiting environmental permits even that date may prove optimistic. *CJ*



Wilson County Manager Ellis Williford said Segal's expertise has saved the county about \$250,000 over the years.

Money-saving CPA helps local governments

Looking for Money? Try Bob Segal

By ERIK ROOT
Assistant Editor

WINSTON-SALEM

The index page of his website sports the bold letters "we find money." Local governments looking to save money turn to a C.P.A. named Bob Segal.

According to Segal's website, his organization "is the only CPA firm in North Carolina dedicated exclusively to non-personnel expense reduction and revenue enhancement consulting. We put your expenses under a microscope to find the hidden costs in your organization. Through detailed examination, we find real savings as well as increased revenues. And we do it quickly and unobtrusively. We've worked successfully with and saved money for 35 counties and 12 school systems in North Carolina. We have more than 60 years of combined experience to help you realize savings you never thought existed."

Segal got the idea to start a company dedicated to saving taxpayers money when he saw an ad in the *Wall Street Journal* and *USA Today* for seminars on "expense reduction." Now, Segal claims that he has worked with 44 county governments. But he also works with cities and other agencies on the local level.

Usually when people hear that a government is seeking to save money, they jump to the conclusion that their job may be on the line.

According to Segal, "We never suggest cutting salaries or employees. We review paid invoices to determine volume and current pricing. We then return to our offices and examine each area of expenditure. From this examination, we make precise, written recommendations that save you money and increase revenues. You can accept or reject our recommendations. More than 95 percent of our recommendations have been implemented. More than 75 percent of the savings recommended the same vendor at a lower price. The final decision is always yours. We will help you implement the recommendations and then follow up to ensure you realize the savings we anticipated."

Saving money the Segal way

Segal says his firm can save money in several ways. "Even the most cost-conscious managers are surprised by what we find," his website reports. "Where will we find the hidden money in your organization? In places you might not imagine."

Those areas include cellular phones, chemicals, copying services, electricity, food, freight, fuel (gas or diesel), local, long distance & 800 services, natural gas, maintenance contracts, pagers, sales tax, and waste disposal & recycling.

He has plenty of examples at his disposal. However, one simple example is most prevalent on his mind. One county was paying 27 bills for various cell phone services. When Segal came to review the way the county did busi-

ness, he found he could combine the 27 bills into one. This saved the county time dedicated to processing such bills. It also saved the county postage. Government is not known for being efficient. But by the time Segal is done, departments run smoother and save taxpayers money.

Staying in touch with "The Segal Series"

Segal publishes a newsletter called "The Segal Series" in order to keep in touch with local governments. In the newsletter he examines possible savings for governments and explores other issues that may be beneficial for expense reduction.

In the summer issue of the newsletter, one will find more information on cell phone use. There is also information for those who manage or oversee jails.

However, not everything he does is related to cutting expenses. The newsletter also points out the varied ways governments can "maximize revenue" by taking advantage of grants and other revenue enhancing programs at the state and federal level.

A local government may find federal dollars, for example, in the Universal Service Fund, which offers e-rate discounts to offset telecommunications and Internet services for schools and libraries.

The only problem with securing these monies is that the application process could take considerable time to complete.

The cost is not punitive

Segal's operation is not intrusive. According to Wilson County Manager Ellis Williford, the county's experience with Segal was pleasant. His organization was unintrusive, Williford said. Segal's firm does not require much hand holding. Over the years, Segal's company has saved Wilson County "about one-quarter of a million dollars," Williford said.

The company charges the local government only after the recommendations are implemented and the county begins to save money.

While Segal's money-saving services are comforting to some citizens who believe that government does not succumb to the pitfalls of private entities (like Global Crossing). A word of caution, though, comes from accounting Professor Thomas Taylor of Wake Forest University.

In a recent speech at the John Locke Foundation entitled "Truths in Accounting: Perceptions and Realities" the government as well as private corporations should fully disclose their budgets, operations, and liabilities, whether one is a taxpayer or a potential investor.

While government may seem to be doing beneficial things for taxpayers, citizens are still responsible for making sure government is performing to its citizens' satisfaction. CJ

The New Urbanism: Busybody Dictators

The "smart growth" movement and its new urbanist component frequently talk about "livable cities." They imply that America's cities are unlivable. This will come as news to the unprecedented millions of Americans who live a lifestyle that is the envy of billions around the world.

The smart growth movement bases its judgment on foggy notions of how things used to be in the American small town: a greater sense of community, people would sit on their front porches and speak to passersby. They had no need to use cars, because virtually everything was within walking distance.

New urbanism seeks to re-establish this livability. But the "livability agenda" misses some crucial points. Things were never as they seem today.

Technology, from the automobile to low-cost long-distance telephone service, to the Internet and air-conditioning has redefined community. Nowadays, much of community is more a function of specialized common interest than proximate geography. Community still exists, but people operate in multiple communities, local and remote.

People did not sit on their front porches and speak to passersby out of a sense of community — there was also the matter of getting out of uncomfortable, non-air-conditioned houses. Doubtless these activities were more rare in the frozen dead of winter. Now people maximize their leisure time and standard of living by traveling to discount department stores, supermarkets, and specialized "big box" stores that have more favorable economies of scale to improve the affluence of people, especially the poor.

Perhaps the ultimate illogic of the livability thesis is the proposition that consumers have been seduced by auto advertising and marketing of suburban living to accept a style of life opposed to their own best interests. This absurd notion is akin to arguing that without the self-serving advertising of refrigerator companies, people would face daily spoilage of food or that without advertisements for air-conditioning, people would bake in the summer, all the while stashing away the excess income not spent on these conveniences. Such errant thinking is perhaps best illustrated by the oft-repeated phrase to the effect that Americans have a "love affair with the automobile." By the same standard we have a love affair with refrigerators, air-conditioning, and adequate public health, a love affair that seems to have infected virtually every nation not too poor to afford it.

The American consumer is not duped. Nor are the millions of suburbanites who have left the cities of Europe to settle in the auto-oriented suburbs. People tend to use their resources to purchase the best life styles they can. The U.S. Census reported that fewer people used transit to get to work in 2000 than in any of the four previous censuses that included the question. People are not in the market for transportation that is generally unable to take them where they want to go, and when it does, much slower than by car.

Genuine livability is evidenced by the choices that people make. People buy cars and houses in the suburbs because they are more livable than the alternatives. The so-called livability agenda needs to be exposed for what it is — urban planners, architects and other urban elites who are not content to live their own lives, but must also control how others live. They are a dictatorship of busybodies. The livability thesis is a revisionist history. The architects of livability seek to design a future that never was and has less a chance of sustainability than any other of history's failed utopias. CJ

Cox is a senior fellow of the Heartland Institute and member of the Amtrak Reform Council.



Wendell Cox

Local Innovation Bulletin Board

Unaffordable Housing

Americans appear to be more concerned about urban sprawl than crime or unemployment. To discourage sprawl, policymakers are using location-efficient mortgages (LEMs). LEMs allow families willing to live in densely populated, transit-rich communities to obtain larger mortgages with smaller down payments than traditional underwriting guidelines allow.

According to advocates, LEMs curb sprawl by making homes in "location-efficient" communities more affordable to low- and middle-income borrowers who would ordinarily live in less-expensive fringe areas.

But LEMs may have more costs and risks than proponents claim. Researcher Allen Blackman found no demonstrable relationship between location efficiency and the probability of default. Thus making low-down-payment loans available to borrowers in location-efficient areas is tantamount to making such loans available to a random sample of borrowers. That, in turn, means that the loans have a higher default risk.

Location efficiency does not reduce borrowers' default risk, Blackman said:

- While home-owners in location-efficient areas may actually enjoy transportation cost savings, those savings are not large enough to affect their propensities to default.

- Estimates of transportation cost savings generated by the LEM computer model — often hundreds of dollars per month — are overstated.

- Real estate markets efficiently capitalize any financial benefits from location efficiency into housing prices — such as the premium on houses close to a subway stop.

- Thus, homeowners in location-efficient areas end up spending their transportation cost savings on higher mortgage payments, leaving their disposable income (and their ability to repay debt) unchanged. *Source: Allen Blackman, "Testing the Rhetoric," Regulation, Vol. 25, No. 1, Spring 2002, Cato Institute.*

Fannie Mae and Freddie Mac

The United States grants Fannie Mae and Freddie Mac subsidies to help them boost homeownership by lowering mortgage rates. The subsidy costs about \$8.3 billion a year. However, a recent study by the Federal Reserve Bank of Minneapolis finds that the organizations are inefficient and ineffective.

The Fed Bank study shows that interest-rate reduction is negligible and has a minimal impact on helping renters buy a home.

- Fannie and Freddie are credited with reducing standard mortgage rates by an average of 0.2 to 0.5 percentage points.

- But mortgage rates would have to fall 2 percentage points to produce a meaningful change in the percentage of households that can afford to buy a home.

- Even its effect would be limited — a 2 percentage-point drop would in-

crease the percentage of all renters that could buy a house by only 0.5 percentage points.

The Fed Bank study recommends that the \$8.3 billion subsidy be converted into a federal program that provides direct cash payments to first-time homebuyers.

That money could provide grants of \$10,000 to about 830,000 first-time homeowners. Lowering of the down-payment amount will better spur homeownership. The study finds:

- A \$5,000 payment increases the percentage of renters who can afford a home by 11 percent for all renters.

- A cash payment of \$10,000 has nearly twice the effect.

- In contrast, Fannie Mae and Freddie Mac's no-down-payment standard increases the percentage of renters who can become homeowners by only 2.5 percentage points.

However, Freddie Mac officials said direct-assistance programs have not been successful. *Source: Dawn Kopecki, "Cash Payments to Home Buyers Are Called Effective in Fed Study," Dow Jones Newswires, Aug. 13, 2002.*

Antisprawl laws hurt workers

Antisprawl laws and regulations are making it increasingly difficult, if not impossible, for millions of American workers to live close to their place of employment.

Building moratoriums and efforts to preserve large chunks of open space have driven housing prices far out of the reach of ordinary families.

"There's no question that growth controls increase housing prices somewhere between a little and a lot," said William Fulton, of the Solimar Research Group, a land-use think tank in Ventura, Calif.

- According to National Association of Homebuilders data, only 22 percent of homes in the San Diego area are affordable to median-income workers there — and the same is true for 34 percent of Los Angeles homes, 48 percent of homes in Boston, and 50 percent in New York.

- Growth controls are coming under attack in the West, the Northeast, and parts of the mid-Atlantic where housing prices have skyrocketed and the construction of more affordable apartments, condominiums, and townhouses has slowed.

- In Massachusetts, where building moratoriums are popular, only 27 of the state's 351 cities and towns meet the minimum level for affordable housing.

- Restrictions to stifle growth are coming before the courts.

A Loudon County, Va. worker has challenged local supervisors on the ground that their zoning regulations violate the Fair Housing Act by limiting affordable housing and effectively preventing many minorities from living there.

Source: Haya El Nasser, "Anti-Sprawl Fervor Meets Backlash," USA Today, Aug. 26, 2002. CJ

"There's no question that growth controls increase housing prices somewhere between a little and a lot."
— William Fulton

Steve Holland, Commissioner and Native of Pender County

By ERIK ROOT

Associate Editor

PENDER COUNTY

CJ: Tell us about your background.

Steve Holland: I was born in Pender County back in 1947. When I was 13 years old, my parents and I moved to Wilmington and I went to junior high and high school in New Hanover County.

When I got out of school I joined the Navy and did not return to the area for four years.

I started working, though, when I was about 7 years old in tobacco and blueberries. When I was older, I worked for a contractor after school and on weekends. When I returned from the service, I went to work for the same man.

I have been a carpenter, pipe fitter, and boilermaker. I ended up working at a place called Diamond Shamrock, which was built near Wilmington. I have worked many places in my life — at DuPont and General Electric. They were building all these plants back in the 1960s and early 1970s.

CJ: So you have pretty much done it all.

Holland: My daddy sat my brother and I down and told us to learn how to do a lot of things. Do not learn how to do just one. That way, if you are not happy in what you are doing, you can go somewhere else.

I used to be a licensed boat captain, I delivered yachts (which was a seasonal job), I ran a couple of bars and an apartment complex (with a bar in it).

A friend of mine had a chain of stores and sold out. We then went into the shrubbery business together. We bought wholesale in Florida and sold them in North Carolina and Virginia. We started out sitting on the side of a road and selling them out of the back of a truck and ended up selling 87 tractor-trailer loads the last year we were in business.

I sold the business and took some time off. I went back up to Pender to visit my family and I wanted to buy a lot that I had seen when I was in the water. I stopped into a little store to inquire how to get there by land and the man that owned it asked if I would like to own a business instead of a lot. I leased that business for a term of 30 years a few weeks after that. The 18th of August will be 21 years that I have been here — Holland's Shelter Creek.

I eventually built a restaurant that sat 18; now it seats 130. In addition to having a restaurant, I have built a convenience store, camp sites, cabins, and canoe rentals.

CJ: How is the water situation in your area?

Holland: Shelter Creek is not too bad. It is fed by seven underground springs. So far, we have been pretty lucky. We have also had a little bit more rain than in other areas of the state — not that we are not in a drought, but we have had enough rain that the crops are not suffering as bad.

CJ: Why did you decide to get into politics?

Holland: I ran for the first time in 1984. We had a real good manager up here for years and years — a guy named Howard Holling — in fact, he was so good he thought that every dime he spent of the public's money was really coming out of his pocket. So, he

didn't spend a lot of money. As a result, the tax rate stayed low. The county tried doing four or five bond referendums and never could pass any, so the schools really got into terrible shape. That is changing.

It is not as bad as it used to be, but there were just a few people that ran this county. It was a good-old-boy network and if you weren't in that network you didn't get a good job — you just took whatever was left over. I just got fed up. I didn't like where Pender County was going or where it was headed. Consequently, the first time I decided to run I switched to the Republican Party. There were not too many Republicans in the county. The overwhelming majority of the registered voters were Democrats.

I only lost by 1,200 votes. Four years later I decided to try it again. I ran against a family that had been in politics for years and years. I only lost by 600 votes that time. Basically I ran because I was real dissatisfied with the way the county was being run. Two years after I lost, the first Republican in about [120] years was elected. Things did not change a whole lot. But we had a real bad manager by that time and the county was going bankrupt and taxes were increasing. The county voters added more Republi-

cans to the board. The third time I ran I won. That year there ended up being four Republicans on the board. Many of the employees in the county government were appointed because they were a part of that network. Therefore, if anyone went in to do business with the government they were treated poorly because the employee knew they did not have to worry about losing their job.

The first year I was elected, we went to the Institute of Government and they said Pender County was the worst-run county in North Carolina. Finally, Bob Murray, the chairman of the board, got a letter from the state stating that if we did not take care of our county, they were going to take us over. The county manager was so bad that we were running a two-percent fund balance instead of the required 20. Two years later, the Institute of Government said we were the best-run county. So we turned the county around

CJ: So you ended up getting rid of the county manager?

Holland: Oh yes. In fact, he ended up getting indicted. Many people on the old board were nice guys, but they believed everything the county manager told them. And he told them things were fantastic. They did not realize how bad things had gotten until it was too late.

One thing we did: The county used to pay all the people who sat on various boards. There were 17 boards in Pender County back then. Bob Murray again came up with a plan to not reimburse people anymore who sat on those boards. The county just could not afford it. Some were concerned that we would not get anyone to participate on these boards. Well, they are all volunteer boards now and we have all positions filled. Things are running well now. One of our former county managers came up with a plan that uses sales tax money to pay for the schools we have built instead of having to raise property taxes. He was very innovative with coming up with ways to make money stretch. CJ



Steve Holland

*From Cherokee to Currituck***Davidson County Succeeds at Moving Families Off Welfare**

By MICHAEL LOWREY
Associate Editor

CHARLOTTE

An innovative two-year program aimed at stabilizing "at-risk" families in Davidson County has been judged a success.

The Families and Community Together Succeed, which received its funding through a grant from the state and was a Work First demonstration pilot project, was aimed at moving families from welfare to the workplace.

The FACTS program targeted families at or below 200 percent of the poverty level. They were provided with greater access to community services without the Department of Social Services investigation that is typically required.

FACTS worked with a number of outside agencies, including Family Services of Davidson County, Thomasville City Schools, Davidson County Community College, and the county Job Training and Employment Center.

The program met or exceeded most of its goals, including the percentage of children receiving immunizations, children's school performance, families remaining intact, and families not applying for emergency services.

Partly because of the soft economy, results in keeping families main-income earners employed were more mixed.

"We accomplished a significant amount of good," Catherine Lambeth, director of the Davidson County Department of Social

Services, said to *The Davidson Dispatch*.

Cabarrus, Alamance to sue

While most North Carolina localities are upset about Gov. Mike Easley's decision to retain millions of dollars that were to be distributed to the state's counties and municipalities, Cabarrus and Alamance counties have decided to try to do something about it. They intend to sue.

The counties are working with a Raleigh law firm to force the state to turn over the \$209 million withheld earlier this year and to bar future withholdings. The counties plan to seek a writ of mandamus forcing the release of the funds before a Wake County Superior Court judge.

"We're going to proceed with it with either a handful or a large group" Eugene Boyce, the lawyer representing the counties, said to the *Alamance Times-News*.

Alamance County raised its property tax rate by 8 percent this year, in part to offset the seizure of funds by the state.

Caster's call

At least one New Hanover County official is looking for innovative ways to save money. According to the *Star-News* of Wilmington, Commissioner Bill Caster has said that the county needs to consider contracting with a private company to run the new jail, located off Blue Clay Road.

However, Caster is opposed by Sheriff Sonny Lanier, who thinks his employees

are better-trained than those hired by a private company. Lanier also thinks a for-profit operation would cost more than a government-run monopoly.

Caster said he can cite plenty of examples to bolster his argument that privatizing would save the county money.

Wilmington-area tourism tax?

Wilmington and three nearby towns are separately seeking legislative approval to increase their hotel-motel taxes. And if approval comes, it will not be because either bill enjoys the support of the New Hanover County Commission or many local hotels.

Under the proposals, the current 3 percent room tax would be doubled to 6 percent in Wilmington, Wrightsville Beach, Carolina Beach, and Kure Beach. The current tax revenue is used for beach renourishment and tourism marketing through the local visitors bureau.

Wilmington would like to use the extra tax receipts to plan for and eventually build a new convention center. The towns, meanwhile, would directly control the additional revenue. In addition, the proposals would create a new tourism development authority.

The proposals were introduced as separate bills to keep the interests of Wilmington and the three towns separate.

While the proposals obviously enjoy strong support from the municipal governments, the New Hanover County Commis-

sion has not endorsed either version.

Two local resorts also noted their opposition before a state House committee, fearing that the higher taxes would make them less competitive. The *Wilmington Star* reported that Susan K. Bulluck, representing a local resort, presented her research, which showed that at least 65 percent of visitors to New Hanover County beaches come from other places in the state.

"Given that statistic, then a hotel tax then becomes an additional tax on other North Carolinians for the privilege of visiting their own beaches," she said.

Charlotte's unusual diet

If you are what you eat, then Charlotte's waistline may be expanding while its wallet is contracting to the tune of \$6 million.

Johnson & Wales University recently decided to build a culinary arts college in the Queen City. The campus would be located in uptown Charlotte, on a piece of land current owned by the city. As part of the deal, the Charlotte City Council recently unanimously approved the sale of the land to the university for \$1 million. The property has a tax value of \$7 million.

Charlotte Mayor Pat McCrory was enthusiastic about the school's arrival and the land sale. "It's going to have a very positive impact on our tourism and restaurant industry," he told *The Charlotte Observer*. "We'll see the quality of our restaurants triple and be comparable to those in New Orleans, Charleston, and Boston." *cj*

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National Review Ad

From the Liberty Library

• Sean Hannity, cohost of "Hannity & Colmes" on the Fox News Channel, has penned *Let Freedom Ring: Winning the War of Liberty over Liberalism*, a survey of the world — political, social, and cultural — as he sees it. Devoting special attention to September 11, the war on terror, and the continuing threat America faces at home and abroad, he makes clear that the greatest challenge the country has to overcome may not be an attack from overseas, but the slow compromising of its national character. And he asks why, particularly in this time of war, should Americans entrust their future to the voices of the Left — the very people who have spent decades ravaging so many of the country's core values and traditions? Further details on the Internet at www.reganbooks.com.

• *Islam and Dhimmitude: Where Civilizations Collide*, is a study of the legal and social condition of Jews and Christians subjected to Islamic rule. Author Bat Ye'or, a Jewish-French historian born in Egypt, examines various religious and historical sources, using the new term "dhimmitude" to describe their common history and legal status. Some of these laws derive from the special status institutionalized by the Church Fathers for Jews; once Islamized, these laws were incorporated into Muslim jurisprudence applicable for Christians and Jews alike. Dhimmitude is thus discussed from the perspective of Muslim theology, and also in regard to Christian attitudes to both Jews and Zionists. Ye'or analyzes the impact of Westernization on the Muslim world and suggests how it affects the concept of dhimmitude today. Published by Fairleigh Dickinson University Press, see www.fdu.edu/newspubs for more information.

• Frederick H. Fleitz Jr., special assistant to the undersecretary of state for arms control and international security, is the author of *Peacekeeping Fiascoes of the 1990s: Causes, Solutions, and U.S. Interests*. A CIA analyst who worked closely with Reagan, Bush, and Clinton administration officials on U.N. issues, Fleitz examines how peacekeeping works, the rash of peacekeeping failures since 1993, and whether peacekeeping can still play a role in U.S. foreign policy. Carefully researched and supported by more than two dozen maps, charts, and photos, Fleitz challenges assumptions of the foreign-policy establishment about the nature of the Cold War, post-Cold War peacekeeping, and 1990s peacekeeping deployments. Find out more at www.praeger.com.

• Regnery has released *Breakdown: How America's Intelligence Failures Led to September 11*, by Washington Times ace reporter Bill Gertz. *Breakdown* is the story of how September 11 was allowed to happen — complete with previously unpublished classified documents. Gertz uses his unparalleled access to contacts and knowledge of America's intelligence system to show how its system completely broke down in the years, months, and days leading up to the terrorist attacks on the World Trade Center and the Pentagon. CJ



M. Night Shyamalan's *Signs* is the work of a master craftsman, similar to that of director Alfred Hitchcock.

Movie Review

Signs: You're Either a Believer or a Nonbeliever

By HANS MARC HURD

Editorial Intern

Mel Gibson's *Signs* is the work of a master craftsman. His ability to create suspense out of the most innocuous situations and without reliance on heavy special effects, as is so common today in Hollywood, forces comparison to Alfred Hitchcock, the master of suspense. It is an indication of how masterfully Shyamalan understands his craft.

At its core *Signs* is not a story about extraterrestrials and the signs they leave, it is a story about faith, and the loss thereof. But more of that later.

Mel Gibson has made a name for himself in recent years, acting in movies that defy the usual liberal biases of Hollywood. Various gay rights groups roundly condemned *Braveheart* for the gratuitous death of a homosexual being tossed from a window (the world's first hate crime?). In *The Patriot* he encourages his two underage sons to pick up firearms against the English. Children, using firearms, the nerve of it! Gibson can be happy not to have been indicted for war crimes by the International Criminal Court. In *We Were Soldiers* Gibson played a caring, deeply religious Battalion commander who valiantly led his disciplined soldiers to victory in Vietnam.

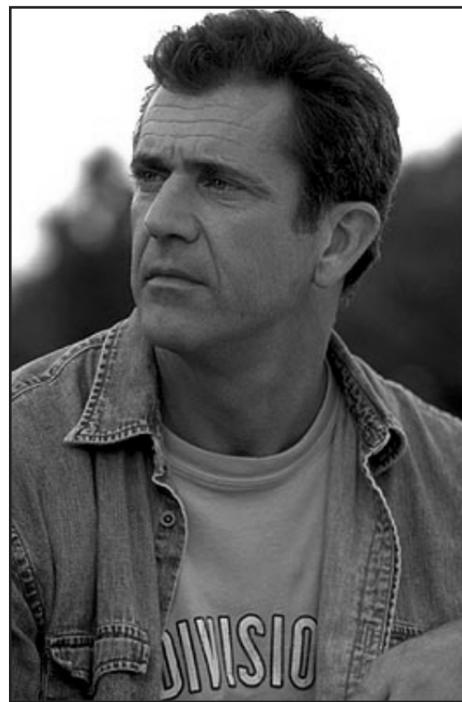
Didn't he know that all commanders in Vietnam resembled Gen. Jack D. Ripper from *Dr. Strangelove* and were solely obsessed with body counts, and that all soldiers were drug-addled societal misfits? And as

we all have been made aware in dozens of Hollywood movies about the military, soldiers don't pray with their families, they beat them (as in, for example, *American Beauty*). Now Mel dares to star in a movie that seriously deals with the question of faith and predestination.

Gibson stars as a farmer

Gibson stars as Graham Hess, a farmer in Bucks County, Pa. Six months earlier he was a priest as well, but left his vocation after the death of his wife in a car accident caused by neighbor Ray Reddy (Shyamalan himself). He lives on his farm with his two

RALEIGH



Mel Gibson plays a farmer in *Signs*.

children Morgan and Bo (Rory Culkin and Abigail Breslin), as well as his brother Merrill, who moved in to help Graham cope with his loss.

Graham discovers crop circles in his field and believes they were caused by mischievous neighbors, but slowly comes to the realization that something more sinister is at work on his land.

Indeed, the movie points out that crop circles have been previously uncovered as elaborate hoaxes (more than 90 percent of crop circles were created in southeastern England by two bored farmers), but these crop circles are somewhat different and have popped up simultaneously all over the globe.

Believers and nonbelievers

"There are two types of people in the world," Graham explains to his brother, differentiating between those that believe that there is a greater purpose behind everything that happens and those that think that all events unfold at random. He leaves no doubt that he belongs to that second

group, since he is unable to understand how God could have let his wife die in such a tragic manner.

The increases in signs of the presence of aliens raises the suspense level as it is unveiled through shadows in the night outside the farm, and TV news broadcasts of frightened news anchors.

When a home video shot during a birthday party reveals a glimpse of an alien, the worst fears of a possible alien invasion are confirmed.

As the Hess family barricades themselves in their home and relies solely on sporadic news broadcasts to get an update on current events, one cannot help but be reminded of the claustrophobic, end of world atmosphere in John Romero's *Night of the Living Dead*.

It speaks much of Shyamalan's skill that one of the most frightening scenes occurs as Morgan is suffering an asthma attack and Graham is trying to calm him down, desperately attempting to keep him alive.

Shyamalan's surprise ending

And of course it wouldn't be a Shyamalan movie without a surprise finish. The master of trick endings, which he employed to great effect in *The Sixth Sense* (1999), and again in *Unbreakable* (2000), delivers again with an ending that ties in several seemingly unimportant details and provides a deeply spiritual answer to the importance of faith.

It is Shyamalan's ability to turn a seemingly straightforward horror movie into a deeply religious story, without the hokeyness usually reserved for faith in Hollywood, that sets this movie apart from the usual Hollywood summer fare.

However, Shyamalan's fame for trick endings is somewhat undermining his ability to deliver them. While never revealing his final twists until the very end, anticipation of it reduces the surprise when it does happen.

Because of that it will be difficult for any of his movies to top the ending of *The Sixth Sense*. This does not detract from the quality of *Signs*. And with the director at age 31 with already five written and directed movies having acquired a reputation of a "boy-genius," we can probably look forward to many more of his ambitiously well-crafted plots and grand storytelling movies. CJ

Book Review

The New Americans: Michael Barone Warms Up the Melting Pot

• Michael Barone: *The New Americans: How the Melting Pot Can Work Again*, Regnery Publishing, 2001, 338 pages, \$27.95

By FRED FOLDVARY

Guest Contributor

RALEIGH
During the past decade, there has been a large inflow of immigrants into the United States, especially from Latin America and Asia, raising fears that the new immigrants may not merge as easily or swiftly into the American culture and economy as previous waves of immigrants. There have also been concerns that black migrants from the South during and after World War II have not been sufficiently advancing economically.

Michael Barone's study reveals startling similarities between the old and new ethnic waves. Barone pairs the Irish with the blacks, Italians with Latinos, and Jews with Asians, demonstrating that "we've been here before." Recent immigration is a *deja vu* of the earlier folks who came to America, repeating previous cultural and economic patterns. While acknowledging differences between the linked pairs and variation within groups such as Latinos, there are nevertheless patterns of culture and history that create similarities.

The New Americans has a chapter for each ethnic group, all structured similarly. Barone applies his extensive experience as a political historian, senior writer at *U.S. News & World Report*, and coauthor of the biannual *Almanac of American Politics* to describe the old country, journey to America, life in the new country, work patterns, family



Michael Barone, author of *The New Americans*

orientation, religious practice, education, prevalence of crime, political participation, distinctiveness as a group, emergence in sports and entertainment, and convergence into the American mainstream for each group.

Describing the Irish, Barone depicts the massive discrimination that they faced, their initial poverty and lack of entrepreneurship, the high degree of fatherless families, the importance of religion, and high rates of crime. These largely forgotten characteristics are surprisingly similar to those associated with blacks. While we think of Irish today as no different in appearance from

other Caucasians, Barone shows that attitudes 100 to 150 years ago were much like prejudices against blacks recently and presently. The Irish were regarded by many Americans as an inferior race. Some Irish rose to prominence in sports and entertainment, just as blacks did later. Both looked to government to obtain power and employment opportunities. But now the Irish have converged into America, although many have retained their ethnic identity.

Like the Irish, blacks had an Old Country, the Old South, where most still resided up until the 1930s. Like the Irish, blacks have had a lower rate of married couples, but they too made economic gains. Barone notes a key difference in government policy, blacks being affected by racial quotas and preferences that actually reduce their incentive to high achievement.

Still, Barone observes that the racial divide is fading rapidly, just as did ethnic divisions for earlier immigrants. It took 120 years for the Irish to become fully assimilated, and Barone thinks it may not take as long for blacks, whose mass migration began 60 years ago.

The "uncanny resemblance," as Barone puts it, between Italian immigrants and the current wave of Latino immigrants shows that the Spanish-speaking newer arrivals too will merge into mainstream America. Neither initially placed much value on education, but both were very diligent workers and family-oriented, both also largely shunning welfare-state aid and also initially not much engaged in politics. Just as Italians became interwoven into American life after being clustered in ethnic enclaves, so too do

the later generations of Latinos learn English and make economic advances. As with blacks, Latinos face a policy difference, especially with bilingual education, which in practice has often been Spanish-based. Its failures are now evident, and there is movement now back to English-based instruction.

In contrast to Italians and Latinos, both Jews and East Asians traditionally valued schooling, and they have achieved higher levels of education than native-born Americans. Jews and Asians have strong family ties and low crime rates. Jews have become prominent in the professions and in the entertainment industry, and prejudice has receded as Jews have converged and intermarried to such a high degree there is fear among the Jewish community that they have become too assimilated and may lose their identity. Inter marriage is becoming high also with Asians as anti-Asian discrimination has vanished.

Barone not only paints a hopeful picture of the assimilation of immigrants into the America they came to for freedom and economic opportunity, but also shows that the American spirit has overcome historic prejudices that are rapidly receding. The book shows how just as the previous waves of immigrants became fully American while retaining their ethnic identity, so too will the more recent waves that strikingly resemble the earlier ones. This is an excellent book both for information on the sociology of immigrants and also for the policy implication that we need not fear any loss of American cohesion even with large amounts of immigration. *CF*

Book Review

Prelude to the Welfare State: Analyzing Workers' Compensation

• Price V. Fishback and Shawn Everett Kantor: *A Prelude to the Welfare State*, University of Chicago Press, 2001, 302pp. \$37.50

By GEORGE C. LEEF

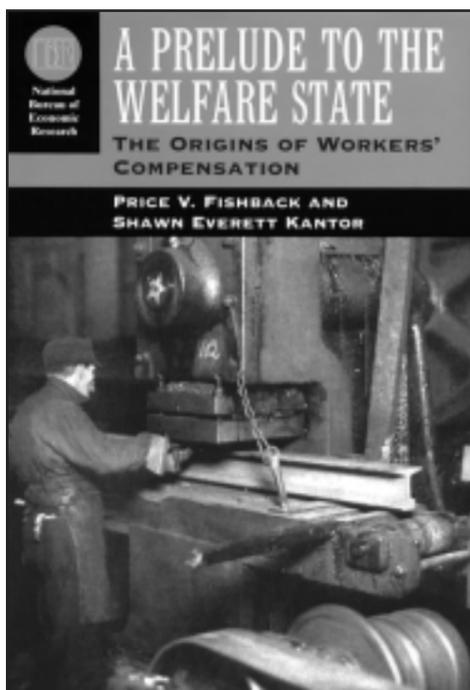
Contributing Editor

RALEIGH
A parade of social legislation was enacted by the states and the federal government in the 20th Century. Among the many new programs were those dealing with unemployment insurance, minimum-wage, Social Security, Medicare, and occupational safety.

Leading the parade, however, was workers' compensation. Enactment of workers' compensation statutes by one state after another, beginning in 1911, took the problem of compensating workers who were killed or injured in on-the-job accidents out of the realm of common law and market innovation and firmly enshrined it in the realm of politics. What have the results been?

Economists Price Fishback and Shawn Everett Kantor, both of the University of Arizona, give us a detailed examination of the economics and politics behind the worker's compensation movement. They write that their book's goal "is to answer two central questions: First, how might various groups have gained from the adoption of workers' compensation? Second, what was the process that led so many state legislatures to adopt workers' compensation laws?"

The work is meticulous and will be of great interest to economists and public policy analysts for its discussion of the effects of this intervention. Did workers and/



or employers benefit? Did accident rates fall? How did the institution of workers' compensation affect insurance markets and other kinds of voluntary measures for dealing with workplace accidents? If those questions intrigue you, I believe that no other work deals with them as well as this book.

Around 1900, a strong reform movement arose, pressing for legislation that would take compensation for workplace injuries out of the costly and unpredictable common law liability system and replace it with a system of mandatory no-fault insurance for workplace accidents. Labor unions generally and also many businesses advocated a new system that would guarantee

injured workers compensation for much, but not all, of their lost income. In many states, the debate was not so much whether to go to the workers' compensation system, but what its details should be — for instance, whether insurance would be sold through competing private insurers or through a state monopoly.

The authors' discussion of the effects of adopting workers' compensation is the heart of the book. They write, "The new laws raised the average accident benefits paid to workers in workplace accidents. The rise in benefits, in turn, led to a reduction in wages paid by employers, reductions in savings and insurance purchases by households, and changes in the care taken by employers and workers to prevent accidents." Fishback and Kantor conclude that even though workers in essence "bought" the greater certainty of accident benefits with reduced wages, most were net beneficiaries.

But why didn't workers simply purchase the level of insurance they desired without waiting for the passage of mandatory legislation? The authors respond, "It appears that workers were not able to purchase their desired levels of accident insurance under negligence liability because insurance companies faced significant informational problems in selling workplace insurance to individual workers." That was undoubtedly true in the early 1900s, but one must wonder whether workers and employers wouldn't ultimately have been better off if they had waited for the insurance market to catch up to the needs of a changing economy rather than rushing to the state for an involuntary collectivization of workplace risk.

Accident rates, the authors find, seem to have fallen in many industries after the adoption of workers' compensation, but rose in some others. In coal mining, for example, accident rates rose. The reasons for that aren't entirely clear, but Fishback and Kantor say, "Since coal loaders and pick miners were paid by the ton of coal they produced, these workers realized that by working a little faster and taking more risks, they could earn higher incomes." Among the arguments used by advocates of workers' compensation was that it would increase safety, but as is almost invariably the case with government intervention, actual results don't exactly match up with expectations.

The tantalizing question that the authors only hint at is what would have happened if we had not gone to a politically dictated system for dealing with workplace accidents and had instead allowed voluntary developments to take place. They note that there were alternatives to common law liability, writing, "Andrew Carnegie and International Harvester both developed private schemes for compensating injured workers prior to workers' comp." Also, voluntary societies provided much assistance to injured workers. Workers' compensation may have produced a better system than reliance solely upon the common law tort system, but it also choked off marketplace innovation that would have given us a still better system. The authors could have made a useful book more so if they had spent at least a few pages discussing how the market could improve on the system that has come about through political pressures. *CF*

A Full-Throated Southern Voice

It is often noted that dedicated and especially talented writers lead conflicted and disparate lives. Whether myth or not, this has often been a description attached especially to Southern writers.

From Faulkner to the recently departed Tim McLaurin, there is much to justify such a conclusion. McLaurin was a quintessentially Southern man and a deeply talented writer. Afflicted with alcoholism and repeated bouts of cancer, Tim finally went home to his Maker on July 11, in the midst of a steamy North Carolina summer. He perhaps wished it this way. But that is, in and of itself, unfathomable conjecture. For those of us who knew him, admired him, loved him, and were taught by him, that was a sad summer day indeed.

For all of his eccentricities, Tim was by no means a caricature. He was quite simply his own man — a Southern boy who grew up plucking tobacco on the “other side of the tracks” on the outskirts of east Fayetteville.



Thomas Paul De Witt

A basketball player. A barroom brawler. A Marine. A Peace Corps volunteer in Tunisia. A carnival snake-handler. A teacher. A drunk (his preferred appellation for the disease that so afflicted him). Above all, he was a writer and a survivor who vowed he would die young. And did so. But he did so proudly, having sought healing against his afflictions and solace in the presence of those he loved in his not-so private life.

Tim was, as any dedicated writer must truly be, a man of poetic and painfully honest words. Indeed, a story he told often was how the honesty in his autobiographical and artful *Keeper of the Moon* cost him his first marriage. His prose was at once elegant and earthly, emblematic of his soul. His poetry — most delicately and deliberately rendered in his narrative book length poem, “Lola” — was emotional, imaginative, and deeply touching.

For those of us who knew Tim, in passing or in permanence, his energy and sense of life, his adventurous spirit and dedication to his art, were painfully inspiring.

Among the many writers I have known, Tim’s thoroughness was contagious. Whenever one said to him, “I am a writer” he would ask, “Do you write every day?” If the answer was yes, his encouragement and spirit enveloped you. If the answer was no, he offered no condemnation. Yet, while you could read the skepticism in his eyes, his passion and compassion offered only encouragement.

Tim’s *Keeper of the Moon: A Southern Boyhood* is one of the finest pieces of Southern literature I have read in my life. I have rarely, if ever, read such an achingly honest and illustrative narrative of a boy’s childhood growing up in the rural South of the 1960s and early 1970s, long before North Carolina emerged from its mid-century slumber as a soft and sometimes brutal haven of Southern culture.

For both natives and transplants there is no better book I could recommend to give you a taste of sweet iced tea in summer, of sticky tobacco leaves freshly shorn, or tree frogs and insects chirping in the darkness of a humid summer night in the South.

From his novels such as *The Acorn Plan* to *Woodrow’s Trumpet* and his 2000 memoir *The River Less Run* he was a man of passion and artistry. His Southern spirit brought joy and emotion to so many as he shared his love of family, of his heritage, of the ethos that defines the South.

Given a telescope as a child, he became the “keeper of the moon.” He now resides in the heavens where he can embrace that moon eternally. CJ

De Witt is opinion editor of Carolina Journal.

Editorials

CORPORATE BRIBES

Incentive program is wasteful boondoggle

Successful enterprises are built of honest hard work, brains, and well-focused investments directed to the provision of viable services and products. Planning for the success of a new business takes into account available capital tied to a realistic business plan. Such plans must be predicated on the availability of several factors, from cost-effective labor, to researching whether a market niche exists for the product, and whether one’s plan is thought through well enough to persuade others to risk investment capital on one’s vision for success.

It is unfortunate that North Carolina government seems more focused on the empty rhetoric of public relations ploys and the snipping of ceremonial ribbons than in creating an environment conducive to profitable enterprise. Further, the government’s inclination, led by Gov. Mike Easley, is to enrich already wealthy corporations at the expense of both North Carolina consumers and existing businesses who are offered no such subsidies. In the 1980s this was called “industrial policy” whereby government tried to pick winners and losers via public policy subsidy and control. Today, Easley *et. al.* call it a policy of “corporate incentives.” Call it what you will, this is simply another form of socialism whereby government subverts the free market and, thus, our freedom.

Whether one is discussing a biotechnology effort subsidized by Golden LEAF funds, direct subsidies for a Global TransPark or the FedEx effort in the Triad, or, finally, Easley’s recent proposal to give 80 percent tax rebates to companies for newly created jobs, one is hard pressed to not view such efforts, as the John Locke Foundation has previously noted, as “socialism for capitalists.” A demand for certain services and products either exists or it does not. If it does, the private market, through foresight and the generation of capital will provide the wherewithal to sustain such growth. If the market is not there, how can one justify taking money from struggling taxpayers or a bankrupt state budget to subsidize corporate welfare? As is so often the case, the answer is simpler than might seem obvious to the politicians in Raleigh.

While we make no presumption that those politicians are any brighter than your average citizen, one might be more comfortable making the presumption that they are at least as bright as the average citizen. And the man on the street knows that you can’t get something for nothing. He also knows that successful business and employment both require the support of a proven market. In the alternative, they necessitate the acceptance of risk by entrepreneurs who are willing to invest those resources necessary to make honest enterprise thrive.

Apparently, Easley and the General Assembly, a gaggle of politicians who can’t even pass a sensible state budget before the fiscal year starts, and, even later, as of this writing, can’t pass a sensible budget at all, do not understand the elements of economic prosperity.

The N.C. Economic Stimulus and Job Creation Act essentially offers rich corporations cash kickbacks for “creating” jobs. While there is no indication such jobs would not otherwise exist given proper demand, there is every indication that the “grants” to be awarded by the sticky hands of three political appointees — beholden to the governor — would be nothing but political payoffs for a feel-good policy meant to buy votes.

As has been noted by *Carolina Journal*, Time Warner plans to relocate some of its corporate offices to Charlotte. There are those who claim this is a direct result of the company’s anticipation of receiving new subsidies. Yet the evidence indicates that Time Warner made the decision to relocate 400 jobs to Charlotte previous to the incentive proposal.

Our state government is more focused on public relations ploys and ceremonial ribbons than fostering economic prosperity.

Now, whatever one may think of Time Warner, this circumstance should raise a red flag about the incentive program for anyone without at least half of a brain. Jobs are coming to North Carolina via Time Warner. To the extent they are not, the answer to such a supposed employment problem is not to offer “loopholes” and “kickbacks” and “incentives.” The answer is to make North

Carolina a business-friendly, taxpayer-friendly environment, to offer a healthy economic locale instead of perpetuating and extending our state’s growing status as a high-tax, big-spending, big-government mecca.

Indeed, the biggest disincentive for luring job-creating growth to the Old North State is the existing incompetence and arrogance of a state government that has just recently sacrificed the state’s top credit rating to the altar of Big Government and high taxes. A true incentive program would entail retrenchment and control on the part of government: cutting taxes; reigning in spending; killing “economic development” initiatives, which are, in essence, nothing more than bribes that — in a somewhat distorted fashion — resemble a version of mutated, modern mercantilism.

At the risk of sounding redundant, we feel compelled to point out that North Carolina imposes the highest marginal income tax rates in our region. Indeed, our new 8.25 percent top tax rate on individual income is among the highest tax rates in the United States. Few North Carolinians pay that rate directly, of course, as it applies to incomes well into the six figures. But many North Carolinians pay the tax indirectly — in the form of lost jobs and income as entrepreneurs seeking the best return choose other states in which to create new businesses. Furthermore, 8.25 percent of zero is still zero, so our uncompetitive tax rates don’t improve our budget picture much if at all.

Corporate welfare, whether sponsored by Democrats or Republicans, should be erased today. And in that moment, we shall, once again, recognize the fundamental right of our citizens to be treated equitably and to enjoy the fruits of their own labors — the latter a right enshrined in our own state constitution.

IMPEACH PHIPPS

Ag commissioner must face the music

Three leading North Carolina newspapers, and several smaller ones, have called for the resignation of North Carolina Commissioner of Agriculture Meg Scott Phipps for scandalous behavior. She claims she has done nothing wrong and refuses to resign. Thus state leaders should adhere to both the state constitution and the general statutes and demand she be impeached by the House and tried by the Senate.

Article III, Section 7 (6) of the state constitution authorizes the General Assembly to impeach and put on trial any officer of the state, which includes members of the Council of State, for particular transgressions defined by state law. Chapter 123 of the state's general statutes, under Article I, clause 123-5, stipulates that such officials may be impeached and put on trial "for the commission of any felony, or the commission of any misdemeanor involving moral turpitude, or for malfeasance in office or for willful neglect of duty."

Simple documentation of the facts regarding Phipps' behavior and her subsequent refusal to resign demand action by the General Assembly. She has already been fined \$130,123 for illegalities committed during her 2000 campaign for statewide office. The state board of elections determined she had accepted illegal corporate contributions and cash, for which she is being investigated by state and federal authorities.

Partly as a result of some of those illegal campaign contributions, Phipps has engaged in egregious activity as a member of the Council of State. To begin with, she handed plumb state jobs to political hacks, who also just happened to have raised substantial sums for her campaign. *The News & Observer* of Raleigh reported that Bobby McLamb, her defeated foe in the Democratic primary, was hired to work in the Agriculture Department by Phipps once she was ensconced in the office. She has since dismissed him because of the allegations about trading political favors in exchange for campaign money.

The controversy regarding her rewarding of the State Fair carnival and concessions contract to a new operator without going through the state's legally binding bidding process was largely disposed of. But the *N&O* now reports that the Agriculture Department attempted to give "a lucrative contract to a Florida carnival consulting company whose president, Robin Turner, had made illegal cash contributions to Phipps' campaign."

When the effort was vetoed by the state purchasing department, the Agriculture Department "allowed the company and Turner to work without a contract and without permission from the governor, both required by state law." Following this, Turner was still paid \$5,300 as a consultant in direct violation of that law.

But now Phipps wants us to believe this is all a vendetta by "a few good old boys out there who don't think a woman should have this job." She also blamed underlings in the department for the problems. However, David McCoy, director of the Office of State Budget, Planning, and Management, said "as the agency head, she is responsible for seeing to it that all of the employees in that agency comply with the law — it's her responsibility."

Following her refusal to resign, she should be impeached by the House, which must by statute submit articles of impeachment to the Senate, and be put on trial by the Senate for malfeasance in office. Whatever her protestations, Phipps broke the law and engaged in further questionable activities. Sadly, a public official with any sense of honor would have done the right thing by now and already resigned. It's no wonder citizens are so cynical about their government and the politicians who run it.

REPARATIONS?

An idea whose time won't come

Should black people in America be given reparations for slavery and the negation of freedom symbolized by Jim Crow laws in the South? Or should they, as Louis Farrakhan suggested at the recent reparations rally in Washington, D.C., be given millions of acres of land in dispensation? Should reparations be offered at all? Quite simply, no.

As far as North Carolina in particular may be consid-

ered, according to Marvin L. Kay and Lorin Lee Cry, professors emeriti at the University of Toledo, in their 1995 book published by UNC Press, "Slavery in North Carolina 1748-1775", our state "yielded the smallest slave population except for Maryland, the lowest proportion of blacks in its population, and the lowest density patterns among slaves of any Southern colony." While our state's slave population later grew dynamically, North Carolina was never at the forefront of slavery. This is only to note the incongruity of demands for reparations whether from states that benefitted from slave labor or those that never did. The demands for reparations have little connection to history, to accountability, or to any realistic obligation for compensation. From whom shall the money come? From whom shall the millions of acres of land demanded by Farrakhan be delivered? And are such demands based upon division, vindictiveness, and a desire for retribution, or a tentatively rendered victimhood?

Well, the executive editor of *Ebony* magazine said, "We're not talking about welfare. We're talking about back pay." Over a dozen big-city councils have jumped on the bandwagon and neo-conservative columnist Charles Krauthammer has suggested giving every black family in America \$50,000 each. Whether it was Abraham Lincoln's idea to offer, according to Karl Zinsmeister, "federal compensation to states according to the number of slaves they emancipated" or General Sherman's order to sequester "forty acres and a mule" from plantation owners to freed slaves, the question of some form of reparations has long been discussed. Yet as economist Walter Williams observed, "since both slaves and slave owners are no longer with us, compensation is beyond our reach."

And thus it is. And thus it should remain so. Williams also noted that in America, subsequent to the War Between the States, we have targeted \$6.1 trillion to fight poverty among the underclass, disproportionately black. From the racial favoritism of "affirmative action," to the general dispensation of America's increased freedom over the decades, we have seen most black American families become middle class and, as Williams observed, far better off than if they lived in any country in Africa.

Unsettling questions raised

This also brings to the fore other unsettling questions. If reparations are owed by persons who had nothing to do with the slave trade — which we argue they are not — why limit the cost to persons now residing in America? Given that much of that trade was sanctioned by black chieftains and "businessmen" in Africa — who profited handsomely from their treachery — which African nations and tribes shall also be sued? Indeed, from New York to Boston to some of our greatest Southern ports, many dominant slave traders were black men. Further, there are many blacks in America who did not come directly from Africa, whose heritage is more Caribbean than otherwise, and how would one delineate the division necessary to defining proper heritage to justify payment of reparations without causing further, serious destruction within the American body politic?

Essentially, the demand for reparations is more an attack on American history and a tool of divisive power politics than it is any sincere effort at reconciliation. America more than any other nation — with the possible exception of Britain — has led the world in abolition. Indeed, the worst slavery occurring in the world today is deep in the heart of Africa and led by people who enslave those of their own race. Apparently, the roots of the transatlantic slave trade, long sundered, have simply reasserted themselves on their home soil.

Black Americans have made tremendous strides in the United States at the sacrifice of more Americans than died in all of our other wars combined. About 620,000 Americans died in a struggle presumed to have been inspired by abolition. If such fatalities, in proportion to our population were to occur today, we would be flirting with a funeral dirge for 5 million war dead today.

Attach that cost to the imposition of martial law in the South, to the suspension of constitutional rights during and after the war, and the ongoing injustice of racially preferential "affirmative action" today, and a solid case may be made that reparations, to the extent they were due, have since been paid.

Blacks are arguably as much a genetic mosaic as are whites. They should no more desire paternalistic condescension and favoritism than any other proud race. James McWhorter at the University of California said that "the only way for any group of human beings to succeed is through individual initiative."

This may not be fair, but history records no other path. And like many paths, it may be tough. But it certainly provides rewards for all those who, with dedication and hard work, trod upon it.

Ask Right Question on Charter Schools

When analyzing public policy, you only get a satisfactory answer if you ask the right question. That's why recent debate in the General Assembly and elsewhere about the charter school movement has been so frustrating.

Charter schools were authorized in 1996 to offer parents more choices and encourage competition and innovation. Initially, many lawmakers viewed them as an attractive way of shunting aside other choice-based reforms such as tax credits or vouchers. Later, once it became obvious that thousands of N.C. parents, educators, and students embraced charters with enthusiasm — there were nearly 16,000 students enrolled in charters last year — politicians discovered that they had uncorked the genie's bottle.

Charter schools remain popular with the public and community leaders.

In a March 2002 survey of state business executives, about 71 percent expressed their continued support for charters despite the well-publicized fact that some charters have closed, and others have struggled, in their first few years.

So far, most critics of charter schools have stayed away from the unpopular notion of ending the program altogether in favor of upholding a statewide cap of 100 schools. But their reasoning is unsound.

First, they suggest that the dramatic failure of several charter schools suggests that the process has unfolded too rapidly. I agree that the state needs to do a more careful job of evaluating charter applications, but there is no evidence that North Carolina lacks sufficient numbers of well-qualified people and institutions to create new schools.

A related argument is that charter schools have failed to deliver on their promise of educational progress. But critics are applying the state's ABCs accountability model to charters, for which it is unsuited. Charters are empowered to choose curricula that may match up well with a national test but not with North Carolina's test, yet they are effectively coerced into administering the latter. And because charter enrollments can be volatile, fair comparisons of year-to-year changes are a challenge.

Moreover, charters have performed better on the state tests than many observers realize. As a recent analysis by the state revealed, charter schools (like many other start-up enterprises) tend to have a rough first or second year before stabilizing and effectively carrying out their mission. In the 2000-01 round of testing, charters with at least three years of continuous operation scored 66.4 percent at grade level, compared to the statewide average of 72.5 percent. Given that charter school students are, on average, more likely than their counterparts to be poor, to come from broken families, and to enter the charter school already behind the curve academically, this level of performance is hardly disastrous — and, in fact, surpasses the performance of many public school districts with similarly disadvantaged students. Moreover, charters receive an average of \$5,500 in taxpayer dollars per student, compared with \$6,600 in district-run schools, so they are more cost-effective even at the slightly lower scores.

The real question we should ask about charters is: Are their customers satisfied with their performance? Parents are best situated to answer that question, knowing their own child's academic background. Given the frequent problems with the state testing program, it would be difficult to argue that the so-called "objective" results it generates are more valuable than a parent's judgment.

Accountability through choice is hardly a new idea. It is the basis of most of American business, society, and government. I seriously doubt, for example, that state legislators would swap the current system of reelection by popular vote for a system based on performance data and standardized tests. The results wouldn't be pretty.

John Hood

Editorial Briefs

Cost of Kyoto: \$1,000 per family a year

The Kyoto Protocol requires participating nations to cut carbon dioxide emissions an average of 5 percent below 1990 levels from 2008 to 2012. It will harm economies worldwide and only minimally, if at all, reduce global warming. More importantly, the costs of Kyoto will be borne disproportionately by the world's poor because of rising energy costs, lower economic growth, job cuts, and indirect effects on developing nations.

Reducing carbon emissions will increase the cost of housing, heating and cooling, electricity, transportation, and consumer products.

Specifically, according to the Heritage Foundation, direct energy price increases alone could cost the average U.S. household an extra \$1,000 per year. Including effects on all consumer prices, energy costs could reduce average household income by \$1,620 per year. Cumulatively, by 2020, the Protocol could cost the average household \$30,000, equivalent to an income tax increase of 14.5 percent.

The portion of income consumed by energy costs could increase by 10 percentage points for the poorest 10 percent of Americans.

Families with annual incomes of less than \$10,000 still spend nearly \$1,000 each year on energy, on average. The Protocol would double the cost to 20 percent of disposable income, or almost \$2,000 per year.

The Protocol would cost the United States \$330.2 billion to \$467.8 billion in gross domestic product, or \$1,105 to \$1,565 per person, in 2010.

Rebuilding beaches: million-dollar mile

Instead of preventing construction on erosion-prone beaches, Florida laws and regulators have created a no-retreat strategy that promotes development and leaves it to taxpayers to rebuild beaches when they wash away, according to the conclusions of an examination of building permits and dozens of interviews by Gannett newspapers and television stations in Florida.

Since 1923, Florida has spent nearly \$887 million, in 2002 dollars, to replenish beaches on its 825-mile coastline.

Since 1978, only 52 beach building permits have been denied — while 4,913 new homes, hotels, condominiums, and other buildings have been approved on land subject to erosion.

Last year, Congress approved a record \$135 million for 75 shoreline-rebuilding projects and studies in 21 states. In the past 79 years, beach replenishment along the Atlantic and Gulf coasts has cost federal taxpayers an estimated \$3.6 billion in 2002 dollars. That is about \$1 million per mile of open coasts along the Atlantic and Gulf.

Organic farming mushrooms

Organic farming was envisioned as ecologically sustainable agriculture practiced by small farmers rather than corporations.

The U.S. Department of Agriculture, after lobbying by the industry, has instituted a marketing program that certifies organically grown products. However, as the market for organically grown foods has grown, big organic farmers are supplanting small farmers.

The United States has almost doubled its acres of organic farmland since 1997. In 2001, global sales of organic foods reached \$26 billion. Sales are expected to reach \$80 billion by 2008.

Certification used to favor the small farmer; now it is a way for mass organic producers and marketers to brand their products.

In California, five giant farms control half of the state's \$400 million organic produce market.

Critics note that "organic" is a marketing category, not an ecologically pure alternative to conventional food. Most organically grown food is packaged and processed, undercutting environmental benefits and health claims. In addition, organic farming uses massive amounts of nonrenewable energy to process, package, and ship its products all over the world. CJ

Lawyers Guard Their Turf, Seek More

By **GEORGE C. LEEF**
Contributing Editor

RALEIGH

In every state there are statutes or judicial rules that limit "the practice of law" to only those individuals who have gone through "proper" training (that is, three years of law school) and have become licensed to practice in the state by passing the bar exam. For the rest of us, doing anything that is "lawyer's work" is illegal and we can be prosecuted under "unauthorized practice of law" rules. (You can do your own legal work. You just can't do it for anyone else.)

Exactly what kinds of activity are treated as unauthorized practice of law varies from state to state. In some states, for example, real estate closings are under the "practice of law" umbrella and therefore the exclusive domain of lawyers. That's the case in North Carolina. If a person isn't licensed by the State Bar Association, he'd be in violation of the law if he handled a real estate closing, no matter how much he might know about all the various activities required and how well he did them. The law allows competition only within the ranks of the lawyers. Others must keep out.

In a number of other states, however, real estate closings are not defined as the practice of law and may be done by anyone the parties to the transaction agree on. Lawyers may, of course, handle closings, but the business is not restricted to them. Realtors, title insurers, banks — it's legal for them to do closings, too. In those states, for instance, Arizona, Michigan, and Missouri, consumers benefit from competition among various providers of closing services, tending to lower costs and increase flexibility.

Last year, the State Bar issued two rulings that further tightened the restriction against unauthorized practice of law. One of them says that a lawyer must be present at all closings. The other says real estate refinancings come under the definition of "practice of law" and therefore must be done with an attorney present. The first ruling would no doubt lead to considerable inconvenience, particularly in the more remote areas of the state. The second would guarantee a large chunk of new business for bar members.

At one time, that would have been the end of the matter, but in recent years, the Federal Trade Commission and the Antitrust Division of the Department of Justice have been doing something useful — opposing anticompetitive, cartel-protecting rules of the sort that the Bar (and other professional organizations) like to make. Last December, the FTC and Justice Department sent a joint letter to the Ethics Committee of the North Carolina State Bar. It questioned the need for the new rules, pointing out that there was no evidence that the lack of a lawyer being present at a closing had caused any problems, and that there was also no evidence that North Carolinians were being harmed by their choice not to hire lawyers to protect their interests in refinancings. The letter asked that the State Bar revoke the rules because they would merely raise costs and reduce convenience for consumers.

The rule on refinancings is apparently the Bar's reaction to the possibility of "predatory lending". But, the letter says, the Bar has given "no evidence or analysis showing that the availability of lay services has actually hurt consumers, that lay closers have been responsible for any predatory lending abuse, or that lay closers are any more likely than attorneys to be involved in predatory lending deals." The right conclusion is, I believe, that the State Bar

has used the "consumer protection" excuse in order to augment the amount of work for lawyers to do.

Not only does the FTC-DOJ letter advocate the revocation of the two anticompetitive rules, it goes further and suggests that the Bar issue an opinion that would open real estate settlements to nonlawyers. The extent of the State Bar's ability to do that under North Carolina statutes and precedents is questionable, but whether accomplished by a State Bar ruling or through legislative action, it is a change that should be made. (The State Bar has put off its decision until October while it studies the matter.)

"Oh no!" I can hear real estate lawyers yelling. "Our professionalism protects the parties. People who haven't even been to law school can't be expected to do everything right and offer guidance if problems arise." But many lawyers who do real estate work never studied any of what they do day in and day out in law school. Most of what lawyers need to know is learned on-the-job, and is not so arcane and intellectually demanding that it can't be learned by people who have good, nonlegal educations.

Professor Joyce Palomar, of the University of Oklahoma Law School, performed a study of the comparative reliability of lawyer-conducted and lay-conducted closings. Her conclusion was that on the whole, there was very little difference in reliability, but that nonattorney closings cost somewhat less. Looking at that result as an economist, it is completely unsurprising. In a competition, every participant has to be good enough to pass the test of the market. That means doing satisfactory work at prices that aren't out of line. Markets quickly drive out competitors who stray much from the norm on either price or quality.

The great majority of real estate closings are handled smoothly and without difficulty, whether done by lawyers or nonlawyers. Real estate lawyers may claim the evidence shows that on the average, lawyers are somewhat better than nonlawyers, but even if that were true, it wouldn't justify the ban on nonlawyers. Think of it this way: Suppose statistics showed that lawyers who graduated from Duke on average made closing errors 2 percent of the time and lawyers from UNC made closing errors 3 percent of the time. (This is hypothetical — switch the numbers around if you prefer.) Since UNC graduates are 50 percent more error-prone, should we ban them from doing closings? Of course not. We shouldn't even ban those who make the most mistakes, much less everyone else. The same reasoning should apply to nonlawyers as a group.

Instead of putting up barricades against competition from outsiders, the State Bar could do the people of the state a service by standing aside and then offering training seminars for any individuals who want to learn how to do closings. It might offer special certification to those — lawyers and nonlawyers — who can demonstrate that they have mastered the intricacies of real estate closings.

While I firmly believe that more competition would lead to lower costs, ultimately this isn't a financial issue. The issue is freedom. The government and the State Bar should not interfere with the freedom of individuals who employ whom they want for legal work; nor should they demand that people who want to enter the market for legal services go through needlessly long and costly training before they are "authorized" to compete. CJ

George Leef, a graduate of Duke University Law School, is director of the Pope Center for Higher Education Policy.

Undeserving Lindh Got Deal of the Century in Civilian Court

By MARC ROTTERMAN

Contributing Editor

RALEIGH

John Walker Lindh, "the American Taliban," got the deal of the century — a plea-bargain agreement from the U.S. government that spared his life. After the surprise deal was announced, Walker's father said, "John loves America and we love America. God Bless America." It's easy to love America when your son gets a 20-year sentence instead of being executed for taking up arms and explosives against America's ally Afghanistan and by extension his fellow countrymen.

One family that the deal did not sit well with was that of Johnny Spann, the CIA officer who was shot and killed in a Taliban prison uprising at Mazar-e-Sharif on Nov. 25, shortly after he interviewed Lindh. At a minimum, the Spann family wanted a life sentence for Lindh. Spann's family believes that Lindh played a role in their son's death. Many families whose sons and daughters are serving overseas on the front lines would have preferred to see the "Marin County Mullah" tried by a military tribunal for treason and if convicted, executed.

Right or wrong, it is official U.S. policy to try Americans apprehended on the wrong side of the War on Terrorism in civilian, not military court. That, for all intense purposes, ruled out the death penalty.

U.S. dropped nine serious charges

But what bothered many others and me was that the Attorney General's office dropped nine serious counts against Lindh, including conspiracy to kill U.S. nationals. The net effect of dropping the charges was that life in prison was ruled out. Many Americans believe that Lindh committed treason against the United States. Treason remains a capital offense. Perhaps Attorney General John Ashcroft thought that treason could not be proven. Yet many of us in a conservative movement thought the government had



an obligation to carry the original 10-count indictment to trial and were troubled by the Justice Department's decision to cut a deal.

Yet Lindh had defenders. Many hand wringers of liberal persuasion, including Lindh's parents, and I am paraphrasing, saw Lindh as a young man on a spiritual path who was trying to find himself. In other words, Walker was a victim. Some radical leftists referred to the charges against the American Taliban as "the lynching of John Walker Lindh." They insisted that Lindh was simply on a mission to stop the Northern alliance from retaking

Afghanistan; no matter that Lindh trained with Al Qaeda terrorists and that he also met with Osama Bin Laden in the summer of 2001. During the meeting, Bin Laden thanked Lindh and other trainees for taking part in the "Jihad."

The premise of Lindh defenders' argument was that the "circumstances" were not clear. Maybe not, but his intent was clear. He was fighting for the Taliban, who were at war with the Northern Alliance and this country. His choices may have been misguided and his newfound spiritual beliefs may have taken him away from his home into the company of terrorists, but errors of judgment do not absolve him of his actions.

The 'feel-good' generations

Lindh, like many others of his generation and the generation that preceded him, have been taught to "find themselves" and "if it feels good do it." Then like Lindh, or the executive who cooks the books, suddenly they find themselves facing criminal penalties. It is then that it dawns on them that their actions do have consequences.

They are like the thief who got caught. What troubles them is not the morality of their actions but the fact that their hands got stuck in the cookie jar. Lindh got a sweet-heart deal. In the parlance of the street, "he got off light." With time off for good behavior he will be a free man before he is 40. Perhaps when he gets out he will write a book; certainly he will do the "talk" shows. But think about this: Spann and many other young Americans of Lindh's generation made choices, too. They chose to serve, protect, and fight for America, not to take up arms against it. They made the right choice, and some will sacrifice their life for duty, honor, and country. That is a much higher price than the deal of 20 years and out that Lindh was handed. CJ

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

Has Baseball Struck Out? Money, Markets, and Competition

By MICHAEL L. WALDEN

Contributing Editor

RALEIGH

Having grown up in Cincinnati, the home of the first professional baseball team, I'm a natural baseball fan. During the baseball season, one of the first things I do each morning is check the standings to see how the Reds did the previous day.

But sadly, I have to say major league baseball is still in trouble. The trouble was highlighted by the threat of a players' strike that could have ended this year's season without a World Series.

Yet, the team owners are rich, and most players are rich with average salaries above \$2 million. So should we say "a plague on both your houses" and call each side greedy and selfish? Or, were there some economic lessons to learn from baseball's struggles?

Money

People complain that baseball players receive large salaries for "playing a game." Some go further and say the average player, without a college degree, isn't deserving of a high salary.

Actually, economics can easily explain why baseball salaries are high. One simply has to look at supply and demand.

On the supply side, there are a limited number of individuals who have the talent and skill to throw, or hit, a 90 mph baseball. And, those skills and talents aren't easily taught, so they can't be readily replicated. On the demand side, consumer interest in attending baseball games, watching games on TV, and purchasing baseball products such as hats and shirts means there are large revenues in baseball. Annual total major league baseball revenues easily top \$1 billion.

So, with few suppliers (players) and large revenues, it's easy to understand why revenues per supplier (translated, player salaries) are high. This is especially the case since the advent of free agency, which forced owners to compete for players.



Markets

Even though there's big money being made in baseball, it isn't evenly distributed among the 30 major league teams. With minor exceptions, each team derives revenue only from its own market. This is in contrast to the National Football League, where all revenues are put into one pot and then equally distributed to each of the teams.

Although having baseball teams rely on revenue only from their own market may seem fair and logical, notice what it does to the financial position of teams.

Teams in large markets, such as the New York Yankees and New York Mets, the Atlanta Braves, the Los Angeles Dodgers, the Boston Red Sox, and the Chicago Cubs, have a monetary advantage over other teams. These big-market teams can bid for the best players and raise the salary bar. To try to keep pace, smaller-market teams also pay more for

players.

In contrast, teams in the National Football League start each season from the same financial position. Although this doesn't guarantee teams of equal quality, it does allow teams to compete for players from the same financial footing.

Major league baseball players love the system that allows large-market teams to set the salary standards. Not

only does it push average salaries higher, but free agency increases the likelihood that very good players will end up playing for large-market teams and earn even more.

Smaller-market team owners obviously didn't like the economic system in baseball. They wanted some restrictions on the large markets, either by imposing a salary cap on each team similar to those in the NFL and NBA, or by forcing large-market teams to share revenues with small-market teams. Players' opposition to such restrictions was a major source of contention in the baseball labor talks.

Competition

So is the solution to baseball's economic issues a restriction on what teams can pay players, or a "socialist" system as in the NFL where each team is given an equal bankroll regardless of its performance on the field?

No, these are just Band-Aids that don't address the underlying issue. Again, economics can quickly provide the best solution. In a functioning competitive economic system, large markets with firms earning superior profits will attract new firms. That is, new firms will move to the large markets and divide those markets more ways until large-market firms are earning no more than small-market firms.

The best solution to the modern economic problems of baseball is to loosen restrictions on team movement and guaranteed markets.

Allow unprofitable small-market teams to move to large markets. Let the Montreal Expos become the Brooklyn Expos and the Tampa Bay Devil Rays become the New Jersey Devil Rays. Let the Florida (Miami) Marlins relocate to Los Angeles.

With the bigger markets split more ways, they will no longer have an advantage over smaller markets, and the big market escalation of player salaries will end.

In baseball, greater competition off the field will lead to more competition on the field. CJ

Michael Walden is a William Neal Reynolds distinguished professor at North Carolina State University and an adjunct scholar with the Locke Foundation.

Test Scroes? What Test Scroes? Never Mind

State Bord of Educasion finds a grate way to deel with negativ testing resluts; go lottery!

While nearly every educator had a theory, no one at the State Board of Education meeting today had firm answers for the sharp drop in writing test scores this year... The board is scheduled to vote Thursday on whether to keep the scores as part of its ABCs of Public Education ratings... Testing consultants from Texas and Florida have already recommended that the state discard this year's writing results... Only 47 percent of fourth-graders passed the single-essay test, down from nearly 69 percent the previous year; 63 percent of the seventh-graders earned passing scores, a decline of 10 percentage points from the year before." — William L. Holmes, "Low test scores puzzle state officials," The News & Observer, July 10, 2002



North Carolina education officials strike a pose on the state's recent writing-test scores.

So they were all like hey, take it easy, ya'll calm down now. We were going yea RIGHT!!1 But they sed just let us look at it and well tell you what to do. So we were like ok, alright.

So it wo'nt to long when they came back and go hear's what you gotta do. They sed to keep this results would be like for to question there vadility. So they reckon mended we discard the resluts. It woudl go like it never hapened.

So i think that is what we will chose 2 do, there idea. What a grate idea!!

Later,

Sam Trunkenwhite
State Testing Super Viser

P.S. Gud luck on gettig teh lottery for pubic schols. We need one real bad!!1

=====
From: "Sam Trunkenwhite" <strunkenwhite@ncdpi.gov>
Date: Tues, 9 Jul 2002
To: "Mike Easley" <mikee@golottery.net>
Subject: writig test resluts

Dear Mike,

As u know i am required by law to report back to the Guviner about the tests. The resluts of the writig tets. Well i gotta say they ai'nt gud. They are so bad in fack that they is want us to discard em, the consultnets.

Altho we do tehse tests ever year of kids in forth grade. And seventh grade. And last couple years the test resluts have been ok. Last year was gudder than 2000. Last year 69 percent of are forth graders did ok. This year only 47 percent did ok!! We do not know. Why they dun so bad.

Are seventh grade did not so bad. They had the results

that 63. They better than forth graders. Still we do'nt know, why. The same last year was 73 percent!!

What all this was was a probulm. Cause we go use this tests for part of ABCs of Pubic Education rateings. We go use this rateings for teacher bonises and how to tell what schols that dont do so gud for kids learnig. We ca'nt have this many schols bad!! Not enough teachers bonises!!

At teh State Bord we did a meeting about it. We were all like why did this happen, and what to do?? Some sed it was cause them tests are to subjunctive. Some sed the questions, that they could not tell what the questons were ask about. Some go they students were give too much time. And some were even like dam if i know.

We figgered what we needed was that we had conslutsnts. So we had these people hear from Texas and Florida. They were test expts. We were like look at this results to them. We were all tell us what 2 do?? What hapened??

=====
From: "Mike Easley" <mikee@golottery.net>
Date: Tues, 9 Jul 2002
To: "Sam Trunkenwhite" <strunkenwhite@ncdpi.gov>
Subject: RE: writig test resluts

Dear Sam,

I have received your message on the writing test results, and I have to say it explained a lottery. As governor I know there's a lottery that needs to be done to improve our public schools. I'm glad there are dedicated public servants like you working to improve all our lotteries.

Thanks a lottery,

Mike



Host Tom Campbell Chris Fitzsimon Barry Saunders John Hood

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