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## Businessman Sues, Alleges Conspiracy in Government

*Consortium reportedly tied to Basnight tried to seize company, developer says*

By **DON CARRINGTON**  
AND **PAUL CHESSER**

Associate Publisher  
And Associate Editor

**A** Raleigh businessman is suing a consortium of interests, one of them linked to the publicly funded Golden LEAF Foundation, for allegedly conspiring to keep him from building an ethanol plant in Beaufort County. His accusations include racketeering, extortion, corruption, and conspiracy, which reach "the highest levels of state government."

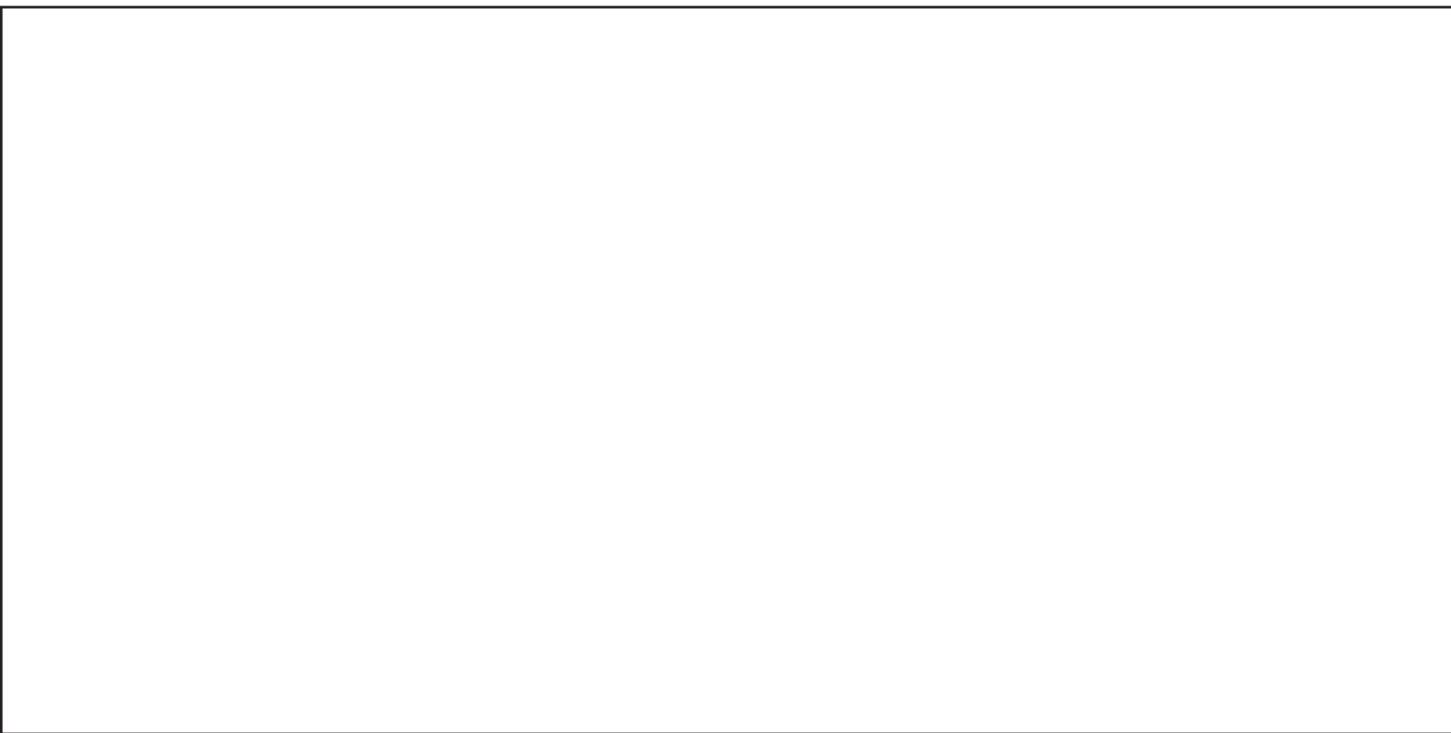
The action was filed Feb. 10 in Wake County Superior Court by William Horton, president of The DFI Group, a real estate and commercial development company that has sought to build an ethanol plant in North Carolina for more than 20 years.

Horton alleges that a coalition of eastern North Carolina farmers and economic development officials used their political connections to state Senate President Pro Tempore Marc Basnight to pressure Horton to give up his business plans and site options for building the plant. In interviews with *Carolina Journal* before filing the lawsuit, Horton said the North Carolina Grain Growers' Cooperative, North Carolina's Northeast Partnership, and a group named Ricky Wright & Associates wanted to participate in, and then ultimately take over, his \$75 million ethanol project.

Golden LEAF (Long-term Economic Advancement Foundation) was created by the state Oct. 22, 1999 to distribute half of its share of the 1998 tobacco settlement.

### Horton's quest for ethanol

A native of eastern North Carolina, Horton started DFI in 1978. In addition to its real-estate interests, DFI has focused on developing an ethanol industry in the eastern part of the state. Producing fuel-grade ethanol involves a distillation process using corn, sweet potatoes, or other vegetable sources. The ethanol would be used as a fuel additive to unleaded gasoline to produce a fuel that burns cleaner and reduces



*An artist's rendering shows DFI's proposed ethanol plant site along the Roanoke River in Martin County.*

carbon monoxide emissions.

In the early 1980s Horton planned to build an ethanol plant in Johnston County. The project failed after the General Assembly terminated an ethanol fuel-tax exemption. Horton said he lost more than \$5 million on the project.

Horton did not give up. In March 2000 with Gov. Jim Hunt, DFI announced plans to build three ethanol plants in eastern North Carolina. "DFI Group's plans will revitalize the economy and farm community of rural Eastern North Carolina and could have long-term impact on the region's economic outlook," Hunt told *The News & Observer* of Raleigh at the time.

### Martin County project

Horton's first ethanol pursuit, subsequent to his announcement with Hunt, was for a site near Williamston. Early in 2000 he entered preliminary discussions about his project with officials from the Martin County Economic Development Corporation.

Stan Crowe, chairman of MCEDEC, and Jim Ward, its executive director, steered Horton to Rick Watson, president of North Carolina's Northeast Partnership, one of the state's seven regional economic development organizations. Horton said among the issues discussed with Crowe, Ward,

and Watson were road and infrastructure improvements to the site of the proposed plant. Martin County did not have the funds for the work, Horton said, but the taxpayer-subsidized Northeast Partnership did.

But then, Horton said, the economic developers wanted to give DFI some incentives for locating in Martin County. Horton declined the incentives.

"We proposed to go to Martin County with no tax incentives," Horton said. "We wanted to be an asset to the community, not a detriment."

Horton said the officials told him that they never had an outside business come to the area without asking for something. He said Watson explained to him that he gets paid for each industry brought to the county, if the incentives were a draw.

"[Watson] made no bones about it," Horton said. "The only thing was, we were just not interested."

### Gas pipeline

DFI's criteria for an appropriate ethanol plant site was based on the feasibility of getting natural gas transported to its plants. Horton first planned a project with SCANA Corporation, an energy company based in Columbia, S.C., in which the companies agreed to evaluate the possibility of an in-

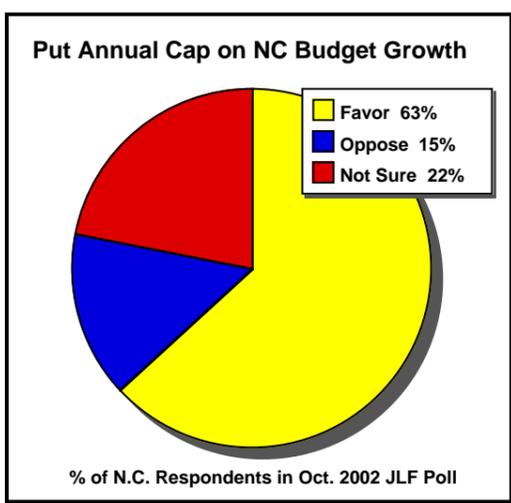
terstate natural-gas pipeline to DFI's three proposed ethanol plants in Greene, Onslow, and Martin counties. At the time of Hunt's announcement, officials from SCANA expressed enthusiasm about providing natural-gas service to DFI's plants and other potential customers in eastern North Carolina.

However, in 1998 North Carolina voters approved \$200 million in bonds to extend natural-gas pipelines to rural areas of the state. The following year, 14 eastern North Carolina counties formed the non-profit Albemarle-Pamlico Economic Development Corporation (APEC), whose intent was to get natural-gas service extended to their communities. APEC teamed with Carolina Power & Light on the pipeline project, and created a new organization, Eastern North Carolina Natural Gas.

At about the same time the DFI-SCANA project was under consideration, Eastern NCNG sought bond money from the North Carolina Utilities Commission for its pipeline.

At a hearing before the commission on April 12, 2000, Eastern NCNG made a plea to receive \$186 million — nearly all the money available from the bond referen-

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### ON THE COVER

• Raleigh businessman is suing a consortium of interests, one of them linked to publicly funded Golden LEAF, for allegedly conspiring to keep him from building an ethanol plant in Beaufort County. His accusations include racketeering, extortion, corruption, and conspiracy, which reach "the highest levels of state government." *Page 1*

### EDUCATION

• State governments, including North Carolina's, are getting into the pre-K business on an unprecedented scale. Assistant Editor Karen Palasek writes that it is important to figure out what deficit the pre-K programs are supposed to correct before it can be understood whether the programs are worthwhile, effective, wasteful, or absolutely essential. *Page 6*

• Carolina Journal's Donna Martinez tells of her experience as a substitute teacher in Orange County's public schools, an atmosphere she describes as "a culture of chaos." *Page 7*

• Lindalyn Kakadelis wonders how many more unfunded mandates and nonacademic requirements can be added to the backs of local school systems before they break? *Page 7*

• Is Wake County's student assignment plan working in the best interests of student achievement? Not according to the group Assignment By Choice. *Page 8*

• In response to alarming health statistics on obesity, the N.C. State Board of Educa-

tion adopted a new physical activity policy at its meeting in Raleigh in January. The move incited controversy over who would have the authority to decide exactly how schools carry out the mandate. *Page 9*

### HIGHER EDUCATION

• The news last fall of sweetheart deals to exiting administrators of the University of North Carolina at Chapel Hill placed the institution under unsettling scrutiny of its priorities. CAROLINA JOURNAL has learned of another lucrative send-off to a UNC-CH official. *Page 10*

• In June North Carolina legislators are supposed to receive a study of how the state's community colleges are funded and how they operate. The study is expected to offer ways to save on costs and streamline operations in the community colleges. *Page 11*

• George Leef writes that the litigation over race-based admissions is probably the most important case the Supreme Court will decide in its current term, and he hopes the court rules against them without equivocation. *Page 11*

• Professor Stuart Rojstaczer, a Duke University professor of environmental science, has reinvigorated the national debate over grade inflation. He has compiled data on more than 50 colleges and universities nationwide showing how average grade-point-averages at them over time have risen. *Page 12*

• Jon Sanders says UNC-CH has shown the world what it is to be a great, free, American public university, but he wonders how vigorous UNC-CH's defense of free expres-

sion and inquiry is. *Page 13*

### LOCAL GOVERNMENT

• Electrical customers in eastern North Carolina served by Electricities have experienced steep increases in their bills in recent months, and high rates are likely to continue for the foreseeable future. Those communities are paying the price now for poor decisions in the 1970s and early 1980s. *Page 14*

• Proponents of urban "smart growth" initiatives espouse policies that excessively restrict the rights of citizens, says Wendell Cox, a nationally known demographic and transportation expert who visited Raleigh recently. *Page 15*

### THE LEARNING CURVE

• Book reviews of *Feminist Fantasies* by Phyllis Schlafly and *Uncivil Wars* by David Horowitz. *Page 19*

### OPINION

• The John Locke Foundation's Dr. Roy Cordato says North Carolina's fiscal crisis is neither a surprise nor an accident; it is the result of poor decisions by lawmakers who have ignored the long-term consequences of their spending promises. *Page 20*

### PARTING SHOT

• Golden LEAF announced that as part of an economic stimulus package, the foundation will subsidize a McDonald's restaurant for any North Carolina town that does not yet have one. *Page 24*

## Calendar

### Hillsborough-based Editorial Cartoonist Marlette to Headline

The John Locke Foundation will host a Headliner luncheon with featured speaker Doug Marlette on Monday, March 31, at the Brownstone Hotel in Raleigh. Marlette is a nationally syndicated editorial cartoonist who recently came under heavy criticism for his "What Would Mohammed Drive?" cartoon, which depicted a man in an Arab headdress driving a rental truck, with a nuclear missile as cargo.

Born in Greensboro; and reared in Durham; Laurel, Miss.; and Sanford, Fla., Marlette graduated from Florida State University and began drawing political cartoons for *The Charlotte Observer* in 1972. He joined the *Atlanta Journal-Constitution* in 1987, *New York Newsday* in 1989, and the *Tallahassee Democrat* in 2002.

His editorial cartoons and his comic strip, "Kudzu," are syndicated in hundreds of newspapers worldwide. He has won every major award for editorial cartooning, including the 1988 Pulitzer Prize. He has received the National Headliners Award for Consistently Outstanding Editorial Cartoons three times, the Robert F. Kennedy Memorial Award for editorial cartooning twice, First Prize in the John Fischetti Memorial Cartoon Competition twice and was awarded a Nieman Fellowship at Harvard University.

Marlette's work has appeared in *Time*, *Newsweek*, *The New York Times*, and *The Washington Post*.

He has appeared on "NBC's Today Show," "CBS Morning News," "Good Morning America," "Nightline" and National Public Radio's "Morning Edition," and the "Jim Lehrer News Hour."

Marlette has written an ethics column for *Esquire* and contributed to *The New Re-*



Editorial cartoonist Doug Marlette

public, *The Nation*, *Men's Journal*, and *The Paris Review*.

His work is collected in 17 volumes, including *In Your Face: A Cartoonist at Work* (Houghton-Mifflin); *Faux Bubba: Bill and Hillary Go to Washington* (Times Books/Random House); *Gone With the Kudzu* (Rutledge Hill Press); and *I Feel Your Pain* (Loblolly Books).

He also co-wrote, with novelist Pat Conroy, the screenplay "Ex."

The musical adaptation of his comic strip into "Kudzu, A Southern Musical" in collaboration with The Red Clay Ramblers was produced at Duke University and at Ford's Theatre in Washington, D.C., and has been published by Samuel French Co.

Marlette's first novel, *The Bridge*, was published in October 2001 by HarperCollins and was voted "best book of the year" for

Fiction by the Southeast Booksellers Association (SEBA) in 2002.

He was appointed distinguished visiting professor in the School of Journalism and Mass Communication at the University of North Carolina at Chapel Hill in 2001 and inducted into the UNC Journalism Hall of Fame in 2002.

Marlette lives in Hillsborough, N.C., with his wife Melinda and son Jackson.

The cost of the Headliner luncheon is \$20 per person, and will begin at noon. For more information visit the John Locke Foundation website at [www.johnlocke.org/](http://www.johnlocke.org/) events.

To preregister, contact Thomas Croom or Kory Swanson at (919) 828-3876 or [events@johnlocke.org](mailto:events@johnlocke.org).

### Shaftesbury Society

Each Monday at noon, the John Locke Foundation plays host to the Shaftesbury Society, a group of civic-minded individuals who meet over lunch to discuss the issues of the day.

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

### "Locke Lines"

The John Locke Foundation produces a monthly audio magazine called "LockeLines" that 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. *cr*

# Eastern NCNG Gobbles Up Almost All of Bond Referendum

Continued From Page 1

dum — for its eastern North Carolina pipeline project. The group had the backing of Basnight.

"These counties both need and deserve some certainty," Basnight told the Utilities Commission in a statement read by his former general counsel, Norma Mills, as reported by *The News & Observer* of Raleigh. "I'm asking you to consider the application as an entire package," Basnight said. Mills is a director for Eastern NCNG.

But some commission members initially were uncomfortable with the size of the request, because other areas of the state also had requested money.

The seven-member Utilities Commission consists entirely of Democrats, including R. V. Owens, Jr., whose son, R. V. Owens, III, is on the boards of APEC, and until recently, Golden LEAF (Long-term Economic Advancement Foundation). R. V. Owens III is Basnight's nephew and confidante, and is a prolific fund-raiser for Democrats.

According to an article in the March 2002 newsletter of the North Carolina Citizens for Business and Industry, "Owens (III) was born into a family with powerful political connections." The article also said Owens "has been the one person in his part of the state...whom many Democratic politicians have hungered for support from."

R. V. Owens, Jr. recused himself from the vote in which the Utilities Commission awarded \$38.7 million in bonds to Eastern NCNG for the pipeline's first phase in six northeast counties. However, Horton said Watson told him R. V. Owens, Jr. promoted the Eastern NCNG/APEC project with the Utilities Commission.

A report in *The News & Observer* of Raleigh said, "\$4.5 million of that had been intended for economic development activities that have little to do with the proposed pipeline system."

Meanwhile, DFI's efforts to link a SCANA pipeline to its proposed ethanol plants repeatedly faced obstacles. The two parties broke off their agreement when DFI was unable to get its three plants off the ground, SCANA spokesman Robin Montgomery said, because it left the company without a significant end user for its natural gas. Horton said he was unaware of the efforts of Eastern NCNG for its own pipeline when he started working with SCANA.

Horton said SCANA officials told him they backed off because of pressure from CP&L in North Carolina. CP&L was collaborating with APEC on the Eastern NCNG competing pipeline project, which was backed by Basnight. Horton said Watson had told him to "stay under the radar screen" on his project with SCANA, and that DFI would not get environmental permits from the state until the Utilities Commission approved bond money for the pipeline.

On June 7, 2001, the commission ordered \$149.6 million of the natural-gas bond funds, in addition to the previous year's \$38.7 million, to go to the remaining phases of Eastern NCNG's pipeline project. The remaining \$12 million of the total \$200 million in bond money was awarded to projects elsewhere in the state.

## Horton's Plan 'B'

After the arrangement with SCANA failed, but maintaining hopes for the Martin County project, Horton began to turn his attention to an additional site on Radio Island, in Morehead City's harbor.

This plan was driven by the possibility of getting liquefied natural gas delivered to the Radio Island site, and gas barged to the Martin County plant on the Roanoke River. DFI reached an agreement with El Paso



Senate Pro Tempore Marc Basnight

Merchant Energy Corp. of Houston to transport liquefied natural gas.

But plans for the Radio Island project didn't get very far. Citizens of Carteret County, especially in Morehead City and the Town of Beaufort, opposed the plant on Radio Island. The group said the project would damage the environment and the local tourist industry. DFI abandoned the Radio Island idea in February 2001.

But later in February the State Ports Authority granted El Paso an option to lease land on Radio Island for a natural-gas terminal. The facility would store up to 3.5 billion cubic feet of liquefied natural gas, and the gas could be piped or shipped throughout eastern North Carolina from there. Eastern NCNG had not been awarded its second phase of state natural-gas bond funds at the time.

Horton said that in hindsight his agreement with El Paso "was the beginning of the demise of our relationship with the Northeast Partnership," because it posed a threat to the eastern North Carolina pipeline project. APEC and North Carolina's Northeast Partnership operate together out of offices in Edenton.

## Martin County falls through

Maintaining its hopes to barge liquefied natural gas up the Roanoke River, DFI pressed on with its effort to build a plant in Martin County. In February 2001 Horton had enough permits approved that DFI "activated mobilization" to start preparing and grading the site for construction, he said.

However, Horton said, he was suddenly summoned to Raleigh to meet with Gov. Mike Easley's senior assistant for policy and legal affairs, John McArthur. McArthur told Horton that Easley was concerned about the project and that he wanted an environmental impact statement done before DFI proceeded.

Horton said he had been told by state officials that he needed only an environmental assessment, which was less stringent and less expensive than a full impact statement. Horton, who said it had cost him \$2 million just to get contractors in place to start construction, told McArthur that various state officials had been "driving it down his throat" that they wanted economic development for the state.

Horton said he asked McArthur why he wasn't told up front of the need for an impact statement. He said McArthur told him environmentalists might sue without an impact statement.

But, Horton said, he suspected that Watson's claim to be able to impede and delay the permitting process with the Department of Environment and Natural Resources was behind the sudden concern. Still, Horton went forward with an environ-



Ricky Wright

mental impact statement.

Environmental groups opposed DFI's barging of liquefied natural gas on the Roanoke River. The groups said the barges would stir up pollutants in sediment on the river bottom and endanger habitats for fish and wildlife. Other barges traversed the Roanoke, but the impact statement determined that DFI should build the plant without barging liquefied natural gas on the river. Horton then considered whether to transport the gas over land, but he later determined that the plan was not economically feasible.

Horton's suspicions about other forces behind his permit troubles were confirmed, he said, by the two Martin County Economic Development officials with whom he had dealt. He said Crowe and Ward, of the Martin County Economic Development Corporation, told him, "Until you work out the gas 'thing' with Basnight, you get zero." In an interview with *The Daily Reflector* of Greenville Crowe said, "Based on the challenges DFI has faced in Martin County, I question the likelihood that they will locate here."

Ward declined to comment when contacted by *CJ* on the matter.

## A new focus and Jim Perry

His vision for an ethanol plant in Martin County thwarted, Horton turned his attention to a site in Beaufort County, which already had a barging facility on the Pamlico River that could accommodate his plans to transport liquefied natural gas. Still, he struggled with the state's environmental permitting process.

In November 2001, Horton said, a friend whom he hadn't seen for at least four or five years appeared at DFI's office in Raleigh. Horton said the friend was Jim Perry, who was mayor of Wake Forest from 1978 to 1982. Horton said Perry told him that he knew Horton was having trouble obtaining state permits and that he could help him build political support for his projects, and help change how Watson felt about DFI.

Over the course of the following year, Perry visited DFI's office in Raleigh almost daily, Horton said. Horton signed an agreement with Perry to pay him a salary of \$4,000 monthly and commission. Perry's responsibilities were to "facilitate the political advisement team for DFI Group."

Perry didn't return phone messages seeking comment. But in an article in *The Wake Weekly* Feb. 20, Perry said he never received any payments from Horton. The article said Perry continued the consulting work believing there would be a big payoff in the end. Horton told *CJ* Perry was never paid anything because he didn't produce any political support that got the project going. Horton also said Perry never asked

for any payments.

In 1999 Perry was convicted in South Carolina after pleading guilty to two felony counts for conspiracy to embezzle and receiving stolen goods. Perry was involved in a scheme in which he received about \$100,000 from payments on phony invoices to the Sumter, S.C. school district. He is on probation.

A June 16, 1998 article in *The News & Observer* of Raleigh indicated that Perry has had numerous other legal and financial problems. The story listed several civil judgments and tax liens against him, dating to 1989. The newspaper also noted that Perry "was a prominent fundraiser" as a volunteer for the campaign of U.S. Rep. David Price in 1988.

## Stumbling into Beaufort County

The same kind of obstacles that thwarted DFI's project in Martin County also clouded the company's site in Beaufort County. But this time, a group of politically connected businessmen attempted to take over his ethanol project altogether, Horton said.

As Horton considered the new site near the town of Aurora, he began having conversations with Tommy Thompson, director of the Beaufort County Economic Development Commission. But movement on the project plodded well into 2002, despite the renewed relationship that Perry struck up with Horton and Perry's promises of help.

But Horton said he placed a measure of faith in Perry. In November 2001, Horton attended a Basnight fund-raiser at the Wake Forest business of Ricky Wright, an associate and fellow political fund-raiser of Perry's. Horton contributed \$2,000 to Basnight's campaign. Later in the same day, Horton said Perry told him that Basnight authorized Perry, on DFI's behalf, to work with Rolf Blizzard, Basnight's director of special projects and research, to negotiate permits for his plant in Beaufort County.

## Grain Growers and Golden LEAF

On a parallel track in early to mid-2002, the North Carolina Grain Growers' Cooperative was considering its own major project for production of alternative fuels.

The co-op was formed Sept. 29, 1999 by eight members of the board of directors of the North Carolina Soybean Producers Association. Charles S. Davenport of Greenville became vice chairman of the organization.

Golden LEAF was formed three weeks after the co-op. Since that time, Golden LEAF has made three rounds of grants. Through the N.C. Agricultural Foundation, the co-op has received grants in all three years for a total of \$1,114,250.

S. Lawrence Davenport, Charles Davenport's brother, is chairman of the board of directors of Golden LEAF. Lawrence and Charles are president and vice president, respectively, of J. P. Davenport and Son, a Greenville-based agribusiness and farming company. A third Davenport involved in the business, David, is on the board of the Agricultural Foundation. The co-op and the Davenports' business once shared the same address.

Because of Golden LEAF's funding, the Agricultural Foundation was able to establish a new position related to the co-op's activities: "Coordinator of Marketing for Value-Added Products." That position, filled by Sam Lee, Jr., transferred to the control of the co-op in 2001. In 2002 Lee's position changed to chief operating officer, and according to the Golden LEAF application, his salary and benefits package swelled

Continued as "Basnight Pressured," Page 4

# Basnight Pressured Golden LEAF to Invest in Biotechnology

Continued From Page 3

to \$80,000 a year.

When the state legislature reconvened in May 2002, Basnight and Senate Appropriations leaders pressured Golden LEAF to invest up to \$150 million of its money to stimulate the biotechnology sector of North Carolina's economy (see December 2002 *Carolina Journal*, "Easley, Basnight Guide Golden LEAF Funds, Papers Show"). Golden LEAF internal communications and meeting minutes showed that state Senate leaders threatened to seize \$40 million of Golden LEAF's funds if the foundation didn't devise a biotechnology initiative.

Basnight also stated publicly his desire for Golden LEAF to invest in biotechnology, as the *Winston-Salem Journal* reported June 21. In a subsequent Aug. 25 *Carolina Journal* article anticipating the fall 2002 campaign, Basnight revealed his motives in pushing the biotechnology initiatives: "The issues that we run on are jobs," Basnight said, and the newspaper reported "he listed the recruiting incentives and biotechnology proposals as Democratic initiatives."

When Golden LEAF announced its \$85.4 million investment in biotechnology in August 2002, the Grain Growers' Cooperative scored big: a \$10 million investment to help build a soybean processing facility and related biodiesel fuel plant.

## Grain Growers' other goals

But the co-op's focus wasn't only on a biodiesel plant. When the co-op was established, the organization was primarily financed by Golden LEAF. In a September 2002 newsletter, co-op Chairman Earl Hendrix wrote, "The Golden LEAF Foundation has been responsible for the majority of our start-up funding; and without this support our Cooperative would not be in a position to move ahead with current projects, particularly two very special projects (Biodiesel and Ethanol) that offer tremendous opportunity for producers and the communities in our state."

However, a grant application dated Jan. 17, 2001 outlined a three-year plan of the co-op's requests to Golden LEAF. It listed seven specific goals, but it did not mention a soybean oil-processing facility or a biodiesel production plant. Alternative fuels didn't appear to be a goal of the co-op until sometime in 2002.

In April 2002, the co-op began to show intense interest in Horton's ethanol project. Horton and his DFI associates, Thompson, and four co-op farmers met April 16, 2002, in Plymouth, N.C., to discuss a plan for:

- The co-op's farmers to own 51 percent of the ethanol plant;
- Horton to agree not to build any ethanol plants in competition with theirs;
- Horton to be paid for his past investment in ethanol after the farmers' plant is built.

Horton said a DFI consultant, Larry Murdoch, told him the only way the ethanol plant would get the support of the Northeast Partnership was if the Grain Growers' Cooperative took the lead on the project. DFI would stay involved as a minor partner, providing their technical expertise.

According to DFI's notes, the meeting represented a "feeling out" process in which the farmers seemed to want to know whether Horton would give up his ethanol interests. Horton said his posture was for them to make him an offer. However, neither position was addressed directly, and the groups parted without reaching an agreement.

Shortly afterward Horton received disheartening information. He said Thompson told him that "Basnight doesn't like you

because of the gas situation" and that Horton should "step aside" from his ethanol project. Shortly thereafter, Grain Growers officials informed Horton the co-op was severing its informal relationship with DFI.

## Moving in on DFI

The Grain Growers Cooperative appeared to move aggressively to usurp DFI's technology and interest in the ethanol project.

Before the April meeting Murdoch had shared a portion of DFI's ethanol-plant feasibility study with leaders of the co-op. Lee, as part of an effort to get financing for the co-op's ethanol effort, submitted the incomplete feasibility study to CoBank, an agribusiness-focused international bank based in Denver. In a letter to Lee, Robert Poe, CoBank's business development officer, said the bank couldn't make a decision on financing the project until a complete feasibility study was provided.

But Lee alarmed members of the co-op and their associates when he shared Poe's response with them via e-mail.

"I believe it is highly inadvisable to provide the DFI feasibility study to anyone," wrote Paul Darby, executive director of the Southern States Cooperative Foundation, to Lee in an e-mail message July 3, 2002. "Unfortunately, CoBank has it. More importantly, the co-op shared it after sending the letter to Bill (Horton) indicating that it was severing the relationship with DFI."

"This is problematic at best, and at worst, potentially crippling to the cooperative, should Bill decide to pursue legal action. I would recommend a communication with CoBank asking them to return the document to you asap, and I would get rid of every single copy immediately, including those held by board members. It simply cannot be used ever again in any form," Darby wrote.

Realizing the vulnerability of the Grain Growers Cooperative, Lee alerted Thompson and some co-op leaders two days later.

"I encourage you to file away or dispose of any written documents and refrain from referencing or discussing the Ethanol project utilizing any material that has any DFI flavor," Lee wrote. "I will contact Robert Poe and request he return the Financial we gave him and dispose of his message referencing the study or project. Failure to do (so) could have serious legal implications to [Grain Growers' Cooperative] and our future efforts."

One of the members of the group committed a serious blunder: A copy of the entire e-mail exchange was accidentally sent to DFI, which alerted Horton to the scheme. Co-op officials didn't find out that DFI possessed their e-mails until late fall.

## Interest in biodiesel, too

The co-op officials' interest in ethanol was equaled by their desire to build a biodiesel fuel production plant, which would use oil extracted from soybeans at a nearby processing facility. The projects would be paired, developed, and built by the co-op, potentially in Johnston County. Golden LEAF officials were still determined to keep the co-op flush with cash. The co-op's budget on its Golden LEAF application included \$75,000 for an ethanol feasibility study, contingent on exercising a land-purchase option.

Apparently under duress from threats by the legislature, Golden LEAF's board

considered biotechnology initiatives on June 20, with the biodiesel project an apparent late-agenda addition. Documents provided by Golden LEAF said board Chairman Lawrence Davenport, along with fellow board member Rick Holder, were "leading on this item." Handwritten notes on another Golden LEAF document labeled the biodiesel project "a priority," with Davenport's and Holder's names next to it.

An agenda of a meeting of the Golden LEAF Working Group for the biotechnology initiatives July 9 showed that Lee presented the co-op's plans for a biodiesel project. The same day, the foundation's larger committee authorized a \$10 million investment in the biodiesel project. The co-op made no formal application to Golden LEAF for the funding, and Grain Growers was granted the money even though the co-op had no business plan or feasibility study.

A Sampson County businessman planning his own biodiesel plant was suspicious of the timing of the co-op's project (See February 2003 *Carolina Journal*, "Golden LEAF Director, Brother Linked to \$10 Million Grant"). Charles Jackson sought a \$215,000 grant through the North Carolina Agricultural Foundation from Golden LEAF, but he was turned down, even though he had land, a building, permits, a business plan, a feasibility study, and a substantial amount of his own money to invest in it. As the only North Carolina representative on the National Biodiesel Board, Jackson said he asked Davenport why he wasn't consulted on the project. Davenport suggested that the businessman work with the co-op, Jackson said.

Jackson said he submitted documentation of his proposal to the Agricultural Foundation in early June, when Lee was in the midst of his transition to the co-op. Lee also serves on the Agricultural Foundation board. So does David Davenport. Jackson said he is worried that his proprietary technology property was used to help the co-op's efforts.

Golden LEAF announced its \$85.4 million biotechnology investment initiative Aug. 14, 2002, which included the \$10 million for the co-op's biodiesel project.

## Ricky Wright

As the summer progressed, Horton still held out hope for his ethanol project and maintained his association with Perry. Horton said Perry's questions about the plant gradually became less about permits, and more about organizational structure.

The reasons for the change in tone became obvious, Horton said, when Perry and an associate, Ricky Wright, told him that he would not be able to get Horton's project off the ground because of Horton's perceived obstruction of the Eastern NCNG pipeline. Horton said they told him they were forming a "shell" company that would be able to obtain permits for an ethanol plant in Beaufort County. Horton later learned that the company was Ricky Wright & Associates. The new company would work with the Northeast Partnership in an effort to get Golden LEAF funding for the ethanol plant, and use DFI for technical support, because Wright knew nothing about ethanol. Horton said he thought that Wright was helping him at the time because he wanted to get the project going.

Wright owns a motor shop in Wake Forest and is a prolific fund-raiser for mostly Democratic candidates. Wright, his wife, daughter, and son-in-law contributed a to-

tal of at least \$15,000 to Dennis Wicker and Easley in the 2000 Democratic gubernatorial primary and general election.

Wright also is one of three members on the state Alcoholic Beverage Commission. The panel is one of the state agencies that would have to issue a permit for the construction of an ethanol plant. Wright did not disclose his interest in negotiating the ethanol deal on a required economic interest disclosure statement nor did he file any economic statement in 2002, as required by law.

On Sept. 9 the Grain Growers Cooperative signed a letter of intent with North Carolina's Northeast Partnership, led by Watson, to work together on their plans for an ethanol plant. Horton said Perry told him the co-op was expecting another \$10 million grant from Golden LEAF for the ethanol project before the end of the year.

Later in September, the outlook for Horton's project turned bleaker. Horton said Perry reiterated that Horton had a bad reputation with Watson, who was now also working with Wright, because Horton pursued a natural-gas supplier that complicated the Eastern NCNG pipeline project. According to Perry, Watson said that Horton would never build a plant "Down East" and that Horton should turn his project over to others involved.

The effort to push DFI off the ethanol project reached new heights on Oct. 14. Wright had begun to woo a DFI associate, Robin Fleming, because Fleming's wealthy father-in-law expressed interest in investing in DFI's ethanol project. Horton said the father-in-law's banker, Kenneth Reece of Bank of America, warned his client not to invest in DFI's project because politicians in eastern North Carolina would not allow it to proceed. Wright hoped to get Fleming's father-in-law to invest in his project.

Perry, Wright, and Fleming met with Rolf Blizzard, Basnight's director of special projects, at the Legislative Building to find out how they could get funding for an ethanol plant in Beaufort or Martin counties. According to Fleming's notes from the meeting, Blizzard told the three that money was available as long as the project was not connected to DFI Group or Horton, because Horton didn't want to "play the game." The notes also said Blizzard mentioned he would see to it that DFI Group would have trouble getting permits. Blizzard told them to contact Watson to get funds for their project. If Wright and Fleming didn't get the appropriate answers from Watson, Blizzard said, he would "jerk his chain." A meeting was set up the following day, Oct. 15, with Watson and Vann Rogerson of the Northeast Partnership.

The next day Watson told the group there was plenty of money to build the ethanol plants in eastern North Carolina and that his group would like to do the project in Beaufort County first. According to Fleming's notes from the meeting, Blizzard told Wright that Basnight said the plant in Beaufort County should be first.

Watson said that now that they knew which county would get the first plant they would go to each county to extract as much funding as they could — playing them against each other — knowing that in the end Beaufort would be first. Fleming's notes say. According to Fleming's notes, Watson also said that with his contacts he thought they could get a \$75 million plant financed at a 90 percent loan, using the real estate as equity with no guarantors. Watson said he could get funds for the project within 60 days, mentioning Bank of America, RBC Centura, and an insurance company, Fleming's notes show.

Continued as "Ricky Wright," Page 5

# Ricky Wright & Associates Moves on DFI's Ethanol Plants

Continued from Page 4

Watson also said, the notes show, that DFI would never have gotten permits for an ethanol project because Watson would have seen to it that DFI would be strung out continually trying to get the permits. The permits were for barging in Martin County and for air quality in Beaufort County.

The suddenly formed partnership between Wright's and Watson's groups, fused by Blizzard and Basnight (according to Fleming's notes), would nudge the Grain Growers' Cooperative aside because of the co-op's legal vulnerability stemming from DFI's feasibility study. And the relationships with Thompson, Lee, and farmers in the co-op would be handled, according to Watson.

Wright said his group of investors, which included Perry and Fleming, would get the funds, build the plants, and buy out DFI, according to the meeting notes. Watson and Rogerson made negative comments about Horton and said they were glad they didn't have to work with him.

On Oct. 25, Grain Growers Cooperative, the Northeast Partnership, and the newly formed Ricky Wright & Associates agreed to a "memorandum of understanding." The memo stipulated that the co-op would "release its position" in the development of the ethanol project to Ricky Wright & Associates, although they would still theoretically cooperate and work together.

The agreement also released the Northeast Partnership from its Letter of Intent, dated Sept. 9, to assist the Grain Growers Cooperative with its project — fulfilling Watson's claim that those relationships would be handled.

Now the biggest obstacle to the deal was to get Horton to give up the rights to his proprietary technology for the ethanol plant and his option on the Beaufort County site by buying him out.

## Perry details the plan

Perry returned to DFI on Oct. 30 to begin negotiating a plan with Horton to turn over his interest to Wright's group. Fleming was still aligned with DFI.

In their conversation, Perry fully explained the agreement between the Grain Growers' Cooperative, the Northeast Partnership, and Ricky Wright & Associates, and a proposal for DFI, multiple sources say.

Perry told Horton that the consortium's plan was for the co-op to put all efforts in the ethanol project behind Ricky Wright & Associates, assisted by the Northeast Partnership — which, according to Perry, really meant Blizzard, Basnight's nephew R.V. Owens III, and Basnight himself, multiple sources say.

"Everyone knows they are the head of the Northeast Partners," Perry said, according to multiple sources.

Perry told Horton they would go to the banks and ask what they required in order to obtain a loan for the ethanol project. According to multiple sources, Perry said that when he meets with bank officials, "they know that I am there to speak for Marc Basnight. When I go talk to someone, they know I have talked to Marc Basnight and Rolf Blizzard."

Perry also referred to the \$10 million that the co-op had received from Golden LEAF for biodiesel and said he thought that if they didn't build the biodiesel plant in Johnston County, they would invest in the ethanol project.

Perry said Golden LEAF might give an additional \$10 million to the Grain Growers Cooperative for the ethanol project. Perry said that, regardless, the group would have

at least a \$10 million investment in the project to show the bank.

Then Perry outlined the groups' plans to reward political favors by shifting money around, Horton said. On one level, after bank financing was obtained, the Grain Growers Cooperative would transfer \$10 million to Ricky Wright & Associates, Horton said.

Wright then would pay DFI \$5 million to buy out its interest in the ethanol project, Horton said. As a condition of the agreement, DFI would agree to pay R.V. Owens III's fund or shell company \$1 million, identifying it as "consultant fees," Horton said.

Perry described another scenario in which the groups would receive kickbacks from willing contractors who would be awarded work on the construction projects, Horton said. For example, Wright would be invoiced \$1.5 million for work on which the contractor wanted only \$1.2 million. Horton said Perry told him the contractor would "kick back" \$300,000 to Owens's desired location. According to Horton, Perry said Owens would secure all permits and down payments for work.

Also in the conversation, Perry told Horton about bad feelings that Owens and investors had for him. He said that Owens blamed Horton for almost costing his group its gas bond money and that none of them had any faith in Horton. Perry also reiterated Watson's vow that DFI would never get an air-quality permit for DFI's plant in Beaufort County, Horton said.

But Perry also said Watson emphasized the importance of compensating DFI for the takeover over DFI's ethanol project. The compensation was meant to dissuade Horton from publicizing his dealings with the groups, Horton said.

In another conversation on Nov. 12, 2002, Perry told Horton that his partners wanted him to sign a memorandum of understanding — a "gag order" — to "take the fear out of Rick Watson," because those involved in the deal were concerned about the evidence DFI had. According to multiple sources, Perry said the co-op had turned the ethanol project over to Wright & Associates. "They (the co-op) ain't callin' no shots," Perry said.

By then Perry knew enough about DFI and its plans, Horton said, that the business was vulnerable if its lenders rescinded their loans to DFI. Horton said he was threatened that if he didn't relent and sign an agreement with them, Wright and the other groups involved in the project would force him out of business and pursue the ethanol project on their own.

## Perry gives a different story

According to *The Wake Weekly*, Perry and Wright recalled a different version of events. Perry claimed that last fall Horton decided Perry and Wright should buy out DFI's interest in the ethanol project, and the two asked Horton to quote them a price. Perry said Horton provided a document listing DFI's investment in the project to date, which showed Horton wanted slightly less than \$5 million, the newspaper reported.

Wright said he consulted with a Kansas City firm, which said the value of what Horton was offering "was worth \$250,000 to \$300,000 at best," reported *The Wake Weekly*. Wright said he offered Horton \$3 million.

When asked why he offered such a large sum for a project valued at 10 percent of the \$3 million, Wright told the newspa-

per he didn't know and couldn't explain his sudden burst of generosity, except that he was trying to help someone with financial difficulty.

## Pressure to sign

On Christmas Eve, 2002, Horton said, he and Fleming met with Murdoch, Perry, and Wright, and was presented a draft version of an agreement for the development and production of ethanol, in which DFI would sell its proprietary technology and site interests for the project to Ricky Wright & Associates.

They couldn't include terms that required financial kickbacks to Owens, because Wright and his associates were concerned about media scrutiny of Grain Growers' relationship with Golden LEAF, Horton said.

The document stipulated that in exchange for transfer of the ethanol interest, DFI would be paid a total of \$3 million in three equal increments, the last to be paid after the second year of the plant's operation. The document included a "non-compete" clause and stipulated that Horton "agree not to discuss DFI's current interest and activities or the subject matter of this letter of intent with anyone."

The agreement represented the interests of North Carolina's Northeast Partnership, the Grain Growers' Cooperative, Ricky Wright & Associates, and the Beaufort County Economic Development Commission for the location of the ethanol plant in Beaufort County.

Horton refused to sign the document. Shortly afterward, without explanation, Branch Banking and Trust foreclosed on two loans to Horton, Horton said. The bank demanded immediate payment on deeds of trust to his Raleigh office building and on a property he owns in Greensboro, Horton said. Similarly, Horton said, Bank of America and RBC Centura halted his ability to further use lines of credit they had with him. Horton said he thinks the banks acted in response to political pressure.

On Jan. 16, 2003, Horton noted a phone call he received from an engineer who had consulted with DFI on its ethanol project for two years. The engineer told Horton he had been contacted by another engineering group that was hired by Wright for the ethanol project.

The engineer said he was told that DFI had rejected the \$3 million offer and that Wright's group was moving to put its project at another Beaufort County site, five miles from the location DFI owned the rights for. The engineer said the real strategy was to wait for DFI's option on its preferred property to expire, and then Wright would move his project there.

Wright has told *Carolina Journal* that he is no longer seeking funding from Golden LEAF, the Grain Growers Cooperative, or any other government agency.

## Horton's civil suit

A motion presented to Judge Howard Manning on Feb. 10 says Horton and DFI "have, upon information and belief, credible evidence which forms the basis of the complaint to be filed." It describes a "complex and intricate conspiracy involving extortion, corruption, and racketeering by public and private individuals reaching the highest levels of State government."

After hearing the motion, Manning

signed an order allowing depositions of some defendants to proceed prior to filing the actual complaint. But first, Manning ruled that a lawyer for Watson and the Northeast Partnership could depose Horton in order to gain more information about the substance of the forthcoming lawsuit.

A statement of purpose of action filed with the court claims that the defendants are guilty of "the illegal and improper use of the judicial process to obtain 'foreclosures' on deeds of trust executed by Horton's company. He also alleges the defendants are involved in a conspiracy to obtain property through force or violence; to obstruct commerce through wrongful force; to commit fraud; and with interference with a contract. Horton also charges them with intentionally asserting and registering fraudulent claims and the intentional infliction of emotional distress.

Watson said that Horton's charges are frivolous and that Horton is desperate to save his business.

"I know he's grasping for straws," Watson said, "and we may have to take actions ourselves just to set the record straight."

Included on the list of defendants of the pending lawsuit are: Sam N. Lee, Jr., CEO of The North Carolina Grain Grower's Cooperative; Rick Watson and Vann R. Rogerson, employees of North Carolina's Northeast Partnership; Thomas R. Wright of Ricky Wright & Associates; two officials of Branch Banking and Trust Company; James A. Perry, Jr. of Wake Forest; and Paul Darby of Southern States Cooperative Foundation.

## Basnight's response

Basnight's spokesman, Amy Fulk, said the senator "is unaware of the events being alleged."

"Our office, as always, stands ready to discuss any idea that could help jump-start our rural economy," Fulk said in a statement. "It is Sen. Basnight's staff, and nobody else, who represents the senator in those efforts." Fulk said Horton visited Basnight's office and met with Blizzard when Horton was attempting to get the Martin County project moving.

"Mr. Horton and his company made several trips to our office and kept us advised of the status of their [Martin County] project," Fulk said. "We encouraged their continuous efforts on bringing the project about; however, we in no way supported anything that would damage the environment, such as barge traffic on the Roanoke River." Horton said that he has never visited Basnight's office, and that he has never met Blizzard. He said the only visit he knew of by a DFI representative was Robin Fleming's meeting with Blizzard, Wright, and Perry on Oct. 14, 2002 — after the Martin County project was abandoned and the focus was Beaufort County.

## Homage to Basnight

A Jan. 27, 2003 e-mail message from Thompson invited dozens of Beaufort County businessmen to attend a reception for Basnight on Jan. 29 in Raleigh. He urged members of the county economic development commission's "Committee of 100" to turn out and "show the flag" for Beaufort County.

In the message Thompson announced "a very prosperous development company is moving forward on the ethanol plant."

"As you are all aware," Thompson wrote, "Senator Basnight has never before represented all of Beaufort County and has already proven to be an extremely important player in economic development." *cr*

## NC News in Brief

• An advisory committee in Wake County may request \$75 million in additional funding for county schools over the next four years, according to the *News & Observer* of Raleigh.

The advisory committee was undecided about pushing the proposal because impact studies on property taxes, campaign promises by some members of the commission to cut spending, and economic difficulties, make the likelihood of approval uncertain.

The bulk of the request is earmarked for academic programs, six of which are new to Wake County. Included in the spending plans are new hires of English as a Second Language teachers, pre-K programs for 4-year-olds, and reductions in the size of some classes. Another priority would be spending to try to keep teachers on the job in the county. About 1,200 teachers leave teaching, retire, or leave the county system each year.

With growing enrollments and a tight budget, Wake Schools Superintendent Bill McNeal was reported to be "cautiously optimistic" about increased funds.

• In contrast to reactions to the September 11 terrorist attacks, schools are handling the Columbia explosion with lots of discussion, according to reports in the *N & O*. While teachers have been dealing with the accident as a disaster, according to the report, they have also stressed the accomplishments of the space program, along with spending on space exploration.

• *The Charlotte Observer* reports that the application process for school choice in Charlotte-Mecklenberg is under way, but warns that it may not be a simple process this year. Choices are granted by lottery, and the hope that a smaller lottery this coming year would make things easier for parents and students may not be realized.

Charlotte-Mecklenberg has new school boundaries for next year, requiring all families that hope to take part in the choice process to file new applications. About 28,000 students, according to the report, will need to file for the 2003-04 school year. These include the 23,300 current choice participants, plus 4,700 new students who need to make a selection.

Complaints reached the *Charlotte Observer* that CMS had not notified parents about choices available to them during most of the application period, the report states. Some changes in the application deadlines were eventually made.

• Block scheduling allows Wake County high school students to accumulate more credit hours per year, according to the *N & O*. Along with the shift to block scheduling, however, will come an increase in the number of credits required to graduate. Currently, students need 20 credits, but that will increase to 26 when the changes are fully implemented.

Students will also be allowed fewer absences in the future: 10 days, rather than 20, per year. *CR*

# Spending on Pre-K Education Soars

## North Carolina, other states use fuzzy criteria to assess children for programs

By KAREN PALASEK

Assistant Editor

RALEIGH

**P**re-kindergarten education is a growth industry across the United States, and North Carolina is no exception. But before we can understand whether pre-K programs are worthwhile, effective, wasteful, or absolutely essential, it makes sense to figure out what deficit they are supposed to correct.

State governments are getting into the pre-K business on an unprecedented scale. A 2003 Education Commission of the States report acknowledged that 43 states fund pre-K at some level. North Carolina's high-profile More at Four program received \$6.5 million in annual funding over the 2001-03 period. If the program is expanded along the lines that Gov. Mike Easley has proposed, it will increase spending to a minimum of \$32 million over five years, and is certain to be higher unless costs remain absolutely fixed. And, of course, North Carolina already spends hundreds of millions annually on the Smart Start program.

The ages of children involved in state-funded pre-K programs range from infants to 4-year-olds, depending on the state. Likewise, the programs vary from full-day to part-day, and some piggyback on existing public-school facilities. Private centers also pick up a portion of state-funded pre-K business. Not necessarily a low-cost route, costs of state-authorized pre-K classes often rival or exceed the costs of private-school options. With so much activity and so many dollars flowing into this undertaking, significant questions remain about who we are serving, and why.

### Assessing the young child

Many early-childhood/pre-K assessment tests are marketed, and most look at a similar list of skills. One of the most widely used tests to identify potentially at-risk children is known as the Developmental Indicators for the Assessment of Learning test 3, or DIAL 3.

The process starts with testing 4-year-old candidates. Four-year-olds are not ready for pencil-and-paper tests, so early-childhood test makers design task-oriented test items. Children demonstrate understanding through physical and oral responses to the tester's questions and commands.

Most pre-K testing also involves surveys or questionnaires that are completed by the adults who deal with the child.

The DIAL 3 is a screening tool that is administered either in Spanish or in English. It must be given by an individual trained in observation and scoring methods. Pre-kindergarten teachers often receive the DIAL 3 training, since they are responsible for writing the individualized educational plan for a child with a disability.

The test has five components. The gross and fine-motor skills test requires children to hop, catch, cut out, copy, or build with blocks, while the tester observes attention span, direction-following, frustration tolerance, and other reactions. Children answer verbal questions about themselves and other familiar topics. They may be asked to identify rhymes, or name or identify objects. Concept recognition applies to knowledge of colors, shapes, and counting. Developmental-skills tests involve tasks such as dressing, eating, and grooming, and social

development is observed in interaction with others. Issues such as empathy and self-control are noted as part of the test.

The Education Commission of the States, on its Pre-Kindergarten information site, defines the school readiness criteria as "Children must be ready to make the transition from home or child care to formal education." What does this mean?

Aside from stating that children must have "appropriate skills," be "ready to succeed," and "curious," no specific skills, or lack of skills, have been delineated. According to ECS, "A child's approach to learning is viewed by many experts as the most important element to measure," and "Readiness tests should not be used to determine whether or not a child will gain admittance to school."

Numerical scores on tests such as the DIAL give us the only guidance we have in looking for risk factors, if we ignore income. The ECS talks about nebulous attitude goals. The most specific ECS criteria call for judgements about curiosity, motivation, and other hard-to-pinpoint concepts.

### Even more pre-K at four

Assessment has a bearing on who participates in North Carolina's early-childhood programs, including the high-profile More at Four. The program was intended to serve 4-year-olds from low-income families. The original language of the law identified these low-income children as "at-risk" for academic failure.

The 2002-03 Information Package for County Planning Committees on the *More at Four* Pre-Kindergarten Program states, "There are an estimated 40,000 plus at-risk four-year-olds in North Carolina based on poverty criteria, with approximately 10,000 of those at-risk children currently unserved." "Even more are considered underserved," it reads. The estimated cost of \$6,000 to \$8,000 per child would bring total spending for the unserved population to \$32 million at least.

But "at risk" is no longer limited to low income, making the target population harder to identify. According to several reports in *The Charlotte Observer* and *The News & Observer* of Raleigh, More at Four pre-K slots were going unfilled in various locations. More at Four employees were reported, in some cases, to be searching out children by going from door to door. Reports gathered by the North Carolina Education Alliance confirm that this does happen in some locales.

Despite the newspaper reports, the North Carolina Education Alliance was unable to confirm significant vacancies in the prekindergarten program. In interviews conducted during November across eight centers, directors reported that seats were filled, or had one or very few vacancies. In some cases, participants had moved or dropped out of the program for other rea-

sons. Most centers did not have waiting lists, but all were searching out potential clients through social services, police, schools, and other quasi-governmental agencies. Are they that hard to find? Followup interviews in February indicated that few vacancies go unfilled in any case.

### Four-year-olds in peril

The vagueness of child assessment is not unique to North Carolina. According to the Education Commission of the States, while implementation of the various state-funded pre-K programs is varied, all look for generally "at risk" children. "Most states target programs for children who have identified risk factors such as poverty, low parental education, teen-age

parents, and English as a second language." In actual assessment situations, North Carolina is selecting children for participation based upon factors that include, but are not dictated by, income.

Responding to inquiries from *Carolina Journal*, the director of an eastern North Carolina More at Four program acknowledged that most of the children in her classes were not from low-income families. Factors used to select 4-year-olds include income, she said, but also include parent education, eligibility for other social services, siblings enrolled in other state programs, and frequent illness or chronic health conditions, such as asthma. The No. 1 reason for a 4-year-old to be accepted into that program was diagnosis, or suspicion of, attention deficit hyperactivity disorder. Diagnosis of ADHD could be the result of prior medical examination, or might be flagged as a possible problem in the pre-kindergarten assessment process.

Even though low income is the most widely recognized marker for identifying an at-risk child, a substantial number of participants in the North Carolina pre-K initiative are admitted on much more general or ambiguous grounds.

### Limits to state-sponsored pre-K

The governor's office advertises the need to serve 40,000 unserved, and 10,000 underserved, low-income, preschool children with pre-K. Despite an assessment process, boundaries for the "at-risk" population could now encompass most 4-year-olds in the state. For families who don't need intervention, programs such as More at Four subsidize parents who can afford to pay for services elsewhere. Families without resource options will still have to fend for themselves, once spaces are filled.

Thus some lawmakers and others question the need for a huge state pre-kindergarten program. The idea that most children suffer scholastically without pre-kindergarten has little scientific basis. While popular, state-funded pre-K on a massive scale is probably not scholastically necessary nor fiscally prudent.

A more sound approach to state-sponsored pre-kindergarten would require all families to income-qualify, using resources where they are most urgently needed. *CR*



*Reality check in public schools today*Lesson No. 1 for a New Substitute Teacher:  
Students Can Be Hazardous to Your Health

By DONNA MARTINEZ

Assistant Editor

On a typical day in North Carolina, hundreds of substitute teachers take control of classes in the state's 117 public systems, filling in for faculty that are sick, on vacation, or attending conferences.

Parents may hear a passing reference to these stand-ins as children give a synopsis of their day. Other than that, substitutes are largely unnoticed by the public, but they have tremendous responsibility. I know firsthand. For four months last year, I was a substitute teacher in the Orange County School System. One or two days each week, I led classes of teenagers in everything from advanced biology to woodshop. Just like a permanent teacher, I was in charge of classroom management, lesson plan implementation, and discipline for 30 or more teens at a time.

The fact that I was ushered into a classroom after only a cursory application process, not much more complex than applying for work at a fast-food restaurant, should concern every North Carolinian.

Even more alarming is what I witnessed once there: disruptive behavior, frustrated teachers, and plenty of wasted time.

But the fact that I believe I was a good teacher, despite not having a teaching degree or any classroom experience, provides more anecdotal evidence to support what education reformers already know: It doesn't take a teaching degree to teach well. Effective teachers enthusiastically interact with students, provide them with work from bell to bell, maintain discipline, deliver consequences for bad behavior, and increase student knowledge.

**Surprise, you're a substitute — or something**

As simple as it sounds, my desire to contribute to young people's lives led me to a county school board office last summer. I assumed the substitute-teacher requirements would be formidable and the competition stiff. A friend of mine, a retired university professor and occasional substitute herself, assured me I would be hired. I wasn't so sure.

In my best "dress for success" business suit, I went inside and asked for information on the substitute program. The person at the desk handed me a folder and asked whether I was also interested in fill-in receptionist work. Puzzled, I said no, and left the office wondering why a substitute candidate would also be viewed as a potential clerk. That encounter should have been a tip-off. I wanted to teach. The county wanted a babysitter.

The requirements were simple. I completed the county's standard application, supplied three reference letters, obtained a health certificate, and agreed to a background check. I submitted my package and waited for an interview. Summer passed, but no phone call came. I assumed I'd been beaten out for a job that pays just \$62 per day, or about \$9 per hour, for uncertified teachers like me. A lot of people must want to be in the classroom, I told my bruised ego.

Then one fall morning the phone rang. It was the local high school asking me to teach a class, even though I'd never been hired. But as the school's substitute coordinator told me, "You're on my list." Without interviewing for the job or receiving any orientation or training, I was handed control of a classroom full of teenagers.

Welcome to substitute teaching in North Carolina, Mrs. Martinez. Although it had been 20 years since I'd stepped inside a classroom, I quickly recognized that some things hadn't changed. There were still distinct groups of students: the jocks and cheerleaders, the brains, the individualists in offbeat clothes, the loners, and the troublemakers. They were easy to spot hanging out before class, and at lunchtime, just as we'd done in my high school days.

The external familiarity was encouraging, but once inside the classroom, things were much, much, different than I ever experienced. No longer were kids passing notes or throwing spit wads at the teacher's back. In 2002, kids

were verbally and physically defiant to authority and to their peers. Some wouldn't stop talking. Others refused to sit in their assigned seats. Now and then, a student swore at me. Cell phones rang. A few kids were determined to make things difficult from the moment they stepped into class. One told me her mother would sue if I didn't give her a pass to her car. I laughed. She didn't.

Her remark and attitude revealed a discouraging truth I couldn't ignore. Girls have become loud and crude. Some seemed to enjoy being mean. Rude comments, with accompanying body gestures, were common. One group of girls actually scared me. After repeated difficulties with one of the members, I had no choice but to have her removed from class by the principal. Her girlfriends drilled me with icy stares from the corner of the room. From then on I watched my back in the parking lot to make sure I wasn't followed home.

**The culture of chaos**

Not long after that incident, a *News & Observer* of Raleigh story on violence in North Carolina schools for 2001-02 reported that the number of minor assaults by students on teachers increased significantly over the previous year. I would have questioned that statistic before becoming a substitute. After being in the classroom, I believed it.

This environment was difficult and troubling for me, and the detrimental effects on students were obvious. Sadly, many kids stared at their desks as if they were resigned to the chaos. I was surprised, but not shocked, the day a usually quiet teen stood up and yelled at two students behind him to be quiet. I hadn't seen what instigated the outburst, but after taking them aside, my heart broke when I discovered the frustration this young man was experiencing. He'd simply had enough.

These discipline challenges diverted attention from each day's lesson plan. Ironically, that didn't put the kids behind in most classes. Teachers typically left only enough work to keep the class occupied for 30 or 40 minutes of an hourlong class period. Perhaps some teachers didn't want to place pressure on a substitute. Regardless, it was only in advanced biology that students were really engaged and busy the entire period. It is no coincidence that these students were also the best-behaved. Although parents and the community often hear pleas for lengthening the school day, fully utilizing existing class time would make that step unnecessary.

My classroom experiences left me depressed and dismayed at times, but despite the many disruptions, I connected with the majority of kids. My education and life experiences helped them to understand abstract concepts. My heart swelled when I saw the proverbial light bulb go on in a student's mind, and I can understand why many people love the classroom.

**You don't need a degree to switch on the light**

I soon discovered I was an effective teacher, even though I don't have a teaching degree and don't know anything about learning theory. My approach was simple and universal: Enforce the rules, administer consequences, and encourage an atmosphere for learning.

I found I could supplement lesson plans with personal and professional experiences to keep those young minds occupied and thinking. In Spanish class, my husband's family heritage became a bridge to talk with students about the culture of the countries they were studying. In English, my reporting experience helped a young man plan interview questions for a newspaper story he was writing. And in science, my reflections on Hurricane Floyd spurred a discussion of the economic and social effects of disasters as an introduction to a videotape about major floods around the world.

Most kids want to learn and like to learn. But without discipline, the classroom environment will continue to deteriorate. I want to return, but I shudder to think what I may see the next time I step inside a classroom. *cr*



Donna Martinez

Unfunded Mandates  
Too Much to Bear

The old fable about the straw that broke the camel's back provokes a question: How many straws can the camel carry before its back breaks? While sitting in the State School Board meeting in January, I wondered how many more unfunded mandates and nonacademic requirements can be added to the backs of local school systems before they break? During the board meeting, two such straws were added.

One straw was passed by the legislature last year. Senate Bill 911 "required the State Board of Education to adopt and disseminate guidelines for the development and implementation of individual diabetes care plans and to require local boards of education to implement these guidelines."

This is not an evil bill; it is a caring bill about helping children with diabetes. The only problem is that it is another unfunded mandate, which entangles local systems. It will require funding for training local personnel and the development of individual diabetes care plans.

The first straw was the 25-page instruction guide that was given to the state board. It includes new responsibilities for local systems. More mandates, regulations, and requirements take focus from other tasks. This was another straw put on the backs of schools and teachers, and on the state board, since the mandate came down from the legislature.

The second straw was a "healthy active children" policy. This straw was really heavy for the board. While everyone agrees that "healthy active children" are important, this policy is simply another unfunded mandate given to local school boards, superintendents, and classroom teachers from the state board.

The reason behind this policy is the fact that children are not exercising enough, are not eating correctly, and are becoming fat. This is a concern in our culture. Parents should be aware of the situation, and responsible for correcting it in their children. Never fear, Raleigh will assume responsibility!

The language of the new law states, "Each local district will establish and maintain local School Health Advisory Council to help plan, implement, and monitor the policy. To address issues such as overweight, obesity, cardiovascular disease, and Type II diabetes, each school district will require pre-kindergarten through middle school students to participate in physical activity." After discussion, the policy stopped short of prescribing how many minutes per week would be required.

Phil Kirk, state board chairman, and Kathy Taft, a board member, did not succeed in sending the policy back to the Department of Public Instruction's staff for more study. The whole situation happened so fast that assessing the new requirements calmly was impossible. In addition, there wasn't enough accurate information collected from local superintendents about the topic. To comply with the new policy, schools will have to come up with a plan detailing the best way to solve the childhood obesity problem. A few hours of discussion, and a split vote from the board, firmly planted the second straw. Reducing obesity is a good goal. It is a bad policy, however, to place this straw on the backs of the schools, especially if you think that schools can't solve all problems in our culture, or that individual responsibility is important.

Remember: two straws added, none taken away. It might be wise to send all members of the legislature and the State Board of Education a copy of this fable. If we need public schools to assume all responsibility, then maybe the state should provide cots and the evening meal. They could start orphanages, and then schools themselves could be focused on the academic performance of their students. Otherwise, I am sure that the backs of our schools will break, if some have not broken already. *cr*

*Kakadelis is director of the NC Education Alliance.*

Lindalyn  
Kakadelis

## School News: Nation

• The *Archives of Pediatrics and Adolescent Medicine* of January 2003 reports a rise in the use of all psychiatric drugs for children. According to the *Atlanta Journal-Constitution*, data on nearly 900,000 patients was reviewed for the study. While Ritalin was the most-prescribed drug, antidepressants and mood-stabilizing drugs were also high on the list. The editor, Dr. Michael Jellinek of Massachusetts General Hospital, says the study reveals disturbing trends.

• California is conducting a war on homeschoolers, according to *Ideas On Liberty*, the magazine of the Foundation for Economic Education, in its February 2003 issue. Steven Greenhut writes that while there are no new laws restricting home schools, the California Department of Education has begun to harass, frighten, and attempt to intimidate parents who are even thinking of schooling their children at home. Counsel for the Home School Legal Defense Association warns that local districts are attempting to exceed their legal authority, particularly in paperwork and follow-up investigations.

• "After nearly 40 years and many billions of dollars, Head Start children still begin kindergarten far behind children from middle-class homes on measures of school readiness," said Diane Ravitch of NYU. Students who enter without knowing the alphabet can typically identify one or two letters, and have learned only 11 words, by the end of a year.

The Bush administration plans to move Head Start into the Education Department in 2005, removing control from the states. Edward Zigler of Yale, an opponent of the plan, predicts it will become a block-grant program run by states. Head Start serves 900,000 children, with an annual budget of \$6.5 billion. *The Washington Times*.

• The *Boston Globe* reports that Boston schools are becoming vocal about the drain of students to charter schools. School districts were being reimbursed on a sliding scale for students who moved to charters. Anticipated budget cuts around the state have districts clamoring, and some communities calling for a three-year moratorium on charters.

Disagreements exist as to whether schools lose any funds when families choose charters. Even if funds are not cut directly, regular public schools complain that positions are eliminated when school population shrinks.

• According to *USA Today*, more public high schools are dropping class ranking of senior students. Private schools often do not rank students, the report points out, since the bottom half of the class is earning mostly A's anyway.

Parents behind the change want their kids' focus on learning instead of on their GPA. But a ban on affirmative action could inspire colleges to look at class rank for admissions purposes. *CJ*

Assignment By Choice raises issues in Wake County

## Group Against School Reassignment Is on a Roll

By KAREN PALASEK

Assistant Editor

RALEIGH

**I**s Wake County's student assignment plan working in the best interests of student achievement?

Not according to the group Assignment By Choice. Organized in the fall of 2002, the group was formed with the support of elected officials in Cary, Garner, and Apex. The group is trying to put pressure on the Wake County school system to end forced busing and replace it with school choice.

More than 2,600 students were affected by the county's reassignment plan for 2003-04. It seems that almost everyone except the school board is unhappy with some aspect of the moves.

Many of the reassignment plans are intended to restructure the socioeconomic makeup of each school according to current Wake County policy. Annual growth in the number of school-age children in Wake County adds another layer to the issue, since the county is projecting increases in the student population of about 3,500 per year. This puts pressure on the system to provide more seats and redistribute pupils.

Wake school board member Jeffrey York was quoted by *The News & Observer* of Raleigh as saying, "...any examination of the issues has to be in the context of educating every student in Wake County to their highest capability."

**Nodes determine student status**

The current Wake County school assignment map is divided into a complex system of "nodes," each of which is associated with a given socioeconomic status. Interestingly, the node designation doesn't change if higher- or lower-income families move in, so all children living in a given node have the identical status, regardless of actual family income.

Constant growth, and socioeconomic goals, require the county to juggle students annually among schools. This means that children from one node are bused to get the mix "right" in another node. As a result, the Wake County school assignment map ends up looking like a Jackson Pollock painting — there are spatters of color all over the county that indicate where pockets of children, bused to balance school numbers in another part of the county, are living. Elementary schools have the largest number of individual nodes in the county, totaling more than 600. Not surprisingly, the most contentious school reassignment plans are concentrated in primary grades.

The U.S. Department of Education contends that schools with up to 50 percent of their students from low-income families have no negative effect on schoolwide academic performance. Wake County has set a 40 percent free/reduced-price-lunch benchmark for its student mix. That translates into a continual reshuffling as population and housing developments grow and more school facilities are required.

**Opposing factions**

Partly because students from six elementary schools were barred from requesting magnet-school assignments last year, and partly because the current reassignment is a fraction of the anticipated 10,000-student reassignment for 2004-05, parent and civic groups are taking sides and form-

ing strategies.

Cynthia Matson, who has coordinated the Assignment By Choice group, notes that "the fact that they shut people out of magnet schools has helped turn parents into activists."

The group claims to represent the interests of all income groups in their efforts. They have been accused of having segregationist motives, however, by members of the Raleigh-Wake Citizens Association. RWCA, along with other predominantly black community organizations, has backed the school board's reassignment plan in the interests of avoiding school resegregation in Wake County.

Yet another group, the Wake Education Partnership, is joining the discussion. The Partnership was formed in 1983 to include parents, teachers, and business people in efforts to determine priorities for the schools, and to help find the resources to carry them out. A spring 2001 Partnership education summit, hosting 500 community members, voted school-funding issues and addressing the achievement gap as the top two priorities. The third most urgent agenda item was student assignment. In the fall of 2002, the Wake Education Partnership reported a 20-point drop in survey responses that said maintaining diverse schools should be a priority. The previous survey was conducted in 2000.

School leaders have formed a response committee, called the Healthy Schools Task Force, to address community questions about Wake County's plans. No Assignment By Choice members were chosen for the group, which has led them to accuse the county of creating a task force purely to legitimize the reassignments. School-reform advocates also have a task force of their own.

With so many voices wanting to be heard, it isn't clear how much successful communication exists among the various factions.

**Diversity vs. quality?**

Assignment By Choice proponents are sensitive to the charge that segregation could recur in Wake County, if parents are allowed free choice of their children's schools. The Wake County public schools are equally convinced that diversity must be imposed on county residents, specifically in the school arena. Both sides are claiming the high ground, and both have some plausible arguments in their favor.

Pop sociology, inspired by books such as Malcolm Gladwell's *The Tipping Point*, refer to an epidemic-like cascade of events touched off by the buildup to a critical mass, the idea of a "tipping point." If there is an over-40 percent tipping point for Wake schools, then free/reduced lunch numbers above that threshold should cause student performance to cascade downward. Preventing that cascade effect has become an engine for Wake County's diversity policy.

But there are tradeoffs that are caused



by attempts to fine-tune the school culture. Assignment By Choice points out that since 1996, the percentage of school-age Wake residents attending the county's public schools has dropped from 90 to 83 percent. ABC leadership anticipates that the trend will continue downward, in a flight from county schools. For example, only 75 percent of Cary schoolchildren attend Wake public schools.

Because busing over long distances and for longer time periods drives up transportation costs, Wake spent \$197 more per pupil than the state average on transportation in 1999-2000, or about \$10 million. That figure represents the approximate construction cost of an additional elementary school, according to county reports.

ABC defines as its goal "allowing school choice within geographically-close contiguous nodes," said Amanda Mixon, governmental relations representative. More magnet programs, Mixon said, will make less wealthy neighborhoods desirable school sites. Voluntary diversity will be the result.

**Turning schools around**

The Poverty and Race Research Action Council opens its report *Add It Up: Using Research to Improve Education for Low-Income and Minority Students* by stating that "...placing students from many cultures and ethnicities into the same classroom represents an incomplete solution." Instead, the report asks, "What is it we want our students to know and be able to do? Equally important: Is the answer to be the same for all children?"

Families forcibly distanced from their schools participate less in school events. Children are separated from their daytime cohorts after school hours. For low-income families, this can mean more social isolation, rather than less. "The literature on 'turn-around' schools universally endorses a mission for each school, one designed and implemented by everyone connected with the school," the PRRAC report reads. Student achievement can flounder if the school experience is disjointed and lacks a unified vision, as when students are shifted from school to school. ABC endorses magnet programs, particularly in schools in low-income areas, to attract diverse populations.

Arlington, McIver, and Lillington Elementary schools, each with more than 60 percent of students classified as "needy," have all been highlighted by the NC Education Alliance and *Carolina Journal* for having turned their schools around.

Every school emphasized the tremendous importance of the community, parents, a cohesive staff, and a principal with strong leadership. None had socioeconomic balance. Evidence suggests that a focus on results, not recipe, can work well for students, even in unfavorable economic circumstances. *CJ*

...Wake spent \$197 more per pupil than the state average on transportation in 1999-2000, or about \$10 million.

Plan to require regular aerobic exercise

## North Carolina Adopts Guidelines for Schools to Combat Obesity

By **KAREN PALASEK**  
and **SUMMER HOOD**  
Assistant Editor  
Editorial Intern

**A**ccording to a recent assessment of American health and fitness by the U.S. government, "Fitness problems such as obesity and overweight have reached truly epidemic proportions in the United States."

The report, which appears on the HealthierUS.gov website, says obesity rates among adults have increased by 60 percent in the last 20 years. Obesity among American youth is rising even more quickly. Type 2 diabetes makes up 50 percent of all diabetes diagnoses in young people today. Until 10 years ago, Type 2 diabetes was virtually unheard of in people under 40.

In response to these and other alarming health statistics, the North Carolina State Board of Education adopted a new physical activity policy at its meeting in Raleigh in January. The move incited controversy over who would have the authority to decide exactly how schools carry out the mandate. Schools want autonomy, but districts want oversight.

**Schools take an active role**

North Carolina schools are being enlisted to combat obesity. For now, they are encouraging more physical activity. By 2006-07, schools will require children to participate in physical activity in school. The new state plan calls for a minimum number of weekly minutes of physical exercise during school hours. The requirement is framed in minutes-per-week, and schools will have some discretion in how to accomplish that goal.

Schools have attempted to make children more active, encouraging sports instead of television, video games, and other passive recreational pursuits. But pressures on school time

and other concerns have all but eliminated physical activity during school hours, especially in higher grades. As a result, the only children who spend significant time in physical activity are those who join sports teams on after-school or private clubs.

Dr. Onkar Sharma, of the Family Medi-

cal Center of Matoon, Illinois, said that preventing obesity and avoiding diabetes requires remaining active. It also means controlling common overindulgence in food, Sharma said. "Overindulgence in food has become America's favorite pastime. Adolescents also spend so much time in front of the TV or video games that they hardly have any time for exercise," he said.

The National Institute of Diabetes and Digestive and Kidney Diseases sponsored a study called the Diabetes Prevention Program. The study looked at 3,000 people to determine what the effect of dietary and activity changes might be. According to their results, "even moderate lifestyle changes — eating less fat, exercising at least two hours a week, and losing a modest amount of weight — cut the incidence of Type 2 diabetes by more than half among those who are most at risk."

Schools in North Carolina are now charged with attempting to reverse the trend toward sedentary behavior by the very young. If they follow the guidelines set out by HealthierUS.gov, students will have some regular, moderate aerobic exercise each week.

**Goals for 2006-07**

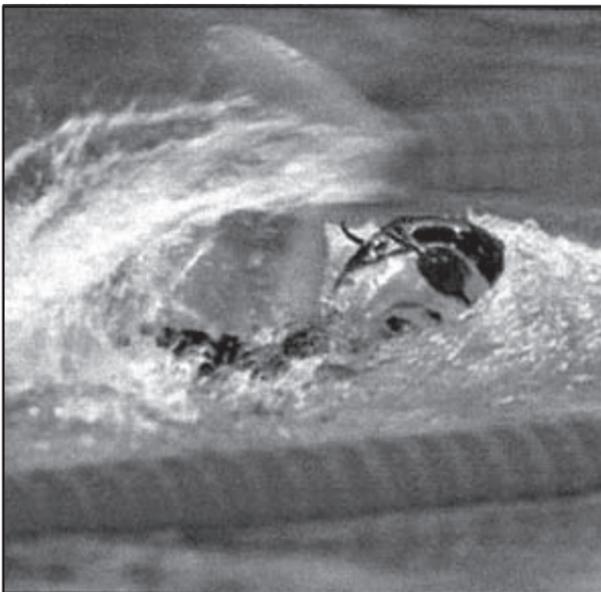
The State Board agreed on a fitness goal for schools for the 2006-07 school year. The 2006-07 time horizon gives schools notice that they must work the new standards into their curriculum.

Since scheduling physical activity into the school day will require planning, schools are now on notice that they have to make exercise a priority.

The amount of exercise time officials are re-

quiring for each school varies with age level. Elementary schoolers will have a minimum of 150 minutes of physical activity time each week. Middle-school students will have 225 minutes.

Middle schools must spread activity time across the week, with exercise sched-



uled at least every other day. Officials want to avoid having all of the exercise occur on a single day. That would mean two-and-a-half to four hours of activity crammed into one session.

**Benefits**

The Department of Public Instruction is not only looking for minutes spent in an "exercise period," they are hoping to make some difference in the level of students' physical fitness. Earlier attempts have failed mainly because they had no real effect on student's health. A description of what has passed for physical education explains why: Few cardiovascular benefits accrue from manual dexterity activities such as 'cup-stacking' and 'handkerchiefjuggling,' which are actual physical-education activities used in some schools in Raleigh and Fayetteville.

According to a joint report of the Centers for Disease Control and Prevention, and the President's Council on Physical Fitness and Sports, "schools are an efficient vehicle for providing physical activity and fitness instruction because they reach most children and adolescents."

The report also says that "many children are less physically active than recommended, and physical activity declines during adolescence." It would be particularly important, in that case, to reach the preteen and teen-age group with a plan for improved fitness.

A final issue that may affect the state's new plan is the amount of physical-education class time actually spent on physical

activity. If students must get at least two hours of cardiovascular conditioning weekly, schools will have to avoid wasted time. Typically, less than 50 percent of physical education class is used in activity, according to the same CDC and President's Council report.

"Studies have shown that spending 50 percent of physical education class time on physical activity is an ambitious but feasible target. Being active for at least half of physical education class time on at least half of school days would provide a substantial portion of the physical activity time recommended for adolescents." Although the North Carolina plan does not include a high school plan, the President's Council recommends both secondary and postsecondary exercise programs.

The cost of the new policy has not yet been totaled. Resources will be needed for instructors, coaches, and other personnel to run and supervise the program. The State Board has left resource allocation out of its specific plans. Funding questions may not be resolved until a decision about school control vs. district control is settled.

**Priorities for schools and students**

Can schools afford the time for more physical education? The State Board has decided that the benefits outweigh the costs. In fact, the board is so emphatic about the need for immediate action that it has prohibited schools from dropping activity time as a form of student punishment. They expect to be able to slow the trend toward student inactivity and obesity.

The new urgency surrounding student health also reflects a turnaround in attitude for school administrators. Physical education used to be an easy target in the search for more 'academic' time. Because 'gym,' or physical education class, had little academic content, schools viewed it as expendable. The lure of TV and other passive recreation has made exercise even less important to children.

As many out-of-shape Americans are aware, fitness requires an ongoing commitment. Most of us begin over and over again in the struggle to establish a healthy body weight and fitness level.

But exercise gurus agree that fitness for life means lifestyle changes. They recognize that breaking the sedentary habit is difficult. Developing good habits early works best. cr

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## Course of the Month

## Vectors of -ality

Occasionally CM will step outside the classroom to recognize instructional matter that transcends the single course offering. This is one such occasion.

What follows is the text of a letter sent to Duke University faculty members from Duke's Center for LGBT Life:

January 15, 2003

Dear faculty member,

Attached is a flyer for an event we would like to bring to your attention. It is part of the *Sexualities in the South* series and MLK celebration. The *Sexualities in the South* series will look at the intersectionality of sexuality, race, class and gender, and the politics and history of these vectors of analysis in a distinctly Southern context. The series will interrogate how sex, race or gender differences have been a factor in the politics or lived experiences of people in the region known as "the South." We ask that you please share information about this event and the series with your classes and post the flyer in your department.

The events in the series for the 2003 spring semester are:

- *Dorothy Allison* — The Dream of Justice, Thursday, January 23rd, 7 p.m., Richard White Lecture Hall, Duke East Campus

- *Lisa Duggan* — Queer Mulatto Communists Run Amok: Jesse Helms Explains It All To You, Tuesday, February 18th, 4 p.m., 201 Flowers Bldg.

- *John Howard* — This Is How We Do It: Queer Identity Instruction in the Postwar South, Tuesday, April 1st, 4 p.m., 201 Flowers Bldg.

- *Scott Morgensen* — Radical Faeries in the South, Friday, February 7th, 5 p.m., 201 Flowers Bldg.

- *Southern Comfort* — Winner \* GRAND JURY PRIZE — Sundance Film Festival 2001. Date/Location To Be Announced. A rare blend of humor, romance, and tragedy, *Southern Comfort* is the first film to intimately tell a trans-to-trans love story, set against a disturbing tale of gender bias as it unfolds before the camera. 'TOUCHING AND STARTLING' — *Newsweek*

CM commends the second sentence to readers again — it is replete with the crude, heavy, Victorian garments of make-smart academese, and that last phrase resembles a description borrowed from a brunch menu: *The Sexualities in the South* series will look at the intersectionality of sexuality, race, class and gender, and the politics and history of these vectors of analysis in a distinctly Southern context.

For those looking at the expressiveness of this column and hypothesizing upon the intersectionality that prompted it, find comfortability (Southern or other vector) in the realizability that that causality has resulted in the reality of more "shar[ing] information about this event and series." CJ

# In Another Sweetheart Deal, UNCH-CH Pays Departing Official to Work at Home

By JON SANDERS

Assistant Editor

RALEIGH

The news last fall of sweetheart deals to exiting administrators of the University of North Carolina at Chapel Hill placed the institution under unsettling scrutiny of its priorities. Those deals amounted to \$520,000 plus travel expenses to two former vice chancellors, Susan H. Ehringhaus and Susan T. Kitchen. They came to light after other UNC-CH officials had spent months making the university's case against any more budget cuts affecting them, on the basis that the university had nowhere left to cut.

CAROLINA JOURNAL has learned of another lucrative send-off to a UNC-CH official. On May 9, 2002, UNC-CH and Associate Vice Chancellor Evelyn Hawthorne agreed to a termination arrangement in which Hawthorne was sent home but continued to receive her annual salary of \$111,625 through July 31. The amount paid to Hawthorne was about \$27,000, Vice Chancellor Matthew Kupec said. Hawthorne was charged during that time with the task of drafting a strategy, complete with contact information, for how UNC-CH could deal with state legislators, university trustees, and the UNC Board of Governors. During that time, Hawthorne could earn an additional \$20,000 by devising a public-image campaign for the university, which she did. She was also permitted to take her remaining vacation time (261 hours — about 6 1/2 weeks' worth — as of May 9, but she continued to accrue vacation time through July 31).

The first person to sign off on the agreement, as UNC-CH vice chancellor and general counsel, was Ehringhaus. Hawthorne's specific duty was to "draft a strategy dealing with each legislator, complete with address, phone numbers, fax numbers and email address if available, the best contacts and, in general, any information the University should know, and to provide [Vice Chancellor for University Advancement Matthew] Kupec with strategic information concerning trustees and the Board of Governors."

Hawthorne completed this duty by furnishing Kupec with a memorandum under the subject heading "Government Relations Strategy Materials." The memorandum is dated "July 28, 2002"; however, there is a "Received" stamp on that sheet containing the date "JUL 30 2001." The memorandum comprises:

### Contents of memorandum

- A list of one-line factoids on trustees and the Board of Governors (e.g., "Jim Phillips is close to Sen Basnight and is active as a lobbyist on behalf of several clients");

- Spreadsheet printouts of state senators and representatives that includes their legislative phone numbers, email addresses, and birthdays; tells whether they are UNC-CH alumni; and gives other "notes" (e.g., "Conservative who doesn't always vote with party," "Does not like Chn. Moeser," "Not proud to be alumnus," "Retiring Dookie dentist," "Interested in Ag stuff");

- A printout dated July 28, 2002, of the UNC-CH web page ([www.unc.edu/depts/trustees/member.html](http://www.unc.edu/depts/trustees/member.html)) that lists trustees and including their addresses, phone and fax numbers, and email addresses.

- A printout dated July 28, 2002, of the UNC web page ([www.northcarolina.edu/applications/secretary/admin\\_directory/](http://www.northcarolina.edu/applications/secretary/admin_directory/)

### Excerpts from Hawthorne's 'Strategy to Engage and Extend Carolina'

Many of Carolina's supporters regularly complain that no university program can compete with the personal connections made through the North Carolina State University's Cooperative Extension Program. An examination of NCSU's approach would reveal that the Extension philosophy grew from Cooperative Extension into other schools and units at NC State. Perusing NCSU's website, one finds an element of outreach within nearly every school and unit at the university...

The Program receives funding not only from the university, but also from the individual counties throughout the state. Cooperative Extension Officers are located in every county, giving NCSU a physical presence in each community... The challenge to Carolina is to find the unique program or programs that can serve the role that Cooperative Extension has served at NCSU...

Health Affairs has the greatest potential for prospects of tangible outreach to the citizens of the state. The School of Public Health consistently touches public health workers across the state... School of Public Health could organize an education, training and outreach program [on terrorism preparedness] that connects directly with communities. The effort could be conducted in collaboration with the local health departments using community colleges as the training sites via distance education, if necessary. School of Public Health already uses community colleges for distance education in its continuing education efforts for public health personnel. This infrastructure can also be used to conduct town meetings and training sessions on terrorism preparedness. That current and cutting edge issue could be the entrance for School of Public Health and Carolina into people's daily lives, offering it a reference and resource for individual North Carolinians...

Touch North Carolina's school children through the School of Nursing... Carolina's School of Nursing could take a leadership role in helping to achieve the goal of placement of a nurse in each public school in North Carolina.

This laudable goal is not without controversy. Past General Assemblies - in North Carolina and elsewhere - have debated the extent to which school nurses can treat and counsel students, particularly on issues related to sexual activity and health. While such issues can be troublesome, many other non-controversial benefits can be gained by North Carolina's schoolchildren and delivered by nurses and nurses-in-training at Carolina's School of Nursing. Contagions could be identified earlier and prevent the spread of disease. Absenteeism could be reduced. Difficulties in children's homes and circumstances of possible abuse could be identified earlier, preventing injuries. Students' emotional troubles could be identified earlier, as well, possibly preventing instances of school violence.

The School of Nursing could lead an effort to coordinate placement of nurses in each North Carolina school and to then support those nurses through continuing education... The benefits to Carolina would, of course be secondary to the benefits to North Carolinians. But the only way to make deep and real connections with North Carolinians is to deliver a program to them that matters...

Boards and committees at Carolina typically focus on the activities with which they are charged. That seems fairly logical, but does the University leadership review from time to time the committees' charges? Do University leaders know really what the boards and committees are actually doing? Are boards and committees working toward the same goals, or are they conflicting with each other, especially where outreach to North Carolinians and inclusion of new ideas are concerned?

The functions of each board or committee at Carolina should include outreach activities. Such activities would include holding meetings in communities throughout the state and inviting local community leaders — especially state legislators, county commissioners, town or city council members and Members of Congress — to socials prior to meetings or to the actual meetings...

[www.jus.state.nc.us/arc/bioag.htm](http://www.jus.state.nc.us/arc/bioag.htm)) giving biographical information on N.C. Attorney General Roy Cooper;

- Dozens of printouts (only some with dates; those range from Jan. 9 to Jan. 11, 2001) of web pages on state senators and representatives and North Carolina's representatives in the U.S. House and Senate.

The agreement would also grant Hawthorne a "one-time payment in the gross amount of \$20,000" if Hawthorne were to "prepare and recommend a program of activities designed to strengthen the relationship between UNC-CH and the people of North Carolina." It does not indicate whether UNC-CH officials would follow Hawthorne's program.

Hawthorne submitted an 18-page report, double-spaced, entitled "Carolina Reaching Out: A Strategy to Engage and Extend Carolina" on June 14, 2002. In the report, Hawthorne discusses UNC-CH's troubles with connecting with the public, which include perceptions of UNC-CH as a basketball school or a place for the elite, removed from everyday concerns. She suggests paying less attention to media coverage and more to building programs with long-term outreach goals.

Hawthorne's report, however, "represents the opinion of one person and not the opinion of the university," Kupec said. "We read it once, and candidly, we put it in the file and haven't referred to it since." CJ

- An article dated January 7, 2001, from the *Charlotte Observer* that said, "Mike Easley is going to be a very different kind of governor";

- An undated printout of the Office of Lieutenant Governor web page ([www.ltgov.state.nc.us/Biography.asp](http://www.ltgov.state.nc.us/Biography.asp)) giving biographical information on Lt. Gov. Beverly Perdue;

- A printout dated Jan. 11, 2001, of the Office of State Treasurer web page ([www.treasurer.state.nc.us/rhmbio.htm](http://www.treasurer.state.nc.us/rhmbio.htm)) giving biographical information on Treasurer Richard Moore;

- A printout dated Jan. 11, 2001, of the Office of Attorney General web page

Report would suggest savings, consolidations

## Consulting Firm Studies Streamlining Of North Carolina's Community Colleges

By JON SANDERS

Assistant Editor

RALEIGH

In June North Carolina legislators are supposed to receive a study of how the state's community colleges are funded and how they operate. The study, made possible by a special provision enacted last year by the General Assembly, is supposed to suggest ways to save on costs and streamline operations in the community colleges.

The study is being conducted by MGT of America Inc., a Florida-based management research and consulting firm. It would be a comprehensive study of the funding and administration of the state's 58 community colleges.

The legislature commissioned the study in an attempt to correct continuing projections of budget shortfalls. The shortfall estimated for fiscal 2003-04 could be as high as \$2 billion.

Senate Bill 1115 last year mandated that the Joint Legislative Oversight Committee work in conjunction with the North Carolina Community College System to conduct a comprehensive review of the NCCCS. The committee approved MGT of America Inc. in mid-December to conduct the review, and its approval was shortly followed by the approval of the Capital Needs Committee of the State Board. In January the full State Board issued its approval.

### Charges to the consultants

MGT of America Inc. is charged with the following duties:

- Review the organization and structure of the NCCCS.

The review includes studying the number of colleges within the NCCCS, examining the location and size of each college, and considering whether North Carolina could save money by consolidating some colleges or programs.

- Review the formula used to fund the administration at the colleges.

This portion of the study includes determining what should be the appropriate funding levels for administration of the various colleges and what should be the appropriate number of administrative staff members for colleges of different sizes.

- Review the funding of multicampus colleges and off-



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

campus centers. This portion of the study includes determining what should be the appropriate number of administrative staff members and what should be an appropriate funding mechanism for administration and for other purposes.

### Public meetings

In February, the NCCCS began conducting public meetings across the state to discuss the study and its effect. On Feb. 6, meetings were conducted at Edgecombe Community College in Rocky Mount and also Durham Technical Community College. On Feb. 10, a meeting was conducted at Sampson Community College in Clinton. On Feb. 17, meetings were scheduled for Central Piedmont Community College in Charlotte and Caldwell Community College and Technical Institute in Hudson. A meeting was also scheduled for 2 p.m. March 7 at Southwestern Community College in Sylva.

Along with NCCCS officials, the hearings featured a representative from Legislative Fiscal Research to explain the legislative mandate and a consultant from MGT of America Inc., to explain comparative analyses of administrative costs. MGT of America Inc. will receive up to \$78,625 for the study. The State Board Reserve Funds will cover the costs of the study. *CS*

## Admissions Based On Race Must Go

The litigation over race-based admissions is probably the most important case the Supreme Court will decide in its current term. The Fourteenth Amendment says governments must extend equal protection under the law to *all citizens*. No playing favorites. No Orwellian "all citizens are equal, but some are more equal than others" stuff.

The Supreme Court has held that states may employ race-based classifications only when they are the only way to achieve some "compelling state interest." The defenders of race-based admission policies at the University of Michigan and many other state universities claim that having a "diverse" student body enhances education, presumably a compelling state interest, and therefore the policies that favor students of certain groups over others are not unconstitutional.



George C. Leef

The "research" backing up that claim has been as thoroughly demolished as any argument ever has been. Witness the amicus curiae briefs submitted in the two Michigan cases by the National Association of Scholars ([www.nas.org](http://www.nas.org)). The NAS briefs crush the argument at so many points I can only mention a few.

For Michigan to contend that diversity improves education, one would think, it would have proof that students learn their subjects better if they're in classrooms with just the ideal mixture of students. The point is highly dubious — how is a student's comprehension of calculus or chemistry possibly affected by the racial composition of the class? But Michigan's argument on "educational improvement" is not based on the learning of subject matter, it's various student attitudes that correlate with liberal politics.

Moreover, Michigan contends that "educational improvement" can occur only if it is able to create a "critical mass" (i.e., quota) of minority students. Again, there's no evidence for that assertion. Michigan says it is essential so minority students won't feel "isolated." But we are talking about young adults here, not first-graders, and moreover, colleges and universities are supremely accommodating, unthreatening places with or without racial quotas.

Admitting students only on the basis of academic ability won't harm a university's learning environment; it could very well improve it by de-emphasizing race. Among the unfortunate consequences of the "critical mass" approach is a demand for "ethnic studies" courses that are notoriously low on educational content but high on incitement to feelings of victimization. More real learning would take place if the center of attention were shifted away from "diversity" and once again put on education.

But without "affirmative action" (that is, quotas), wouldn't our universities become all white (and Asian), thus shutting off upward mobility for blacks and other minority groups? That's the sky-will-fall argument, but it won't stand up. The use of racial admission quotas does not lead to an increase in the total number of minority students, only to their redistribution. The most academically challenging schools, such as Michigan, wind up with more minority students than they would if academic preparation were all that mattered, but if Michigan just admitted students based on merit, those who didn't make it into the flagship university in Ann Arbor would instead go to some other school such as Wayne State, where they would be a better academic fit. Race-based admissions ensure that some minority students enroll in top-flight schools that are too demanding for them. That's no benefit to anyone.

The U.S. needs to give up its silly fixation on race. Groups don't have rights — individuals do. The only wise and moral policy is for the government to protect the rights of all individuals. Race-based admissions are unconstitutional, divisive, and wasteful. Let's hope that the Supreme Court rules against them without equivocation. *CS*

## Bats in the Belltower

O Cruel Fate: Bomb the U.S. Capitol,  
Face Lifelong 'Terrorist' Stigma

Laura Whitehorn "was convicted in 1985 of 'conspiracy to oppose, protest, and change the policies and practices of the United States government in domestic and international matters by violence and illegal means.' At that time, the United States had just invaded Grenada and had recently shelled Lebanon. These actions were part of a long-standing imperialist policy of U.S. military foreign interventions. Because there was no militant reaction to these events in the United States, Whitehorn wanted to draw attention to these crimes that caused harm to so many people. She helped set a bomb that destroyed part of an empty conference room in the U.S. Capitol. It took months of planning to ensure that no one would be killed or injured in the action."

— Jessica Rutter, "Whitehorn's visit provides opportunity for dialogue," *Duke Chronicle*, Jan. 23, 2003

"I was a pacifist for much of my life, and I am very against terrorism. Terrorism is the targeting of civilians, a reactionary form of arms struggle. I've never been involved in targeting civilians."

— Whitehorn, quoted by Whitney Robinson, "Students criticize 'terrorist' speaker," *Duke Chronicle*, Jan. 22, 2003

"Her work was actually the opposite of terrorism,' [Becky Thompson, visiting professor in African and African American Studies at Duke who invited her] said, adding that it was protesting other acts of perceived terrorism."

— Robinson, same story.

"Whitehorn is a revolutionary anti-imperialist who spent over 14 years in federal prison as a political prisoner."

— Original reference to Whitehorn by Duke's Dept. of African and African American Studies

"Whitehorn spent more than 14 years in federal prison for her role in planting a bomb in the U.S. Capitol building in 1983, in protest of the U.S. invasion of Grenada. According to the biography she provided, she is a 'revolutionary anti-imperialist who spent over 14 years in federal prison as a political prisoner.'"

— Changed reference to Whitehorn by Duke's Department of African and African American Studies after news of Whitehorn's invitation went national, thanks to the Duke Conservative Union's tipping the *Wall Street Journal's* "Best of the Web Today" section to it (which wrote, among other things, "The claim that Whitehorn was a 'political prisoner' led us to think there was something Duke wasn't telling its students; after all, America does not throw people in prison for political reasons").

#### They fought the law, and the law didn't give a rip

"Three participating UNC[-Chapel Hill] students, Anna Carson-Dewitt and Sascha Bollag, both freshmen, and senior Scott O'Day, said they were disappointed when the police refused to arrest them. All three have prior arrests for civil disobedience.

"O'Day said the police response undermined the protest.

"I am disappointed that the police de-escalated the situation to the point that we were not able to continue with the protest,' he said. 'We were more or less sure that we would be arrested, but the police weren't cooperating."

— Gillian Bolsover, "Anti-War Protesters Fail to Get Arrested in Raleigh," *The Daily Tar Heel*, Jan. 22, 2003

#### I have a dream — oh, never mind

"Yes, we want to be judged by the content of our character and not the color of our skin. But what makes up character? If we don't take race as part of our character, then we are kidding ourselves."

— Hillary Clinton, speaking at a Martin Luther King Day ceremony, quoted in the *New York Sun*, Jan. 22, 2003

#### Ve haf Five-Year-Plan for ze South to, how you say, ri-i-ise again! Schnell!

"As a scholar of Russian studies, Robeson said that the Homeland Security Act was modeled after a collection of documents authored by Joseph Stalin and that President Bush 'is part of a neo-Confederate government, geared at destroying the Union.'"

"Several times during his speech Robeson mentioned the dominance of the Republican Party and the popularity of President Bush in the Southern states, making allusions to Hitler's support from southern areas of Germany."

— Jessica Spradling, "Robeson: Bush govt. is 'neo-Confederate,'" *The Dartmouth Online*, Jan. 24, 2003

#### His pussycat, France, eats cheese and thinks he's better than everyone else

"Marx and Engels, [economist Hernando] de Soto's pet dogs, were so named because 'they are German, hairy, and have no respect for property.'"

— *The Economist*, "The economist versus the terrorist," Jan. 30, 2003

#### A brief exposition on skivvies subservience

"It's a loaded image,' says William Jelani Cobb, an assistant professor of history at Spelman College in Atlanta. Cobb sees in [Kmart's black, dancing Joe Boxer underwear model, Vaughn] Lowery's antics the long-discarded face of black subservience and smiling compliance — the minstrel, Uncle Ben and Aunt Jemima. 'To depict a black man this way,' he says, 'it's just coonery.'"

"Mark Anthony Neal, an author and critic of African American culture, invokes another onerous icon: 'I suppose it was intended to be good-hearted and good-natured, but there are elements of Sambo-ism in it.'"

— Paul Farhi, "Heads Shaking Over Joe Boxer Boogie," *Washington Post*, Jan. 15, 2003

"On his third try, the actor and model decided to cut through the clutter. He chucked the script — and his pants — and went into his dance. 'It was magic,' says Colette Landi Sipperly, Joe Boxer's spokeswoman. 'He didn't need to say a word. It came across right away.'"

"Said Lowery: 'I was just showing how loose I could be.'"

— Farhi, same story.

CF

Duke Professor Finds Evidence  
Of Universities' Grade Inflation

By JON SANDERS

Assistant Editor

RALEIGH

A Duke University professor of environmental science has reinvigorated the national debate over grade inflation. Professor Stuart Rojstaczer announced a web site, GradeInflation.com, wherein he has compiled data on more than 50 colleges and universities nationwide showing how average grade-point-averages at them over time have risen. Rojstaczer also announced his findings in a Jan. 28 *Washington Post* column.

With some data going back to the 1960s, Rojstaczer found an average rise in GPAs to be about 0.15 per decade (on a 4.0 scale). Individual schools differ, of course, but at all the ones for which he has data, Rojstaczer found a GPA increase over time.

There were two North Carolina schools in Rojstaczer's set, Duke and the University of North Carolina at Chapel Hill. He found average GPAs increased by 0.54 (from 2.79 to 3.33) at Duke between 1969 and 1999.

He found a similar increase at UNC-CH from 1967 to 1998 — 0.55 (from 2.39 to 2.94).

Admitting that "The last time I gave a C was more than two years ago," Rojstaczer said he "came to realize that my grading had become anachronistic" because the C grade, which used to be respectable, "is now the equivalent of the mark of Cain on a college transcript."

His data suggest he's by far not the only one. As Rojstaczer explained, his data show that "A's are common as dirt in universities nowadays." He also suggested why that is the case: "it's almost impossible for a professor to grade honestly." Not only are "poor" grades seen as a sign of poor instruction, they also upsets parents and students, the "consumers of an educational product for which they pay dearly." Thus professors are "expected to cater to their desires not just to be educated well but to receive a positive reward for their enrollment."

#### Playing the game

Rojstaczer's confessional approach is reminiscent of the 1996 book *Generation X Goes to College: An Eye-Opening Account of Teaching in Postmodern America* (Open Court), written by a journalist who became a tenured professor, writing under the pseudonym "Peter Sacks."

In *Generation X Goes to College* Sacks exposed the lengths to which he stooped in order to obtain tenure. Having been warned by university administrators to boost his student evaluations (which were complaining he "expected far too much" and was a "tough grader"), Sacks was told by one fellow professor to "Play the game" and learned "the first unsavory truth of survival as a professor: Please the slackers." His response was what he called his "Sandbox Experiment": "I'll call the class the Sandbox. And we'll play all kinds of games and just have fun, and I'll give all my students good grades, and everyone will be happy."

Sacks did receive tenure, and in his book he admits he "might have been wrong to act in the way the system was compelling me to act." Nevertheless, he wrote, "now, I am confessing, and hoping that the virtue of my act lies in exposing the corruption that has enveloped much of higher education."

One of the more outspoken critics of grade inflation has been Harvard University professor of government Harvey C. Mansfield. In 2001 Mansfield publicly shamed Harvard by giving, as he announced in *The Chronicle of Higher Education* of April 6 of that year, two grades to each student, public grades that "conform with Harvard's inflated distribution, in which one-fourth of all grades given to undergraduates are now A's, and another fourth are A-'s," and private grades that "give students a realistic, useful assessment of how well they did and where they stand in relation to others."

Mansfield devised his system to "show my contempt for the present system, yet not punish students who take my course. My intent was to get attention and to provoke some new thinking." An October 2001 *Boston Globe* report that found 91 percent of the Spring 2001 graduates from Harvard graduated with honors. By year's end Harvard required faculty to justify their individual grading approaches.

Meanwhile, Temple University has been sued by a tenured professor who had been fired on the ground of incompetence who said he was dismissed because he refused to give in to Temple's pressure on him to inflate grades and "dummy down" course work. Math Professor Martin Eisen, who had worked at Temple for 35 years, was put on paid leave in 1999 while the university investigated students' complaints over his grading. Three faculty committees had examined the Eisen case, and the president of the Faculty Senate, economics Professor Michael Goetz, told the Associated Press that "great care" had been taken. Nevertheless, he admitted grade inflation existed at Temple — just no more than at "any other university in the United States."

In recent years, the grading debate hit both UNC-CH and Duke. A report published Feb. 16, 1998, in *The Daily Tar Heel* ("A is for 'average,'" by Mary Dalrymple), found that "three-quarters of all grades given in undergraduate classes are A's or B's... 38 percent of all grades given were A's, 37 percent were B's, and only 17 percent were C's." In 1981, however, "about 25 percent of grades in such classes were A's and 27 percent were C's." Two years later, a UNC-CH faculty report found 77 percent of undergraduate grades were A's and B's.

In 1997 Duke nearly changed how it calculates GPAs after a study found the mean GPA there had risen from 2.7 in 1969 to 3.3 in 1996. Statistics Professor Valen Johnson devised an "achievement index" that would have used an algorithm to compute GPAs according to the difficulty level of their courses, crediting students for doing well in difficult classes and also for taking classes with other students who had performed well in difficult classes.

The proposal failed in the Arts and Sciences Council by a 19-14 vote. Johnson told *The Chronicle of Higher Education* that the vote had gone according to discipline, with most professors in the so-called hard sciences voting in favor, while most professors in the humanities and social sciences voting against it.

Now a professor of biostatistics at the University of Michigan School of Public Health, Johnson is the author of the forthcoming book *College Grading: A National Crisis in Undergraduate Education* (Springer-Verlag).

CF

## A selective university culture

## UNC-CH Falls Short of Moeser's Boast of Defending Speech and Inquiry

By JON SANDERS

Assistant Editor

RALEIGH  
‘I have been proud,’ announced Chancellor James Moeser of the University of North Carolina at Chapel Hill in his “State of the University” speech this past September, “to speak for the entire community in defending our fundamental rights as Americans from any who would seek to limit the scope of free expression and inquiry. In the past 12 months, UNC has shown the world what it is to be a great, free, American public university.”

Certainly UNC-CH has defended free expression and inquiry in several well-known instances — most visibly this past summer, when it prevailed in defending its assignment of *Approaching the Q’uran* against the charge that the assignment (originally a requirement, later removed) amounted to state sponsorship of a religion. In 2001 Moeser defended the faculty’s right to speak out against the U.S. campaign against al Qaeda. He also defended *The Daily Tar Heel*’s decision to publish a controversial op-ed by David Horowitz.

But how vigorous is UNC-CH’s defense of free expression and inquiry?

This semester a contract professor of social work at UNC-CH abruptly quit after graduate students complained of her making racial comments. According to the *Chapel Hill Herald* of Feb. 8, Martha Lamb had told her class, “Social Work and Practice with Couples,” that in the 1960s some people said the NAACP stood for “Niggers Ain’t Acting Like Colored People,” but that those remarks aren’t commonplace today. Half her students reportedly dropped the class.

According to the *DTH* of Feb. 10, students at a town meeting held by the UNC-CH School of Social Work to discuss and mediate the situation also said that Lamb “told stories of supervisors who said couples therapy doesn’t work for black couples.” Lamb said she was trying to share her heritage with them.

Social Work Dean Jack Richman told the *Herald* that Lamb had “used some insensitive, hurtful, disparaging words” and that students “got so uncomfortable they couldn’t [understand] anything past the statement.” Richman said Lamb is “extremely remorseful” and that “she never meant to hurt anybody. She was trying to give historical context to her experience.” But it didn’t matter if “she was trying to do something pedagogical that went awry,”

Richman told the *Herald*, which reported that he “stress[ed] that the university’s racial harassment policy requires instructors to provide a comfortable learning environment.”

It’s hard to reconcile Lamb’s experience with Moeser’s boast of UNC-CH defending against those who would “limit the scope of free expression and inquiry.” Nor could one reconcile some students’ experiences with those concepts.

One student (all wish to remain anonymous, for obvious reasons) told of participating in a mandatory online discussion board as part of a political science class. At issue was a Miami antidiscrimination law giving special protection to homosexuals, which critics were trying to repeal because they thought it was unconstitutional. The student replied with agreement with the critics, saying that the government should not advocate a homosexual lifestyle, nor convey that it is normal, which the student argued was being done with the guarantee of special rights for homosexuals.

The board moderator removed the student’s post, telling the student to “be mindful of the fact that many of your classmates are members of these groups” and said any such message “will be removed immediately, as they add little to the discussion.” Course requirements mandated that the student participate in the discussion, but the student was not allowed to state his personal beliefs and opinions in the discussion.

Students have also told of classes in which professors assign “research” papers but make explicit exactly which sources they are allowed to consult. For example, in one assignment, the professor’s instructions on how the paper is to be structured explains: “To provide this general analysis, you should draw on other readings in the course, your discussions in your sections, as well as the [*New York Times*]’ articles. (You should not engage in extensive additional research beyond this.) And, second, your paper must contain specific illustrations of your general points. These specific illustrations should be drawn directly from the stories that you have clipped from the *Times*.”



While those do not suggest that such limiting of inquiry is normal at UNC-CH, they do indicate that it isn’t unusual.

Another event casting doubt on UNC-CH’s self-lauded support of free speech and inquiry without limits has already been discussed in the pages of *CAROLINA JOURNAL*. That is the recent threat of derecognition and defunding made by Jonathan E. Curtis, UNC-CH’s assistant director for student activities and organizations, to InterVarsity Christian Fellowship and other religious, primarily Christian, organizations on campus. The group’s charter required its officers to “submit in writing and without reservation to... Christian doctrine,” which Curtis explained is counter to UNC-CH’s nondiscrimination clause requiring student organizations to be open “to full membership and participation... without regard to race, color, religion, national origin, disability, age, veteran status, sexual orientation, or gender.”

In other words, because the groups’ paths of inquiry (not to mention its speech and assembly preferences) differed from the official campus line, the university threatened to cut off its university funding.

Now, in fairness to the university and

in keeping with other high-profile speech- and inquiry-related events, Moeser did issue a statement directing that “IVCF be allowed to continue to operate as an official recognized student organization.”

He also said, however, that “[a]t issue here is the law, which requires that charters of officially recognized student groups at public universities not exclude persons from membership and full participation based on race, gender or religious belief” and that “This is not a simple matter. While the University continues to seek to ensure that our facilities and resources are not used in any way that fosters illegal discrimination, we also wish to uphold the principles of freedom of expression.”

But why wasn’t it a “simple matter”? As Alan Charles Kors, president of the Foundation for Individual Rights in Education (which worked with IVCF on the issue), asked, “What is there in the administrative culture of UNC[-CH] — and what is there in the political and cultural climate at UNC[-CH] — that the First Amendment could be trashed by an administrator who, under the guise of preventing religious discrimination, could rule out the ability of Christian organizations to be Christian?”

Moeser’s vision of a UNC-CH “defending our fundamental rights as Americans from any who would seek to limit the scope of free expression and inquiry” is laudable and desirable. But it’s still not a reality — certainly not in the sense of permeating the entire university culture. cr



### A New 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.

cartoon goes here

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](http://www.NorthCarolinaAtWar.com) — or [www.NCAatWar.com](http://www.NCAatWar.com).

## Town and Country

**Ranking government units**

North Carolina ranks among the 10 states with the fewest government units per person, but researchers find little correlation between a county's government structure and its economic health, the *Triangle Business Journal* reports.

Researchers who follow local-government issues also say cost efficiency cannot necessarily be attained by reducing the number of government units.

"It's interesting conversation, but you can't get too carried away with it," said David Ammons, a professor of public administration with the Institute of Government at the University of North Carolina at Chapel Hill.

"Sometimes we put too much stock in size," Ammons said. "If that were always the case, then you would think the most efficient government would be New York City."

North Carolina has had its fair share of debate about whether small towns should merge with neighboring small towns, or whether county and big-city government should be folded into one.

In 1999, the city of Durham and Durham County raised the issue of merging their efforts. A group of 100 residents commissioned a study favoring a merger, but the City Council rejected the plan before it could go to a referendum.

Durham and Durham County instead split their responsibilities, with the city providing "hard" services such as police, fire, water, sewer, and roads. The county oversees "soft" services such as planning, human services, and schools.

Charlotte and Mecklenburg County consolidated many taxpayer services, such as economic development and emergency management, while maintaining separate government entities.

North Carolina as a whole ranks No. 8 in the nation, with 11.6 units of government per 100,000 residents. That's behind Hawaii, Maryland, Florida, Virginia, Nevada, Louisiana, and Rhode Island.

**Nonprofits sap revenue**

Over the past 10 years, Winston-Salem has seen its nonprofit sector surge while the city's traditional manufacturing base slumped, according to the *Winston-Salem Journal*.

That growth — notably at the city's two hospitals and Wake Forest University — is good news for employment and housing, but bad news for Winston-Salem's tax rolls because most properties owned by nonprofit organization are tax-exempt.

At a time when Winston-Salem's tax base is growing less than inflation, officials are starting to look at ways to solve the problem of growth in tax-exempt properties. The city's budget office is studying whether nonprofit businesses, such as Novant Health and Wake Forest University Baptist Medical Center, should be asked to give monetary or in-kind contributions.

About \$2.6 billion of real estate in the city is exempt from property taxes, said Pete Rodda, the county's tax assessor. If that property were taxed, it would generate an additional \$12.9 million a year in revenue. *cr*

## Rising Costs: ElectriCities Says 'Charge It'

*Higher indebtedness, poor decisions by municipalities trigger continual rate increases*

By MICHAEL LOWREY

Associate Editor

KINSTON

**E**lectrical customers in eastern North Carolina ultimately served by what is commonly called ElectriCities have experienced steep increases in their bills in recent months. In Kinston, for example, rates went up three times in 2002 for a total 10 percent increase. Given the financial structure of the power supplier, relatively high rates are likely to continue for the foreseeable future.

Communities such as Kinston, Tarboro, and Elizabeth City are paying the price now for poor decisions in the 1970s and early 1980s to become part owners of nuclear plants and focus on short-term profitability for the power agencies and its members.

**A tale of two power systems**

Until the 1950s and 1960s, a number of municipalities operated their own electrical generating plants. Advances in technology, however, made such relatively small-scale operations inefficient. The towns, in time, became wholesale customers of major electrical utilities such as Duke Power or Carolina Power & Light (now Progress Energy), and in turn resold power to local customers.

While a workable relationship, many of the municipalities desired to again produce energy on their own. In the 1970s, changes in state law and the nuclear power plant building boom would allow them to get back into the game.

In 1975, the General Assembly enacted Chapter 159B, allowing municipal power systems to do jointly what they could do each do individually. As a practical matter, this allowed systems to join together and form a separate legal entity (power agency) to own power plants. A 1977 state constitutional amendment took this a step further, allowing municipalities or the new joint agencies to be part owners of plants with private utility companies or cooperatives. In either case, individual towns and cities would be responsible for the debts that the power agencies accrued in their behalf.

Previous to these changes, municipal systems were restricted to being 100 percent owners of their plants or contracting for power from an outside source.

Two municipal power agencies were formed to take advantage of these changes. Both soon became part owners of nuclear power plants.

The North Carolina Municipal Power Agency Number One began negotiating with Duke Power in 1976 about acquiring a share of a nuclear plant. In 1978, it acquired a 75 percent interest in the Catawba Number 2 nuclear reactor then under construction on Lake Wylie, just south of Charlotte. High Point took the largest share in NCMPA1. Gastonia, Lexington, Monroe, Statesville, Shelby, Albemarle, and 12 other towns in the Piedmont also are part of the power agency.

At about the same time, 32 communities, including Greenville, Rocky Mount, Wilson, Kinston, and New Bern, formed the North Carolina Eastern Municipal Power Agency. In 1981, the NCEMPA entered into a contract with CP&L. The power agency bought a 13 percent to 18 percent stake in two already operating nuclear reactors (the two Brunswick units near Wilmington) and three coal-fired power plants (Mayo Creek 1 and 2 and Roxboro 4). More significantly, NCEMPA obtained a 16.17 percent in the Harris nuclear plant then under construction near Raleigh.



The Harris nuclear plant near Raleigh, in which NCEMPA owns a 16 percent interest.

NCEMPA and NCMPA1 are sometimes inaccurately referred to as "ElectriCities." While members of the two power agencies are typically also members of ElectriCities, ElectriCities is a separate trade origination for municipal power systems that manages NCEMPA and NCMPA1 operations. ElectriCities also includes members in South Carolina and Virginia that are not part of NCEMPA or NCMPA1.

**Becoming the risk taker**

In becoming part owners of electrical plants, the two public power agencies, and by extension the individual municipalities that belonged to them, were acting as entrepreneurs. With such risk-taking behavior come the rewards of profit — lower-cost electricity and cash payouts that the towns hoped to obtain — as well as the potential for loss.

Unfortunately, the municipalities could not have picked a worse time to invest in nuclear plants. The Three Mile Island accident slowed down construction and increased cost. As a result, the Catawba 2 and Harris plants proved to be the most expensive sources of electricity for their respective utilities.

Many of the economic assumptions upon which NCEMPA and NCMPA1 had based their decisions to buy into the plants also proved incorrect. Most notably, interest rates were at high levels, and the two power agencies were capitalizing the interest costs until after the plants entered service.

**Paying the piper**

Still, not all of today's higher rates may be attributed solely to bad luck or slow economic growth. The power agencies also made a conscious decision to offer lower rates in the systems' early years — and payouts to member municipalities — at the expense of increased debt. The procedure is described in detail in "Power Play," a March 2000 John Locke Foundation Policy report written by Marshall Lancaster. Lancaster was executive director of ElectriCities from 1972 to 1978.

In the report, Lancaster describes a typical example. "When Catawba did go into commercial operation, the agency initially sold to Duke electricity amounting to 97% of the agency's ownership of Catawba 2.

This heavy buyback, coupled with slower agency growth, produced an unexpected result: In the early period of the arrangement, after all costs and offsets were calculated, Duke was in a position of actually having to write monthly checks to NCMPA[1]. The agency, meanwhile, continued its regime of borrowing to pay interest. Once again, the agency and the participants chose to spend most of the savings."

This approach was even verified at the time by NCMPA1's Washington counsel during testimony before the North Carolina Utility Commission. "The rate that the Power Agency is charging the cities now, I believe is less than the wholesale rate, but part of that's due to the way they've been using their ability to finance and advance... I think now the Agency has gone out and financed to pay today's rates against what may happen in the future."

In fact, over half of the two agency's bonds were issued to cover interest expenses. In 1999, the state's rural electrical cooperatives, after adjusting for the different percentage of ownership, had \$555 million less debt than NCMPA1 despite having borrowed money initially at a higher average interest rate. The co-ops own a 56.25 percent share of the Catawba 1 reactor.

When combined, these factors saddled NCEMPA and NCMPA1 — and ultimately the member towns and cities

that make them up — with heavy debt burdens. As of Jan. 1, 2002, NCMPA1 had \$2.2 billion in debt while NCEMPA had \$3.1 billion in outstanding bonds.

Heavy debt service payments, in turn, cause NCEMPA and NCMPA1 rates to be higher than those of surrounding power suppliers. Lancaster estimated the difference at 16 or 17 percent for both agencies.

The debts also effectively tie the municipalities to the power agencies for the foreseeable future. Kinston, with a population of just under 25,000, is responsible for about \$270 million of NCEMPA debts. For Rocky Mount and Greenville, the amount is about \$500 million a piece. Smaller communities are affected as well. Red Spring is responsible for more than \$18 million of ElectriCities' debt.

Member cities have little choice but to pass along rate increases from the power agency. Should they not do so, the resulting gap would have to be closed by other municipal revenue sources. *cr*

*The power agencies decided to offer lower rates in the early years at the expense of a increased debt burden.*

## Local Innovation Bulletin Board

## Transit Ridership Flat

As cities debate the addition of light rail to their transit systems, it may be worthwhile to consider its success where systems are already in place. With the release of the 2000 Census data, such an evaluation of light rail is possible.

What the data reveals is that in cities with major rail lines, transit ridership is either declining significantly or increasing only slightly.

Between 1990 and 2000, the share of people traveling to work on public transit was flat or fell in major metropolitan areas. The decline in public transit's share of ridership to work fell 22.5 percent in Atlanta and 18.4 percent in Washington, D.C. San Diego's public transit system gained 2.6 percent, and Denver gained 2 percent.

Dallas undertook a major transit investment to open three light-rail lines and one commuter rail line in the last decade, yet ridership declined 23 percent from 1990 to 2000.

Light rail's difficulty in reversing the trend away from transit may be due to the fact that it is usually focused on downtown. Population and employment growth have shifted outside downtowns. According to one estimate, on average, 90 percent of employment occurs outside city centers.

Light rail also faces competition from less-expensive options such as carpooling and telecommuting. Telecommuting made significant gains in market share in nearly every major metropolitan area from 1990 to 2000. Washington, D.C.'s grew by 20 percent, Denver and Dallas by 30 percent, and Atlanta's by nearly 56 percent.

Researched as "Is Rail a Transit Success Story?" Policy Note, November 2002, Buckeye Institute.

**Interstate usage up**

Increased traffic on interstate highways is beginning to choke the system's capacity to move people and goods, concludes a report by the Road Information Program, a Washington, D.C.-based nonprofit group supported by the transportation industry. According to the report, travel on the nation's 45,000 miles of interstates increased by 37 percent between 1991 and 2001. But the number of miles added to the system during the 10 years has increased by only 5 percent.

Congestion has grown so bad on interstates in metro areas that two out of every five miles of urban interstate highways experience significant traffic delays on a daily basis. The five states with the busiest interstates are California, Maryland, Minnesota, Rhode Island, and Washington.

Drawing on data from the Federal Highway Administration, the report predicted that traffic on the system will increase by 42 percent over the next two decades, while truck traffic is expected to grow by 54 percent.

There was some good news, however. The amount of interstate miles listed in poor or mediocre condition fell from 27 percent in 1996 to 16 percent in 2001. In 1996, 25 percent of interstate bridges were rated as either structurally deficient or functionally obsolete — a figure which dropped to 21 percent in 2001.

Reported in *USA Today*.

**Toll road contracts**

Transportation agencies are franchising highway construction and operation to private firms in order to reduce costs and attract private capital. The right to build and operate the highways are auctioned to bidders who re-coup their investment by collecting tolls. But the two private highway franchises operating in the United States have encountered serious problems.

Researchers at Yale University and the University of Chile suggest a variation on the classic Demsetz auction, which awards the franchise to the bidder who asks for the lowest toll.

Under the new proposal, firms would compete on the basis of the minimum toll revenue (in present value terms) requested by bidders — a Present Value of Revenues (PVR) auction. In a PVR auction, regulators set a maximum toll, and the firm that wins the contract is the one that bids the least present value of toll revenue.

This modified Demsetz auction has a number of advantages. It reduces risk and thus lowers the return required by bidders. It reduces the need for guarantees and the scope for future renegotiations. In addition, the transit authority can adjust the tolls in response to changed conditions without harming the franchise holder.

Moreover, the franchise is flexible because it can incorporate a buyout option that leaves both parties satisfied, so that widening the road itself or allowing free competitors to widen the road in response to increased traffic is not an issue.

Researched by Eduardo Engel, Ronald Fischer and Alexander Galetovic, "A New Approach to Private Roads," *Regulation*, Fall 2003, Cato Institute.

**Burglar alarms**

With many municipalities facing fiscal overload, the last thing they need is the cost of police answering false burglar alarms. In Los Angeles, for example, in 2001, police responded to 127,000 burglar alarm calls, consuming 15 percent of their time, even though 97 percent were false. All those calls resulted in only one arrest.

In response, the new police chief of Los Angeles has proposed a new policy: Police will ignore alarms unless they are verified by the property owner or a private security service as genuine.

Some women have complained they will be endangered by rapists and burglars. Nevertheless, Salt Lake City, Las Vegas, and Eugene, Ore. have adopted similar policies and about 30 other cities and towns are considering doing so.

Police nationwide responded to 38 million burglar alarms in 1998 — and 98 percent of them were false. False alarms cost the police about \$1.5 billion — and accounted for 10 percent to 25 percent of all police calls. The Justice Department estimates ending false burglar alarms would free about 35,000 police officers across the nation.

False alarms are caused by several factors: pets, inadequate training of homeowners, dead batteries, and cobwebs covering motion detectors.

Reported in the *New York Times*. *CL*



"Smart growth" policies emphasize mass transit (usually rail), Cox said.

## 'Smart Growth' Steals Freedom, Transportation Expert Says

By PAUL CHESSER

Associate Editor

RALEIGH

Proponents of urban "smart growth" initiatives espouse policies that excessively restrict the rights of citizens, a nationally known demographic and transportation expert says.

"I am operating from the perspective that freedom is good," said Wendell Cox, an urban policy consultant and scholar who represents several state policy think tanks and foundations.

Cox spoke at a luncheon Jan. 23 for the Research Triangle Chapter of the National Association of Industrial and Office Properties.

Cox has analyzed urban growth issues in cities throughout the United States and in foreign countries. His years of study have led him to the conclusion that unless there is a material threat to other individuals or the community, people should be allowed to work or live where they want.

Cox said smart-growth policies that overly restrict land use and manage urban growth infringe unnecessarily upon property rights and overall freedom. He explained that supporters of growth limitation hate sprawling developments of "ticky-tack" houses, complain about "automobile dependency," and want strip commercial and "big box" retail development restrained.

"They are looked at as inherent evils," Cox said.

He said sprawl opponents "have in mind a more European type of place" in which downtowns bustle and residents live in greater concentrations near urban centers. Such growth controllers hold up Portland, Ore., as their "nirvana." Cox said Portland is almost universally recognized as the U.S. leader in antisprawl policies.

**Higher density and mass transit**

Such land planning emphasizes mass (usually rail) transit over highway construction, construction only within smart-growth boundaries around a city, increased urban density, preservation of open (agricultural and forested) spaces, and rationing of home ownership through zoning regulations, impact fees, and taxation.

Despite the efforts of smart-growth advocates, Cox said, "Urban densities are declining all over the world," even in Portland and European cities such as Paris. He showed demographic examples and photographs of Paris's sprawl and multiple strip-mall developments. Portland is not what it claims to be, Cox said, because it is one of the most sprawling cities in the western United States.

Smart growth's land use and planning is irrational, leading to disastrous consequences for the quality of life, Cox said. Smart-growth policies lead to less home affordability because of oppressive regulation, and home ownership is higher where sprawl is greater, he said. *CL*

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*From Cherokee to Currituck*

## Federal Appeals Court Considers Greensboro Airport Expansion

By **MICHAEL LOWREY**  
Associate Editor

CHARLOTTE

A federal appeals court is deliberating whether the Federal Aviation Administration followed proper procedure in approving an expansion at Piedmont Triad International Airport (GSO) outside Greensboro.

Federal Express wants to establish a hub at GSO to serve the East Coast. Cargo planes would fly into the airport at night, unload and sort cargo, reload the aircraft, and continue to their final destination. FedEx envisions about 24 aircraft a night passing through the hub initially. The number may later grow to as many as 63 planes per night. The company hopes to begin operations in 2007.

FedEx's plans, however, are contingent upon a major expansion at GSO, including the construction of a 9,000-foot runway parallel to the existing main runway. The FAA, which recently gave its blessing to the proposed expansion, will pick up a substantial portion of the cost.

As is often the case with airport expansions in urban areas, residents around the airfield strongly object to the prospect of increased noise associated with more flights, especially flights during the middle of the night.

A group calling itself The Alliance for Legal Action has appealed the FAA's approval to the Fourth U.S. Circuit Court of Appeals in Richmond, Va. Specifically, the

alliance contends that FedEx had too much influence over the FAA's decision-making process and that the FAA's analysis does not adequately examine the issue of noise caused by the flights.

Alliance lawyer Bruce Terris argued before the court that the FAA was remiss in not considering whether the hub could have been located at other airports in North Carolina or South Carolina. "We submit the FAA surrendered its responsibility to make the critical decisions," Terris was quoted as saying to *The News & Record* of Greensboro. "The FAA cannot accept that what's best for FedEx is automatically best for the public interest."

"FedEx doesn't want to go anywhere else but your airport," Judge M. Blane Michael said.

Another issue that arose was the quality of a noise analysis conducted by the FAA, which was premised upon FedEx's statements that its planes would land from the southwest 95 percent of the time.

A ruling is expected in the spring or summer.

**Charlotte preference program**

The City of Charlotte has adopted a new program aimed at helping small businesses land city contracts. The small-business program is specifically designed to meet legal scrutiny after the city was forced to abandon a previous initiative aimed at helping minority-owned business was with-

drawn when it was challenged in court.

The new program creates small-business participation goals for each city department and project. It also increases efforts to make small businesses aware of opportunities to apply for city contracts. The new program will have 14 staff members and a budget of \$895,000.

The program was not greeted with uniform praise. "We were hoping for a program that would focus on disadvantaged businesses," Nathaniel Jones, president of the Metrolina Minority Contractors Association, said to *The Charlotte Observer*. "So many people will qualify for this program that our people will never get a chance to use it."

Under the city's old policy, a set percentage of a contract had to go to minority and female-owned subcontractors if subcontractors were used on a project. The policy was challenged in court after the city refused to award a road contract to a low bidder.

The bidder, ironically a minority-owned construction company, proposed to use only a single female-owned subcontractor. The value of the single subcontract was less than that required by the city's policy. The city of Charlotte settled the lawsuit and suspended the policy after concluding that it could not win in court.

Charlotte is also conducting a study to determine whether minority-owned firms are getting an appropriate percentage of city contracts. If not, the city may be able to

legally implement new race-conscious regulations.

**Moore water system**

After discussions prompted by the recent drought, the various water systems in Moore County do not appear inclined to merge into a single regional system. However, more countywide discussions and mutual assistance options are likely.

The idea behind combining the systems was to better use resources and to guard against possible water shortages. After a few meetings, it became clear that there was little interest at this time in a merger.

"I think it sounded to me like turf protection," County Commissioner Robert Ewing said to the *Fayetteville Observer*. "I can understand, for example, Southern Pines, where they have a good water supply and they aren't too anxious to throw their system into a communal (system)."

Carthage Town Manager Carol Cleetwood agreed. "I don't think anyone wants to give up any ownership," she said to the *Fayetteville Observer*. "If there was a way in which we could all interconnect with each other for use in emergencies, that would be great."

Along those lines, several towns in the county are working to interconnect their systems. In addition, discussions on rates for temporary or emergency water sharing are likely to occur soon. *CL*

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## James Hyler, Banking Officer, Head of Efficiency Commission

**J**ames Hyler, Jr., vice chairman and COO of First Citizens Bank and chairman of the Governor's Commission to Promote Efficiency and Savings on State Spending, spoke at a Shaftesbury Society luncheon at The John Locke Foundation on Feb. 3. Below are excerpts from a question-and-answer period that followed Hyler's talk on the panel's work:



James Hyler speaks at a John Locke Foundation luncheon.

**Q:** What is the current health care plan for state employees and what do you recommend for a more cost-efficient plan?

**Hyler:** On the issue on dependence care, today the state pays fully the health insurance of the state employee. But it does not pick up any of the dependents' side of it. So what we recommend is to look at having the employee pay a portion of theirs like we do in the private sector. You know, if its 10 dollars a month, 20 dollars a month, or whatever, and then the state picking up the dependent coverage. And what that does is it increases the risk pool, it lowers the age in the risk pool, and actually the losses to the state would be less.

**Q:** Is the governor prepared to go forward with all this?

**Hyler:** He seems to be behind it at this point. In fact, I have a meeting with him tomorrow — again, apart of this business group. We are going to have a meeting with him tomorrow to talk. We are going to give him some very proactive things to think about and to implement these kinds of recommendations. I think you are going to see a lot of interest in the business community to take these things seriously. And if he does not, I think there will be some encouragement to do so.

**Q:** In the course of your study, was any effort made to come up with the definitive characteristic that defined how items get into the base budget from the expansion budget? And once those items get into the base budget how they're there and continue to be funded regardless of their performance.

**Hyler:** We could only do so much [laughing] with the time and resources we had. We didn't get into how things get into the budget. We were looking more at processes and then structural suggestions about how to look at that budget as relation to the budget process prospective of it. The zero-based-budget approach worked to eliminate duplication of programs. Worker development programs — there are some 50 worker development programs that the state spends right at a billion dollars a year on. A billion. A lot of that goes into the community college system, but it is still about a billion dollars.

**Q:** Would you say that based on your professional and personal experience that lack of competition seen in this state's government over the last 100 years probably makes "automatic political patronage" more dictated to the status quo?

**Hyler:** Absolutely. Absolutely. I mean I certainly agree with that. But to quantify the impact of that is pretty difficult to do.

**Q:** It is certainly true that government bureaucracy tries to maximize their budgets. And they can usually do that by showing how ineffective their programs are. Basically they are saying, "We are not succeeding in what we are supposed to do, so give us more money." This is unlike the private sector where if you are not succeeding you don't get more money. You don't get rewarded for failure. But there is an internal culture to always maximize your budget. And, it seems to me that the governor has to somehow overcome this culture. Do you have recommendations for him in that regard?

**Hyler:** Well, what we are going to be working on over the next few weeks is to try and come up with some very definitive things to say: Here are some things that you can try to do as the executive branch to really try and bring about the beginning of shifting of the culture. I mean this is built up over, you know, a hundred years. This isn't something you turn around in six months. First of all, I think you have to have a champion. I think you have to have somebody to really make this work. To enhance the effectiveness of this, you've gotta have a champion that is out there everyday in the media, in front of groups, going around to the various state agencies and departments, talking with the legislature to bring about change. You've gotta have a champion who is wildly passionate about bringing about change.

**Q:** Earlier you said that you and your committee did not get into policy questions, but does that mean that you did not consider for an option privatization as a deficiency measure?

**Hyler:** We did not get into specific things, but we do have a section that speaks to privatization. Our suggestion, again, was very broad in nature, but it said something like we encourage you [the governor] to look at any opportunity to privatize things. We also encourage you to look at other states to find best practices that we could implement here. And there are several other states that I've been told — and I have not researched this, so this is hearsay — I've been told that there are several other states that have done good work in privatizing things and in also bringing about some changes in the way government services are delivered to get more efficient. Right now in Virginia, the governor of Virginia is a Democrat, but he is a business person. He appointed former Governor Wilder to head a similar group, like our group, but he also has given them the funds to bring in KPMG to really get to it and get into the details and come up with amounts that can be saved. *cr*

## Can We Build Our Way Out of Congestion?

By **ROBERT W. POOLE**  
Guest Contributor

LOS ANGELES

**W**e all know the mantra: "We can't build our way out of congestion." It's been repeated so often that it's become part of the conventional wisdom, at least among opinion leaders and policymakers. In its simplest form, it expresses the idea that in our congested urban areas, there is so much suppressed or latent demand for driving that any conceivable amount of added highway lane-miles would quickly fill up with traffic, leaving us no better off than we were before spending billions on that new capacity. Therefore, we should be putting transportation investment into alternatives to highways, making people do what's right, even though that's not the choice they themselves would make.



Robert W. Poole

How else can we account for the fact that in many large urban areas, a majority of all planned capital spending in long-range transportation plans is being devoted to transit, rather than highways — even though in most cases transit accounts for only 2 to 5 percent of all passenger miles of travel? Thus, Los Angeles plans to devote 86 percent of its capital spending to transit, San Francisco 80 percent, Minneapolis/St. Paul 71 percent, Atlanta 65 percent, and Portland 61 percent.

Yet what if this seeming consensus is wrong? Or at least highly misleading? The implications for transportation infrastructure would be profound. But it turns out there are good reasons to question the "can't build our way out" assumption.

The first place to look is at the data. The Texas Transportation Institute's 2002 Urban Mobility Report has done us all a favor by looking into this question. TTI researchers reviewed the data they've been compiling since 1982 on 75 urban areas. They sorted those areas into three groups, based on what their infrastructure investment policies have been over that time period. Six of those urban areas added highway capacity at close to the rate of traffic growth — i.e., they attempted to build their way out of congestion. Another 29 added capacity, but not enough to keep pace. And the largest group, apparently acting in accordance with the "can't build" premise, allowed highway capacity to get about 30 percent behind the growth in traffic.

The results should hardly be surprising. The "keep pace" cities didn't quite keep pace; their score on the TTI (travel time index) increased from 1.0 to 1.5 over the nearly 20-year period. But the other two groups did much worse. The TTI for cities in the middle group increased from 1.0 to over 2.5, while for the "can't build" group it increased to about 3.3. In other words, cities like Houston and Tampa, that worked hard at keeping pace with traffic growth, experienced only modest increases in congestion, while those that invested relatively little in highway expansion (like Atlanta and San Francisco) experienced severe increases.

Well, that may be what the data say, but what about the theory? Doesn't the theory of "induced demand" tell us that any addition of capacity to a congested

highway system will be quickly filled up, producing little real change? First, some of the earlier studies that estimated the amount of "induced" travel on new capacity were flawed, because they looked only at the freeway itself, thereby including in "induced" travel cars that simply moved from a parallel arterial to the now less-congested freeway. Those shifts produce significant benefits to the arterial, which need to be included in the overall benefits of the capacity expansion. The Federal Highway Administration in the late 1990s developed a model called SMITE (Spreadsheet Model for Induced Travel Estimation) to make more accurate estimates on a corridor or regional basis. Co-developer Patrick DeCorla-Souza concluded a discussion of this

issue in *Transportation Quarterly* by noting, "New personal highway travel induced by highway expansion at the regionwide level accounts for a relatively small portion of observed travel growth."

In a later paper for the Transportation Research Board, DeCorla-Souza used SMITE to model hypothetical capacity expansions on a congested urban freeway. The model estimates mobility benefits (at various levels of demand elasticity, and hence induced demand) and changes in auto emissions (which may be positive or negative, depending on the extent of congestion relief provided). In many of the scenarios modeled, the net benefits turned out to be strongly positive.

The latest version of this useful tool is SMITE-ML, developed this year to evaluate priced lanes such as HOT lanes or tolled express lanes. In a paper submitted for a TRB meeting, DeCorla-Souza uses this new version to evaluate alternative capacity expansions on the Washington Beltway. One of its comparisons is the addition of two tolled express lanes in each direction, versus adding two HOV lanes each direction, versus the no-build case. The model estimates that the priced lanes would reduce delay by almost 50 percent more than the same amount of capacity added as HOV lanes. And the net present value of the tolled case is more than 12 times that of the HOV case, thanks to the large delay reductions it produces.

These results point to a new way out of our cities' congestion dilemma. Short of massive increases in gas taxes (politically unthinkable), we will not have the money for large-scale freeway expansion. But enough latent demand appears to be there, and willing to pay for congestion relief, to make possible significant additions of costly priced lanes. And since those lanes can be managed to remain free-flowing, they can be used by transit buses as well as cars, providing a high-quality alternative for those unable or unwilling to pay to use the priced lanes.

Maybe we can't build our way out of all congestion. But building the right kind of new capacity is both feasible and desirable. *cr*

Robert W. Poole, Jr. is the founder of the Reason Foundation in Los Angeles, Calif.

## From the Liberty Library

• This day, we still do not know the extent of China's penetration of the U.S. nuclear weapons complex. But we do know that its espionage efforts have obtained classified data on our most sophisticated warheads and that it is now beginning to field a new family of long-range nuclear-tipped ballistic missiles based on the technology that comprised the core of our strategic deterrent. Notra Trulock was director of intelligence at the U.S. Department of Energy throughout the 1990s. In his book *Code Name Kindred Spirit: Inside the Chinese Nuclear Espionage Scandal*, he describes how he came to suspect that Chinese spies were compromising U.S. security and how the trail led to Wen Ho Lee. Trulock tried to warn the president and Congress. When he was ignored, he blew the whistle, creating a crisis for the Clinton administration. See [www.encounterbooks.com](http://www.encounterbooks.com).

• Also from Encounter Books, William Kristol and Lawrence Kaplan lay out a detailed rationale for action against Iraq in *The War Over Iraq: Saddam's Tyranny and America's Mission*. To understand why America must fight Saddam, the authors assert, it is necessary to go beyond the details of his weapons of mass destruction, his past genocidal actions against Iran and his own people, and the U.N. resolutions he has ignored. The explanation begins with how the dominant policy ideas of the last decade — Clintonian liberalism and Republican realpolitik — led American policymakers to turn a blind eye to the threat Iraq has posed for well over a decade. As Kristol and Kaplan make clear, the war over Iraq is in large part a war of competing ideas about America's role in the world.

• Noted for his military histories and his commentary of post-9/11 life, Victor Davis Hanson is a fifth-generation Californian whose latest book *Mexifornia: A State of Becoming* is part history, part political analysis, and part memoir. It is described as an intensely personal book about what has changed in California over the last quarter century, and how the real losers in the chaos caused by hemorrhaging borders are the Mexican immigrants themselves. A large part of the problem, Hanson believes, comes from the opportunistic coalition that stymies immigration reform and, even worse, stifles an honest discussion of the growing problem. Another Encounter title.

• Walter Olson, a senior fellow at the Manhattan Institute, writes in *The Rule of Lawyers: How the New Litigation Elite Threatens America's Rule of Law* that big-ticket litigation is a way of life in this country. Each massive class-action suit seeks to invent new law, or to ban or tax or regulate something that lawmakers chose to leave alone. Olson asks: Who are these lawyers, and who can fire them? Who protects the public's interest when settlements get negotiated behind closed doors? Where are the elected lawmakers in all this? Olson says the answers may determine whether we slip from the rule of law to the rule of lawyers. Learn more at [www.theruleoflawyers.com](http://www.theruleoflawyers.com). *CR*

## On Culture

## Politics and Fantasy an Inseparable Pair

By JOHN HOOD

Publisher

After opining at great length a few issues back about the political subtext of superheroes — OK, it was admittedly more of a gratuitous indulgence of my favorite comic-book characters than a serious discussion — I've entertained a number of recommendations for follow-up discussions of other pop-culture icons. I've already taken the bait on one reader's idea by writing a comparison of the Star Trek universe (left-wing) and the Star Wars universe (right-wing) for our indispensable web site, [www.CarolinaJournal.com](http://www.CarolinaJournal.com).

Now, after some entertaining and intriguing e-mail correspondence with people who desperately need a real job (look who's talking, right?), I have decided, with the due amount of gravity and deliberation, to weigh in on one of the weightiest issues of the day: the politics of fantasy. With the *Lord of the Rings* and *Harry Potter* film series tearing up the box office, commentators across the political spectrum have attempted to attach their personal preferences to these popular characters and stories.

Is J.R.R. Tolkien's epic a story about the need for bravery or the futility of war? Is Harry Potter the agent of a pagan conspiracy to undermine religious faith, or is he an exemplar of morality that children would be well-advised to emulate?

After painstaking research involving the original sources, film and audio adaptations, critical reviews, and other resources, I have come to the following plausible, but hardly unassailable, conclusions:

**The Conservative Fantasy**

The easiest case to make is that Tolkien's *Lord of the Rings* trilogy creates a conservative fictional universe. In various interviews and writings, Tolkien pretty much made this clear from the word go. Eschewing any talk of allegorical meanings — the Ring is nuclear weaponry, Sauron is Hitler, etc. — the author nonetheless couldn't help but comment on the trends of his day through a mythological world he spent much of his adult life devising.

Tolkien's is a profoundly conservative fantasy. His favorite characters, the Hobbits and Elves, live in the agrarian Shire and the untouched forests of Middle-Earth, respectively. The Hobbits represent the "salt of the earth" country folk that Tolkien grew up around and venerated greatly. He was nervous about modernity, critical of urban life, and suspicious of technological "progress."

It is the villains in his piece who make the most use of tools and technology. Sauron forges the one Ring and others to channel magical energies and bend opposing kings to his will. Dwarves burrow "too deeply" into the mines of Moria and devise too many intricate treasures, indulging their avarice and inviting their disaster. The evil wizard Sauron employs black magic and, apparently, genetic engineering to mass-produce a race of super-Orcs to form the nucleus of a conquering army. And in the pivotal battle of Helm's Deep in the second book, The Two Towers, Orcs use military technologies such as catapults, undermining, and battering rams to attack a fortress defended only by stout humans and Elves with hand weapons.

Moreover, Tolkien's strong religious faith is never far from the surface in *The Lord of the Rings*. As more than one critic has observed, the good wizard Gandalf at a pivotal moment in the first book, *The Fellowship of the Ring*, faces off with a very Beelzebub-looking demon called a Balrog.

Both standing on the brink of a yawning precipice, Gandalf shouts that he is a servant of the "Sacred Fire" and proclaims: "You shall not pass!" He and the Balrog then fall deep into the Earth, and later he is resurrected as Gandalf the White. Doesn't take a theologian to see the shades of Biblical imagery in this powerful story.

On war, Tolkien's depiction certainly isn't a celebration but neither is it a call for pacifism. There is a stark resignation in *Lord of the Rings* about the end of innocence, the inevitability of dark conflict, and the search for bravery and hope amidst death and destruction. There is much that is Homeric about the story, both in the horror and the glory of combat, which should be no surprise since Tolkien was inspired by epic poetry to write *The Lord of the Rings* in the first place (though his primary muse was located far to the north, in the Finnish epic *Kalevala*).

**The Libertarian Fantasy**

I claim no originality in observing that the *Harry Potter* series creates a libertarian fantasy world in which those endowed with magical abilities live in a complete, and largely privatized, world of their own that is parallel to, and usually invisible from, the world of ordinary humans, the "Muggles."

While the stories are largely an extrapolation of author J.K. Rowling's novel idea of combining the traditional English boarding-school story with elements of myth and magic, they also provide readers with surprisingly positive portrayals of private enterprise, personal freedom, and even such ideologically austere notions as private banking and a gold standard.

Writing in the journal *Ideas on Liberty*, Professor Andrew P. Morriss observed that Harry Potter and other wizards keep their savings in Gringotts, a private bank run by goblins who are "quite ruthless in protecting the money entrusted to their care." There's no government-sponsored deposit insurance at Gringotts. And there's government-fiat money allowed — the currency consists of Gold Galleons, Silver Sickles, and Copper Knuts (one wonders hopefully if the latter might be the namesake of Knut Wicksell, the Swedish economist who pioneered monetary theory and was influenced by the free-market Austrian School).

The imagery in *Harry Potter* is infused with capitalist messages. Diagon Alley, the cloaked corner of London where wizards congregate and sell their wares, is a wildly disordered and bustling hub of hucksterism that would horrify any good Smart Growther. On the other hand, as my friend



Harry Potter writes a thank-you letter to the private-banking goblins who guard his gold-standard stash.

Sam Staley of the Buckeye Institute points out, the cruel Dursley family that hosts and torments Harry during each summer vacation lives in a depressing, cramped townhouse — made cramped and expensive by England's growth boundaries — that exemplify precisely what the planning community has in store for unsuspecting Americans. "If Harry and the Dursleys lived in the United States," Staley writes, "they would certainly have their own house and a yard to boot. They would also have a garage, probably attached to the house."

Rowling's wizards have their own government bureaucracies, of course, but these are held up to ceaseless ridicule. The minister for magic, Cornelius Fudge, is depicted as a "pompous buffoon," Morriss writes. Lower-level bureaucrats are either incompetent or corrupt or both. And Hogwarts, where young wizards like Harry go off to get their secondary education, is obviously a charter school with its own board of governors and headmaster.

**The Socialist Fantasy**

I've let my sons watch *The Wizard of Oz* on several occasions, but they are too young to be corrupted by Frank Baum's subversive but entertaining bit of socialist agit-prop. Oh, didn't you know that Baum was trying to use his book to teach left-wing propaganda? Actually, most people don't realize it, either, which is why *The Wizard of Oz* is one of the most spectacular failures, on its own terms, in American literature.

During the 1880s and 1890s, Baum's sympathies were with the Populist movement and William Jennings Bryan, who tried and failed to challenge Eastern industrialists and Wall Street through the coinage of silver, which would have inflated the currency and bailed out farmers and other with large debts at the expense of savers.

In the original book, Baum tried a much too much subtlety in promoting his views on political economy. Dorothy represents the honest people of the Heartland. The Scarecrow represents farmers, the Tin Woodsman industrial workers, and the Cowardly Lion is Bryan himself, who Baum considered to be too timid a politician. Oz is supposed to represent Washington under the control of monied interests (remember the green-tinted glasses?), and the role of the gold standard is emphasized (the Yellow Brick Road, the use of the common abbreviation "oz" for gold ounces, etc.).

Good thing we didn't adopt Baum's crackpot and socialist economics. Made for a delightful children's tale, though.

**The Liberal Fantasy**

Keynesian economics. 'Nuff said. *CR*



Lions & Tigers & Socialism — Oh My!

## Book Review

## Feminist Fantasies: Required Reading for College Freshmen

• Phyllis Schlafly: *Feminist Fantasies*; Spence Publishing; 2002; 256 pp; \$27.95

By DONNA MARTINEZ

Assistant Editor

RALEIGH  
Phyllis Schlafly has been giving sage advice to government for decades, and now she's inadvertently provided a solution for cutting spending from the University of North Carolina's hefty, taxpayer-funded budget. With the publication of her new book, Chapel Hill Chancellor James Moeser can cancel the catering for the committee charged with searching for an enlightened book to follow *Approaching the Q'uran* as required reading for incoming freshmen.

Schlafly's *Feminist Fantasies* fits the bill perfectly. Students will learn more policy background and gain more insight from the reasoned analysis in this collection of essays and congressional testimony than they will ever pick up in a university women's studies course.

This book represents 30 years of Schlafly's activism on behalf of women and families. It's an easy read, yet its message is serious. That makes it a worthwhile investment of time, regardless of your gender or age. It's divided into broad topics, each containing commentaries written between the 1970s and 2002. The arrangement is inviting. Even a policy-averse reader can enjoy this book by sampling as few or as many pieces as interest dictates.

### Feminists' agenda: Dominance

Schlafly's work deftly exposes what she argues is the real agenda of the women's rights movement: to create a gender-neu-



tral society in which feminists exercise complete power over the men they say create an oppressive society that denies opportunity and equality to women. In reality, she explains through her writings, feminism at its core is antimen, antiwomen, antimarriage, proabortion, and above all else, politically correct.

Schlafly's writing is clear and her tone emphatic as she eviscerates feminist doctrine. At times I was amazed by the havoc created or narrowly averted as the reasonable-sounding goal of "equality for women" mushroomed into illogical and ill-advised law, policy, and behavior.

The most visible feminist effort to deny the inherent differences between women and men was the much heralded Equal

Rights Amendment. My introduction to Phyllis Schlafly occurred at the height of the debate as I watched an interview conducted by an overtly hostile female. True to form, Schlafly was calm and uncompromising, and when I read the book's commentary "Why the ERA Failed," it brought back this memory and secured the essay's place as my favorite.

### What goes around comes around

Despite the relentless assault against Schlafly during the ERA fight, her logical argument that the proposed constitutional amendment was unnecessary (women have enjoyed equal employment opportunity since 1964) and ultimately negative for many women, connected with America. That irritated feminists, who continued to name call rather than refute her contentions. In 1982 she had the last laugh. As she recounts in *Feminist Fantasies*, the ERA died without the required ratification by three-fourths of the states. Many credit Schlafly with defeating it, including columnist Ann Coulter, who writes a witty foreword about the woman she calls "one of the most important people of the twentieth century."

The ERA policy debate is part of the section "Questioning a Woman's Place." Feminist favorites including comparable worth, the glass ceiling, gender-neutral speech codes, and sexual harassment law are debunked on these pages. In "Paula Jones and Anita Hill," Schlafly leads the reader down Bill Clinton memory lane, reminding us of the hypocritical support feminists gave to the man who has consistently demonstrated contempt for women.

As Schlafly wrote in 1998, ironically it was feminist dogma that exposed Clinton.

"Without the feminists' campaign against sexual harassment that began with Anita Hill, and their claim that it is a pervasive problem, there would be no Paula Jones lawsuit. And without Paula Jones' lawsuit, we never would have known about Monica, Kathleen, Dolly, Clinton's perjury, Clinton's obstruction of justice, and the intimidation of Clinton's bimbos who didn't keep their mouths shut," she wrote.

In other words, what goes around comes around, and as Schlafly demonstrates, this policy came back to bite feminists in the you-know-what.

Equally intriguing are pieces in "Marriage and Motherhood" that chronicle the feminist push for federalized day care, no-fault divorce, and other questionable policies. Turn first to "Politics and Daycare," a 1989 commentary that includes the unbelievable response from a day-care activist testifying before the U.S. Senate. Asked whether an employed mother whose children are cared for by a family member should receive the same benefit in proposed federal legislation as a mother who puts her child in day care, the activist responded that it would be appropriate only if grandma was licensed, regulated, and received government training.

The book's remaining sections — "The Revolution is Over," "The Media: Mirror or Maker of Trends," and "A Gender-Neutral Military" — will have you nodding your head. The essay "Women Don't Belong in Combat" is particularly thought provoking at this time in history.

If *Feminist Fantasies* has a weakness, it's that Schlafly didn't separately reflect on her life for this book. We can use more wisdom from this defender of true choice for all women. *CR*

## Book Review

## Uncivil Wars: Exploring the 'Swamps of Ignorance and Malice'

• David Horowitz: *Uncivil Wars*; Encounter Books; 2002; 137pp.; \$21.95

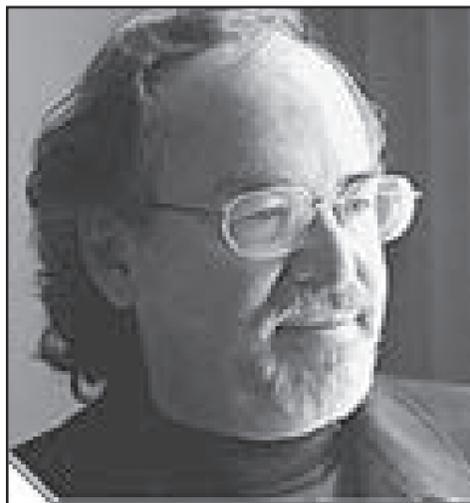
By GEORGE C. LEEF

Contributing Editor

WASHINGTON  
Probably because he was once a member of the radical academic left, David Horowitz brings out the worst in the contemporary left when he writes about its destructive beliefs and close-minded attitudes. His books and speeches are usually met with wildly vitriolic denunciation by his former allies at Berkeley and the many other colleges and universities in America where tenured radicals (to use Roger Kimball's useful term) are in power. Many would call him a racist and fascist if he wrote a book on raising hamsters.

*Uncivil Wars* is not about raising hamsters. It's about the absurdly divisive and emotional issue of the U.S. government paying reparations for slavery. In the book, Horowitz sets forth his persuasive case against that demented idea. In short, he says it is nonsensical to adopt a policy that would require many people currently living, not one of whom ever owned a slave and many of whose ancestors fought to end slavery, to give up anything to "compensate" other people currently living, some of whose ancestors were held as slaves in the distant past, for the supposed loss the latter group have suffered. There really isn't anything new in Horowitz's argument, but he makes it cogently.

What the book is chiefly about is not the



David Horowitz

argument over reparations for slavery, but rather the reception that argument has received on America's campuses. The reaction at many of the elite universities to the mere presentation of an "insensitive" statement opposing reparations shows that we have a serious problem: They have become institutions of indoctrination rather than inquiry.

For several years, the contention that the United States "owes" reparations to the black population for the long-gone institution of slavery has been circulating in the media and political circles. Randall Robinson, author of the book *The Debt*, has been especially vocal in pressing his case, which boils down to saying that today's Americans are responsible for the bad acts

of the politicians who permitted slavery in the 18<sup>th</sup> and 19<sup>th</sup> centuries. Horowitz thought the time had come for a refutation, so in 2001 he wrote a piece entitled *Ten Reasons Why Reparations for Slavery is a Bad Idea — and Racist, Too*. He attempted to have it published in various campus newspapers.

Where it was published, the response from pro-reparations students and faculty members was swift and nasty. At the University of California, within hours of the publication of the piece in *The Daily Californian*, Horowitz writes that "40 angry black students accompanied by their political mentor, a professor of African-American studies, invaded the paper's editorial offices. In a raucous, finger-wagging session, they accused Editor-in-Chief Daniel Hernandez of running an ad that was 'racist,' 'incorrect,' and demanded a printed apology." Hernandez capitulated and confessed his errors in the paper the next day, writing that it was "unfair" for Horowitz to have purchased space in the paper without giving a chance for opposing views to answer directly.

What makes that last statement so risible is the fact that neither at Berkeley or any of the other campuses was there any effort by Horowitz's antagonists to debate his arguments on their merits. Over and over, the protests took the form of paroxysms of rage and emotion. It's obvious that many college students have soaked up the postmodern idea that feelings are all that matter, not logic and evidence.

At the University of Wisconsin, a mob

demanding that the administration bar the *Badger Herald*, which had chosen to print the Horowitz piece, from campus on the ground that it was a "perpetrator of racist propaganda."

When the campus paper at Brown printed it, a new element appeared — theft. After the customary demand for an apology was ignored, protesters responded by taking every copy of the paper at every distribution point and threw them away. A spokesman said that the theft was justified because Horowitz had made "a direct assault on communities of color at Brown."

The whole episode shows that many young Americans, students at top universities, are incapable of rationally discussing their political beliefs. Instead they turn reflexively to storm-trooper tactics when someone challenges anything remotely connected with their "identity." Horowitz concludes that many Americans, not just those black student protesters, want the status of victimhood so badly that they can't think logically about arguments denying that they are victims entitled to reparations or other preferential treatment.

While *Uncivil Wars* makes a useful contribution to the case against reparations for slavery, the greater value of the book is that it exposes an ugly truth about the intellectual climate at American colleges and universities. Horowitz said they have become "swamps of almost bottomless ignorance and malice." He's right, and I fear they will remain so long after the silly debate over slavery reparations has been forgotten. *CR*

## State Can Whittle Deficit, Tax Burden

**N**orth Carolina's fiscal crisis is neither a surprise nor an accident. It is the result of poor decisions by governors and lawmakers who have ignored the long-term consequences of their spending promises. For two decades, budget growth has far outpaced inflation, population, and personal-income growth. And the tax burden is significantly higher than it was 10 years ago — despite claims that today's deficits were caused by past tax cuts.

Here are three major areas of concern:

1. Education and Medicaid — North Carolina spends far more than comparable states, with no evidence that North Carolinians are healthier or better-educated.

2. Public employees — North Carolina has the most state and local employees per capita in the Southeast and exceeds the national average. With real salaries at regional norms, it cannot be claimed that the costs of our larger workforce is being compensated for with lower salaries, as well it shouldn't be.

3. Debt burden — The cost of debt repayment has tripled in just 10 years. Political promises made to pay for new debt for water projects and college construction without increasing taxes cannot be kept.

The John Locke Foundation's savings proposals are based on a set of constitutional principles regarding the proper role of state government. These include the provision of public safety, education, and a sound infrastructure to meet transportation needs. The state's role in other sectors should be considered for reduction or elimination. Even in those areas where the state has a constitutional role, state activities could be run at lower cost with better results.

By applying these principles, we have suggested where nearly \$2 billion in savings could be realized. These include, but are not limited to, the following:

- End corporate socialism. North Carolina is foolishly attempting central planning of the state's economy by granting subsidies to favored businesses. These subsidies should be abolished, including all business assistance, marketing, and recruitment programs; the recently passed Stimulus and Job Creation Act, the Global TransPark, and Golden LEAF.

- Increase user responsibility. Require those who use nonentitlement public services to cover a larger share of their cost. Examples include agricultural programs and higher tuition in the UNC and community college systems.

- Prioritize teachers. Reduce or eliminate items in the public schools, community colleges, and universities that do not pay for professional classroom instruction. Reducing teacher assistants and support service positions could free tens of millions of dollars for teacher hires and pay raises.

- Rethink Medicaid. North Carolina can realize significant savings through adjustments in services, payment structures, and reimbursements. Hundreds of million of dollars can be saved by bringing North Carolina in line with its neighbors.

- Reorganize state government. Create two new public safety and financial departments to replace six existing ones and merge the Highway Patrol, the State Bureau of Investigation, and other units to form a single police force.

- Set firm priorities. We propose eliminating most state support for arts groups, increasing user fees for state-run cultural and recreational sites, and requiring research activities inside and outside the UNC system to pay more of their own way.

- Reduce debt service. We propose suspending issuance of all new state bonds and privatizing state-owned transportation assets, such as the ports and railroad. The proceeds should be used to buy down existing debt, realizing long-term savings.

The alternative budget proposed by the John Locke Foundation during last year's debates, "Changing Course V," can be found at [www.johnlocke.org](http://www.johnlocke.org). *CR*



Roy Cordato

### Editorials

## ACTS OF BETRAYAL

*1765-2003: taxation without representation*

**T**he year was 1765. And it was this time of year — March 22, to be exact — that the English Parliament passed the Stamp Act, imposing the first direct tax on the American colonies. The intent of the act was to provide revenues, with the 1764 Sugar Act, to support Britain's maintenance of troops in the colonies. The tax was imposed on all printed materials, including newspapers, almanacs, pamphlets, legal documents, licenses, insurance policies, and other documents, many of them related to services.

Fast forward to March 2003. The political class in North Carolina, led by Gov. Mike Easley, plans to saddle the state's citizens with its version of the Stamp Act — a statewide tax on services fashioned from the current tax on the sale of retail goods.

Similarities between King George III's tax and Easley's proposed levy are abundant. Both were all-encompassing. Both affected the most powerful components of society: lawyers, publishers, merchants, and real-estate owners. Both were imposed during economic downturns. And both met widespread opposition.

Taxation of society's powerbrokers virtually assured that the Stamp Act would generate stiff resistance. Easley's services tax promises to do the same.

Foremost among the arguments against the Stamp Act, however, was that it was unfair, adding weight to the Revolutionary battle cry of "taxation without representation." Another argument was that the act would lead to more taxation. Such fears were realized when Parliament later imposed the Townshend Acts, which levied duties on many imported goods, and the Tea Act, which favored British product and led to the Boston Tea Party. Under hostile opposition in the colonies, the Stamp Act was rescinded and the Townshend Acts were partially repealed. But the seeds of revolution had already germinated.

Today, taxpayers would like to think, certainly, that this is where the similarities between the colonial world and the modern world end. Modern democracy, we like to tell ourselves, provides true representation.

Recent developments on the state political scene, however, reveal that those assurances are rooted more in delusion than reality. Many of our elected leaders in Raleigh talked a good game at election time. These representatives-in-name only assured us that once in office that they would protect our interests, that they would run a tight ship of state — and that they would do everything humanly possible to keep from raising our taxes. Some of them signed pledges that they would not support legislation that increased our tax burden.

The story changed, though, once a new legislative

session convened. Like a scene from the movie *Invasion of the Body Snatchers*, a mysterious fog descended on Jones Street and afflicted the political class with a case of sudden amnesia. Some Republicans ceased, actually or effectively, to be Republicans. Some conservatives ceased to be conservatives. All along the political landscape could be found the discarded bodies of the champions of fiscal integrity.

Rep. Michael Decker of Walkertown took double dealing to a new level by switching from the GOP to the Democrats, all the while protesting that he hadn't changed his conservative stripes (though he helped keep in the power the same team that had over the previous two years enacted tax increases he had then opposed vociferously).

Elsewhere around the state, voters who had punished tax-raising incumbents in November looked forward to a legislative session that would curb two decades of runaway state spending. No sooner had the opening gavel fallen in the House than voters were treated to the news

that the Republican caucus had dissolved into two warring factions, one supporting Richard Morgan of Pinehurst and the other backing George Holmes of Hamptonville. Although Morgan, eventually winning a cospeaker chair with Democrat Jim Black, has long been a fiscal conservative, some of his GOP allies immediately began opening the door to "moderation" on future tax hikes.

So now North Carolina's concerned taxpayers find themselves in danger of

becoming practically voiceless in a political theater resonating with cries for higher taxation. Politicians have begun hedging their bets on whether to impose new taxes or to increase established ones. It's the second stage of a familiar political process: to act fiscally responsible at election time, to be noncommittal at the beginning of the session, and to vote for higher taxes later, based upon "unforeseen" or "changing" circumstances.

One group in Raleigh tries to hold legislators accountable. Every session, Citizens for a Sound Economy issues a report card on legislators who honored their "no new taxes" pledges, and those who did not. CSE also listed politicians who "voted for the taxpayer," and those who "voted against the taxpayer." But here's an ominous signal: Only 69 of 170 legislators signed the pledge this year.

To make his tax on services politically palatable, Easley and his lieutenants implied that a tax on services could be accompanied by a reduction in the state sales tax. Any victim of "buy one, get one free" huckstering, however, knows the buyer often ends up paying a higher tab overall. Based upon a long record of institutionalized betrayal by the political class, taxpayers also can be certain that the sales tax eventually will be raised to at least its current backbreaking rate — imposed on a much-larger base.

Like the Sons of Liberty of colonial days, frustrated taxpayers of today face options that grow more limited every year. Promises of governmental reform, given in the heady days of redistricting and a historic election, lie dashed upon the rocks of political expediency.

These are also times that try men's souls. Faced with economic hardship and oppressive taxation, citizens could hardly be blamed for seeking redress from a system that converted public servants into duplicitous masters. *CR*

## "JACKPOT DOME"

*Emerging scandals indict political process*

In our December 2002 edition, *Carolina Journal* editorialized that by creating a host of tax incentives and subsidy programs for "economic development," North Carolina was risking its reputation as a "good-government state" and inviting unprecedented political corruption.

Little did we know that the seeds of this corruption had already been planted years before, and that the ensuing three months would generate credible allegations of graft, malfeasance, abuse of power, campaign irregularities, and political extortion that, according to a recently filed legal proceeding, reach to "the highest levels of state government."

Let us sum up the revelations at this writing (late February) and group them into two interconnected categories. As a mnemonic device, we'll call them the Golden Fleece scandal and the Jackpot Dome scandal.

The former, not surprisingly, centers on the Golden LEAF Foundation, a nominally private organization created by the legislature in 1999 to spend half of the state's share of the national tobacco settlement. Stating as its mission the rejuvenation of "tobacco-dependent communities" in eastern North Carolina and elsewhere, Golden LEAF quickly devolved into a piggyback for the state's political class who wish to initiate "economic development" projects without having to go directly to the elected, and fiscally challenged, General Assembly.

Reporting by *Carolina Journal's* Don Carrington and Paul Chesser as well as other media has revealed that: 1) elected officials such as Gov. Mike Easley and State Senate leader Marc Basnight exercise significant influence over the grantmaking of this "independent" foundation, whose board members are political appointees; 2) Golden LEAF dollars have gone to marginally beneficial, but politically charged, projects such as tobacco processing plants, horse parks, and grocery stores; 3) LEAF "investments" of tens of millions of dollars in biotechnology ventures connected to political activists were approved without competing bids or even rudimentary business plans; and 4) LEAF subsidies have been used to benefit businesses associated with board members and to harm at least two private firms without such connections that were trying to build alternative-fuels plants in eastern North Carolina.

### *The story gets much worse*

These are serious issues by themselves. They involve the misuse of public dollars — the fiction of private grantmaking is belied by the source of the money (essentially a tax on smokers) and its original destination (the state's burgeoning health-care programs) — and the abuse of public trust. But the LEAF-related allegations get much worse.

The 1924 Teapot Dome scandal, the reader may recall, involved officials and allies of the Warren Harding administration who used political influence to steer valuable oil reserves their way. Now, nearly 80 years later, North Carolina has its own version of the same scam, this time involving ethanol instead of crude oil and public subsidies and permits rather than public lands.

Bill Horton is president of Raleigh-based DFI Group Inc., which has been trying to build an ethanol plant down east for 20 years. In interviews with *Carolina Journal* and a preliminary motion filed Feb. 10 in Wake County Superior Court, Horton alleges that employees and political allies of Basnight used political pressure and the denial of environmental permitting to try to force him to sell his stake in the enterprise to them. One version of the deal reportedly would have used Basnight's political influence to gain bank funding and Golden LEAF grants for the ethanol project and plowed some of the proceeds back into accounts controlled by R.V. Owens III, a Basnight relative and fundraiser. Contractors building the project would also allegedly designate "kick-backs" to fund Owens' personal or political interests.

Horton contends that right after he refused the offer, prominent North Carolina banks called loans or halted lines of credit. Did political influence by Basnight or his political lieutenants play a role? Horton thinks so, but until the case moves forward this part of the story is unclear. Basnight, for his part, said he is "unaware of the events being alleged" and denies that any intermediaries existed. Horton visited the senator's office several times to discuss the ethanol project, Basnight said. Horton said this never happened.

So far, no one has challenged the essential facts and

timeline of the DFI affair. Assume that Basnight wasn't informed. Neither was Warren Harding personally aware of the extent of scandal in his administration.

Just as Teapot Dome forever tarnished the late president's reputation, the possibility that mismanaged slush funds and political favoritism have turned our state capitol into a Jackpot Dome is deeply saddening and potentially devastating to the reputation of Basnight and other elected officials. North Carolina is no longer standing precariously at the edge of the political muck. It is already in up to its waist.

## FAILING OUR ABCs

*Liquor-store privatization deserved study*

In 2001 Sen. Howard Lee, D-Orange, helped push through a bill to study North Carolina's alcohol laws and regulations, with a particular eye toward rethinking our outdated, state-run Alcohol Beverage Control system of government stores retailing hard liquor. Local ABC boards jealously guard their monopolies and have long worked the legislative process to forestall any talk of privatization.

Apparently they succeeded again. The study commission that Lee helped to authorize was supposed to report its findings by March 1. It didn't, as most of its members were never even selected. The panel then went out of operation, not that it was ever in operation, and Lee won't be around in the General Assembly to put the issue back on the agenda. He lost a bid for re-election in November.

This is a sorry state of affairs, to say the least. Privatization of ABC stores would have generated hundreds of millions of dollars, at least, in onetime revenues from the sale to private vendors, and would have brought on to the tax rolls retail properties across North Carolina. In West Virginia, Ohio, Iowa, Michigan, and other states, ABC privatization has accomplished exactly that — tens of millions in sales proceeds, better store management, and increased customer satisfaction.

While some have argued that local governments are better off financially under the current system, because they receive revenue from liquor sales directly rather than simply taxing private liquor sales, we're not convinced. Private vendors would likely make more skillful use of advertising and marketing tools to maximize revenue and profitability, thus increasing the overall value of the industry — and its taxable property.

At the very least, a study commission might have been able to study these theories and shed some dispassionate light on them. It is telling that the ABC boards didn't want such a study to be conducted. Perhaps they know more than they are saying about what the data would really show about privatization and local revenues.

An equally important selling point for Lee's study, and for the broader concept of privatization, is the simple fact that our government should never have been in the ABC business to begin with. Its goal of "controlling" alcohol consumption was in inevitable conflict with the consumers' interest in a variety of good, reasonably priced liquors. Moreover, we don't like the idea of government, on behalf of its citizens, hawking alcoholic beverages, the consumption of which many of those citizens think is abhorrent (you've heard this argument before, regarding a state-run lottery, where it also valid). In a free society, you should have the right to consume or not to consume — but also the right to sell or not to sell, either directly or indirectly through your representative government.

### *Sorting out the confusion on alcohol*

North Carolina has a confusing array of alcohol-control laws, most of them designed to involve government either in the promotion or the suppression of liquor. They mix state and local jurisdictions, special legislation, separate law-enforcement agencies, public referenda, private morality, and more than a little hypocrisy. They are incoherent, cost millions to enforce, and thrust government coercion squarely into a sphere of individual choice and privacy where it has no legitimate place.

Lee and other lawmakers obviously recognized the need for change here, especially now when state and local revenue tanks have been running dry, but a combination of bad timing, listless leadership, and effective county-by-county lobbying by the ABC cartel subverted the study.

North Carolina must still sort out its alcohol-control policies. All we have done these past months is kick the can, or bottle as the case may be, down the road a ways. *cr*

## On Spending: It's the Constitution, Stupid

The new North Carolina chapter of the Institute for Justice, a Washington-based public-interest law firm, is already making a splash with its first case, an action to stop the state Commerce Department from carrying out what I think is clearly an unconstitutional incentives program.

The IJ lawsuit challenges a program the state legislature approved in 2000 to give movie production companies cash grants of up to 15 percent of the money they spend in the state, up to \$200,000 per production. The program received \$500,000 in state funding last year, but no grants have been made because the department hasn't come up with the rules, yet.

Michael Byrne, the executive director of the North Carolina IJ chapter, illustrated the absurdity of subsidizing movie production with tax money that is supposed, under our constitution, to be devoted only to service public purposes.

"It's taking money out of the pockets of average North Carolinians and putting it in the pockets of rich, Hollywood producers," Byrne told the *Associated Press*. "It's hard to see any public benefit to North Carolina."

Naturally, the various defenders of corporate welfare are already trotting out the usual "lemming argument." That is, it would be great if all other states stopped subsidizing businesses, but until they do so we have to play along and follow them off the economic cliff. I believe that this argument lacks any real empirical or logical basis. There is no consistent relationship between state economic growth and the propensity to offer special incentives, nor do many of the examples that supposedly "prove" the necessity of government subsidies turn out to be so clear-cut. We've frequently found that companies agree on industrial sites first, based on key variables and financial models, and then try to work the best incentive deal.

More importantly, though, the lemming argument is off-point. We're not talking about a debate in the legislature on the merits of incentives. We are, instead, talking about a constitutional claim. IJ is suing in court, not trying to persuade lawmakers to adopt other, broader-based policies (such as reducing the overall tax burden) instead of making selective, secretive deals. Its claim goes to the very heart of constitutional government: What does the state exist to do? Can lawmakers enact whatever they want, and fund whatever they want with tax money, or do constitutional principles limit the legitimate use of those dollars?

It's not enough to argue, as some do, that incentives benefit "the public" because they might possibly create jobs. This argument proves too much. It is a case of "delimiting the limit" — of defining a legal prohibition so narrowly that it fails effectively to prohibit anything. If the framers of the state constitution meant for its limits on government's tax power to have any legal force at all, then it must be possible for some potential programs not to meet the constitution's test. But to define "public services" such that any activity that creates even a single hour of work for a single person can be considered an appropriate recipient of government largesse is to rule literally nothing out. So it can't be the right definition.

The IJ lawsuit, likely the first of many along similar lines, is designed to invite our courts to either find a rationale for this delimited limit or come up with a new (old) formulation that restores the limited-government principles of our constitutional order. It's about the Constitution, stupid.

*Hood is publisher of Carolina Journal.*

**John Hood**

## Editorial Briefs

**College loans suffocate young adults**

The U.S. government, in alliance with colleges, universities, and other post-secondary schools, is slowly strangling the family life of its people by saddling young adults with massive debt.

By taking on the debt from Guaranteed Student Loans, adults in their early 20s are delaying marriage and pushing back childbearing for a decade or more. As a result, potential mothers and fathers put off having children until their debts are settled. Such delays mean more infertility, smaller families, and empty or never formed homes.

In 2002, the average new graduate carried an estimated debt of \$22,000, up from \$8,200 in 1991. An average couple that contemplates marriage on graduation would calculate a joint debt of \$44,000, a heavy burden under which to start a new home.

According to the Public Interest Research Group's Higher Education Project, 39 percent of new graduates with loans carry an "unmanageable debt," defined as requiring payments of 8 percent or more of the borrower's monthly income.

Even in 1997, when the burden was less, one survey conducted by Nellie Mae (the largest nonprofit provider of student loans) reported that 15 percent of graduates had delayed getting married because of their student debt load; 22 percent had delayed childbearing, up from 12 percent in 1991.

Reported in the *Weekly Standard*.

**Dividends: Democrats wage class warfare**

President Bush's announcement that he will seek to end double taxation of stock dividends prompted Democrats, once again, to play the class-warfare card, claiming the tax cuts will benefit only the rich. But that claim ignores the fact that the stock market is not an isolated institution. What happens on Wall Street affects the entire nation.

States have collected less revenue from taxes because the three-year bear market has slowed capital gains and options to a trickle. Businesses, meanwhile, are having a harder time raising money because the market for initial public offerings is dead. Consumer are spending less and saving more because they feel poorer, while retirees talk about going back to work because their savings have evaporated.

Job seekers are confronted with fewer employment opportunities because of cuts in capital investment. Hard evidence backs up these developments. The Wilshire 5000, the broadest stock market index, plunged 43 percent from March 24, 2000, to December 31, 2002, vaporizing \$7.4 trillion in market value.

About one-third of the difference between the federal government's 2001 surplus and the projected 2002 deficit can be traced to lower capital gains tax revenues. The value of initial public stock offerings tumbled from \$60.5 billion in 2000 to \$22.5 billion in 2002. Venture capital to start new companies and create jobs declined from \$107 billion in 2000 to just \$17 billion in the first three quarters of 2002.

Reported in *USA Today*.

**Electricity deregulation paying off**

Although some Texas consumers experienced a rocky start after the first year of electricity deregulation in the state, many businesses cite examples of large savings.

State officials are quick to note the larger savings by businesses, which generally use more electricity than households, in explaining their faster adoption of electric competition. For the average residential consumer, the savings amounted to \$5 to \$10 a month, compared with hundreds or even thousands of dollars for business customers.

About 9 percent of small-business customers have switched, while almost one-third of large commercial and industrial customers have changed providers. Overall, about 23 percent of the state's electricity load has been moved to a competing electric company from the incumbent utility.

The Public Utility Commission of Texas says about 80 percent of commercial and industrial customers have either switched companies or renegotiated their contracts with their existing providers.

Reported in the *Dallas Morning News*. CJ



## Malpractice Awards Are Bad Medicine

By R.E. SMITH JR.

Contributing Editor

WILMINGTON

President Bush and Sen. John Edwards of North Carolina represent two contrasting sides of legal liability settlements. Candidate Bush gave bold views with specific goals during the campaign. Recently in Scranton, Pa., Bush renewed a call to cap "pain and suffering" awards at \$250,000. Edwards said recently that the administration plans would benefit the insurance industry at the expense of patients injured by doctors. He and Sen. Edward Kennedy of Massachusetts and Patrick Leahy of Vermont want to shift the blame and impose "tougher regulation of insurance companies." They believe that victims have a right to unlimited access to compensation — from presumed deep pockets.

But the economic costs of lawsuits and excessive payoffs are enormous and increasing. A few profit handsomely at the expense of many. Using only the top 10 jury verdicts nationally in 1999 as an example, lawyers, court experts, and other costs siphoned nearly \$5 billion. Small businesses, high-tech companies and especially doctors are vulnerable. The average medical malpractice jury award is \$3.5 million. But we all pay the "lawsuit tax."

According to a position paper on Civil Justice Reform, issued by the Republican National Committee in February 2000, litigation costs us an estimated \$8 of a \$12 DPT vaccine, \$191 of a \$578 tonsillectomy, and \$3,000 of an \$18,000 pacemaker.

**Big business for Edwards**

Edwards, self-proclaimed champion of the "little guy," got his share, and then some. With obsessive preparation and theatrics in the courtroom, Edwards was all over North Carolina persuading juries to demand punishing payments.

In February 2000, then-Gov. Bush's position on civil justice reform included protecting innocent people against frivolous lawsuits, encouraging reasonable settlements and enacting a Client's Bill of Rights to protect against unscrupulous attorneys' fees.

Up against the powerful trial-lawyer lobby, reformation won't be easy. Edwards and his supporters say, "It would be terribly wrong to take (seriously injured) patients' rights away." And the liberal press is doing its part to dramatize medical mistakes and promote "pain and suffering." An Associated Press article, coinciding with the president's speech in Pennsylvania, announced, "1,500 tools left inside patients."

Hearst Newspapers columnist Helen Thomas hopes Congress stops "a big push for tort reform." Thomas writes that \$250,000 (cap) isn't enough for "pain and suffering." Right, Helen. That probably wouldn't even cover pay-

ments on Edwards's mansion in Raleigh, his beach house on the coast, and his \$2.2 million house near toney Embassy Row in Washington, D.C.

**Code blue for the medical profession**

Meanwhile, "little guys" in West Virginia, Pennsylvania, North Carolina, and other places of little interest to the Beltway elite, face prospects of not being able to find a physician they need. Doctors won't risk threats of malpractice and can't afford astronomical insurance costs, so they're leaving — or won't come to practice.

Dr. James D. Hundley, a Wilmington, N.C. orthopedic surgeon, warns that we face a crisis. Although, not an alarmist, Dr. Hundley has reason to be alarmed.

"Why must all physicians, not just 'bad' ones, fear that a single jury award that exceeds their malpractice insurance coverage could wipe out their careers and their family's assets for the rest of their lives?" he asks. Why, indeed.

Raleigh native Dr. Joseph M. Jenkins said the medical malpractice issue isn't new, but is now an "acute exacerbation of a chronic problem," dating to the 1970s. Insurers are leaving the state. During the '90s boom times they could subsidize malpractice premiums with high-yielding investments. Now, with mounting losses, they must charge the real cost for service, up to 50 percent to 100 percent increases for high-risk specialties.

Dr. Jenkins uses the *Perfect Storm* analogy — multiple events coming together to create an insurmountable condition. Doctors' income is declining as costs rise: managed care has reduced compensation; Medicare announced a physician pay cut for 2003; a large state budget deficit will likely force reduced Medicaid payments; and huge increases in professional liability insurance costs are converging on the medical ship. These problems threaten patients as well as doctors.

Dr. Hundley says that threats of malpractice, rather than providing better medicine, as people like Thomas think, now give patients more expensive "defensive medicine." Consumers of medical services see this practice reflected in highly inflated bills and unnecessary tests, and the situation worsening.

It remains to be seen how far Edwards will go to support trial-lawyer lobbyists, on whom he counts to help raise millions he will need this year for his presidential run. And there won't be much public sympathy for Big Insurance.

But a Bush administration spokeswoman said, "The president hopes that Democrats in the Senate will put partisanship aside and focus on what's best for patients."

That's not likely, but if Congress won't help, state legislatures should. Where access to health care is threatened, legislators must curtail the legal lottery and restore civil justice for all. CJ



R. E. Smith, Jr.

# What Roles Should We Let Government Play in Our Lives?

By MICHAEL WALDEN

Contributing Editor

**T**he federal government is now running budget deficits. North Carolina's elected leaders are expected to face a shortfall in the General Fund for the upcoming fiscal year. In the upcoming months, there will be many proposals and counterproposals about what to do with these fiscal situations.

People who say government needs to do all it is now doing, and maybe more, will push for tax increases to close the budget gaps. Conversely, those who think government is now doing too much will argue for spending cuts to eliminate the budget deficits.

So when it's all boiled down, the debate about budget shortfalls and taxes is really a debate about the role of government. What functions should government have in our economy? Once this question is answered, conclusions about taxes and spending can come much easier.

Here I outline four potential roles for government. I show the logic of each role but also expose pitfalls, issues, and questions. It's easy to see why people disagree.

## Safety and Security

**Providing Safety and Security:** Probably the primary function of government is to provide safety and security for residences. National defense, courts, police, and the prison system are ways government at all levels gives this protection. The logic of this function is straightforward. For people and businesses to invest, risk their resources, and expend time and money maintaining property, they must feel secure, safe, and protected. Also, for business contracts to be entered into, parties must believe the contracts can be legally enforced.

Few people disagree with this function of government. However, there is disagreement about scope and strategy. There are arguments about the extent to which our national defense extends to the rest of the world. The debate about the potential threat to our national security from Iraq is a good example. Domestically, there are arguments about the best strategy for containing crime. Can crime be better reduced through enforcement and punishment or by social programs focused on prevention?

## North Carolina spends \$26 million a year

# Teacher Certification: Improving Quality or Squandering Money?

By GEORGE C. LEEF

Contributing Editor

**E**veryone wants competent, effective teachers for America's schoolchildren. The question is how to go about getting them.

One program that claims to promote better teaching is the National Board for Professional Teaching Standards. Formed in 1987, NBPTS has written standards for teachers that, it says, "have forged a national consensus on what accomplished teachers know and should be able to do."

The key to the NBPTS approach is its teacher certification program. Teachers who have at least three years of experience can submit a required set of portfolios of student work, videos of classroom performance, and answer a set of essay questions on teaching designed to assess their pedagogical abilities. The submissions are evaluated by other teachers who teach the same level and subjects as the applicants. Those whose scores are high enough receive their certification.

Some states — especially North Carolina — have decided to strongly encourage teachers to obtain NBPTS certification. North Carolina pays for the full cost of the program, \$2,300 per person, for as many teachers as want to pursue it in any year, and rewards teachers who receive certification with 12 percent pay increases.

Because of heavy governmental support, North Carolina has far more NBPTS-certified teachers — 5,137, or 6.1

## Public goods

**Providing Public Goods:** In our market-based economy, products and services are provided only if people are willing to pay for them. But if this means some products and services aren't provided at levels deemed adequate for a properly functioning economy, then there may be a role for government intervention.



Michael Walden

Education and roads are two good examples. If left to their own decisions, some people wouldn't obtain an education. Although such individuals may eventually suffer from their lack of training, society could also suffer because educated workers are generally more productive, and greater labor productivity results in lower costs and prices for all. Thus, to encourage education, in most countries the government pays for some or all of education to certain levels.

For roads, it has been technically infeasible for private companies to build roads and then limit use to drivers who pay for the highways. Hence, for most of history, government builds and maintains roads using

gasoline taxes, which do bear some relationship to road use.

So education and roads are considered "public goods." But there are issues. Although government can finance these products and services, it's possible for either the government or private companies to actually provide the goods. This is the debate about publicly financed and run schools versus private schools funded with public vouchers. Also with respect to education, to what level (high school, college) should government fund it, and what should be the funding split between the government and the student?

And if there's a disconnect between payment (from the taxpayer) and benefit (to the student), will this encourage overuse of educational services by students (e.g. light course loads and five or six years to graduate)?

For roads, modern electronic technology actually makes it possible to easily charge users of roads. Should the state gradually move to these modern toll roads and turn a public good into a private one?

## Competition

**Promote Competition:** For more than a century, it has been the policy of the federal government to promote

competition in markets and discourage market domination by one or a few firms. This is done under the theory that competitive markets result in lower prices and better service for consumers.

The government pursues this function by outlawing price fixing and other collusive practices and prohibiting mergers it determines will result in significantly less competition.

Although laudatory, this role does raise several questions. Is "big" necessarily "bad" in business? Larger companies can often take advantage of "economies of scale" and have lower costs and lower prices for consumers.

Also, how many companies are required to maintain a competitive market? And can the government really determine, before the fact, the impact of a merger on competition?

## Income assistance

**Income Assistance:** This is, by far, the most controversial of the potential functions of government. Income assistance (some call it "income redistribution") involves taxing income from some households and providing it, either directly or indirectly, to other households.

Supporters say this function is a necessary form of compassion to provide a required minimal standard of living to citizens.

Opponents say income assistance is outside the proper scope of government and can create problems that upset the proper functioning of the economy.

There are a whole series of questions and issues about income assistance. What is an adequate standard of living to guarantee? Should support be given through cash or be tied to necessities such as food, medical care, and housing? Should support be limited in time?

And last, what do these programs do to incentives of those giving and those receiving? Studies have shown income redistribution can reduce work incentives of both providers and recipients.

The debates about the proper roles of government will likely last forever. But understanding the components of the debate may, at least, make the discussions (and sometimes the yelling) more productive. *cr*

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



George Leef

percent of the teaching force — than any other state. The program costs the state \$26 million per year.

Some states, however, have done nothing to encourage the NBPTS program, Texas being one example. The question is, which makes more sense — the policy of enthusiastic support or the policy of indifference? Is North Carolina wisely spending money to upgrade the quality of its teachers? Or is it wasting funds on one of those programs that sounds fine, but accomplishes nothing?

First, there are no reliable studies to verify NBPTS' claim of effectiveness. We have no proof that students taught by teachers with NBPTS certification learn more or faster than do students taught by teachers without it.

One study on NBPTS certification was done in 2000 by a team of researchers at the University of North Carolina at Greensboro. It purported to find that NBPTS-certified teachers were more effective than noncertified teachers. But University of Missouri economics Professor Michael Podgursky pointed out major flaws in the UNC-G report.

For one thing, it didn't use student test scores as a measure of teacher effectiveness, dismissing the idea with this rhetorical blast: "It is not too much of an exaggeration to state that such measures have been cited as a cause of all the nation's considerable problems in educating our youth." Furthermore, Podgursky said, the study was an exercise in circular reasoning. "In effect," he writes, "the report really tells us only that teachers who were certified by the National Board were more likely to display the types of

behaviors that the National Board favors."

Another study was done in 2002 by East Tennessee State University education Professor John Stone. Stone found that in Tennessee there was no discernible improvement in student learning when students were taught by NBPTS teachers.

A crucial factor in Stone's study is that he did rely on student test scores. Tennessee has a system of "value-added" educational reports that measures annual learning gains by students in grades three through eight. After evaluating the student achievement data, Stone concluded that NBPTS-certified teachers "cannot be considered exceptionally effective in terms of their ability to bring about student achievement."

If one looks closely at the NBPTS standards and certification process, it isn't hard to see why they would fail to improve teacher effectiveness. Chester Finn, president of the Thomas B. Fordham Foundation, identified the problem when he wrote, "The Board actually rewards teachers for being good at the opposite of what most parents think teachers should excel at. Its idea of a great teacher is one who embraces 'constructivist' pedagogy, 'discovery' learning, and cultural relativism — not one who imparts to students fundamental knowledge, or even has it himself."

Just because a teacher scores well on NBPTS essays and portfolios doesn't prove that he is a "master teacher" whose students rocket ahead in their learning. Someone might be a highly knowledgeable and effective teacher and pay no attention to the NBPTS standards whatsoever.

North Carolina's support of NBPTS looks like a waste of money. *cr*

# Golden LEAF Teams Up With Golden Arches

Foundation to bring McDonald's restaurants to underprivileged towns all across North Carolina

By MAC DONALDSON

Food Critic and Special Largesesse Correspondent

**N**ewly appointed Golden LEAF Executive Director Panacea Spree recently announced that as part of an economic stimulus package, her foundation was going to subsidize a McDonald's restaurant for any North Carolina town that did not yet have one.

"Our board has determined that to be a real town, you have to have the golden arches," Spree said. Golden LEAF receives half of the state's 1998 tobacco settlement and makes grants in tobacco-dependent communities.

Spree said she had not determined the total cost of the golden-arches program, but expected that it may run as high as \$200 million in LEAF funds, give or take \$200 million.

Golden LEAF recently was criticized for a \$175,000 grant it approved for a grocery store in the town of Salemburg. The town, which has a population 469, will own the store.

In defending the grant, a LEAF official said, "The foundation is willing to take reasonable risks in helping small communities address what they see as their problems and create jobs and better lives for their citizens."

Spree added that Salemburg was the home of the North Carolina Justice Academy and that students there had complained about high beer prices at the town's only convenience store. "Cops, as well as most of our citizens, are underpaid. When these kids get out of class at least they will have access to beer price competition. Government programs can actually create markets," she said.

Spree explained Golden LEAF's "trio" strategy. She said that, even though the foundation makes awards independent of any direct influence from newly elected Gov. Reich Measly, his "Just One North Carolina, Especially

Down East" vision sounded like a cool theme. She said the strategy revolves around the three things that every North Carolinian should have access to — a grocery store, a McDonald's, and a Wal-Mart.

"Our board hesitated to specify a specific grocery store, but I can tell you off the record that the board is leaning towards Piggly Wiggly." She estimates that the complete trio plan will cost as much as \$1 billion over the next 20 years.

Spree said that it's all about jobs.

"My job is to give out money, make Gov. Measly happy, and keep my job. Measly's job is to pretend that he has no influence over my job, and at the same time try to please all the small-town politicians he just withheld money from to balance the state budget. My foundation is a convenient vehicle for the governor and I to keep our jobs," she said.

Newly appointed Lt. Gov. Cleverly Pursue said she had serious concerns about the foundation's Trio initiative. "As y'all know, I am now in charge of the Health and



The golden arches will shine from Cherokee to Currituck, N.C.

Wellness Trust Fund, which has recently announced an anti-obesity campaign," she said. "The governor has his goals. I have mine. I suspect that we're going to have a real showdown."

Pursue said she suspects that Measly is using improper influence over the Golden LEAF board.

"Doesn't he care about fat? I know that many of our small towns consider McDonald's their civic center, but these restaurants are a primary source of obesity," Pursue said.

"Under the governor's vision for the state, we are all going to be fat, and that is unacceptable. Besides, any

idiot knows that just like big tobacco, big burger is going to eventually face serious lawsuits from all the state attorneys general," Pursue said.

CJ asked Spree whether she saw any irony in her foundation, which is financed by increased cigarette prices, subsidizing a fast-food company that will likely become part of a massive lawsuit by states concerned about obesity.

"I do not understand the question, and even if I did, I don't care. It's all about jobs — mostly mine," she said. *cr*



Host Tom Campbell Chris Fitzsimon Barry Saunders John Hood

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