

Pillowtex Jobs May Have Been Saved If Union Stayed Out

UNITE leaders wouldn't let Springs buy because of loss of Kannapolis jobs

By PAUL CHESSER
Associate Editor

RALEIGH

The 6,450 layoffs at Pillowtex, Inc., which included about 4,800 employees in North Carolina, may have been mitigated had the union representing the workforce not blocked a deal to sell the company.

The largest manufacturer of home fashions in the United States, Springs Industries, offered as much as \$300 million for Pillowtex's operations and assets in the early spring. However, the Union of Needletrades, Industrial and Textile Employees may have hampered the deal because Springs's plans didn't include the retention of Pillowtex's Kannapolis-area operations, which employed about 4,400 of its workers.

"The union didn't help matters and didn't provide any reason for Springs to be more enthusiastic about [the deal]," said Sam McNeil, managing director of River Capital Advisors, a Charlotte investment company that specializes in working with troubled companies. "They really shot their workers in the foot, in my opinion."

UNITE, we stand

UNITE pressured Springs to allow other offers for Pillowtex after the two companies had signed an exclusive purchase agreement for rights to brand names and some manufacturing facilities. The deal was amended to allow other buyers that the union said potentially were "willing to operate Pillowtex as a viable company."

"We are confident that one of these new companies will be able to make a successful bid for the company and preserve Pillowtex jobs," UNITE President Bruce Raynor said in early May. "We compliment Springs' top corporate leadership for allowing jobs to come before their own financial interests."

Springs relented because UNITE threatened to rally at its headquarters in Fort Mill, S.C.

"We think the prospect of a national battle with the 250,000 members of UNITE was something that Springs management does not want to contemplate," Raynor told



Carolina Journal photo by Michael Lowrey

The Pillowtex plant and offices in Kannapolis, where thousands of workers lost their jobs.

the *Southern Textile News* in May.

"If there is a single buyer out there who thinks that they can come in and run this company and take these labels and leave these workers in the street, they're going to have one hell of a fight on their hands," said Harris Raynor, Bruce's brother and vice president of the Southern region of UNITE.

After Springs stepped back, the fighting words caused the company to re-evaluate its offer in light of depressed first-half retail sales. Home textile sales declined at a double-digit rate during the first six months of 2003.

"There are very few players who didn't escape the crushing environment early this year," said Don Hogsett, business editor of *Home Textiles Today*.

The business trend changed Springs's perspective. If the company were to be asked back into its deal for Pillowtex, the previous offer that was approved by its financiers would have to be revisited. The most likely result would be a vastly scaled-down proposition. As time passed, the value of Pillowtex's assets diminished rapidly.

While Pillowtex flirted with other suitors — some coaxed by the union — Springs withdrew its offer.

Whether Springs gave up because of union threats, or because of financial issues, or both, is unclear. Springs officials declined to comment.

The union's big buyer

One bidder UNITE brought in was Cerberus Partners of New York, which Harris Raynor insisted was interested in running Pillowtex. However, Cerberus operates as a "vulture fund," in which investors pick over the remains of a near dead company in order to turn a profit.

Raynor said that Cerberus was interested in parts of Pillowtex, but that the company was reluctant to sell off pieces.

"[Pillowtex] was clearly something they wanted to look at," Raynor said.

Textile insiders said Cerberus's interest, like Springs's, primarily was in the value of Pillowtex's widely recognized Charisma, Cannon, and Royal Velvet labels.

According to industry experts, Cerberus never made a formal bid, but even if it did it likely wouldn't have produced a better fate for the Pillowtex employees. McNeil, who said he knows Cerberus's management style well, said they are "hardline" and "a very bottom line-oriented investment company."

"If Mr. Raynor thought they would keep people employed," McNeil said, "he was very naive."

"I think Springs would have been the best shot," said Warren Shoulberg, editor-

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UNITE President Bruce Raynor: master organizer and corporate campaigner

By PAUL CHESSER
Associate Editor

RALEIGH

There's a scene in the movie *Norma Rae* in which organizer Reuben Warshawsky prods Sally Field's title character to lead her fellow textile workers to form a union. "If you were in the State Department," he says, "we would be in a war."

The 1979 film was a fictionalized account of the effort to unionize employees at the J.P. Stevens Mill in Roanoke Rapids. One of the real-life leaders in that war was Bruce Raynor, who started his career with the Textile Workers Union of America in 1973.

After a couple of mergers with other unions and 2 1/2 decades of (mostly Southern) organizing drives, Raynor was named president of the Union of Needletrades, Industrial and Textile Employees in 2001.

Raynor is often referred to as part of the composite that formed the Reuben character in *Norma Rae*. His biography on the union's website says he is "responsible for the national organizing program for UNITE, in which capacity he is credited with innovative and aggressive tactics that have led the way for the entire labor movement."

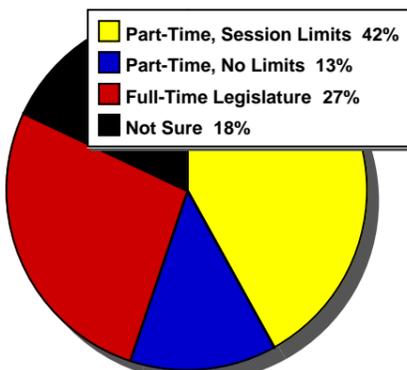
The J.P. Stevens battle marked a historic turning point for labor unions, because it established a tough new strategy: Corporate campaigning. The tactic has been embraced by almost all unions in an effort to refortify their flagging memberships, and one that Raynor employs effectively.

"A corporate campaign is a form of reputational warfare waged through broadsides, half-truths, innuendo, and a staccato rhythm of castigation, litigation, legislation, and regulation," writes Jarol Manheim, a George Washington University professor of media, public affairs, and political science. He is the author of *The Death of a Thousand Cuts: Corporate Campaigns and the Attack on the Corporation*.

"It is fought in the press and on television, on the Internet, in the halls of government, in the marketplace, on the trading

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State Should Have Which Legislature?



% of N.C. Respondents in Oct. 2002 "Agenda" Poll

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ON THE COVER

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PARTING SHOT

• A CJ parody: State Senate President Pro Tem Marc Basnight will lead a new cheer when asked about the mold problems at NCCU: "Who ya gonna call?" *Page 24*

Veteran Political Commentator Barone to Speak at Luncheon

Political commentator Michael Barone will be the featured speaker at a John Locke Foundation luncheon at 11:30 a.m. Nov. 11 at the Brownstone Hotel in Raleigh.

Barone will headline a panel discussion previewing the 2004 elections. He will be joined by foundation President John Hood, who will handicap the North Carolina governor's race, and political consultant Carter Wrenn, who will analyze the U.S. Senate races. Foundation Senior Fellow Marc Rotterman will moderate the event, and other surprise guests will participate.

Barone is a senior writer for *U.S. News & World Report*. Barone grew up in Detroit and Birmingham, Mich. He graduated from Harvard College (1966) and Yale Law School (1969), and was editor of the *Harvard Crimson* and the *Yale Law Journal*.

Barone served as law clerk to Judge Wade H. McCree, Jr., of the U.S. Court of Appeals for the 6th Circuit from 1969 to 1971. From 1974 to 1981, he was a vice president of the polling firm of Peter D. Hart Research Associates.

From 1981 to 1988, he was a member of the editorial page staff of the *Washington Post*. From 1989 to 1996, and again from 1998 to present, he has been a senior writer with *U.S. News & World Report*. From 1996 to 1998, he was a senior staff editor at *Reader's Digest*.

Barone is the principal coauthor of *The Almanac of American Politics*, published by *National Journal* every two years. The first edition appeared in 1971, and the 15th edition, *The Almanac of American Politics 2000*, appeared in July 1999.

He is also the author of *Our Country: The Shaping of America from Roosevelt to Reagan* (Free Press, 1990). His essays have



Michael Barone

appeared in several other books, including *Our Harvard* and *Beyond the Godfather*.

Over the years he has written for many publications, including the *Economist*, the *New York Times*, the *Detroit News*, the *Detroit Free Press*, the *Weekly Standard*, the *New Republic*, *National Review*, the *American Spectator*, *American Enterprise*, the *Times Literary Supplement*, the *Daily Telegraph of London*, and the Italian publication *Libro Aperto*.

Barone is a regular panelist for the "McLaughlin Group," and has appeared on many other television programs and networks, including the Fox News Channel, MSNBC, CNBC, CNN, "Meet the Press," "This Week," "Today," "Good Morning America," "Hardball," "Crossfire," the British Broadcasting Company, ITN of Britain, the Canadian Broadcasting Company, and the Australian Broadcasting Company.

Barone lives in Washington, D.C. He has traveled to all 50 states and all 435 congressional districts. He has also traveled to 37 foreign countries and has reported on the most recent elections in Mexico, Italy, Russia, and Britain.

Wrenn has directed several political campaigns in North Carolina, which include President Ronald Reagan's state campaign in the 1976 Republican primary; U.S. Sen. Jesse Helms's 1978, 1984, and 1990 campaigns; John East's U.S. Senate race in 1980; Lauch Faircloth's 1992 campaign for U.S. Senate; and Richard Vinroot's 2000 gubernatorial campaign.

The cost of the luncheon is \$20 per person. For more information or to preregister, contact Summer Hood at (919) 828-3876 or events@johnlocke.org.

Shaftesbury Society

Each Monday at noon, the John Locke Foundation sponsors the Shaftesbury Society, a group of civic-minded individuals who meet over lunch to discuss the issues of the day. The meetings are conducted at the foundation's offices at 200 W. Morgan St., Suite 200, Raleigh. Parking is available in nearby lots and decks.

"Carolina Journal Radio"

The staff of Carolina Journal co-produce a weekly newsmagazine, "Carolina Journal Radio," which appears in syndication on 14 radio stations across North Carolina. You can visit CarolinaJournal.com to locate an affiliate in your area. Also, subscriptions to a monthly CD containing selected episodes of the program are available by calling (919) 828-3876. *cj*

In Effort to Protect All Jobs, UNITE Lost Chance at Saving Few

Continued From Page 1

in-chief of *Home Furnishings News*. "These other guys were just going to cherry-pick bits and pieces out of the company.

"Textiles has a horrible track record of outside investors getting burned or getting out as quickly as possible."

Recognizing the problem

Some textile industry followers believe the union failed to recognize the severity of Pillowtex's financial predicament. Because Springs's deal probably would have meant thousands of layoffs in Kannapolis, UNITE leaders reacted in a knee-jerk manner, to the detriment of all its members.

"It was pretty clear [that Pillowtex] was in an extreme amount of duress (in December 2002)," McNeil said. "I was always extremely skeptical, after reading the financials, that they would be able to come to a deal with anyone."

Pillowtex filed for its first Chapter 11 bankruptcy in November 2000, after it bought Fieldcrest Cannon in 1997. Industry observers say Pillowtex took over its subsidiary from a weak financial position, and some even peg the company's financial problems to when Fieldcrest Mills (based in Eden) bought Cannon Mills in 1986. For nearly two decades the company failed to keep its equipment modern and to promote its brands. "The capital money was never there," Hogsett said.

"Pillowtex really hadn't invested in its business in 10 years," Shoulberg said. "Plants were not state-of-the-art anymore."

Pillowtex took on a significant amount of debt when it bought Fieldcrest Cannon. CEO Chuck Hansen, in a newsletter in October 1999, admitted some missteps.

"Some of the adversity we have at the moment is because of poor decision-making," he wrote. "As a company, we tried to do too much at once. Practically overnight, we tripled in size."

At the same time the *Salisbury Post* reported that Pillowtex invested at least \$68 million in its acquired Fieldcrest Cannon

plants, which Hansen said "desperately needed modernizing." Hogsett said the amount plowed into equipment upgrades was "not that much."

Pillowtex had also contested a June 1999 vote by its employees to unionize its six Fieldcrest Cannon plants in Kannapolis and Rowan counties. After a 25-year effort by Bruce Raynor to organize the workers, he won a 2,270-2,102 victory. In November 1999 financially weak Pillowtex dropped its objections and entered contract negotiations with the new UNITE members.

A year later the company entered bankruptcy, and emerged from Chapter 11 in May 2002. McNeil believes Pillowtex was allowed to come out of bankruptcy with "way too much debt."

"The problem is everyone was making these consensual bankruptcy plans," he said, "instead of sitting down and doing what needs to be done."

Harris Raynor said he likens banks to drug dealers. "They loaned [Chuck Hansen] a lot of money irresponsibly," he said.

According to McNeil, by March 2003, 31 entities expressed some degree of interest in buying Pillowtex, and 12 performed some level of due diligence. Six proposals were considered and on April 12 the offers were narrowed to one candidate — presumably Springs. In less than a month UNITE was pressuring Springs to back off.

Can or can't Kannapolis?

Either UNITE protested because it genuinely thought it could save jobs in Kannapolis, or because it had no choice other than to put up a hopeless fight for most of its members. Whatever the reason, observers say, the move may have prevented at least some, perhaps three or four plants' worth jobs from being salvaged.

Independent observers said the enormous, old, inefficient Kannapolis plants had no chance of survival. "I'm sorry for all the people down there," Hogsett said, "but that plant is a relic."

A bankruptcy auction was scheduled for September, but Shoulberg said, "I don't

Pillowtex's North Carolina Facilities

Company Employed About 4,800 of Its 7,650 Workers in North Carolina

Location	Principal Use	Square Feet	Employees
Kannapolis	Corporate Offices	Part of Plant 1	400
Kannapolis	Plant 1 Towel and Sheet Mfg.	5,863,041	2,650
Concord	Plant 6 Sheet Mfg.	696,963	640
Rockwell	Plant 11 Sheet Yarn Mfg.	98,240	90
China Grove	Plant 16 Sheet Mfg. & Cotton Warehouse	567,000	560
Eden	Decorative Bedding Mfg. & Warehouse	529,273	450
Various	Fieldcrest Cannon Stores	Not Available	Not Available

Mfg. Locations Outside N.C.: Alabama (2), South Carolina (2), Virginia, Mississippi, Pennsylvania, Illinois, Texas, California, & Toronto, Canada

Source: Pillowtex Fact Sheet

think any of these bids contemplate operating [in Kannapolis]." Harris Raynor, who said he hasn't given up hope to save some jobs, said Kannapolis could still be viable.

"I don't know if I agree with that total assessment," he said, citing "other manufacturers" he has spoken to. "The problem is Kannapolis is so big you have to run a certain amount through there."

Raynor blames U.S. trade policy for the Pillowtex and other textile closings, and defended UNITE's actions.

"The union is confident we did the right thing for the people there," he said.

"We had no assurance Springs would go through with [the purchase]."

Raynor's claim left McNeil incredulous, who said even saving 500 to 1,000 jobs would have been an incremental benefit.

"His effort failed. How can he say that?" McNeil said. "I wonder what their homework consisted of. Did they know how bad the situation was?"

"I'm not a union basher, but it's really difficult for me to come up with a different conclusion," McNeil said. "Any union involved with textiles ought to be saving as many jobs as they can for their people." *CF*

Raynor's Campaigns Target Corporations' Character and Legitimacy

Continued From Page 1

floor, and in the boardroom," writes Manheim. "Corporate campaigns... attack the essential corporate character of their targets and challenge the legitimacy of the corporation as a social form."

Raynor is recognized as one of the most effective organizers in the labor movement, and is considered a possible successor to AFL-CIO President John Sweeney. Throughout the 1990s unions saw their influence diminish as overseas competition sapped domestic manufacturing jobs. However, Raynor's drive to replenish UNITE's ranks kept the numbers steady.

Today the union boasts about 250,000 members.

Raynor seems to relish fights in which he is the underdog. Besides the difficulty of representing industries that are rapidly losing jobs, he has specialized in beating the odds in right-to-work states and in the traditionally antiunion South. As Southern regional director of UNITE's predecessor, the Amalgamated Clothing and Textile Workers Union, he led a drive that unionized more than 20,000 workers over a 10-year period.

Perhaps Raynor's proudest achievement was the unionization of six Pillowtex-Fieldcrest-Cannon mills in the Kannapolis area. The first vote at then-Cannon Mills



UNITE President Bruce Raynor

was conducted in 1974, the same year as the successful J.P. Stevens election. The union lost. The union then lost three more votes to organize by employees in 1985, 1991, and 1997, in the face of vehement company opposition.

Cannon, in its various incarnations, was cited several times by the National Labor Relations Board over the years for unlawful labor practices and for intimidating employees to not support the union. But Raynor's persistence paid off in 1999 when the union broke through with a 2,270-2,102 victory.

"It feels like we just organized GM," Raynor told the *New York Times*. "Suddenly, we've got a beacon to show other textile

workers that they can do it."

Leon Fink, a labor historian who was then at the University of North Carolina (and is now a professor at the University of Illinois at Chicago), said at the time, "It's the biggest breakthrough in a traditional Southern industry for probably the past quarter century."

But a year later Pillowtex was in Chapter 11 bankruptcy, and after briefly emerging in 2002 went out of business in July 2003. Raynor is blamed in many corners for scuttling a deal Pillowtex had with Springs Industries in April 2003, which could have salvaged some of UNITE's Pillowtex jobs. Instead, Raynor went for broke to try to save most of the jobs, but came up empty-handed.

The fervency that won him his victories, some say, is also what costs the people he purports to represent their jobs.

"He's a bombthrower — an absolute radical," said Bill Adams, CEO of Kentucky-based Adams, Nash, Haskell & Sheridan, a consulting firm that helps employers avoid unionization and counter union campaigns.

"He's effective from a rhetoric standpoint and from a values standpoint," Adams said of Raynor. "The problem he has is his tactics are unrealistic and almost always damaging to the people he says he wants to represent."

UNITE is targeting low-paying service

and retail distribution industries because those jobs are least likely to move overseas. One example that Adams points to is Raynor's current effort to unionize the laundry industry, which mostly employs at low wages.

The jobs are filled with a heavy concentration of immigrants and minorities, and *Business Week* reported that Raynor capitalizes on their common bonds "by getting them to reach out to recruits with similar backgrounds." Since 1998 UNITE has added 40,000 laundry workers.

Raynor's chief target is now Cintas Corp., the nation's largest commercial laundry and uniform supply company. Raynor is waging a corporate campaign against Cintas, accusing the company of racial discrimination and harsh working conditions. He told left-wing magazine *In These Times*, "I don't know how long it will take to bring Cintas down, but mark my words: We will."

Raynor has also pressured Starbucks and United Parcel Service to stop using Cintas's services until it accepts unions.

Stan Greer, senior research associate with the National Institute for Labor Relations Research, said Raynor pours millions of compulsive dues money into attacking businesses he doesn't like.

"It's not his future that's on the line," Greer said. "He's putting someone else's money on the line." *CF*

Around the State

• North Carolina Democratic Party congressmen harshly criticized the Bush administration in late August. Reps. Bob Etheridge, Brad Miller, and David Price charged that the Department of Homeland Security has provided inadequate training and resources for local emergency response agencies. The congressmen said the answers they received to an informal survey conducted in 15 counties showed that local departments need more communications and protective equipment and more personnel.

"The first telephone call is not going to Washington," Etheridge said at a press conference in Garner. "The first telephone call is going to a first responder." Reported by the *Associated Press*.

• One of President Bush's staunchest allies also criticized the administration's trade policies for driving thousands of manufacturing jobs out of North Carolina. U.S. Rep. Sue Myrick accused the president of ignoring the plight of unemployed factory workers.

"If he doesn't care about us," Myrick told a Gaston Chamber of Commerce audience at Belmont Abbey College, "we won't care about him come election time."

Meanwhile, GOP Rep. Howard Coble and Democrat Rep. Mel Watt spoke in High Point on trade difficulties facing the furniture industry. Both congressmen, who lead a special furniture caucus, want the Bush administration to strongly enforce trade agreements with China.

• Two contenders for what will be U.S. Rep. Richard Burr's (who is running for the Senate) former 5th Congressional District seat heatedly debated each other at a Citizens for a Sound Economy luncheon Aug. 20 in Mocksville. Winston-Salem Alderman Vernon Robinson has challenged state Sen. Virginia Foxx for months about her anti-tax and social-conservative credentials. Robinson says that Foxx has voted to raise taxes more than 100 times while she has been a legislator, and that she also has accepted contributions from a gay-rights group. The candidates, two of the nine total Republicans who have declared they are running for the seat, staked out their positions.

Foxx defended her voting record in the state Senate.

"I can't continue to let him lie like he is and get away with it," Foxx told the audience of about 25 people. She said that she has voted for local tax bills in the past, but that she has never voted for a statewide tax increase. She said that voting in favor of other local bills is an unwritten rule in Raleigh, if legislators want their local bills passed.

Foxx also said she accepted contributions from the N.C. Pride PAC for Lesbian and Gay Equality because she wouldn't turn down donations while running for the state Senate.

Foxx criticized Robinson's campaigning style, calling him "a bomb thrower." Reported by the *Winston-Salem Journal*. CJ

Deal for ENCNG could mean rate hikes

Gas Pains for Piedmont Customers and Taxpayers

By PAUL CHESSER

Associate Editor

RALEIGH

The secondary deal behind the purchase of North Carolina Natural Gas by Piedmont Natural Gas Co. could eventually cause customers' rates to rise and diminish already faint hope that taxpayer-funded bond money will be repaid.

Piedmont's \$417.5 million deal to buy NCNG from Progress Energy Inc. was accompanied by an agreement also to take on 50 percent of Eastern North Carolina Natural Gas. Progress Energy had teamed with the Albemarle Pamlico Economic Development Corporation to create ENCNG, which was awarded \$188 million of the \$200 million public gas bond funds approved by North Carolina voters in 1998. As a partner with APEC, Progress added \$7.5 million — the amount Piedmont is paying for its share of ENCNG — to the bond money to construct a gas pipeline in 14 counties that had no service in the northeast part of the state.

Keep it separate

The North Carolina Utilities Commission, as a condition for approval of bond monies for APEC and Progress's predecessor, CP&L, required that the partners form a separate organization "to ensure that adequate cost allocation and record keeping procedures are implemented." The statute providing for the bond funds calls for the money to be paid back to taxpayers if the project becomes economically feasible. ENCNG is the vehicle collecting the bond funds, building the pipeline, and operating the system.

Piedmont's pending acquisition includes a plan to merge ENCNG into the larger company, which means cost allocation and record keeping could get murky. Without separate tracking as the utilities commission required, determining whether the \$188 million in bond money should be repaid to taxpayers would likely be impossible.

"Once system 'B' is rolled into system 'A,' and 'B' was subsidized by bonds," said Don Harrow, vice president of governmental relations for Piedmont, "I don't know how you track that roll-in."

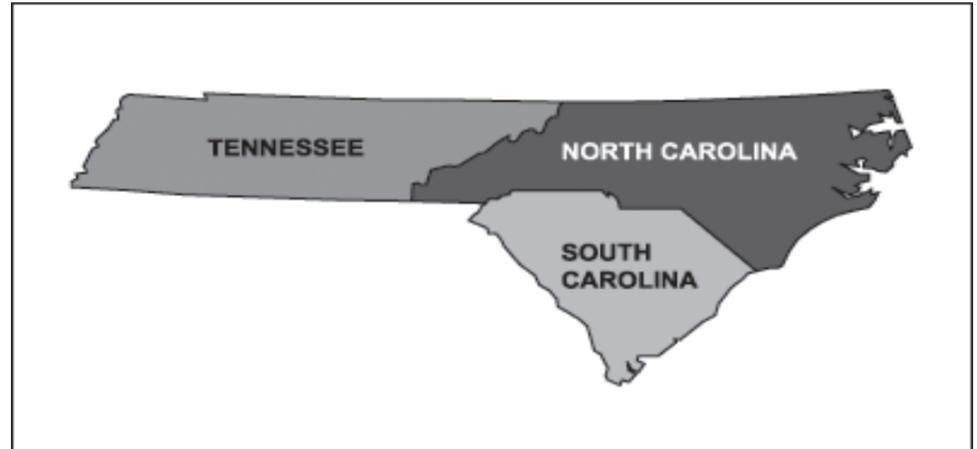
How absorbent is Piedmont?

Piedmont's focus is to absorb NCNG into its operations within two years, while holding its interest in ENCNG separately. But a resolution approved by APEC's board of directors declares that once Piedmont fulfills its contractual obligations to build the gas pipeline, an APEC committee "is further authorized to consider further agreement between Piedmont and APEC that...at a mutually agreeable date, APEC would transfer all of its ownership interest in [ENCNG] to Piedmont and Piedmont will merge [ENCNG] into Piedmont and operate the [ENCNG] system as an integrated part of the overall Piedmont system...."

Piedmont and APEC also signed an agreement that includes future considerations of a merger, after Piedmont fulfills its contractual obligations to complete the gas pipeline. The agreement was reached as a condition for the APEC board's approval of the Progress-Piedmont deal for ENCNG.

Jimmie Dixon, chairman of the board of directors for APEC, confirmed to *Carolina Journal* that the goal for ENCNG was to be absorbed into Piedmont and that the two companies had discussed it.

"Our main goal was to get natural gas to the 14 counties in the Northeast through the bond issue and working with CP&L," Dixon said about APEC's mission. "From all indi-



Piedmont Natural Gas Company's service area comprises three states in the Southeast.

cations Piedmont is a well-rounded company. We think they'd do a better job than CP&L would have done."

Harrow acknowledged that Piedmont officials have discussed the future incorporation of the ENCNG territory into its overall operations.

"I wouldn't call it a goal," he said. "I think it's probably a subject of the partnership that's logical to discuss."

"APEC's interest was to get a gas project. I don't think APEC is set up to be a long-term gas company, whereas Piedmont is."

ENCNG so far has about 350 customers, and revenues aren't expected to cover operating costs for the foreseeable future. Harrow was hesitant to speculate, but he said if ENCNG was absorbed by Piedmont those losses would likely be passed on to customers, as would repayment of bond funds if the Utilities Commission determined they needed to be paid back.

"If it's going to be a perpetual money-loser," Harrow said, "from a long-term business perspective it wouldn't be prudent to operate a (separate) system for very long."

Besides repayment of bond money, continued operating losses could end up hitting Piedmont's entire customer base.

Other observers don't know how, with a "roll-in," Piedmont would be able to separate what are ENCNG's current revenues and costs from the rest of Piedmont's operations.

"I think it would be an uphill undertaking," said Gisele Rankin, a lawyer for the utilities commission's public staff. "There might be a way to do it."

"You'd have to either not allow the 'roll-in' or keep the accounting separate, or order the (bond money) paid back in time."

One possibility Rankin raised was that once ENCNG was absorbed by Piedmont, it could instantly be declared economically feasible. However, the North Carolina statute would seem to require that the bonds be repaid if that happened.

That proposition didn't seem possible to Bill Gilmore, a gas industry analyst for the utilities commission.

"A change of ownership in ENCNG would not — of itself — make ENCNG into a feasible project," he said in an e-mail message.

"If I sell you a car that is a clunker, you may think that you've bought a Mercedes. But, just changing the title into your name does not change the fact that the car is still a clunker."

"The only way that it becomes economically feasible is that it has enough customers paying a high enough margin to make it feasible," he said.

No separation anxiety

Gilmore said that separate books would need to be kept for the ENCNG project, but that he thought Piedmont could do so within

its operations. However, that would seem to render purposeless the utilities commission's original requirement to keep a separate company.

Sam Ervin IV, one of the seven utilities commissioners, said only the specific pipeline project's costs and feasibility would need to be monitored, and not ENCNG overall.

He said future studies could determine whether the project became economically feasible, and that ownership of the project was irrelevant.

However Jim Hoard, assistant director of accounting for the utilities commission's public staff, said a proposal for Piedmont to take in ENCNG would probably trigger an examination of cost tracking and the bond repayment question.

"There's going to be a number of issues that arise," Hoard said. "It's going to be a lot more complicated from a bond perspective to roll-in [ENCNG]."

"That (merger) would be the spurring event. We'd have to determine what all the tracking provisions would be."

Ervin said operating costs from the ENCNG project are covered in the bond funds, and would not affect Piedmont's overall rate base. Any future rate changes would require approval from the utilities commission.

But if, as expected, the ENCNG pipeline loses money for years to come, Piedmont would need to recover the loss either through customers or shareholders. Currently there is a provision for Piedmont to maintain an account up to \$15 million as an asset, which could later be recovered by ratepayers, Hoard said.

Some operating costs are covered in the bond funds, Hoard said, but in reality almost all that money is paying for construction of the pipeline. Operating the system will require expenditures, which the current and projected ENCNG customer base isn't likely to recover soon.

Without a merger, it's unlikely ENCNG could survive for long. Piedmont, valued at \$1.2 billion prior to the deal, will issue up to \$500 million in short-term debt securities to fund the purchase.

"To the extent [Piedmont] want(s) to cover their operating expenses," Hoard said, "that would have to be borne by the ratepayers."

Hoard said if paying back the bonds (with interest) became possible, it would mean good things are happening with economic development in the east. Still, whenever in the future that occurs, if ever, the burden upon all Piedmont's customers is unknown.

"You're going to need several hundred million dollars of cash flow (for the project to become economically feasible)," Hoard said. "We're a long way away from that."

"I suspect it's going to be quite some time before Eastern comes up with that amount of money." CJ

*First audit of state-owned institution***N.C. Textile Center Scrutinized Over Its Efficiency and Its Classes**

By PAUL CHESSER

Associate Editor

The North Carolina Center for Applied Textile Technology, a state-owned higher-education institution that since 1996 has received more than \$1.2 million annually in aid from the state, recently underwent a program for the first time.

The Textile Center in Gaston County operates and receives its "pass-through" funding out of the community college system budget. Considered the "59th" community college, it is not funded by the General Assembly like the state's other schools, whose financial allocations are based on the average number of full-time equivalent students for each year. The center receives a flat amount annually — most recently \$1.57 million in fiscal 2001 and \$1.43 million in fiscal 2002.

A preliminary report by former community college system Audit Director Bill Cole had been completed but not released by early September. The community college system's administration commissioned the examination of the center because legislative staff questioned whether it was efficient.

The center has no reporting requirements to the community college system or to the legislature, but N.C. Community College System President Martin Lancaster serves on the center's board of directors. The governor appoints the remaining members of the board, which is comprised mostly of textile industry executives.

Few students

Carolina Journal obtained copies of the center's class rosters for school year 2002-03, which showed a large number of courses and few students.

The school reported that it conducted 412 courses for the school year, and 231, or 56.5 percent, had five students or less. Forty-nine classes, or 12 percent, had two students; 73 courses, or 18 percent, recorded only one student. About 25 percent of the classes had 10 or more students.

"It's not economically viable to offer a lot of courses with just one or two students" said Dr. Pat Skinner, president of Gaston College, one of the state's community colleges that she says is less than 15 miles from the Textile Center.

Dr. James Lemons, the center's president, said the data was an internal document compiled annually to track staff's public activities. He said it wasn't a formal record of the Textile Center's courses and students.

But the report is titled "Continuing Education Classes held at NC Center for Applied Textile Technology 2002-2003." The document lists course titles, begin and end dates, course hours, number of students, and student hours (course hours multiplied by the number of students).

Some students contacted by *Carolina Journal* said they weren't in classes that the center claimed they attended. Two people listed for one class on Jan. 27 said they didn't attend. One was an elderly woman from Belmont who said she was a patient in a hospital at the time. The other, a nun from Charlotte, said she canceled prior to the class.

"Continuing education classes" also included activities held at the Textile Cen-

ter by other organizations or businesses, but with no participation by the center's staff other than security and janitorial support. On Jan. 22, for example, the City of Belmont used the facility for an eight-hour training session for 18 of its employees on a new computer evaluation system. The Textile Center credited itself for 144 student hours.

A few private businesses that used the facility were fodder for course credits also. Melco, an embroidery equipment manufacturer, uses the center to train customers who have bought the company's machines. Last year, Melco accounted for at least 5,752 of the Textile Center's student hours. Neither Melco nor its customers pay the Textile Center for the use of its facilities, but the school is allowed to use the company's equipment for its own classes.

Lemons said that the center has no equipment budget and that when he arrived in 1984 the school had only antiquated machinery that had been donated after its usefulness was gone.

"Now we've got state-of-the-art equipment because of [the Melco] partnership," he said. "I think it's saving the taxpayers a lot of money."

Every quarter-hour counts

The Textile Center also included short presentations by staff — as brief as 15 minutes — on its list of "continuing education classes." Personnel held such sessions in at least three Gaston County schools, in which teachers were informed about the center's offerings and in one case, a special program was developed for a school. But on at least two of these occasions the Textile Center listed consecutive 15-minute classes as separate courses given by its instructors: "Overview of Computer Applications" and "Overview of Web-based Training."

While they didn't characterize those brief sessions as instruction, two principals at the schools said they appreciated the help they received from the Textile Center.

"We've been real pleased with their workshops," said Ronald Foulk, principal of Rankin Elementary School in Mt. Holly.

"All the [classes] I've been to are real good stuff," said Lee

Dedmon, principal of Highland School of Technology in Gastonia.

The Textile Center also made two consecutive 15-minute "Overview" presentations — claimed as "courses" — during a free Citizens Police Academy at the school. Attendees were invited by the Belmont Police Department to take the 11-week session. Five of the 17 citizens who took the academy, who were also listed as students of the "Overview" classes, said they never took computer classes at the Textile Center.

"I'm going to have to plead innocent to that one," said one man who attended the police academy. "I'm technologically challenged and have never taken a com-



Rep. Jean Preston, R-Carteret

puter course anywhere."

The Textile Center also included the police academy on its list of courses.

Internal meetings of the Textile Center's own employees also made its list of courses, including a 15-minute "Using the Calendar of Events" presentation. A two-hour explanation of the school's emergency evacuation plan, given to 23 employees, also counted as a class held at the Textile Center.

"An individual on the staff wanted to be credited with that presentation," Lemons said.

Classes don't tell whole story

"No one is measuring the kind of assistance we provide," Lemons said. "Some of the things we're doing right now aren't being captured."

He said his staff works with businesses to tailor training programs to their needs.

"We don't claim to be a college," Lemons said. "We're a center to support busi-

ness and industry."

The types of courses offered by the center reflected the nature of the struggling industry. Only about 25 percent were textile- or manufacturing-related. But 54 percent of the courses offered instruction on basic computer use, which community colleges usually offer. They included classes on Microsoft Word and Excel, using the Internet, and buying computers. Some were as elementary as "Using Cut, Copy and Paste in Microsoft Office" and "Mouse Basics."

"So often we don't question [recurring funds]," said Rep. Jean Preston, an Emerald Isle Republican who cochairs the House appropriations subcommittee on education. "It's just sort of there and we keep funding it again." Preston was surprised at the large percentage of classes with low enrollment. "If [that's] true," she said, "then we have been misspending money."

Why an audit now?

The Textile Center's basis for funding isn't expected to change, so what will come out of the audit is unclear. The community college system, though, wants to continue evaluating the center's offerings annually.

"Even though the funding isn't based on FTE, you still have to feel like the money's being put to a good purpose," said Audrey Bailey, a spokeswoman for the community college system. "The audit will either confirm or disprove that." *CF*



For more than 12 years, *Carolina Journal* has provided its thousands of readers each month with in-depth reporting, informed analysis, and incisive commentary about the most pressing state and local issues in North Carolina. With a particular emphasis on state government, politics, the General Assembly, education, and local government, *Carolina Journal* has offered unique insights and ideas to the policy debate.

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NC News: SAT scores

• While the primary focus of the past few months has been on schools failing to meet standards established by the No Child Left Behind Act, this fall the North Carolina Department of Public Instruction announced new statistics on the state's SAT and ACT scores.

The College Board reported Aug. 26 that the average total SAT score for North Carolina had increased three points and finally surpassed the 1,000-point threshold. The state's mathematics score increased by one point, and the verbal score increased by two points. Nationally, average SAT scores increased by six points — three points each in the mathematics and verbal sections.

The three-point increase means that North Carolina ranked highest among Southeast states, which include Florida, Georgia, North Carolina, and South Carolina. The state has been optimistic about its SAT scores for the past decade because of its relatively constant point performance over the past 10 years amid an increased participation rate by students. Statistics demonstrate that scores decline as participation increases, and at 68 percent, North Carolina has the 13th largest participation rate in the nation.

Although the state has continually improved, the score gap for white and minority students has not closed. According to the College Board and Educational Testing Service, the average total score for black students has remained the same, both statewide and nationally. The average score for blacks in North Carolina is 839, lagging by 211 points behind the 1050 average score for whites. In 2002-03, the gap between the groups widened by four points.

Other minorities in the state have made great strides to improve scores relative to their national minority counterparts. Hispanics, Native Americans, and Asian students have either reduced or eliminated the gap between their scores and the national average for their respective minority group.

While SAT scores for North Carolina's high school students have improved, ACT scores have remained the same, according to results released this August from the ACT college admissions and placement exams. The SAT has been the standard test for students in North Carolina in college admissions, but the ACT is sometimes used as an alternative in the admissions process.

Nationally, a growing number of students are opting to take the ACT instead of the SAT. In North Carolina, the number of students choosing the ACT have increased each year.

The black-white disparity is smaller for the ACT than the SAT, but blacks in the state still underperform relative to their national group, with a statewide composite average on the ACT of 17.4 compared to a national average of 17.6. Other minorities in the state scored higher than their national counterparts.

High, Medium and Low-Stakes Filters Used in Teacher Education and Development: U.S. and International Countries

Filters Used in the Teacher Education and Development Pipeline	Entry into Teacher Education	Evaluation of Practical Experience Requirements	Exit from Teacher Education Program	Certification	Hiring	Evaluation of Induction Period	Evaluation of Professional Development	Evaluation of Probation Period (for Tenure)
Australia	M	M	H	M	L	L	L	M
England	L	H	L	H	L	L	L	M
Hong Kong	M	M	L	L	L	L	M	H
Japan	H	H	L	L	M	M	H	H
Korea	H	M	H	L	H	L	H	L
Netherlands	H	H	M	L	L	L	L	M
Singapore	H	M	H	L	M	M	L	L
United States	M	L	M	H	L	L	L	L

High-Stakes Tests Needed For Teachers?

Student success is highest where teachers pass tough professional 'filters'

By KAREN PALASEK
Assistant Editor

One of the most daunting tasks school administrators face is finding the highly qualified teachers they need to staff schools under the No Child Left Behind education act. The emphasis on teacher preparedness is understandable, given the high-stakes tests that now measure students and schools under the law.

According to the Department of Public Instruction, North Carolina needs nearly 12,000 new teachers annually. Swelling school enrollments and attrition by retirement, plus class-size reductions, add to the demand. In North Carolina we are now importing teachers from states all over the United States, so teacher preparation standards in other states may have an impact on how our students perform.

In a new international study, "Preparing Teachers Around the World" published by the Educational Testing Service, researchers compared the United States to countries that require high-stakes milestones as part of the teacher preparation and development process. The countries studied all outperformed the United States on eighth-grade science tests in the "Repeat of the Third International Mathematics and Science Study of 1999." Although the authors stop short of recommending policy, the study raises provocative questions. Are better teachers the product of more rigorous, high-stakes teacher preparation processes?

Is certification enough?

Certification may not be enough to produce a highly qualified teacher. In the United States, schools rely heavily on the certification stage in the teacher-preparation process. That is especially true in North Carolina. To date, North Carolina has the largest percentage of nationally certified teachers in the country. According to a North Carolina Education Alliance study, more than 20 percent of the 16,000 National Board for Professional Teaching Standards certified teachers are located in our state.

North Carolina student scores on national tests like the Scholastic Aptitude Test and the National Assessment of Educational Progress have shown improvement over time, but state education officials acknowledge that the state needs to continue its efforts. "We are making progress, but we need to keep going if we want to be number one in the nation," Gov. Mike Easley said at a recent education press conference.

Just two school districts in the state, Hyde and Ashe, met district-level adequate yearly progress requirements under No Child Left Behind for 2002-03.

A recently released *Education Week* study, "Quality Counts 2003," rated states according to their efforts to improve teacher quality. Overall, North Carolina made a fifth-place showing, and received a score of 84 — a B — for a combination of points earned for required teacher training classes, state licensing and financial incentives, and for several state accountability requirements.

Although North Carolina scored above most states in the *Education Week* study, it is typical of all U.S. teacher education in one significant respect. The main filter, or point in the teacher preparation pipeline that would force an individual to exit the teaching profession, occurs at the certification stage. Before and after this point, most steps can be considered low-stakes, according to the 2003 Educational Testing Service report "Preparing Teachers Around the World."

The teacher preparation pipeline

"Preparing Teachers Around the World" used an eight-stage teacher training and development model. The sequence of stages form a "pipeline," and teacher candidates can progress to later stages only by completing earlier ones.

At each stage, policies present pressure points, or "filters" for the developing teacher. The rigor of the required step determines how difficult it is to pass through that stage. This study assumes that high-quality teachers will go through most or all filters.

The high-stakes pressure points could cause a person to exit the profession, while medium-stakes points can only be passed with some effort. Low-or-no-stakes filters are not real barriers. Instead, they present mainly "pro-forma" requirements.

The pipeline begins with acceptance into a teacher training program, and proceeds through practical experience, exit from teacher training, certification, hiring, evaluation during an initial teaching period, evaluation of professional development, and evaluation for tenure.

Fourteen of the 38 countries that participated in the "Repeat of the Third International Mathematics and Science Study of 1999" were candidates for the international "Preparing Teachers" study. Of these, seven also had an integrated eighth-grade science curriculum, needed for the comparison.

The seven nations that ETS finally chose were Australia, England, Hong Kong,

Japan, Korea, the Netherlands, and Singapore.

The report focused on "top performers" to see what differences and similarities they have to U.S. practices. The ETS study claims to be unique in that it looks at the entire teacher preparation pipeline, and not exclusively at a single point along the way.

U.S. practices

The "Preparing Teachers" study offers some revealing comparisons. Authors Wang, Coley, Coleman, and Phelps found that all of the countries studied used more filters for teacher training and development than did the United States. Technically, we have the same stages in the process as every other country, but we don't use most of the stages to filter out low-quality teachers and candidates. "In the United States, nearly all of the high-stakes filtering is applied before or during initial certification. After that, the filters in place might be considered 'proforma.'"

Eight pressure points, or "filters" show where in the process countries exert restrictions. Some countries "front-load" the process, as in Japan, Korea, the Netherlands, and Singapore. The screening process for education school entry is significant in these places. Japan also "back-loads" the pipeline, with high-stakes consequences attached to professional development and tenuring. Japan uses more high-and medium-stakes filters than any other country studied — four and two, respectively — and only two low-stakes criteria. Following Japan in order of the combined number of high-and-medium-stakes filters are Korea, Singapore, Australia, the Netherlands, Hong Kong, England, and, last, the United States.

Teacher preparation in the United States involves just one high-stakes barrier: teacher certification. Most U.S. teacher development stages are no-or-low-stakes filters — five out of eight requirements in the U.S. are low-stakes, proforma measures.

If high-stakes tests improve student achievement, can high-stakes filters raise teacher quality? "Preparing Teachers Around the World" doesn't tackle this directly, but the study is suggestive. Even so, the authors offer "some words of caution, along with a few caveats." We are fairly warned that correlation and causation are not the same thing.

Rather than suggest that another country's model will work in the United States, the authors point out that the number and placement of high-stakes filters can be a valuable policy tool in the quest for teacher quality.

Law revamps program with new emphasis on literacy

Head Start Gets Mandate For Academics

By TERESA NICHOLS
Contributing Writer

Head Start, the government's signature early-childhood program, has been a high-profile issue this summer for both President Bush and Congress. The School Readiness Act of 2003, the Head Start reauthorization bill, calls for an increased focus on academics.

A bill summary issued by Rep. John Boehner, chairman of the House Education and the Workforce Committee, said, "Head Start children lag behind their more affluent peers in the crucial early-learning knowledge areas that have been shown to be an excellent predictor of later school success."

According to the North Carolina Head Start Survey, 17,269 children in the state were enrolled in a Head Start program in 2001-02. And 1,397 were enrolled in Early Head Start. Head Start supported 1,152 classrooms in 431 centers in 2001-02, making a substantial involvement in the program for North Carolina families.

Head Start was created in 1965, and was designed to "break the cycle of poverty by providing preschool children of low-income families with a comprehensive program that would meet their emotional, social, health, nutritional, and psychological needs," according to the statute.

The reauthorizing legislation is causing concern, however. With a specific emphasis on academics, some fear that the traditional aims of Head Start may fall by the wayside. These services have been geared to the distinct needs of low-income families.

The National Center For Children in Poverty notes that North Carolina families have universal access to Head Start, regardless of income. The proposed shift in services may simply reflect a shift in Head Start clientele: serving a smaller base of low-income households seeking family services, and a growing constituency of families seeking preschool or other services.

The old vs. the new Head Start

After its creation, Head Start was transferred from the Office of Economic Opportunity to the Office of Child Development. It has since grown to a full program within the Administration on Children, Youth and Families of the Department of Health and Human Services. The Head Start program has been very popular with its customers, and serves children from birth to age 5, pregnant women, and their families. Head Start in its current state really attempts to be a comprehensive program. One of its most important goals is to assist low-income families with mental, medical, and dental health care.

In assisting families, Head Start has always embraced the idea that school readiness is enhanced if basic health and nutrition needs are met. The explicit shift to preparing children for academic success stems in part from the apparent failure of the program to make a difference in the academic lives of children served by the plan.

Statistics show a persistent "readiness gap" between children from low-income families and their affluent counterparts. Head Start does not seem to be closing that gap. A report issued by the Department of Health and Human Services also revealed that Head Start children continue to lag in areas such as math and reading once they reach kindergarten.

Early-childhood education advocates now say that the program needs to accomplish a great deal more academically. The Department of Health and Human Services agrees, stating that "skills for specific areas known to improve school readiness could be taught better, especially

if already existing resources were used more effectively."

But changes in Head Start are inciting fears about the direction of the program. The reauthorization act creates the possibility of a pilot program that would allow eight states to take control of their Head Start programs and funds. This idea has drawn criticism from congressional Democrats and some local Head Start operators, who have expressed concern that the bill is a roundabout method to dismantle the existing Head Start program entirely. Democrats acknowledge that Head Start needs improvement in its academic services, but Senate Democrats will be crafting a version that will leave out the pilot provision.

Parents and teachers

The School Readiness Act would require all new Head Start teachers to hold appropriate associate degrees by 2005. In addition, at least half of all Head Start teachers will be required to hold bachelor's degrees by 2008.

The act also provides guidelines that allow states to coordinate early Head Start with existing childhood education programs in the state. These changes to Head Start would directly affect the more than 18,000 children who participate in the program in North Carolina.

Parents in North Carolina are also debating the merits of the plan adopted by the House. Recent reports reveal that they are apprehensive about the proposed changes in store for Head Start. The program holds particular importance in high-participation areas of North Carolina. In Knightdale, a town that houses 11 Head Start programs that serve more than 1,000 children, no one seems to know what a "more academic" Head Start means. Parents want specific information on what program changes to expect.

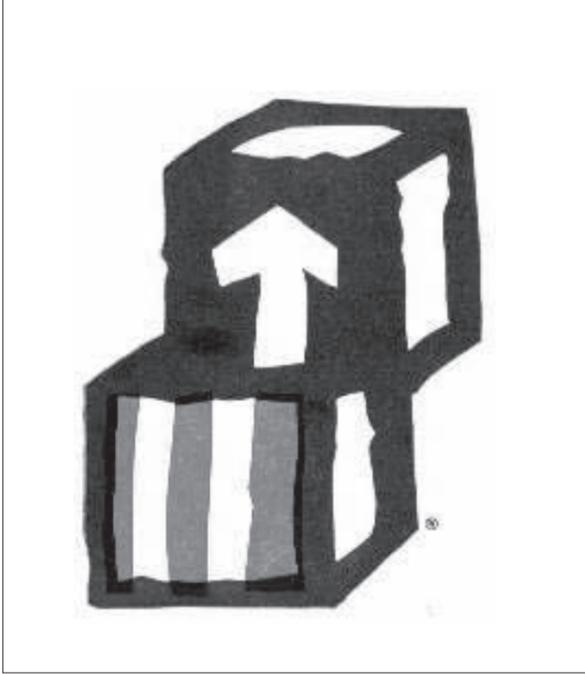
Teachers and parents have additional concerns about the impact of degree requirements on teacher availability and quality. The School Readiness Act requires new levels of credentials for both teachers and teacher assistants. The Act puts them on a deadline for completion of those credentials.

One worry that faces program administrators is the possibility that centers will be unable both to staff Head Start programs and comply with the teacher qualification part of the law. New Head Start teachers are paid about \$25,000 a year, considerably less than teachers in public schools. The low pay and high certification requirements raise questions about attracting Head Start personnel in an education environment struggling to find teachers for regular schools.

Critics have also expressed concern about formal education for children in the birth-to-age-5 group, the range served by Head Start. Teachers agree that children need basic social skills before entering their formal education, but the idea of Head Start becoming a more formal environment has teachers and parents nervous. Advocates of change argue that the program will teach basic skills such as standing in line and being quiet, and ensure that children learn their ABC's as well.

Bush summarized the debate by saying, "We've got a million kids anxious to learn, showing up on a daily basis at Head Start programs all across the country. We've got teachers who want to teach. We're writing checks for local governments and the local Head Start programs. Let's combine it all into a comprehensive strategy that will allow us all to say we have done our duty for future generation of children by laying the most important foundation of all, and that is the ability for each child to learn to read."

Simply correcting past mistakes and increasing the program's academic component is insufficient. Children coming out of the Head Start program should know not only basic social skills, but also have the basic information necessary to successfully compete in a classroom. *CJ*



Children coming out of Head Start... should have the basic information necessary to compete in the classroom.

Bureaucrats Avoid Simplistic Statistics

Why do bureaucrats make a simple statistic extremely difficult? Do they just want to keep everyone guessing? Keep the public in the dark? Do I sound cynical? Maybe, but even the State Board of Education chairman, Howard Lee, agrees with me. He, too, questioned the Department of Public Instruction on why this is so confusing.

Discussing the percentage of dropouts should be simple. It is a data-driven number, right? As a former school board member, I remember each year seeing the percentage of high school dropouts being around 3 to 5 percent. This didn't seem accurate. Then, I figured out the puzzle. The report described a one-year percentage of students in 7th to 12th grades who had dropped out. In 2000-01, Mecklenburg had a 4.1 percentage rate, and North Carolina had 3.9 percent. But legally, a student cannot drop out at such young ages. Both figures would have looked better if the base number included the number of kindergartners. Statistics can hide in a multitude of definitions. To add to the confusion, the state and federal definitions of a dropout differ. Got a headache yet?

The state labels "dropouts" as students who withdraw from high school to attend community colleges. The federal guidelines allow certain instances when students pursuing other programs are not counted as dropouts. The state does not include "expelled students" in the dropout count (per state statute), but these same students are included in the federal dropout count. The federal guidelines count the same student twice, if they drop out twice in a year, but the state counts the student once.

The public just wants to know how many students drop out. Is this so hard? What might give us a clue is another measure: the "graduation rate." The No Child Left Behind law requires systems to report in this fashion, but will dropout information be hidden or confusing? The state ABC's accountability program would improve if graduation rate were considered rather than the state's dropout definition. Looking at a graduation rate could be used to present more accurate reporting of dropouts.

Knowing that poorer families are held hostage in this "one size fits all" system, I tend to look at how these students fare. Looking at the graduation rate in Mecklenburg County, poorer students failed to complete high school within four years at rates of 40 percent in 2001-02 and 44 percent in 2000-01. Who should stand for this? Where is the outrage?

The report summarized graduates as graduated seniors and students who completed a community college program. Students repeating a grade were classified as "active," and those who "left the system" were reported. The 40 percent included students from the official state dropout report as well as students who did not return to school after a discipline problem. This reporting method accurately shows the intensity of the problem.

While the State Board tries to determine how to collect and report data, these kids repeat the cycle of poverty. Oh yes, the Bill and Melinda Gates Foundation recently gave the state \$11 million as part of a larger \$30 million grant to reform high schools in North Carolina. The grant will be administered by the Public School Forum and be overseen by the Education Cabinet. The grant aims to reduce dropouts, but by letting the same folks who created the situation, fix the problem! The \$30 million will assist "innovative" solutions within the same system, never for solutions outside the monopoly. The status quo "blob" continues and simple statistics are hidden. Wonder why I am cynical? *CJ*



Lindalyn
Kakadelis

Kakadelis is director of the NC Education Alliance.

School News: Nation

• The Associated Press reports that Microsoft Corporation is extending its education activities into the design of high-tech high schools. According to the report, administrators are anticipating a "paperless building," in which online and electronic media replace physical texts and pages.

The new school is planned for an opening in Philadelphia in 2006. According to reports, Microsoft and other potential suppliers will bid for product and technology sales. The main contribution they will make is in expertise, said Wanda Miles, Microsoft's executive director of learning technologies.

The school district's chief executive, Paul Vallas, said he hoped that adoption of the Microsoft model for high schools would offer students in the Philadelphia district greater school choice.

• Officials in Detroit metropolitan school districts are having second thoughts about their school choice program, the *Detroit News* reports. The metro districts have had a competitive school environment for seven years, in a program called Schools of Choice.

Poor districts are losing children, while other districts are breaking even in "a bidding war among Metro Detroit districts with students as the prize," the newspaper reported.

Districts that are trying to attract or maintain enrollments spend thousands of dollars on marketing.

Steve Johnson, superintendent of Madison Public Schools, relies on Schools of Choice students for one-third of his district's operating budget. "It's a dog-eat-dog world, and I don't like it," he said.

Parents whose children gain admission to choice schools said they were pleased with the program. Because of shootings and violence in some schools, parents such as George Jenkins said they were grateful for the opportunity the program offers. Lotteries handle the overflow when applications exceed the number of vacancies in a school.

• The National Education Association adopted a number of antichoice resolutions at its convention in 2003, as reported by the *Education Reporter*.

Once again, the NEA resolved to prevent any education provided by nonpublic school organizations from taking place in public school buildings. Use would be allowed, under the NEA resolution, as long as it is not "in direct competition with the public schools."

The 2003 resolutions also include universal mandatory kindergarten, with compulsory attendance, and early-childhood education programs in the public schools "from birth through age eight."

As for federal or state-mandated parental choice options, "these compromise free, equitable, universal, and quality public education" according to the NEA, which opposes them. *CJ*

*Public education needs a new definition***Education Expert Urges Widespread Reform Of Public Schools and 'Inside the Box' Thinking**

By KAREN PALASEK

Assistant Editor

RALEIGH

Public education needs a new definition, the CEO of the Education Leaders Council said recently at a luncheon at North Carolina State University.

Lisa Graham Keegan, head of an organization committed to improving the nation's public schools, spoke Sept. 8 at the event, sponsored by the North Carolina Education Alliance. She is also a former superintendent of the Arizona public school system.

Keegan has been a vocal advocate of performance-based change for public schools for many years, and offered her thoughts in a talk titled "The Abyss Gazes Also: Staring Down the Face of the Opposition in Education Reform."

"When you take on the monster, it is important not to become the monster... what it is that you oppose," said Keegan in her opening remarks.

'Inside the box' thinking

Lack of improvement in public schools is the result of "inside the box" thinking about how to produce better public schools, Keegan said. That kind of narrow approach to possibilities won't work, she said. "They are trying to repair a system. They don't realize that they are working inside a box, and there are all kinds of ways to get out."

Because public education largely assigns children to schools, it cannot attract "the best and the brightest," to the profession, she said. That means that the school system cannot keep improve itself, and predictably, it poorly serves certain children.

Calling the public-school system a "Soviet-like monopoly," because of its centrally governed, inflexible character, Keegan said, "There is no other system where we expect that to work except in public education."

As an alternative, Keegan proposed a new definition for public education. The changes she proposed encompass aims as well as methods for reforming schools. To



Lisa Graham Keegan, CEO of the Education Leaders Council, speaks at N.C. State University.

revamp public education, she said, we must first ensure that schools work for the benefit of every child.

Public support for the education process, and a policy that allows dollars to follow children into schools that work best for them, are the other essential components she identified.

Choice for students and teachers

Keegan is confident about the benefit of increased choices for children, asserting, "Kids won't lose if dollars follow the child" in a voucher plan. She concedes that schools might lose, "if they are lousy schools."

On the other hand, she said that failing schools should be treated like failing practitioners in other professional fields. "Would we continue to patronize a doctor who hasn't been able to cure us for 27 years, on the fear that if we take our business away, he'll only get worse," she asks?

The voucher plan that Keegan envisions would reward schools that succeed by allowing education funds to flow to

them.

Keegan is promoting charter schools, magnet schools, and vouchers as ways to bring innovative methods and fresh skills into education. Traditional public schools hinder these efforts, but charters, magnets, and private schools could "allow great teachers to bring in their own staff... and eliminate people who don't fit," Keegan said.

In addition to choice for parents, the changes Keegan envisions will bring in master teachers to evaluate teachers against a school's own high standards. As for American Board certification, Keegan said that "the eye ought to be on who's getting results," not on credentials. Likewise for teacher training. "It is not worth it right now to pretend that we can reform the colleges of education," she said.

The Education Leaders Council was founded in 1995 by Keegan and a group of other education chiefs. The leaders hope to address the problems of a system that they believe will not, or cannot, reform itself without fundamental change. *CJ*

Education Alliance Report Shows Limited School Choice in North Carolina

By RICHARD WAGNER

Editor

RALEIGH

What are the school choices available to parents of third- to eighth-grade children in North Carolina? A recently released study, "Choice in North Carolina Education: 2003," published by the North Carolina Education Alliance, takes a detailed look at the number and location of children attending choice schools around the state.

Because far more public elementary and middle schools than high schools are available for choice, the study concentrates on grades three to eight, but considers trends through high school as well. Private and home school enrollments are included to round out the choice picture.

Among public schools, districts that offer open enrollment — a chance to choose a school before assignments take place — or very liberal transfers, were included in the school choice numbers. Only seven districts offered this option in 2002-03: Avery County, Asheville City, Kannapolis City, Cumberland County, Lexington City, Forsyth County, and Mecklenburg County. About 9 percent of the state's third-

eighth-grade students are enrolled in schools in those seven districts.

Magnet schools and charter schools are also public schools of choice in the state. Magnets offer special programs not typically found in traditional schools. Charter schools are semiautonomous public schools. They exist under a private-public association between the charter operators and the state. Charter schools aren't guaranteed students, so they have to attract and retain students to continue operating. Charters have more leeway in choosing curriculum and staff than do regular schools.

Nine of the 117 school districts in the state offer magnet schools, and 44 districts have at least one of the 100 charter schools authorized by the State Board of Education. Magnet schools served about 3.5 percent of third- to eighth-grade students last year, and charters enrolled 1.6 percent.

Home and private schools are much more widely distributed around the state than are the public schools of choice. Every county except Graham reports some home and private school enrollment. Together, these nonpublic schools of choice account for about 12 percent of the state's third- to eighth-grade students. Private schools en-

roll slightly more than half of that total.

Top counties for choice

The NCEA study ranked all 117 districts in the state by percentage of third- to eighth-grade students attending some schools chosen by their parents. The rankings included public, private, and home-school percentages. Tops in the state were Forsyth, Asheville City, and Avery, all tied for first with 100 percent of students attending choice schools. Mecklenburg was next, with nearly 80 percent choice, followed by Wake at 52 percent, Durham at 30 percent, and Pamlico at nearly 30 percent. Lexington City, Guilford, and Transylvania round out the top 10.

There were 69 districts in 2002-03 that had no public school choice.

Lindalyn Kakadelis, director of the North Carolina Education Alliance, toured the state in September, made presentations of the NCEA's "Choice: 2003" report, and talked about student achievement. The "Choice: 2003" report was written by education policy analyst Karen Palasek. It is available on the web at www.nceducationalliance.org. *CJ*

School Spotlight: Flexibility and choice work for Forsyth County school

Kernersville Elementary Serves As a Model for No Child Left Behind

By BRIAN GWYN
Contributing Editor

The 2002 No Child Left Behind education act has placed added academic pressure on North Carolina schools. Under the new law, each school must meet all of its adequate yearly progress targets to get a "pass" at the federal level. Some North Carolina schools had as few as one achievement target, or as many as 35 targets, to meet this year. More than half of the schools in the state missed one or more achievement goals in 2002-03.

Bucking the notion that schools with needy populations can't succeed, Kernersville Elementary in Forsyth County hit all 27 of its federal achievement goals for 2002-03.

Kernersville serves a student population in which 58 percent of its pupils qualify for the federal free or reduced-lunch program, a ratio that would cause some school administrators to despair. Instead, Kernersville is a model for No Child Left Behind.

Emphasis on literacy

How does a school with a large number of at-risk children manage to be so successful? Principal David Fitzpatrick believes there are plenty of commendations to go around. "First, I have to credit the unselfish educators who truly share love and compassion," Fitzpatrick said. He credits the faculty and staff at Kernersville Elementary as "vital to the school's success." In the midst of all the attention on test scores, he said, "they haven't lost focus on taking care of children."

In addition to caring faculty and staff, the school enjoys strong community support. A school has existed on the grounds where Kernersville Elementary stands since 1926. That creates a tradition and community ties at Kernersville, Fitzpatrick said. Business partnerships and a strong PTA presence have helped the school to thrive under tough economic conditions.

Fitzpatrick characterizes faculty and staff support for students as "unconditional." Together, they have developed simple, yet effective ways to boost student achievement. One method was initiated five years ago by Fitzpatrick: an uninterrupted period of 100 minutes per day, in which students spend time practicing their reading skills. "It's not rocket science," he said, "but we said for 100 minutes a day, we are

getting to literacy. It's an investment in reading."

The school has hired extra teachers to work with students exclusively on reading. Many of the extra teachers came out of retirement, and Fitzpatrick notes that their experience added to Kernersville's success. About 15 faculty members are designated as primary reading teachers. They spend that precious 100-minute block of time with students every day.

Within the school day, this means a staggered reading schedule for the teachers, with an A block and B block. Teachers work with one group of students for the first 100-minute block, then break and work with a different group of students for the next 100 minutes. During the reading blocks, students are divided into what the principal calls "flexible groups."

Kernersville regroups students regularly. "We try after each quarter to revisit groups," Fitzpatrick said, noting that this flexibility allows for teaching to better meet the needs of the students. At the fifth-grade level, more than 89 percent of Kernersville students are now proficient in reading.

Connections to the home and others

In addition to the reading blocks, Kernersville has another way it follows through with its students. The school employs a "home-school coordinator" who tries to see that the children's basic needs are met. She is affectionately known around campus as the Mother Theresa of the school. "She's always on the go," Fitzpatrick said. "She constantly meets with parents and gets supplies for the children."

This assistance ranges from getting a child to the dentist to personally delivering packages of loose-leaf paper. Fitzpatrick estimates that at least 80 families received gifts and assistance from the coordinator last Christmas.

Many students from low-income families could not come to school ready to focus on the top priority — learning — if there were no coordinator to help them, Fitzpatrick said.

The diverse student body at Kernersville provides an enriching atmosphere for education, Fitzpatrick said. In addition to diversity along ethnic lines, a great deal of socioeconomic diversity exists among students. Diversity has positive effects for everyone, he said.

Part of Kernersville's success is also



Kernersville administrators Phyllis Tate, David Fitzpatrick, and Deborah Grace

due to Forsyth County school district policies, Fitzpatrick said. The district is unusual in its willingness to embrace choice for parents of public school students.

Buddy Collins, a member of the Winston-Salem/Forsyth County School Board, said the district's open approach to school assignments allows parents to have more say in their children's education.

The school system places a strong emphasis on magnet programs, and each school has its own theme. There is a wide range of school themes, such as math and science, communications, writing and publishing, and even aeronautics. Besides subject themes, magnet schools may focus on learning strategies, such as multiple intelligences, to attract students.

At the elementary school level, the district is divided into eight choice zones. Each zone has either four or five schools. Parents can choose a neighborhood school or one of the themed magnet schools. While enrollment in a particular school is subject to availability, Collins said that each school in the zone offers an exciting program and plenty of attractive choices for parents. According to Collins, this choice program has helped to create a positive response from parents.

"Every parent we talk to says their school is the best in the district," Collins said. The district provides transportation

for students who attend schools within their zone. Every school, regardless of magnet theme, teaches the basic curriculum mandated by the state.

Diversity

Critics of magnet programs have often said choice decreases student diversity in schools by allowing more-affluent students to avoid the inner city. Collins acknowledges that some schools are not as diverse as they could be, but that the benefits outweigh the disadvantages because "the result has been to have inner-city schools with small enrollment." This provides at-risk students with greater professional attention.

In some situations, the choice plan has created more diversity, Collins said. Kernersville, for example, has a 47 percent minority population. Fitzpatrick counts this as a benefit, particularly since Kernersville was the school of choice for all of the families of students enrolled there.

Kernersville's success has helped to maintain support from the entire community, Collins said. Businesses have donated technology and technical support to the school. "Education in Forsyth County is heading in the right direction, and Kernersville...is just one example of the district's success," Collins said. *CF*



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See what one Raleigh paper called "Matt Drudge with Class"

Course of the Month

Intolerance, with 'Honors'

This month's selection comes courtesy of a tip in NoIndoctrination.org, a web site devoted to the passé idea of open inquiry in academe. It is an introductory sociology course offered at Elon University:

SOC 111 INTRODUCTORY SOCIOLOGY

This course provides an introduction to basic theoretical principles and research methods of modern sociology, including such issues as the relationship between culture, personality and society; the fundamental forms of social structure; social institutions such as religion and the family; and social processes such as deviance and social change.

The particular section of SOC 111 discussed on NoIndoctrination.org is the "Honors" section taught by Professor Angela Lewellyn Jones. The student reporting on the class said Jones was intolerant of dissent within the class from her strident feminism. Jones "declared her status as a feminist numerous times in class," spoke of "her disdain for male success," and stated that prohibiting abortion is a sexist act since it takes away a woman's right to correct a 'mistake' and forces the female to be confined to the shackles of motherhood."

The course reading material was as unbalanced as the lectures. It included "readings on Marx and communism," and "all reading held pro-feminism, anti-government, pro-choice diatribes," the student wrote. "Not a single reading was balanced by a different perspective."

In her lectures, the student wrote, she never mentioned "non-feminists" except to "dehumanize" them or call them "Philistines." She would curtail class discussion "contrary to her own views," and if students pressed forward regardless, "she would snap at them in very unprofessional manner."

Students who voiced opinions contrary to Jones's were "ridiculed for their opinions and later ignored or silenced." In one incident, the student wrote, "a friend of mine dropped the course around midterm because of Jones's unfair treatment of him. When someone in the class asked about him a few weeks later, Dr. Jones told the class that he just wasn't smart enough to handle the demands of the course."

According to the student, dissent in Jones's class was met by more than ridicule:

Any student who voiced contrary opinion was not only subjected to having everything they said in class dissected under a microscope and negated, but having their grade lowered significantly. On numerous occasions, dissident students would meet outside of class and discuss how their grades drastically changed on assignments the week after expressing opinions. Since the grading in the class was all subjective (no objective tests), such grade drops alarmed these "Honors" students whose status in the honors program depended on success in the class. As a result numerous students quelled their opinions for grades sake, including myself.

In short, "what I learned in the class," the student wrote, "was that men are all oppressors, African-Americans cannot stand on their own feet and need government handouts to survive, and such problems were not meant to be discussed by different parties because dissenters aren't thinking in a 'sociologically mindful' manner and are ill-informed." CJ

Students choose from a "grab bag of elective courses" instead

Most UNC Institutions Fail to Provide A Sound General Education, Report Says

By JON SANDERS

Assistant Editor

RALEIGH

The idea of a general education within the University of North Carolina system has "atrophied into a grab bag of elective courses," says a new study by the Pope Center for Higher Education Policy.

"General Education Requirements at North Carolina's Public Institutions: What Do Students Get in the Core Curriculum?" (Inquiry No. 16), written by Pope Center Director George C. Leef, looks at the general-education requirements of all UNC schools except N.C. School of the Arts.

Although all UNC institutions hail "the importance of a well-rounded education," Leef writes, "only a few insist that their students take courses that would be regarded as crucial components of a sound education." Instead, most UNC universities lack a true core curriculum and allow students a vast assortment of choices to satisfy their "distribution requirements."

This situation leaves it possible for UNC students to purposefully piece together a liberal-arts education, but it also makes it easy for them to select an education based on leisure and entertainment. Many students, Leef said, will sign up for easy courses after they recognize that they will be awarded the same number of credit hours for easy courses as they would for difficult ones.

"Many of the courses that earn general education credits are too specialized, too politicized, or too academically trivial to be appropriate," Leef writes. "Because of the lack of a true core curriculum, students at most UNC schools can graduate without ever studying American history, the pinnacles of our literature, our economic and social institutions, and other important subjects." He said it's "education in name only."

Leef's approach is based upon elements of general education that "have stood the test of time at some of America's most famous institutions of higher education." Those include helping "students to develop crucial habits of the mind," developing "literacy among the students," "familiariz[ing] them with mathematics and numerical data," providing them "with a sense of history," teaching them "an understanding of science," and "introduc[ing] them to the world of art and aesthetics."

Leef also argues in favor of limiting the range of choices under distributional requirements so students have more education experiences in common. The quick expansion of course available to meet distribution requirements hurts the commonality in students' educational experiences, and the new courses tend to be narrower or trendier rather than suited for general-education purposes.

In the face of those problems, Leef offers a range of solutions. The universities could and should reform themselves, he writes, but barring that, the UNC Board of Governors should establish general-education guidelines to replace the weak ones set up by the schools themselves. Or the trustees should press for the change themselves. Or the General Assembly should "tie state funding to each universities' adherence to general education requirements."

Finally, if none of the preceding takes place, Leef urges parents to act. He tells them to be involved in the course selection process to help steer their children to the better choices among the classes offered. CJ

Report conclusions about UNC schools' general education requirements

Appalachian State University

The "core curriculum" at Appalachian State has only a small core of required courses surrounded by numerous electives. No American history [or] foreign language study [or] courses in logic, economics, or government are required...

ture [or] taken a course specifically on American history or our political institutions [or] learned anything about logic or economics...

UNC-Chapel Hill

The general education requirements at UNC offer the student such an array of course choices, many of them quite specialized, ideological, or of questionable academic value, that they fail to ensure that students will graduate with any knowledge in fields such as American history, western civilization, the classics of literature in English, economics, or our political institutions...

UNC-Charlotte

The UNCC general education program has more unity to it than many, [but it] leaves some significant gaps in the student's education. No American history is required. Nor is there any assurance that students will graduate with any knowledge of logic, economics, or our political institutions. Nor are students guaranteed any exposure to the great literature of our civilization...

UNC-Greensboro

The UNCG general education program places a very extensive smorgasbord of courses before the student, [many that are] narrow and specialized. More importantly, the UNCG program fails to ensure that students will have studied American history, any of the great literature of the English language, or learned anything about our political institutions...

UNC-Pembroke

The UNCP general education requirements do not ensure that students will have much of a uniform learning experience... Nor does the program ensure that students will be required to study American history, the classics of literature, a foreign language, or principles of economics, political science, or logic...

UNC-Wilmington

The Basic Studies requirements at UNCW give students the possibility of obtaining a strong educational foundation, [but] in each area, the range of choice is so wide that students can avoid courses that would give them educational backbone... UNCW students can graduate without having studied American history, the classics of our literature, logic, or our economic and political foundations...

Western Carolina University

WCU's general education program is not well designed... The mandatory courses only deal with writing and math skills that should have been learned prior to college. Students are required to take some basic science, but in other areas, particularly history, social science, and the humanities, the school's array of choices is much too broad... A student can graduate from WCU without a course in American history, great works of literature, logic, economics, or our political system.

Winston-Salem State University

The WSSU general education program, unlike most others, gives its students a widely shared educational experience in, for the most part, important academic fields. There are, however, some significant omissions. No American history is required, nor any course in logic or economics...

East Carolina University

East Carolina's general education requirements do little to ensure that the student partakes of a broad and well-rounded liberal arts education. No history [or] literature [or] any logic, economics or political science [courses are required]. The loose distribution requirements allow students to fulfill their general education requirements with an assortment of narrow and sometimes academically dubious courses.

Elizabeth City State University

ECSU has a very commendable general education program. Important topics that educated Americans should be familiar with are covered, including literature and the history of civilization. Where options are offered to students, they extend only to fundamental courses, and not to narrow and abstruse ones.

Fayetteville State University

FSU's core curriculum accomplishes part of its objective with some sound, if repetitive, mandatory courses. The weakness in the program is in not requiring more courses that are essential to a well-rounded education — American history, literature, and government, for example...

N.C. A&T University

[T]he core requirements at A&T don't guarantee that students learn anything in particular. Students may learn something about U.S. history, about our political institutions, about the great works of literature in English, about logic and reasoning and other attributes of the well-educated person, but the "greater flexibility" of the core allows them to avoid those subjects...

N.C. Central University

NCCU's core curriculum has the virtue of being a real core. All students have to take the same courses and that provides unity to their educational experience. Unfortunately, the core leaves many important gaps in the student's knowledge. There is no required exposure to American history, Shakespeare, logic, or the foundations of our political system. In their place [are] overly broad multicultural studies [and] personal development [and] health and fitness classes...

N.C. State University

NCSU's apparent commitment to a strong general education program is undermined by its liberality in the range of student choice... Students can graduate without ever having taken a course in American history [or] Shakespeare or other literary staples [or] western civilization [or] our economic or political systems.

UNC-Asheville

UNCA has a commitment to general education that is more serious than at most other UNC system campuses. There are, however, some notable gaps. Students need not ever have read any of the classics of western litera-

Source: George C. Leef, Inquiry No. 16, available at www.johnlocke.org.

Merely taking offense doesn't count as harassment

Office for Civil Rights Affirms Speech Rights, Rejects Campus Anti-Harassment Codes

By JON SANDERS

Assistant Editor

The Office for Civil Rights of the U.S. Department of Education recently issued a resounding affirmation of free-speech rights on college campuses.

In a "Dear Colleague" letter July 28, OCR Assistant Secretary Gerald Reynolds addressed concerns that OCR's antidiscrimination policies required restricting speech. As Reynolds noted in his letter, "Some colleges and universities have interpreted OCR's prohibition of 'harassment' as encompassing all offensive speech regarding sex, disability, race or other classifications," Reynolds said. "Harassment, however, to be prohibited by the statutes within OCR's jurisdiction, must include something beyond the mere expression of views, words, symbols or thoughts that some person finds offensive."

Such interpretation have given rise to Byzantine speech codes at colleges and universities nationwide. Campuses have also instituted such things as "Free Speech Zones," with the understanding being that the rest of the campus is a restricted-speech zone. Civil libertarians and First Amendment champions have been harshly critical of those, saying that at public universities (which fall under the First Amendment), the entire campus is a free speech zone. Reynolds' letter bolsters their position.

"OCR has recognized that the offensiveness of a particular expression, standing alone, is not a legally sufficient basis to establish a hostile environment under the statutes enforced by OCR," Reynolds writes. "OCR's regulations and policies do not require or prescribe speech, conduct or harassment codes that impair the exercise of rights protected under the First Amendment."

Recent actions concerning offensive speech at University of North Carolina institutions show that they are among those laboring under the misinterpretation rectified by Reynolds' letter. A few examples:

- UNC-Chapel Hill threatened to revoke its recognition of several student groups, most of them Christian organizations, on the basis that the groups "excluded persons from membership and full participation based on race, gender or religious belief."

Public outcry, in part brought by FIRE, forced UNC-CH to back down. Even so, Chancellor James Moeser said that the issue "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."

- N.C. State investigated — and exonerated — Professor Philip Muñoz after a black student charged him in 2002 with discrimination for not being sufficiently critical of a white student who said "go back to Africa" to the black student before the beginning of the class. Muñoz had entered the class while the students were arguing over the black student's comments that America and its founders were racist and corrupt, and upon the "go back to Africa" remark stopped their argument and said discourse in his class would be civilized and academic.

Even though Muñoz was exonerated, the incident was cited this summer in *The News & Observer* of Raleigh as one of two proofs of N.C. State's poor climate for racial diversity. The other incident was racially offensive graffiti written in the "Free Expression Tunnel," the appearance of which prompted Chancellor Marye Anne Fox to proclaim, "It's good to have a place to have free expression. First Amendment speech is valued on campus. But when it goes beyond the boundaries and advocates violence or is just inappropriate behavior among civilized people, that's just too much."

- UNC-Wilmington investigated, and exonerated, Professor Mike Adams for harassment in 2001-02 for his response to a student's e-mail. The student, Rosa Fuller, sent a campuswide e-mail blaming the United States for the terrorist attacks on its soil, since America is the world's "main source of oppression."

Adams responded to all recipients by saying Fuller's opinions were "undeserving of serious consideration" and "an intentionally divisive diatribe." Ironically, given UNCW's subsequent investigation of him, which included

poring over the rest of his e-mail messages for corroborating evidence of the alleged harassment, Adams said, "The Constitution protects your speech just as it has protected bigoted, unintelligent, and immature speech for many years."

In fact, Adams' "harassing" e-mail was solidly in keeping with OCR's understanding of the primacy of the First Amendment. "No OCR regulation," Reynolds writes, "should be interpreted to impinge upon rights protected under the First Amendment to the U.S. Constitution or to require recipients to enact or enforce codes that punish the exercise of such rights."

Jokes, annoyance, and a "free speech gazebo"

Earlier this year, Foundation for Individual Rights in Education launched a campaign against campus speech codes, which FIRE CEO Thor Halvorssen declared "a moral and legal outrage." FIRE was one of the organizations that had pressed OCR for a clarification of its regulations, since "[c]ollege and university administrators have defended restrictions on free speech on the grounds that OCR and other federal regulations require them to ban 'offensive' speech as a form of discrimination."

FIRE's campaign has already witnessed success. In June, in the face of a FIRE lawsuit, Citrus College in California dropped its code. According to FIRE, Citrus College's code "quarantined free speech to three small and remote parts of campus. Speakers outside of these areas could be suspended, expelled, or even arrested. Students were required to notify the college not only of their intent

to use the 'free speech areas' but also of their intended message. No sound amplification whatsoever was allowed. Lastly, the areas could be used only on weekdays from 8 a.m. to 6 p.m. — even though more than a third of students take classes between 4 p.m. and 10 p.m."

At present, FIRE has speech-code lawsuits pending against Shippensburg University in Pennsylvania and Texas Tech University.

Shippensburg's code prohibits "conduct which annoys, threatens, or alarms a person or group." Prohibited conduct includes "verbal" and other expressions such as "sexual innuendo, suggestive comments, insults, sexual propositions, humor/jokes about sex or gender-specific traits" and also such "non-verbal" expressions as "suggestive or insulting sounds, leering, whistling, [and] obscene gestures."

Save for expressions made within its "free speech gazebo," Texas Tech prohibits any "communications that are intended to... humiliate any person." These communications include "sexual teasing jokes and gestures," "referring to an adult as 'girl,' 'boy,' or 'honey,'" "sexual innuendos or stories," "unwelcome pressure for dates," "letters, phone calls, and materials of a sexual nature," "sexually suggestive looks," "sexually explicit visual materials (calendars, posters, cars, software)," or "catcalls or whistling in a demeaning manner with sexual overtones."

The OCR announcement was welcome news to FIRE. "For too long, colleges and universities have used OCR's anti-harassment regulations as an excuse for passing restrictive speech codes and punishing students and faculty for 'offensive' speech," said FIRE co-director and Boston lawyer Harvey A. Silverglate. "By issuing this letter, OCR has clarified once and for all that OCR regulations cannot and do not trump the First Amendment." CJ



Gerald Reynolds, U.S. Dept. of Education

Almost Anything Goes at UNC

My colleague George Leef's study of general-education requirements should concern educators, parents, students, legislators, and anyone else who cares about higher education in North Carolina. But will it? Welcome to a front line in the culture war.

After all, who's to say what constitutes a "sound general education" nowadays? Critics like Leef put forth instruction in history, literature, science and scientific methods of inquiry, logic, mathematics, and art — things that, in Leef's words, "have stood the test of time at some of America's most famous institutions of higher education." Note the past tense.

Now, in terms of a general education, the governing assumption at most institutions appears to be one step removed from "anything goes." What structure there is to general education, universities often provide in the form of politically tinged groupings.

Universities' vision of education has been perverted. Education has always been seen as a way of freeing one's mind from one's prejudices and superstitions, whatever they may be. In this view, ignorance (that is, a lack of education) is considered that which insulates those prejudices and superstitions, and education removes that insulation. That having been removed, the goal of education is unfettered inquiry (why academic freedom — the freedom to pursue ideas — is so crucial). To reach that ideal, educators needed to ensure students were fully prepared, so they turned to those elements of instruction cited above.

Now, however, only a certain set of prejudices and superstitions are presumed to be operative among individual students. Educators work to ensure students are armed against only those things with the goal being to lead to inquiry only against them. Academic freedom is still invoked, but mostly in this context. Anyone on campus knows what those things are: mainly racism, sexism, and homophobia.

Under this new framework, it isn't enough to teach history. History incorporates things outside the aegis. But "Third World History" and "African American History" (which address racism), "History of Women in America" (which addresses sexism), and "Lesbians in History" (which addresses homophobia) will do.

Literature? Too broad. "African American Writers," "Gay Literature," "Southern Gay and Lesbian Writers," and "Gender and Literature: Women Writing South Asia" (a two-fer) will do. The same goes for art. Just narrow the focus, such as with "Queer Strategies in Studio Practice" or "Women in Visual Arts."

Science and scientific methods of inquiry? Mathematics? Logic? Too... conducive to causing one to stray from the allowable fields of inquiry. You can have "Women & Gender in Science and Technology" and "Feminist Science Theory," of course, but it's better to teach other methods of inquiry and the reasoning behind them. Give them anthropology and sociology courses steeped in Marxism. Teach sexuality from the view of saving students from society's oppressive taboos. Offer "Methods of Queer Cultural Analysis." Explain how all viewpoints are equally valid and equally moral, and tolerate no dissent from this view.

Or give them pop culture, such as courses on the history of rock music, "history through film" classes, "Black Popular Culture," "New Queer Cinema," etc.

These approaches produce a vast array of courses, making some form of rationing necessary. Offering courses in clusters and requiring students to pick its most institutions' solution. It's an incomplete one, but it's complete enough that, in Leef's words, "students at most UNC schools can graduate without ever studying American history, the pinnacles of our literature, our economic and social institutions, and other important subjects."

Well, who's to say what constitutes a "sound general education" nowadays? As far as UNC goes, we all are. CJ



Jon Sanders

Bats in the Belltower

Character on 'The Simpsons' Raves:
It's Library's 'Best Collection Ever'

In the summer of 2003, libraries at two highly reputed research institutions received significant "rare books" donations. Comic books, role-playing games (including "Dungeons & Dragons" and Traveller), and board games, to be exact.

In June, brothers Edwin and Terry Murray donated 55,000 comic books and 500 role-playing games and board games to Duke University's "Rare Book, Manuscript and Special Collections Library." The Edwin and Terry Murray Collection of Pop Culture, as the collection will be called, takes up 918 archival boxes, the *Duke Chronicle* reported July 23.

Reaction among the university community, at least judging by the *Chronicle* article, has been enthusiastic. The immediate focus has been on how the collection might be used academically.

"It's a funny field because it goes beyond all the departments," Duke Anthropology chair Anne Allison said. "Anyone interested in storytelling, images or pop culture might be able to use it. You can even make the argument that comic books are a form of literature." Such an argument would be old hat for Duke's English Department, which was recently featured in "Course of the Month" because a professor was using 1930s-era Soviet propaganda as a form of literature in discussing the "hope" awakened by the Soviets' collectivization of agriculture.

Indeed, a professor of literature and English who is also director of Duke's film and video program, Jane Gaines, wrote that the comics collection "carved out a very distinctive niche (for Duke) and made an investment in the future where the distinctions between high and low culture will be less marked."

Allison also told the *Chronicle* that "[c]omics can offer a window on topics such as notions of masculinity and where our fantasies come from."

"Women's Studies would have a field day" with the collection, Senior Library Assistant Megan Lewis said.

Duke's niche sustained a blow the following month when UNC-Chapel Hill received its own large comics donation. Dan Breen, a lifelong comic book collector in his 50s, gave the UNC Rare Book Collection about 26,000 comics. Breen's collection filled 90 boxes. Curator Charles McNamara told *The News & Observer* Aug. 18 that he had, for the past several years, begun "to wonder how we could get comic books" in the library.

"The library had some science fiction and pulp fiction from its popular culture," the *N&O* said, "but it was woefully short on comics."

Speaking of cartoons

Barbara Ehrenreich finally decided to weigh in on the controversy at UNC-

CH over the school's selection of her book *Nickel and Dimed: On (Not) Getting by in America* for its summer reading program. *The Charlotte Observer* carried her article on the matter, "Poverty, not a book, threatens North Carolina," on Aug. 8.

It will come as no surprise to those who have read any of *Nickel and Dimed* that Ehrenreich quickly ascertained the heart of the matter: "I saw that this controversy was less about the book than it was about me."

Nor will it surprise her descriptions of the radio stations that invited her to discuss her book in light of the controversy: "I suppose I should be grateful for the chance to parse the finer points of Marxism vs. feminism on the kind of radio stations that update the traffic and weather every 15 minutes."

She was quite taken aback by criticism of her statement in the book about Jesus being a "wine-guzzling vagrant and precocious socialist." She brooked no debate over "vagrant," admitted "'guzzling' may be a bit overstated," but added that "Jesus was sufficiently associated with wine ('I am the true vine,' etc.) to be confused with the Greek wine god Dionysus in the Hellenistic world — a subject I have yearned to expound upon for years."

"As for Jesus being a socialist, I take it back. He was actually a little to the left of that, judging from his instruction to the rich man to sell all that he had and give to the poor. If that's what it takes to be a true Christian, believe me, it's a hell of a lot easier to be a socialist: You have to dedicate yourself to working for the poor, just as a Christian should, but at least you get to keep your stuff," she said.

Someone might point out to Ehrenreich that beyond that one anecdote, there's a *whole book* available on "what it takes to be a true Christian." Although granted, it probably *is* easier to be a socialist. You get to laud yourself as "working for the poor," which includes keeping all your stuff and forcing everyone else to give up theirs. There will be more poor to care for that way, too — your virtue can only increase.

Plus, socialists aren't encumbered by the search for truth. As Lenin taught, "there is no such thing as abstract truth." Truth is fashioned by political expediency. That is why Lenin could also state, "The Marxist doctrine is omnipotent because it is true."

Jesus taught "I am the way, the truth, and the life." Surely it is harder for a camel to go through the eye of a needle than for a socialist to accept the concept of objective truth, although as Ehrenreich, they will gladly portray Jesus as a socialist for the political expediency. *cj*

Mold at N.C. Central University
Infests Two New Dormitories

By JON SANDERS
Assistant Editor

RALEIGH

Mold has infested several buildings on the campus of North Carolina Central University. Administrators blame an aging steam system and a backlog in state repair and renovation money for the problem affecting older buildings. Surprisingly, however, the mold infests two of N.C. Central's newest dormitories.

The two dormitories were completed in 1999. They were designed by Gantt Huberman Architects in Charlotte, the general contractor was RK Stewart & Son Inc. of High Point, and the plumbing was done by CamFul Industries Inc. of Pineville.

With the new dormitories shut down for mold removal, N.C. Central has had to relocate about 500 students into nearby hotels. Those are in addition to the nearly 400 students N.C. Central has placed in local hotels while other residence halls are undergoing repairs and renovation.

According to the Durham *Herald-Sun* edition of Aug. 15, experts said the mold in the new buildings is likely caused by bathroom moisture.

Chris Murray, vice president of E.I. Inc. of Morrisville, who is working for N.C. Central to assess the damage, told the *Herald-Sun* that "toilets were not properly sealed, supply lines for some toilets leak, and shower drains were not properly installed,

allowing them to leak as well. In addition, contractors appear to have used regular drywall panels — which are not moisture resistant — in some bathrooms."

The partner-in-charge of Gantt Huberman Architects, Harvey B. Gantt, wrote in the *Herald-Sun* Aug. 26 that the mold problem is likely "systemic." Gantt, the former mayor of Charlotte and twice a Senate candidate, said that all 14 buildings affected by mold are served by the campus steam system, which N.C. Central had acknowledged was in need of repair.

Gantt has hired his own company to assess the mold damage.

Former N.C. Central Chancellor Julius Chambers blamed the state for the problems, telling *The News & Observer* of Aug. 21, "We pleaded for money for repairs, and we didn't get it." The current chancellor, James H. Ammons Jr., and Sen. Jeanne Lucas, D-Durham, echoed that sentiment.

In 2000, voters approved the higher education bond referendum worth \$3.1 billion, which they were told would go to repair and renovate campus buildings. A total of \$3.1 million was slated for replacement of some of N.C. Central's steam lines, but Ammons told the *N&O* June 12 that it would take an additional \$5 million to replace the remaining two-thirds of the lines. The University of North Carolina Board of Governors approved letting N.C. Central divert \$10.4 million in bond funding for mold-related repairs. *cj*

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Campus conservatives find success in activism

How a Book Became the Catalyst for Discussing Bigotry at UNC

By JON SANDERS

Assistant Editor

The row over the Summer Reading Program at the University of North Carolina at Chapel Hill continues to fascinate. It isn't diminished by the fact that other universities have assigned Barbara Ehrenreich's *Nickel and Dimed* to a far milder reception. If anything, it adds to the interest here.

What turned this one instance of perceived leftist bias on campus among many into a rallying moment for conservatives? Several possibilities present themselves, and the answer is likely a combination.

The final straw. Choosing *Nickel and Dimed* to introduce new students to the intellectual life at UNC-CH could simply have been the last straw for conservatives. The advertisement by the Committee for a Better Carolina was addressed to those new students, and their opening criticisms of the book were on the basis that the book fails to deliver the expected intellectual treatment of its subject, poverty in America: the book "is devoid of intellectual honesty or diversity of thought." Furthermore, the ad states, it's a typical choice by UNC-CH: The past four selections each have been of "a decidedly left-wing bent."

Taking diversity seriously, and holding the university accountable. UNC-CH, like its peers across the nation, likes to pat itself on the back for caring about "diversity," but that has always seemed a thin euphemism for a race-based outlook. The diversity focus promises only to expand in the wake of *Grutter v. Michigan*, which places universities' desire to diversify their student bodies, even if it involves decisions based on race, outside the Supreme Court's strict-scrutiny test.

But the justices didn't limit diversity to race. Universities should be held accountable for lacking ideological diversity. As the conservatives point out, UNC-CH's value for diversity means it shouldn't play favorites in ideology.

Good organization and avoiding a conundrum. The CBC chose its spots for the debate well. By placing the ads, the CBC got the attention of all the key players — UNC-CH students and their families, the media, and the legislature — through which they also got the administration's attention. They

appear to have found a way around the usual conundrum conservatives face when contemplating activism. Berkeley Breathed's comic strip "Bloom County" once illustrated that problem by depicting law-and-order-loving conservatives taking over an administrative building and then ordering the campus police to "Bash our heads! Bash our heads!"

"Republicans, moderates, evangelicals, assimilationist blacks or Hispanics, and devout Catholics don't occupy buildings or cause disruptions that will bring the media to campus," wrote Alan Charles Kors and Harvey A. Silverglate in *The Shadow University: The Betrayal of Liberty on America's Campuses*. "The improbable cry 'The Lutherans are really mad' will not send administrators into panic."

Incidentally, in making that observation Kors and Silverglate were suggesting that the animating factor behind decisions by college administrators was careerism rather than ideological bias. Fear for their jobs leads them to be overly attentive to leftist groups, which tend to be militant, because militant activism is sensational and brings negative publicity to campus, and negative publicity is the administrator's bane.

Joining the debate

Making a case as opposed to simply making a fuss. Behind all this, the conservatives had a point.

For example, the CBC ad used U.S. Census data to show what creature comforts the poor in America do have, and its website, www.CarolinaBlueprint.com, provided links to many studies that weren't originally provided as part of the "Supplementary Resources" for the reading program's web site, www.unc.edu/srp — but are now.

On its site, the CBC said the solution to the problem is "relatively simple." Arguing that the "campus should be a place where controversial issues and subjects are dis-



cussed, this discussion should not be completely one-sided, the CBC recommended "that the University make materials and alternative sources of information on the issues discussed by Ehrenreich in the book available to all new students who

are expected to participate in this program... [which] will allow students to think for themselves and make up their own minds about whether Ehrenreich's perspective of the American economic system is accurate or not, instead of basing an opinion on Ehrenreich's perspective alone."

According to an August article in *CAROLINA JOURNAL* on the *Nickel and Dimed* controversy:

As of press time, the CBC's site was not acknowledged by UNC-CH site under its "Related Events" section link to "Websites." The only options it gave were Ehrenreich's website, Nickel and Dimed.net, an audio report on Nickel and Dimed that aired on KPLU, National Public Radio, Sept. 27, 2002, and an NPR report by Noah Adams entitled "One Town, One Job: A Profile of Low-Wage America."

Those links now appear in the new "Supplementary Resources" section, and they are joined by many other data resources, research, and policy studies. Some

of the new material includes items first suggested by the CBC on their site, such as:

- Bartlett, Bruce. "How Poor are the Poor?" *The American Enterprise* 7, no. 1 (January 1, 1996).

- Wilson, D. Mark. "Who is Paid the Minimum Wage and Who Would be Affected by a \$1.50 per Hour Increase." *The Heritage Foundation*. June 28, 2001.

- Rector, Robert, and Patrick F. Fagan. "The Continuing Good News About Welfare Reform." *The Heritage Foundation*. Feb. 6, 2003.

- Rector, Robert E., Kirk A. Johnson, Patrick F. Fagan, and Lauren R. Noyes. "Increasing Marriage Would Dramatically Reduce Child Poverty." *The Heritage Foundation*. May 20, 2003.

- "Privatize Social Security to Help Working Poor." *Cato Institute*. Dec. 9, 1999.

Those are not nearly all of the new resources UNC-CH has added, of course. But with its submissions being among them, the CBC succeeded in getting its conservative approach to the issue included as part of the debate.

Following through. The CBC has pursued their concerns with the administration, which to the administration's credit has openly addressed them.

The chancellor's meetings with the conservatives appear to have been frank and productive.

All things considered, is it possible that the fire of UNC's controversy has left fertile ground for growth? Let's hope so. *CJ*

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

Town and Country

City pays hockey salaries

Greensboro is paying the \$61,464 annual salary of Greensboro Generals coach Rick Adduono and other front-office employees for the Greensboro Coliseum's anchor tenant.

City payroll records obtained by the *News & Record* of Greensboro show that Adduono was hired by the Greensboro Coliseum, a department of city government, with the title "Hockey Coach" on July 1. Rick Francis and Dana Bridges, listed on the Generals' website as sales and marketing representatives for the team, were hired Aug. 1 by the city as well.

The hires are the result of an agreement between coliseum Director Matt Brown and Generals managers for the city-owned arena to assume day-to-day management of the team's operations.

Mayor Keith Holliday confirmed that the city was paying the salaries "in part to save the Generals."

He said the city will receive a percentage of ticket, concession, and parking sales from the privately owned team, but he did not know the specific amount.

Earlier this year, city officials said Brown would be in charge of the team's day-to-day operations, including advertising, marketing, and ticket sales. The issue of who paid salaries was not addressed. Later, Holliday said it went without saying that the city would be assuming payroll for some Generals' employees. "I would hope some (citizens) understood that," he said. "Nobody's trying to hide the fact that the city of Greensboro is in the hockey business."

Schools distant, planners say

New schools are being built too far from neighborhoods, creating more urban sprawl, two planning experts say.

Though most schools used to be the cornerstones of their communities, schools have become more spread out, said David Salvesen, director of the Smart Growth and the New Economy Program at the Center for Urban and Regional Studies in Chapel Hill.

The *Winston-Salem Journal* reported that Salvesen and Erica McArthur, a planning consultant, spoke recently at the N.C. Planning Conference, a three-day conference of 325 planning officials from throughout the state.

Both worked on "Good Schools — Good Neighborhoods," a report that detailed why more neighborhood schools are needed.

Salvesen said that as people moved to the suburbs and school districts consolidated — only 19 city systems are left in the state, he said — school systems have spread out and caused more sprawl.

A barrier to building schools in neighborhoods is money, Salvesen said. It is cheaper to buy land that is farther away from neighborhoods, and schools increasingly rely on economies of scale to save money, he said

CJ

Ebb and Flow of N.C. Beach Renourishment

Environmentalists criticize costly program, mayors say it boosts the economy

By DONNA MARTINEZ

Associate Editor

RALEIGH

The next time you walk on a North Carolina beach, take a close look at the sand that's sliding between your toes. You may think it's a product of Mother Nature's natural beauty, but it could be the artificial result of a controversial beach renourishment project. Since the mid-1960s, the state and coastal-area local governments have spent more than \$27 million to counteract natural and storm-related land erosion, primarily by dredging sand from channels and depositing it onto beaches. The federal government has contributed more than \$40 million to North Carolina projects, putting the total price tag at about \$67 million.

Beach renourishment has been underway in North Carolina for nearly 40 years, beginning with a 2.7-mile Wrightsville Beach project in 1964, and a 2.7-mile effort at Carolina Beach in 1965. Yet while the concept is far from new, the debate remains heated between detractors who argue the projects are expensive and fight a losing battle that's damaging to the environment, and proponents who insist renourishment is critical to the economic vitality of beach communities.

North Carolinians aren't getting enough bang for their buck with beach renourishment, according to the North Carolina Coastal Federation, a nonprofit group whose goal is to protect the state's coastline. Executive Director Todd Miller contends that private property owners are the major benefactors of the spending, not the general public, making the use of public funds questionable.

Miller thinks property owners should pay for the projects themselves. After all, he said, if property owners reap the benefits of building in nature's path, they should bare the responsibility of the problems that go along with it.

"Beaches are always going to be there. This is really about protecting private property," Miller said. "Beach erosion is natural. It becomes a problem when structures are placed near them. These houses command good rentals in the summer. It's a cost of their doing business," he said.

The view at Caswell Beach

That ship has already sailed, said Harry Simmons, mayor of Caswell Beach, a three-mile stretch of prime tourist area in Brunswick County. "It's way too late to avoid the shoreline. There's no way to totally avoid it. It's less expensive to nourish than to move property," he said. Besides, said the mayor who also is executive director of the North Carolina Shore and Beach Preservation Association, there is a renewed respect for trying to work with nature, rather than against it. "I don't see people building irresponsibly like we used to," he said.

At the very least, Miller said, the public should have more access to renourished beaches in exchange for helping to fund them. He cites a Pine Knoll Shores project as an example of how the public's interest can be accommodated.

"It had almost no access before nourishment. They took private lots and opened them up," he said. The shortcoming he wants resolved is a lack of signage letting people know the beach is publicly accessible.

Simmons also dismissed Miller's concern about the return on investment for the taxpaying public. He said renourishment is productive for everyone because a well-nourished beach attracts tourists who, in



A dredge scoops sand from the sea bottom and redeposits it on the shore at Wrightsville Beach.

turn, spend money and stimulate the economy. That puts cash into the pockets of many businesses, as well as local government, not just people with beachfront homes. It's simple to understand, he said. "A wide, sandy beach is nicer and better. It's been great for us," Simmons said.

When Caswell Beach's neighbor, the Town of Oak Island, undertook two beach projects, the experience turned Mayor Pro Tem Dick Marshall into a renourishment supporter. The 2001/2002 Sea Turtle Habitat Restoration Project put 2.6 million cubic yards of sand on 1.8 miles of beach in Oak Island. Months later, during the usually busy summer season, another 2.6 million cubic yards of sand was deposited onto the beach on both sides of the turtle restoration area.

Bulldozers and the ensuing commotion hurt business while things were under way, and property and business owners complained, Marshall said. He could relate. As the owner and operator of Oak Island Accommodations, a firm that manages 500 resort rentals on the ocean, he experienced the frustration firsthand. Marshall and the Town Council determined how Oak Island would come up with its share of the cost.

Property owners shared the cost

To fund the two projects, the federal government kicked in \$15 million and the state provided \$7.5 million. Oak Island was required to contribute \$3 million. The council decided to assess the town's 12,000 property owners a fee based on the size of their property and its proximity to the new sand. Beachfront owners paid an average of \$700 each. The cost to those with second-row homes averaged \$350. Those further back from the ocean paid less. The town funded the balance with revenues from a local accommodations tax and private contributions.

When completed, memories of the hassle and lost business faded as tourists returned to the beach and spent money on hotels, beach rentals, groceries, restaurants, and more.

"I don't think I had one person complain after the renourishment," Marshall said. "There are millions contributed (to the

local economy) because the beach is worth a damn," he said. "People who say it's not worth it are absolutely wrong."

But money shouldn't be the only factor considered when assessing whether renourishment should take place, according to Michelle Duval, a scientist with Environmental Defense, a private nonprofit group that looks for solutions to environmental problems. She's concerned about detrimental effects on animal life of replenishing with sand that's a different composition than sand that's already on the beach.

"Most critters are highly dependent on compatibility of the sand," said Duval, who holds a doctorate in marine ecology from Duke University. "There are some examples recently which indicate that North Carolina has a need for sand compatibility criteria."

For example, Duval said, projects at Bogue Banks over the past several years have placed material on the beach that is much coarser than what was already there. She said potential problems are more than cosmetic; the new environment can be deadly to sand-dwelling creatures.

Miller agrees, and said that in some cases, incompatible sand acts like concrete, smothering and killing organisms. Compounding the problem, he said, is a shortage of sand in the southeast and predictions by geologists that it will be difficult to find enough sand in the future.

Unlike Simmons and Marshall, Duval isn't ready to declare the Sea Turtle project a success. She said material placed in the area was larger than the existing sand. Some was covered up or washed away by the time the turtles nested in the summer, but some is still there. Duval gave the beach only a 50-50 chance of creating an optimal nesting place for turtles in the first two years after renourishment.

Duval wants to be more precise with her conclusions, but said she can only estimate the effects because of the lack of scientific research. She sees that as a serious deficiency facing North Carolina planners of beach renourishment projects.

"The cumulative and long-term impacts aren't well assessed and are overlooked. Some may not show up until five years or so after it's complete," she said.

CJ

"There are millions contributed (to the local economy) because the beach is worth a damn."

— Dick Marshall



Phil Cousin



Becky Heron

Legality of fee for schools uncertain

Durham Imposes Impact Fee Despite Warnings of Harm

By MICHAEL LOWREY

Associate Editor

The Durham County Commission voted 4-1 on Sept. 8 to increase the amount of tax revenue the county takes in by about \$5 million a year. While a county raising taxes is itself not unusual, how the county chose to do so was: It opted to impose an impact fee for school construction.

Durham County does not, however, have legislative approval to impose such a fee, setting the stage for a challenge to the county's action.

For several years, a majority of Durham County commissioners and key county staff have thought that recent rapid population growth, and the resulting need for additional schools, was placing a heavy burden on the county. To address the funding need more equably, the commissioners argued that the county should impose an impact fee for school construction.

Impact fees are onetime payments, typically made during the permitting process, to be used for a designated purpose.

To support their contention that the impact fee would not effect the local real estate market, county staff pointed to the economist Keith Ihlanfeldt's work on Dade County, Fla. Ihlanfeldt's work suggests that higher home prices associated with impact fees may be offset by savings in property taxes.

A group called Durham Citizens for Responsible Government opposes the fee. The group argues that, aside from being illegal, the fees would impede construction in the county, raise home prices, and make it more difficult for lower-income families to buy houses. They contend that builders will attempt to recoup their costs in some manner, be it in higher housing prices or lower quality of construction.

Opponents of the fee are expected to challenge its legality in court. Because of the threat of a lawsuit, fees collected will likely be put into a special escrow account until the issue is settled.

A John Locke Foundation policy report, "By The Numbers 2003," found that Durham County had the 10th highest per-capita tax and fee collections of the state's 100 counties.

When the taxes imposed by the municipalities are figured in, the average Durham County resident paid 5.72 percent of his per-capita income to local government, the seventh-highest local tax burden as a percent of income in the state.

Commissioners were defiant

Several commissioners were openly defiant of the threatened lawsuit and contemptuous of those who would bring it up during the commission meeting in which the fee was approved.

"I'd hope you'd forget this idea of suing the county. You won't be hurting us up here, it's our children you will be hurting," said Commissioner Becky Heron during the meeting Sept. 8. "If you pursue the threats that I've heard up there, shame on you."

"This is not about home builders, this is not about home buyers," Commissioner Phil Cousin said. "This is about children... This is about providing for the growth we already have in the county."

Opponents were not impressed by this argument. "It is a clear disagreement about the legal authority," Nick Tennyson, Durham mayor and executive director of the local homebuilders association, said to the *Durham Herald-Sun*.

"They can characterize it in this pejorative way, but I am very disappointed. Someone advocating for [his or her] rights is suddenly being accused of being against children," he said.

The county set the fee at \$2,000 for new homes and \$1,155 for apartments, condos, and townhouses. New dwellings intended for senior citizens are exempt. The county also plans to exempt affordable housing built by nonprofit organizations, such as Habitat for Humanity, from the fee.

Let the courts decide

Whether the new fee is legal is questionable. The general rule is that localities in North Carolina have only as much power to tax as is granted to them by the General Assembly.

While the legislature has generally given localities the authority to levy impact fees for improvements such as sidewalks, parks, roads, and water and sewer systems, schools have not been included. The only exceptions to this are Orange and Chatham counties, which do have the authority to levy school impact fees.

Impact fees, in all cases, must reasonably reflect the cost of providing the improvements.

While several bills have been introduced in the legislature to allow school construction impact fees in Durham County, none has passed. Strong opposition from developers and real estate agents has been cited as a factor in the bills' defeat. *CJ*

Local Innovation Bulletin Board

Car Alarm Regulation?

Many cities and towns in North Carolina and the nation are struggling to deal with the problem of false burglar alarms. Charlotte, for example, requires that home burglar alarms be registered and fines homeowners if police respond to too many false alarms.

New York City is considering taking this concept a step further and banning a source of false alerts, car alarms. Noise complaints constitute 85 percent of the calls made to the New York Police Department's "Quality of Life Hotline." And lots of the calls, police say, concern car alarms, which shriek and whoop at noise levels up to 125 decibels, as loud as a jet taking off.

The alarms frazzle New Yorkers' nerves and, when the alarms go off late at night, rob them of sleep. The alarms' screeching also creates what criminologists call a "broken window" effect, encouraging lawlessness by sending the message that no one is in charge of maintaining public order, said Brian Anderson of the Manhattan Institute.

Car alarms would be hard to justify even if they did prevent auto theft, as their makers claim. But they don't, Anderson said. Because of their 95 percent false-alarm rate, nobody hears a car alarm blaring and rushes to call the police. Audio alarms also pose no obstacle to the professional car thieves responsible for most car thefts.

Making noise alarms even more pointless, new auto-security alternatives are both effective and silent, like the factory-installed immobilizers that disable a car's ignition system if someone tries to start the vehicle without using the right computer-encoded key. In sum, nothing would be lost and much gained if car alarms disappeared, Anderson said.

Bleary-eyed New Yorkers will thus be happy to hear that, thanks to the grass-roots efforts of Transportation Alternatives and Silent Majority, the New York City Council is considering whether to outlaw the use of alarms within the city. Fines of up to \$2,100 for frequent offenders could be levied. The bill, if enacted, would make New York City the first car-alarm-free municipality in the nation.

Reported in the *New York Sun*.

Discouraging families with kids

Because the cost of educating children exceeds what their parents' houses yield in taxes, many local governments across the country are relying on zoning ordinances to limit unwanted growth. They aren't providing land for housing, especially apartment buildings, and they attempt to zone only for commercial buildings. In California, auto malls are king, and in New Jersey, commercial office parks are the most valuable things, observers say.

Ventnor, N.J., a shore town that sends its high school students to Atlantic City at a cost of \$12,000 a year each, recently started offering owners of apartment buildings \$22,000 to convert year-round rentals to seasonal. In the development corridors of central and northwestern New Jersey, many towns have adopted minimum lot sizes of five or 10 acres.

The federal Fair Housing Act prohibits discrimination against people with children. But restrictions that have that effect but are meant to accomplish something else are usually lawful. Consequently, some communities are embracing the elderly. That is socially acceptable, and because the federal Fair Housing Act allows senior-citizen developments to prohibit younger residents, it is legally acceptable.

The fast-growing western suburbs of Boston, for example, are scrambling for developments with age restrictions and otherwise engaging in what one legislator calls "vasectomy zoning."

Naperville, Ill., outside Chicago, is imposing restrictive covenants on some new developments to prohibit sales to people under 55.

While many North Carolina counties are struggling to fund school construction, the issue is less of an immediate concern in the state. The state, and not localities, provides most of the funding for education in North Carolina. As a result, there is less pressure to resort to the drastic measures seen in other areas.

A generation ago, observers say, industry was anathema to suburbs, so office buildings and housing were seen as desirable. All of a sudden they realized how expensive schoolchildren are.

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

Wanted: A Local Government Guru

The John Locke Foundation is accepting applications for a new full-time position at the **Center for Local Innovation**, a special project devoted to issues facing North Carolina counties and municipalities. Job responsibilities would include policy research, writing, analyzing local government budgets, and consulting with local officials about issues such as taxes, regulations, growth controls, transportation, and privatization.

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Experience in county or municipal government is strongly preferred. Competitive salary with full benefits available. Please send a cover letter, resume, writing samples, and references to Vice President Kory Swanson, 200 W. Morgan St., #200, Raleigh, NC 27601, or email him at kswanson@johnlocke.org.

Anti-Automobile Group Railroads the Facts

An anti-automobile group called the Surface Transportation Policy Project recently charged that the high cost of driving threatens the American dream for working families. People would be better off, the group claimed, if we invested more in transit and less in highways.

Personally, I would rather ride a bicycle or take the train than drive any day. So, I would be attracted to STPP's ideas if they worked. But the group's claims about driving costs are completely wrong, and its urban transportation goals will only make cities more congested, more expensive, and less livable.

Data refutes STPP

STPP claims that transportation is costing an increasing share of American family incomes, and it blames this on the increasing cost of driving. But data published by the U.S. Department of Commerce tell a different story.

In 1950, says the department's Bureau of Economic Analysis (www.bea.gov), auto driving consumed 9.8 percent of the average American's personal income. At that time, Americans drove an average of about 3,000 miles a year. Today, the average American drives almost 10,000 miles a year, yet spends only 8.5 percent of his or her personal income on autos and driving.

Of course, we spend more dollars on cars, but we get a lot more, too. Thanks in part to our increased automobility, average incomes have more than tripled since 1950 even after adjusting for inflation. Cars get us to higher-paying jobs than we could reach by transit. Employers pay more because cars give them access to more highly skilled workers. Cars also give us lower-cost consumer goods; without cars, Costco, Wal-Mart, and even Safeway couldn't exist.

Faulty cost analysis

STPP says transit is better than driving because the average auto commuter spends \$1,280 a year on commuting while the average transit commuter spends only \$765.

Yet cars are so much faster than transit that auto drivers commute much longer distances. Given equal distances to work, cars cost little, if any, more than transit.

More important, STPP ignores the huge subsidies that support transit. Nationally, for every dollar that transit riders pay in fares, taxpayers pay an average of nearly \$3 more. In Sacramento, taxpayers paid more than \$6 more. Factor in this cost, and that \$765 a year becomes \$3,000 to \$5,600 a year.

Admittedly, roads are subsidized, too. But most road costs are paid out of gas taxes and other user fees, and the remaining subsidies are tiny relative to transit. In 2001, subsidies for highways, roads, and streets averaged just 0.3 cents per auto passenger mile. By comparison, subsidies to transit averaged more than 50 cents per passenger mile, or 150 times more.

Fictitious Golden Age

STPP wants you to believe that America once enjoyed a Golden Age of transit, when everyone was as mobile as we are today, but by streetcars and commuter trains. If we only spent more money on transit, STPP urges, we can have that Golden Age again.

This Golden Age never existed. In 1920, when America's cities had the world's most extensive network of streetcars, the average American traveled just 1,000 miles a year by transit. This is less than 10 percent of the travel we do today by car.



Randal O'Toole

Transportation expert Wendell Cox estimated what it would take to build and operate a transit system competitive with the automobile. By this he meant transit that could connect any two points in an urban area in no more than 50

percent more time than it would take to drive. A rail system that could do this, Cox found, would cost 110 percent of the region's personal income. A bus system would cost 22 percent of the region's personal income.

In this light, spending 8.5 percent of our personal incomes on cars is a real bargain. Automobiles don't threaten the American dream; they make it possible.

We need efficient transit systems for people who can't drive, but the sort of transit STPP wants — expensive rail transit aimed at attracting a few people out of their cars — doesn't work.

STPP's ideas are especially harmful to poor people, who tend to live in the most congested areas and see automobility as their best hope for getting out of poverty.

Automobiles give us higher-paying jobs, lower-cost consumer goods, rapid-response medical care, access to distant friends and relatives, and all sorts of recreation opportunities. STPP's prescription for urban areas would stifle these advantages by building rail lines that few people use while letting the highways become increasingly gridlocked. That's a prescription we can't afford.

Randal O'Toole (rot@ti.org) is the director of the American Dream Coalition (americandreamcoalition.org).

From Cherokee to Currituck

Cumberland County Loses Money Trying to Attract Events at Arena

By MICHAEL LOWREY

Associate Editor

CHARLOTTE

In the 1990s, Cumberland County joined many other communities in building a new arena. While the Crown Coliseum is a state-of-the-art facility, one thing has been lacking: enough events drawing enough people for the building to break even.

In 2000, the county signed a deal with Arena Ventures, a partnership between Clear Channel Entertainment and National Basketball Association's Development League, to generate more business for the arena. Unfortunately, the county has lost a substantial amount of money on the arrangement and is unlikely to cover its costs over the contract's five-year span.

Arena Ventures brought the Fayetteville Patriots, one of eight teams in the NBADL, to town in 2001. Average attendance last season was only 1,626 per game. The arena made \$3,059 from the team in the 2002-03 season, after a \$29,149 loss the previous season. The league's future is uncertain after the upcoming season.

Under the agreement, Clear Channel Entertainment was also supposed to bring an additional number of events to the coliseum. In the past two years, it has met only half its contractual agreement and has paid penalties to the county.

In exchange for the additional business, Cumberland County paid

Arena Ventures substantial management fees and entered into a licensing arrangement. The county expected that additional bookings and revenues from Clear Channel selling naming rights to the Crown would more than offset the additional costs. The contract has since been renegotiated and most county payments end at the end of this year.

The *Fayetteville Observer* estimates that through August, the county spent \$748,471 on management and licensing agreements and has recovered only \$201,209 from events associated with Arena Ventures.

"That was just a bad deal that didn't work, but there's no sense in turning [Clear Channel] down if they bring in a few shows that are good revenue producers," Civic Center Commission member Henry Holt told the newspaper.

The Crown Coliseum opened in October 1997. It seats 8,145 for basketball.

Charlotte rezones

After an embarrassing, and costly, snafu involving the siting of an asphalt factory in a fragile neighborhood in contradiction of a land-use plan, the city of Charlotte is proposing the rezoning of about 550 acres of land.

Over the past three years, the city has developed detailed neighborhood plans for parts of the city. To ensure that they are implemented, the city wants to rezone large amounts of land in seven areas.

"This is going to be extremely contentious and controversial," Assistant Planning Director Debra Campbell said to *The Charlotte Observer*. "But we believe we are doing the right thing."

The opposition would come from many of the effected property owners. Restriction

on future use would tend to reduce the value of their property. Current businesses would be grandfathered in, but they might not be able to expand.

Charlotte's move comes after a well-publicized case of zoning not reflecting a new neighborhood plan. Earlier this year, Ferebee Corp. announced plans to build an asphalt plant on a three-acre site near the Optimist Park neighbor. The city council had approved a neighborhood plan that envisioned homes, offices, and shops being built on the site. The actual zoning of the tract, however, was never changed and still allowed an industrial usage, so Charlotte could not legally stop the plant.

The city ended up paying the company nearly \$800,000 to build the plant on a different site.

Triangle transit consolidation?

Local governments in Wake, Durham, and Orange counties are exploring the possibility of merging their separate transit systems into a single, Triangle-wide operation.

Under an outline developed by the Triangle Council of Governments, the six existing bus systems would likely be combined, with routes coordinated across the region and eventually linked to a light-rail line to be built between the Research Triangle park, Durham, and Raleigh.

"We went into this study anticipating there would be ways to improve service, and I think this study demonstrates this is one way to do that," Chapel Hill Mayor Kevin Foy said to the *Durham Herald-Sun*.

How a combined transit system would work in practice remains to be worked out, especially given that different cities subsidize transit to differing degrees.

Funding would in part come from a proposed, dedicated, Triangle-wide tax to fund transit.

Elevated fire stations costs

The Winston-Salem City Council has approved a revised budget for a new fire station on Somerset Drive. While a failure to account for the topography of the site was largely responsible for the station costing 50 percent more than originally projected, state disability rules also played a role in the cost overrun.

Among the changes the city was forced to make was to include an elevator. North Carolina's interpretation of the Americans with Disabilities Act is that the device is required in two-story public buildings, including fire houses. The city was unable to persuade officials with the Department of Insurance that the elevator would be unnecessary.

Winston-Salem noted that the second floor was not a public part of the building and that it did not plan to assign disabled firefighters to the fire station.

"This is a classic example of state government doing something it knows nothing about and causing us financial grief," Council Member Vernon Robinson told the *Winston-Salem Journal*.

The elevator will add \$35,000 to the cost of the fire station.

Lawyer Gene Boyce: Guardian of the Public's Pursestrings

By PAUL CHESSER

Assistant Editor

RALEIGH

Raleigh lawyer Gene Boyce, who has sued the state of North Carolina five times and won all five lawsuits, is at it again. But this time he has four lawsuits pending against the government. Decisions are expected soon in some of those cases.

CJ: You've got four lawsuits pending against the state on various... are they tax-issue related?

Boyce: They are all tax- and constitutional-law related, yes.

CJ: You had told me that all four were coming to a head. Can you give me a rundown?

Boyce: We have been working on all four of them and all of them are about to come to a disposition by the trial court. The probability is that whichever side wins or loses, all four cases will go to the North Carolina Supreme Court ultimately. The first case is a retrospective tax case that came about in September 2001, when the legislature, in response to the governor's plea to raise more money, increased the top tax rate of 7.75 percent and raised it up 8.25 percent for three years. It has now been extended. It was supposed to be a temporary tax; it has now been extended for another three years. But, in any event, the constitutional inference is they made that tax retroactive or retrospective back to January 1st and there is a clear prohibition...

CJ: The issue is that they enacted it at what point in time?

Boyce: They enacted it on September 26, 2001, but they made it retroactive to January 1, 2001. The constitution in North Carolina is very clear that no tax retrospectively... no law retrospectively taxing any sales purchases or other acts previously done shall be enacted. North Carolina and Delaware have an explicit prohibition against back taxing. Some of the other states have ruled it unconstitutional on the basis of impairment of contract or lack of due process because of retrospective applications.

CJ: So your suit seeks to recover just those nine months of retrospectivity or for the whole year?

Boyce: Yes, I've just gotten something specific from the Department of Revenue and there are approximately 85,300 taxpayers in that category and I am told that the amount of taxes involved is something over \$63 million for that nine-month period. That case has just been decided, that the rule will be a class action by the four main plaintiffs on behalf of the 85,000 taxpayers. That case is almost ready for trial and after the class notice, the mandatory class notice goes out, it will probably be tried sometime, hopefully, in mid-October.

CJ: Any idea, how long it will last?

Boyce: It has already been pretty much agreed by parties and the judge that it is a pure question of law, there will be no jury trial. It will be probably a day or two-day trial, at the most.

CJ: How long would you expect for the judge to render a decision?

Boyce: I would expect a very expedited decision. The judge has already been in the case and has studied it, and it is a pure question of law for him to decide, up or down.

CJ: Does that mean a black- and-white issue?

Boyce: It is pretty much a black-and-white issue. The state has two defenses, both of which they have tried before in a prior case and the Supreme Court answered those defenses against the state in the Wachovia case in 1939. The state's defense is fairly straightforward and simple. They say, number one, the Congress makes tax laws retrospective to the first of the year, and if the Congress can do it, then the state legislature can do it. The response to that is the U.S. Constitution has no antiretrospective tax

provision in it, so that is the material difference. The other defense that the state has already asserted and lost on one time before is that taxes are not paid until April 15, when you file your return. That is based on very old law that the legislature relied on. I've seen those legal opinions, those cases they relied on pre-dated the withholding tax system that came into effect during World War II in about 1943, and as we all know, we begin paying taxes at

the first of the year on payroll... and self-employed people start paying on a quarterly basis beginning in April of the tax year. So, taxes are collected way ahead of April 15, as a matter of fact, the money is spent, collected and spent, long before the tax-return due date.

CJ: Can you briefly explain the highway trust case and the state of that one?

Boyce: The facts in that case have been stipulated, to a large extent, by the parties, and we expect for that to have a trial date of the third week in October. That case is the one in which the ultimate result was that the governor took \$80 million out of the Highway Trust Fund and the suit is brought for the purpose of restoring that money to the trust fund.

The basis for that suit is twofold. Number one, you don't take money out of trust and use it contrary to the trust purposes. Number two, the main constitutional objection is, the North Carolina Constitution says, when a tax law is passed it has to specifically tell the people what that tax is for, and second, once that tax is collected that tax money has to be spent for the purpose which is stated in the law, for which it was collected. In this case, the \$80 million was paid by taxpayers in the form of automobile license tax, gasoline tax, lease-car tax, tax on purchase of vehicles. That money was designated for the specific highways construction and urban loops specified in the law and opposition is the money has to be spent for the purpose it was collected.

CJ: Where does that case stand right now?

Boyce: That case will probably be tried the third week in October. It's ready for trial. It will take probably two days to try that case. It's a nonjury case, and pure questions of law.

CJ: Does recent actions by the governor, and I guess supported by the legislature, of the \$700 million for his Moving Ahead Project, moving funds to fix up roads in the state.

Boyce: That might become an issue; it is not currently an issue in the lawsuit because that happened a year or so after the lawsuit was commenced. It could possibly become an issue. It all depends on whether it can be made clear as to whether that money which is being spent is a prospective expenditure of prospected funds, rather than a retrospective expenditure of money that is already in the trust fund. There is also an issue on the... in that instance an issue on which the purposes the bonds were voted on and whether or not any bond money that is voted on for a specific purpose can be applied, particularly by a governor, to a different purpose.

CJ: What is the state's argument on the highway trust?

Boyce: The state's argument is the governor had a deficit problem, and there is a constitutional provision, when the revenue for a particular fiscal period is not adequate to pay the expenditures for a particular fiscal period the governor shall "effect the necessary economies in expenditures" to correct the deficiencies.

In this case, the governor did not act within the receipts and expenditures of the fiscal year in question. He reached outside the fiscal year and took money out of a trust fund that had been collected in prior years. So the meaning of that provision about balancing the budget is subject to interpretation.

The attorney general interprets it to the governors benefit, and we interpret it to the taxpayers' benefit. In the highway trust case, there is provision in the recent statute that money taken out of the trust fund, was constituted a loan. The present legislature has made a commitment on behalf of future legislatures that that money will be repaid. That is a significant issue, whether or not the highway trust fund is a lending institution, whether or not the governor or the legislature can borrow money from the trust fund on a promise that it would be paid, or might be repaid.

CJ: Cabarrus County just got hit big-time with the Pillowtex layoffs, right? So they are coincidentally at the head of city-county case.

Boyce: Cabarrus County is the lead plaintiff and they had enough troubles losing all their tax receipts income and they now have been hit again. That case involves the ongoing problem of the legislature enacting appropriate laws permitting the municipalities, the towns and the counties, to collect taxes other than property tax. The legislature has deprived the cities and counties of a source of income that they had been depending on for years.

At the end of the fiscal year, I noted that there was a surplus of \$250 million on June 30 of this past year, but I've also noted that no effort had been made to repay it in the money that was taken away out of that surplus at the end of the year. What we have evidence that the state took money away from the cities and counties, when they were operating on a \$250 million surplus.

CJ: The amount that the state took on those taxes was mitigated by raising the sales tax, right?

Boyce: There was an offer to that effect, some, but not all of the localities opted to enact the sales tax. That was part of the crumbs left on the table by the legislation and the governor. My best information is even with the sales tax it only replenished about 50 percent of that lost income, I'm not positive about the statistics, but I remember reading something to that effect.

CJ: Did any cities and counties drop out of the

lawsuit after that sales tax was enacted?

Boyce: No, in fact, I think some came in even after that was enacted. It was partly a stopgap measure to the cities and counties.

CJ: Where does that case stand now?

Boyce: That case is scheduled to be tried in November. There again, that will be a non-jury case, it shouldn't take more maybe two or three days to try that case. It's primarily a question of law. The assistant attorney generals that we are working with, we have stipulated probably 80 percent of facts have been stipulated to.

CJ: Now are all of these going to be tried in Raleigh?

Boyce: All of them will be tried in Raleigh. Judge Barnett has the retrospective tax case, retired judge. And retired Judge Robert Farmer has both the city-county and highway trust fund cases. The issues in the ones that Judge Farmer had are basically the same issues. The first issue being the requirement that the law designate the purpose of the tax and that the executive... the legislature must designate the purpose for which we are taxed and the executive branch must spend the money for that purpose. That is the issue in both the highway trust and city-county, and Judge Farmer has both of those cases.

CJ: And last, the tobacco case.

Boyce: The tobacco case has been on the back burner for quite some time. Initially, at the request of the attorney general, but it's still a viable case. We have held up on that to watch some of the developments particularly some of the activities of the Golden LEAF Foundation.

CJ: What is the basis of the lawsuit, at this point?

Boyce: There are several. Number one, that case is one we refer to as "lunchtime litigation." It was brought about... twelve o'clock noon during the lunch and recess at the courthouse and resolved about nine minutes past one that same day. It was a \$4.6 billion case involving public funds. The basic complaint of the plaintiffs in that case, it was a true violation of separation of powers. The judicial branch and the executive branch got together and entered a judgment that required the legislative branch to enact certain legislation under a threat that the tobacco settlement might fall through if the legislature didn't act.

An act by March 16 was given a deadline from December of 1998. The judgment was entered and the legislature was imposed a deadline by the executive and judicial branch of March 15, to enact, what turned out to be the legislation that divided up the public funds among three slush funds... three political appointed committees: the Golden LEAF, the Health and Wellness, and the Tobacco Trust.

With half of it going to Golden LEAF and we have been tracking expenditures by Golden LEAF and as we predicted a lot of that money is being spent by a politically appointed committee, way beyond even what some of the legislative leadership expected that money to be spent for. The legal point in that case is that the legislature cannot delegate to spend public funds without putting some fairly clear restrictions on how public money is to be spent.

CJ: And trial action?

Boyce: Because of our schedule, probably December.

CJ



Gene Boyce

From the Liberty Library

• Years before the public knew about Osama bin Laden, Bill Clinton did. Bin Laden first attacked Americans during Clinton's presidential transition in December 1992. He struck again at the World Trade Center in February 1993. Over the next eight years the archterrorist's attacks killed hundreds and wound thousands of people — while Clinton did his best to stymie the FBI and CIA and refused to wage a real war on terror. Why? Investigative reporter Richard Minter claims to have the answer in *Losing bin Laden: How Bill Clinton's Failures Unleashed Global Terror*, an exposé that includes exclusive interviews with both of Clinton's National Security advisors, Clinton's counter-terrorism czar, his first CIA director, his secretary of state, his secretary of defense, top CIA and FBI agents, lawmakers from both parties, and foreign intelligence officials from France, Sudan, Egypt, and the United Arab Emirates. Published by Regnery at www.regnery.com.

• Terrorism still threatens the United States — and jihad, Islamic holy war, is the reason why. In *Onward Muslim Soldiers: How Jihad Still Threatens America and the West*, author Robert Spencer details how jihad warriors have already established numerous footholds in America, and are an established, growing, and ominous threat in Europe. He reveals the open violent contempt of radical Muslims in the United States and around the world for Western freedom and tolerance, and details why a clash of civilizations is already upon us. Using Muslim sources, Spencer uncovers the tracts that influence radical Muslims — material full of hatred and intolerance that is freely and popularly available, and that is almost completely ignored by the establishment media. Also from Regnery.

• In *Breach of Trust: How Washington Turns Outsiders Into Insiders*, former U.S. Rep. Tom Coburn of Oklahoma explores how Washington resists critical reform by co-opting men and women who seek to change the system. A "congressional maverick" who kept his promise to serve three terms and then leave Washington, Coburn looks at the inner workings of Congress — why the system changes politicians instead of vice versa. He shows readers through behind-the-scenes stories why Washington resists the reform he says America desperately needs, and how voters can make wise, informed decisions about current and future political issues and candidates. An offering from www.wndbooks.com.

• The central issue of day care is often framed in a way that pits working moms against stay-at-home moms, and feminists against traditional families. But the real conflict, Brian C. Robertson shows in *Day Care Deception: What the Child Care Establishment Isn't Telling Us*, is between all parents and the burgeoning day-care establishment itself — a multimillion-dollar lobby with a vested interest in the expansion of subsidized day-care services. Robertson shows how this establishment works to expand its power and silence its critics. More at www.encounterbooks.com. CJ

Museum review

Spies Come Out of the Cold at Raleigh Conference

By DONNA MARTINEZ
Associate Editor

RALEIGH
Spies have fascinated Americans ever since Sean Connery and Dean Martin broke box-office records as suave secret agents James Bond and Matt Helm. Martin's velvet-voiced Helm was my favorite. Cigarette and drink in hand, he was a delightful caricature of the 1960s swinging-single culture as he romanced the girls, outsmarted the bad guys, and saved the world, all without breaking a sweat. It was great entertainment, and for several decades, the classic Helm series and the special effects-laden Bond blockbusters embodied the term "spy" for movie-going Americans.

When the Soviet Union dissolved in 1991, the stark reality of the spy business replaced Hollywood's version in the news. Soviet spies, free of the bonds of a totalitarian society, began selling information to U.S. authorities and publicly telling stories about their lives as KGB agents.

Ex-KGB spy embraces America

Oleg Kalugin is one of the men who tells a riveting story every American should hear. A former KGB major general, he captivated those in attendance at the Raleigh International Spy Conference, conducted Aug. 27-29 at the North Carolina Museum of History and organized by *Metro* magazine Editor Bernie Reeves, a spy history enthusiast.

Kalugin's discussion of his efforts while attending Columbia University to recruit students and professors to spy for the Soviet Union was startling. Later, as a correspondent for Radio Moscow at the United Nations, Kalugin continued recruiting, spying, and using Communist-sympathizing Americans to distribute propaganda. His objective was simple, but profound: to turn Americans and the world against capitalism by presenting the United States as an oppressor and aggressor, rather than a land of freedom and opportunity. "I was a dedicated Communist even though I spent years in the U.S.," he explained to the audience of nearly 150 who gathered in the museum's auditorium.

Kalugin said his ideological views changed when he was moved from the KGB's political wing to its domestic service around the time Mikhail Gorbachev assumed power. In his new assignment, Kalugin discovered that fellow citizens were being jailed for criticizing the government, and he was expected to support and carry out the sentences without hesitation. That experience shook his core beliefs, and he realized Communism wasn't the ideal system he had believed it was for so many years. He concluded that his faith had been based on "youthful illusions."

Kalugin's remarks were particularly thought-provoking when he discussed present-day Russia and President Vladimir Putin, who once worked for Kalugin at the KGB. Kalugin cautioned the audience not to believe that Russians no longer see the United States as the enemy. After all, he noted, 60 percent of its current government officials are former KGB and military members. "The old habits prevail," he said. "Don't lull yourself into complacency."

After retiring from the KGB in 1990, Kalugin became a vocal critic of the Communist system. The Soviet Union dissolved the next year, and the life he had known for decades ended. Today, Kalugin speaks proudly of his new U.S. citizenship, a dream he achieved several weeks ago. He now teaches at the Centre for Counterintelligence and Security Studies, based in Alexandria, Va., and is a frequent talk-show guest and lecturer at events such as the Raleigh spy conference.

While Kalugin's remarks shined light on the shadowy work of the KGB to disrupt the United States, the session featuring CIA officer Brian Kelley was the most valuable and timely. In a post-Sept. 11 world, it's easy to discount the concerns civil libertarians have with the Patriot Act's investigative powers as unrealistic and out of touch with grave world threats. But Kelley's story reminds us of the dangerous potential of unchecked government power.

FBI targets its own

From 1996 to 2001, the FBI targeted Kelley, believing he was a spy who had sold vital U.S. secrets to the Soviet Union. The government's surveillance and intimidation was relentless. The FBI followed him, bugged his house, put cameras in his office, monitored his computer, interrogated him, and told his family he was a traitor. Despite evidence to the contrary — Kelley passed FBI and CIA polygraphs — the surveillance and interrogation continued.

When some investigators began expressing doubt he was the mole they were searching for, other FBI leaders dismissed the possibility, saying he appeared innocent because he was such a brilliant spy and knew how to evade their efforts.

Kelley eventually was put on leave and stripped of his CIA credentials. He was devastated and prepared himself to be arrested. "The worst thing in the world anyone can say or think about you is that you're a traitor to your country. It's very hard," he told the audience.

It was the aftermath of a historic event — the fall of the Soviet Union — that convinced the FBI they were targeting the wrong man. According to Kelley, the U.S. government bought intelligence information from former Soviet spies, including details on Americans operating as agents. Among the windfall of material received was a phone conversation of a Soviet agent talking to the American traitor the FBI believed was Kelley. But when the FBI team listened to



Carolina Journal photos by Donna Martinez
Oleg Kalugin, a former KGB major general, talks after the conference.

the tape, it wasn't Kelley they heard. It was one of their own: FBI agent Robert Hanssen.

Faced with undeniable proof of Kelley's innocence, the FBI refocused its massive investigative and surveillance powers on Hanssen. On Feb. 18, 2001, Hanssen was arrested in a park as he attempted to exchange top-secret documents for \$50,000. Kelley learned of the arrest from his sons. As he watched the story on CNN, he doubled over in front of the TV as he realized the enormity of the intelligence loss.

"I knew he knew all the secrets," Kelley said of Hanssen, a man he had known for 23 years and describes as quiet, thoughtful, and imaginative. "You never would have suspected Bob Hanssen," he said.

The damage Hanssen inflicted on U.S. intelligence was immense, even though he reportedly told his wife he was selling useless information. Kelley dismisses Hanssen's characterization and supports the government's sobering assessment.

"It is a 500-year flood. He turns out to be the worst spy in American history," Kelley said.



Brian Kelley

U.S. exonerates Kelley

It took the U.S. government six months to apologize to Kelley, via a hand-delivered letter signed by the head of the National Security Agency. To celebrate, his friends threw an "exoneration party" with the theme of faith, family, and friends. Since that time, George Tenet, director of the CIA, apologized to him personally.

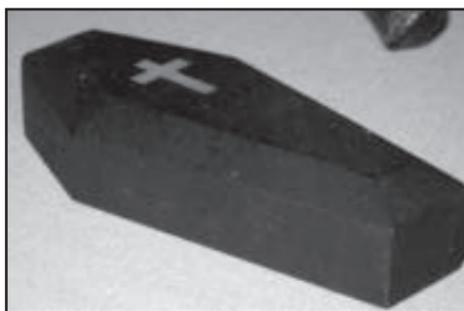
Despite his experience, Kelley isn't bitter and doesn't want people to believe the intelligence community is inept. "The great majority are outstanding people who work very hard for you," he said.

Kelley is one of them. He's back at work at the CIA, helping train agents by, among other things, relating his role in the Hanssen investigation. His commitment to his work has never been stronger.

"It's my country," he said with emotion in his voice.

In addition to Kalugin and Kelley, the conference featured other spy trade notables, including Christopher Andrew, co-author of *KGB: The Inside Story*.

Attendees also were treated to a presentation about spy gadgets that Bond and Helm would die for, conducted by Keith Melton. Items from Melton's personal collection were displayed in the museum lobby during the conference. CJ



Spies left coffinlike cards for their enemies.

Book Review

Future of Freedom: Author Tosses Toothpick to a Drowning Man

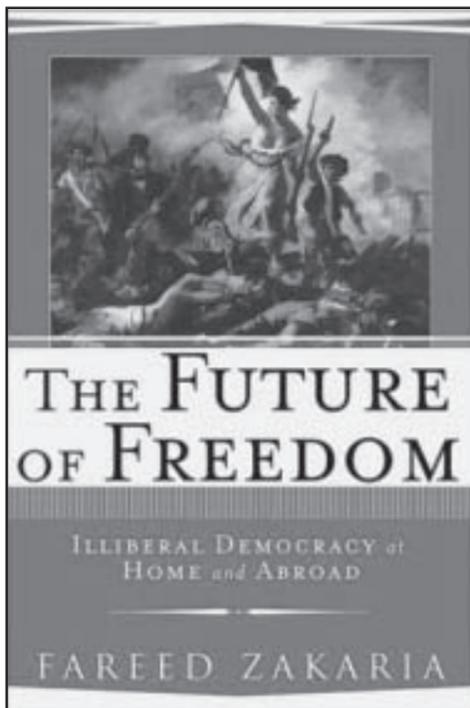
• Fareed Zakaria: *The Future of Freedom*; Norton, 2003, 256pp., \$24.95

By **GEORGE C. LEEF**
Contributing Editor

RALEIGH
One of the most annoying things that Americans have to put up with during elections is the rhetoric that sanctifies democracy. We are bombarded with admonitions to vote and with hints that there is something shameful in not "participating in our democracy." I have heard the statement even that voting is "our most precious right." No doubt about it: Democracy is an over-hyped idea.

It takes some intellectual acumen to see through all the adulation for democracy and ask whether it is always desirable. In his new book, *The Future of Freedom*, Fareed Zakaria does exactly that. The subtitle of the book, *Illiberal Democracy at Home and Abroad*, tells the reader what the author has in mind. Democracy is often very illiberal in its workings. That is to say, democratic decision-making frequently leads to authoritarian outcomes. Far from being a guarantor of freedom, democracy can be its worst enemy. That's a very contrarian message and it is welcome to have a clearly "establishment" figure (Zakaria is a columnist for *Newsweek* and a political commentator for ABC News) saying it. Although the book doesn't hit on all cylinders, it succeeds in showing that democracy is not always a good thing and that we would be better off if we could halt the trend toward making all processes and institutions more democratic.

Zakaria's crucial insight is that democracy is only a means, not an end in itself. The Founders of the nation wanted to ensure the protection of liberty and property and chose to make a highly restricted form of democracy one of the means toward that end. It is quite possible to enjoy the rights of liberty and property without democracy, Zakaria argues, and similarly possible to see those rights destroyed under a perfectly operating democracy. As he states the matter, "For people in the West, democracy



means 'liberal democracy': a political system marked not only by free and fair elections, but also by the rule of law, a separation of powers, and the protection of basic liberties of speech, assembly, religion, and property. But this bundle of freedoms — what might be termed 'constitutional liberalism' — has nothing intrinsically to do with democracy and the two have not always gone together, even in the West." He adds, "Democracy is flourishing; liberty is not." Truer words could not be written.

After a thought-provoking introductory chapter on the history of liberty, which Zakaria argues is rooted in the competing power centers of the Catholic Church and the numerous feudal states of Europe, competition that created the "nooks and crannies" where liberty began to thrive, the book launches its offensive against the notion that democracy is necessarily good. Zakaria's examples are illuminating.

For example, the Vienna of the 1870s was noted for its cosmopolitan liberalism. But during the 1880s, voting rights were

greatly expanded, leading to the election in 1895 as mayor of Karl Lueger. Lueger was a precursor of Hitler, a nationalist who appealed to the poorly educated (and now enfranchised) masses with anti-Semitism and socialism. Had it not been for the fact that the Austrian emperor invalidated Lueger's election, perhaps the Nazi movement would have originated in Austria and spread to Germany, rather than the other way around. In any event, the episode shows that making a society more democratic can at the same time make it hostile to freedom.

A more recent example is Indonesia. Zakaria shows that under the dictatorial rule of Suharto, the nation was politically stable and making steady economic progress, but after becoming democratic in 1998, "gross domestic product has contracted by almost 50 percent...pushing more than 20 million people below the poverty line. The newly open political system has also thrown up Islamic fundamentalists who, in a country without much of a political language, speak a very familiar discourse — that of religion." He fears that the nation will slide into chaos and Islamic radicalism, a case of replacing a corrupt dictatorship that at least provided a semblance of the order that capitalism needs with an illiberal democracy that will turn the country into a basket case.

The move toward ever-greater democracy is also evident within the United States and Zakaria does not like what he sees. "Founded as a republic that believed in a balance between the will of the majority and the rights of the minority...America is increasingly embracing a simple-minded populism that values popularity and openness as the key measures of legitimacy. This ideology has necessitated the destruction of old institutions, the undermining of traditional authority, and the triumph of organized interest groups, all in the name of 'the people.'" Congress, for example, is more democratic than it was 40 years ago, but Zakaria maintains that it is consequently more open to special-interest-group pressures. The author also has strong words for

the spread of direct democracy — that is, ballot initiatives and referenda. Those processes, he says, gives us "a jumble of laws, often contradictory, without any of the debate, deliberation, and compromise that characterize legislation."

Zakaria's solution is to move toward more decision-making that is not democratic, and not as susceptible to shortsightedness and special-interest pressure. He admires the Federal Reserve, for example, because it is insulated from democracy.

This part of the book is not well thought out. The problem we face in the United States is not that we are making too many political decisions democratically, but rather that we are making too many political decisions. We need to return to the constitutional liberalism of our early years, but I doubt that de-emphasizing democracy in our political institutions would make much difference. Many of our most authoritarian government mandates now come from unelected individuals who face no democratic pressures — bureaucrats. The Congress of old was less democratic, but it still passed a lot of terrible legislation. Even if we could ratchet down the level of democracy, as Zakaria wants, it's hard to see that it would halt the erosion of our liberties, much less restore those that have been lost.

I'm afraid that Zakaria has lost sight of the goal (or at least what I think should be the goal), namely, a restoration of constitutional liberalism. Merely tilting a few degrees back away from hyperdemocracy will not suffice. The move toward democracy is a symptom of a deeper problem, our growing statism. We now insist on making more and more decisions by government rather than allowing individuals to choose for themselves.

The disappointment of *The Future of Freedom* is that it so clearly makes the point that democracy is no guarantor of liberty, but then fails to offer any guidance on how it might be guaranteed. A slight de-democratization of our intrusive and overbearing state is like tossing a toothpick to a drowning man. CJ

Book Review

Naked Economics: Worth Reading Despite Rants on Liberal Themes

• Charles Wheelan: *Naked Economics: Undressing the Dismal Science*; Norton; 2002; 288 pp.; \$25.95

By **E. FRANK STEPHENSON**
Guest Contributor

ROME, GA
Charles Wheelan's goal in writing *Naked Economics* is to introduce people who might otherwise have avoided economics texts and courses larded with graphs and equations to "a subject that is provocative, powerful, and highly relevant to almost every aspect of our lives." Wheelan largely achieves his commendable goal, for *Naked Economics* is a nifty primer that does indeed "walk through some of the most powerful concepts in economics while simplifying the building blocks or skipping them entirely."

Not surprisingly, since the author's day job is writing for *The Economist*, the chapter on international trade is one of the book's strongest. He begins the chapter by asking readers to imagine there is an invention that, in rich and poor countries alike, is capable of turning corn into stereo equipment, soybeans into cars, or Windows software into fine French wines. Wheelan then reveals that such an invention already ex-

ists and is trade. From that beginning, he proceeds to explain that trade makes us richer by allowing greater specialization in production, that trade is mutually beneficial because it is based on voluntary exchange, and that trade helps consumers by lowering the prices they pay for both imported and domestic goods. Not yet finished extolling the virtues of international trade, Wheelan turns to slaying the myths of "sweatshop labor" and a trade-fostered environmental "race to the bottom."

Wheelan's chapter "The Power of Markets" is another of his better ones. He uses the question "Who feeds Paris?" as a springboard for explaining how markets are "a powerful force for making our lives better," how markets use "prices to allocate scarce resources," how "markets are self-correcting," and how "every market transaction makes all parties better off." And readers of this magazine will be reminded of Hayek and Read when the author writes, "Prices are like giant neon billboards that flash important information." The only significant weakness of this chapter is Wheelan's nearly exclusive focus on market outcomes; the chapter could have been strengthened by the inclusion of more discussion about the mechanics of how markets work (i.e.,

what, in the parlance of graphics-laden texts, causes supply and demand curves to shift).

Although he does not credit it by name, Wheelan also provides a nice introduction to the public choice field of economics. In the chapter "The Power of Organized Interests," he takes on pork-barrel spending and logrolling and reveals how small interests such as mohair farmers and ethanol producers can effectively wrangle beneficial legislation out of the political process. The chapter also introduces the concept of rent seeking and explains how regulations such as occupational licensing can become powerful tools for self-interested individuals to extract rewards that they would be unable to in the marketplace. Here, the author buttresses a superb conceptual discussion with several examples, including teacher certification laws.

There's much else to like about *Naked Economics*. Wheelan debunks the notion that "overpopulation" hinders economic growth. He skewers the fixed number of jobs fallacy underlying France's 35-hour workweek. The author recognizes the importance of property rights and institutions. That inflation is a tax on money holdings and the ability to use monetary policy for political purposes (the political business

cycle) are both discussed. And Wheelan correctly labels Social Security "one big pyramid scheme" even though his discussion focuses more on demographic issues than on individual liberty.

Unfortunately, as Burton Malkiel notes in his foreword, *Naked Economics* is "well balanced." Thus, while one does get nice treatments of markets, trade, and public choice, one must also endure drivel about SUVs, suburban sprawl, fast food, global warming, and trade-induced "cultural homogenization." Readers sharing this magazine's love of freedom should expect to utter an occasional groan. On the topics of externalities and macroeconomic policy in particular, Wheelan envisions a large and active role for government.

Early in the book, Wheelan writes, "Life is about trade-offs, and so is economics." Indeed, so is *Naked Economics*. Although the reader must endure occasional rants about SUVs and outbursts of statism, the tradeoff is well worth it. For Wheelan has written a lively introduction to the sexiest discipline known to mankind: economics. CJ

Frank Stephenson is an assistant professor of economics at Berry College in Rome, Ga.

Arts on a Lark, Official Malarkey

The party's over, now it's time to face the real music. I'm referring to the boozers at the N.C. Museum of Art who threw a party during museum operating hours for a departing colleague. Troubling by itself, the festivity, more importantly, poignantly epitomizes what's wrong with state government today: The in-crowd parties while taxpayers struggle to foot the bill for ever-growing state spending.

An investigation by the State Auditor's Office found numerous violations of personnel policies, security procedures, and most likely of Alcoholic Beverage Control regulations. The auditor who crashed the party estimated that 35 to 40 museum workers, some of them state employees and others members of the Museum Foundation, attended the event. The auditor witnessed many of them drinking beer and wine, some of the alcohol donated by a winery and some of it supplied by the revelers themselves. Several of the workers said they partied and imbibed while they were on the clock. Even the museum's associate director of administration joined in.

Far from an isolated event, partying at the museum was a common occurrence, according to the tipster who contacted the auditor's office.

Taxpayers should be furious about this kind of behavior. And they should question why — if the museum can allow so many employees to attend a party during operating hours — it needs a total of 87 state-paid workers and 90 foundation members (according to figures reported by the Department of Cultural Resources at my request) to carry out its mission. Put another way, 20 percent, or one in five workers, was frolicking in a backroom while the museum was supposed to have been serving its patrons. How many companies, or other organizations, could afford to operate like that?

An analysis of the museum's annual budget shows how comfy things are over there. The state budgeted \$3.7 million for operation of the museum in fiscal 2002-03 and again for 2003-04. The John Locke Foundation's Freedom Budget recommended that the museum could operate efficiently by trimming its staff of full-time state workers and relying more on foundation members for its needs. By doing so, the museum could operate on an annual budget of about \$1.6 million, or half of what it now receives.

The party shocked State Auditor Ralph Campbell. "I can't believe that this sequence of events took place," he said to the *News & Observer* of Raleigh. "What were people thinking?"

State Cultural Resources Secretary Lisbeth Evans had a curiously lukewarm response. "Sometimes people make bad decisions," she said. No duh. Then she said she will launch an investigation and remind employees that such parties violate museum rules.

But another quote attributed to Evans makes us doubt whether she will put a wholehearted effort into the probe or whether she will take meaningful correction action. "These are good employees who work hard, and they made a mistake," Evans said to the *N&O*. "And ... they were reported on by their peers — which is disgusting in itself."

Incredible. Evans blamed whistleblowers at the museum for squealing on the cavorting ways of their colleagues. Oh sure, that kind of response by the department's highest-ranking official is bound to inspire a comprehensive, objective inquiry.

It looks like Gov. Mike Easley, who appointed Evans to office, will have to step in if the state hopes to salvage taxpayers' confidence in the museum and in the Department of Cultural Resources. Or does he also harbor contempt for whistleblowers? *CJ*



Richard Wagner

Editorials

BEWARE THE BLOB

NCCU now, all of North Carolina next

Call it the "Revenge of the Blob." Featuring a not-so-all-star cast of Gov. Mike Easley, Senate Pro Tem Marc Basnight, House Cospeaker Jim Black, and a host of supporting players in North Carolina's legislature, the riveting drama of an insatiable monster running amok is now playing at N.C. Central University.

The blob is mold. Some strains of it, such as black mold, are toxic to humans. Innocently enough after it was born, the blob hid away in the darkest reaches of mother ship's infrastructure. In the university's case, it was the steam heating system, the victim of years of budget cuts and lack of maintenance.

Eventually, the mold was discovered in 14 buildings on campus. Two of the university's newest dormitories, only four years after they opened, and three other buildings have been closed. A consultant's report issued Sept. 9 said the NCCU must gut and completely rebuild the dormitories' interiors.

A total of 900 students displaced by the closings have been transferred to hotels in the Durham area. The total estimated repair bill so far: at least \$10 million. A final assessment of the costs and other causes of the mold infestation won't be known until another consultant's study is released Sept. 30.

Maintenance ignored

Like North Carolina's chronic over-spending problem, maintenance at the university, and other state buildings, was ignored for years by the captains of the ship of state. The day of reckoning has come at NCCU. No doubt, it will reappear quickly in many other state buildings.

Former NCCU Chancellor Julius Chambers, in an interview with the *News & Observer* of Raleigh, confirmed that state leaders neglected the university's plight. "The state knew that that school had some major building problems. We went to the state budget committee, the state legislative leaders. We went to the governor. We pleaded for money for repairs, and we didn't get it," Chambers said.

Jeff Davies, vice president for finance for the 16-campus UNC system, told the *N&O* that he wasn't aware of mold problems at other universities. But, he said, problems arising from lack of funding for maintenance could surface elsewhere. "We haven't had repair and renovation money for three years now," Davies said. "We all participate equally in the budget crisis."

Signs of neglect have surfaced at a few other state

buildings. The State Capitol, of all places, bears the shameful evidence of state leaders' irresponsibility. Plaster in its dome, soaked by rainwater that leaked inside, cracked and fell into interior walkways. Some of the falling debris reportedly narrowly missed visitors to the Capitol. Now, contractors hired through emergency funding are busy repairing the damage.

The Department of Health and Human Services says it needs \$238 million for repairs and renovations for its facilities throughout the state. The state budget office says the Department of Justice and Public Safety needs about \$106 million immediately for property repairs. State Auditor Ralph Campbell reported in an audit in May that the state should build three new juvenile prisons because its five existing ones are safety and security hazards.

Needs documented

Estimates by the State Construction Office show the extent of the maintenance backlog. Nearly \$1.3 billion is

needed for repairs and renovations on its properties. The recent trend of robbing the state's Repair and Renovation Reserve began in 1999 when Hurricane Floyd ravaged North Carolina. In 2000, \$60 million of the \$150 million allocated for the reserve was redirected to hurricane relief. In 2001, Easley reverted to the General Fund \$39.5 million of the \$100 million from the reserve.

The next year, the legislature earmarked \$125 million for the reserve, but \$116.4 million was reverted to help bal-

ance the general budget. Of the remaining \$8.6 million that was spent on repairs in 2002, \$7 million paid for security upgrades at state administrative buildings in Raleigh and \$1.6 million paid for an air-conditioning system at the Museum of the Albemarle in Elizabeth City, another of Basnight's pet projects. The legislature allocated no money for repairs and renovations in fiscal 2003. For fiscal 2004, it set aside only \$15 million for repair work.

State spending still growing

Budget crisis? All of the cuts in repairs and renovations were made while state leaders fattened politically favored programs and created others. Overall, state government spending will grow by 3 percent in fiscal 2003-04 and by 5 percent in fiscal 2004-05 after growing at this rate or higher in most of the past few years.

The tragedy unfolding at NCCU stands as a monument to chronic fiscal irresponsibility at the highest levels of state leadership. Sadly, it also appears to be only the opening act of horror awaiting the state in general.

Those responsible for bringing disrepair and disgrace on North Carolina should be held accountable. In the next election, voters who choose to ignore the crying need for fiscal reform can expect to watch the blob devour the rest of North Carolina, a la California.

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OPPORTUNITY COST

A depleted trust fund isn't all bad news

It may sound counterintuitive to say so, but the latest news out of Raleigh about North Carolina's trust fund for unemployment compensation — that the balance is so low that the state may have to borrow from the federal government for the third time this year to make payments — is not all bad news.

Yes, of course it's bad news that North Carolina's unemployment rate has stayed stubbornly high and above the national average for much of the past couple of years, resulting in significant payments out of the trust fund. But those who argue that the state's predicament is due to excessive cuts in the unemployment-insurance tax rate in the mid-1990s are missing the point.

Yes, the state did have one of the fattest unemployment-insurance trust funds in the nation, reaching \$1.5 billion at one point. But North Carolina was much better off cutting the tax rate and generating a lower, more reasonable amount in its fund during the past decade or so — and is likely better off today seeking an occasional loan from the Feds, even if interest is involved, than if it had accumulated a huge reserve in a government trust fund.

The issue at hand is called "opportunity cost." It refers to the basic economic principle that the real cost of doing something (or not doing something) is the foregone opportunities associated with your decision.

For example, the real cost of buying a hamburger at McDonald's is not the loss of a couple of pieces of Treasury-issue paper. It consists of the taco, the hot dog, the hoagie, the salad — whatever you might have purchased instead with the same bucks. Similarly, the real cost of watching the recent 2003 MTV Music Awards (in addition to the loss of a few brain cells, your dignity, and any shred of respect others may have had for you) was the programs not seen or the other entertainment options not pursued.

Applying economics to the trust fund

In investment terms, the cost of purchasing a stock is properly thought of as the investment (or consumption expenditure, actually) that you had to forego in order to buy it. If the real return on your stock is higher than that of the alternative investment, then your benefit exceeded the cost.

That's the issue with regard to government trust funds. There are significant opportunity costs associated with accumulating large amounts of taxpayer money in a trust fund. If left in the hands of those who originally earned it, the money could be profitably invested in the private-sector economy, creating jobs and raising incomes. To build up a reserve against the occasional risk of a depleted UI trust fund is to believe that the costs of depletion exceed the likely investment return on those dollars in the market.

Within the wacky world of unemployment insurance, however, such costs are likely to be low in any economic downturn short of a massive depression. Short-term loans from the federal government to pay UI benefits are not only automatic but are also frequently interest-free. In effect, states with accumulated balances — all of which are required to be held in federal securities, by the way — cross-subsidize states with low or no balances. For years, North Carolina taxed its employers (directly, the employees indirectly) in order to park funds in Washington for other states to borrow. This was silly. Our lawmakers were right to end the practice.

In the current situation, the third loan to North Carolina's fund this year, it looks like state taxpayers might well have to pay the federal government interest. But this is going to come to about 6.5 percent on a relatively small sum. Obviously, it would be best if our economy improved and the need for large UI payments was lessened. In the interim, however, the interest cost is likely to be far smaller than the opportunity cost North Carolinians would have paid over the past decade or so had excessive amounts of their money been sent off to Washington.

We are not arguing that the current system makes sense. North Carolina's actions were rational only in the context of an unemployment-insurance framework that punishes thrift and rewards risk-taking. Back in 1998, our colleagues at the John Locke Foundation proposed an alternative system based on private UI accounts owned and controlled by individuals.

Within such a model, unspent balances wouldn't result in subsidies for others or lost returns. Workers could opt to accumulate significant funds in their accounts, earning market rates of return, and would actually have a strong

incentive to minimize claims on the money by keeping their spells of unemployment to a minimum. (Scads of research suggests that the current UI system lengthens periods of unemployment as displaced workers seek to maximize their UI payments a la George Constanza's antics on *Seinfeld*).

Until policymakers reform unemployment insurance, however, states will have to fashion policies that best fit the system we have. Despite North Carolina's shaky economic performance and our resulting bouts with unemployment, state policymakers basically got the policy mix right here — despite simplistic complaints to the contrary.

WHICH POISON?

Both cash incentives, tax credits have cons

As policymakers in Raleigh continue to consider the implications of two recent revelations out of the N.C. Department of Commerce — a study showing that the state's tax incentives don't create many jobs and a separate survey showing that they play a relatively small role in business-location decisions — it might be worthwhile to take a step back and examine the issue of economic-development policy from a different angle.

Assume, for the sake of argument, that North Carolina should play the incentive game. That is, assume that state government should attempt to create jobs and steer economic investments by offering targeted incentives to companies. What should be in the state's toolbox?

In the past, most of North Carolina's incentive efforts have involved tax credits. Yes, former Gov. Jim Hunt also pioneered the use of cash grants as "sweeteners" and "deal closers" for particular corporate relocations or expansions, but his "Competitiveness Fund" was never funded by more than a few million dollars a year. We've devoted several times that amount each year, in the form of foregone revenue, to our various tax-credit programs — including a credit for certain venture-capital investments and the much-larger William S. Lee package of tax credits.

Now, however, the pendulum may be swinging in the other direction. While administration officials continue to defend tax credits, other political leaders are obviously considering the option of reining in the tax incentives while putting more emphasis on cash grants. Once you buy the assumption that government should be playing this game, it's not at all clear which direction is the best.

In some ways, cash grants are clearly superior to tax credits. For one thing, it is at least conceivable that they will wreak less havoc on the state budget. The annual budget for grants is out in the open, part of the normal budgeting process. Tax credits don't receive the same level of attention. And plenty of companies get tax credits for actions they will do, anyway. With cash, the argument goes, there is more control by public officials, who can limit the benefits to companies for which incentives are significant.

Also, companies that receive cash grants are necessarily known to the public. That's part of the process of awarding such grants. Companies' tax filings aren't public information, at least according to the legal opinion prevailing in state government right now, so it's harder for outside analysts or the media to keep track of who's getting what. Finally, many cash-grant advocates argue that it can assist start-up and rapidly expanded companies more effectively than credits because it is of value to those who have no tax liability and are unlikely to have one in the near future.

Of course, the flip side of that argument, and one in favor of tax credits, is that they can't be claimed by companies that appeared impressive at first but turn out to be dogs. Similarly, the idea that cash grants can be more successfully "targeted" to companies likely to succeed presumes that the government officials giving them out can guess which businesses will succeed and which will fail. That's a fool's errand, as economists have been observing for literally hundreds of years now. At least with credits, a wider array of companies might be able to access them, thus increasing the odds that some will prosper over time.

And perhaps the most persuasive argument in favor of tax credits is that the potential for political corruption is lessened. With large cash grants awarded to only a few companies a year, the temptations are great for applicants to play politics and for those in charge to pay attention. On the other hand, modest tax credits available on "autopilot" to a larger number of companies, regardless of their political contributions or connections, would seem to reduce the risk of serious ethical transgressions.

Basically, you can choose your poison on economic-development incentives. Tax credits or cash grants? We'd rather North Carolina not drink either potion. CJ

Hurricane Isabel Proves Fiscal Case

Make no mistake: Hurricane Isabel, though not nearly as destructive as previous storms such as Fran and Floyd have been in North Carolina, has still caused a great deal of damage — and has created the need for significant governmental expenditure.

This is precisely why it is so important for our political leaders to set firm priorities and to make good decisions with our money. Instead of trying to "respond" to every constituency that can quote a statistic or rehearse a sob story, public officials should start out with the presumption that in virtually every case in which a lobby or government agency asks for taxpayer money, the answer should be "no" — not "well, we try to help you out," or "wait until next year when the economy picks up," or "it depends: how much money do you have in your PAC?"

Unfortunately, lawmakers in Raleigh still haven't learned to say no, at least not consistently. Rosy scenarios and onetime gimmicks got them through the 2003 budget cycle. Now, with little fiscal cushion left, the proverbial rainy day has returned.

Now, don't get me wrong. I do not believe that it is the taxpayers' job to subsidize risky private choices. I do not favor easy access to government bailouts for people who own cottages on the Outer Banks or homes in flood plains. Nor do I think that natural disasters should be used as an excuse for communities to try to tap public coffers in Raleigh or in Washington for pre-existing needs, which is what happened in 1999 when North Carolina politicians shamelessly tried to scam the Feds for "Floyd expenses" that were anything but.

When I say that Isabel has created new fiscal obligations for North Carolina, I mean for things that are clearly state responsibilities. For example, we are going to have to repair quite a bit of public infrastructure, including the major highway along the Outer Banks and a number of inland roads and bridges. There have been public-safety needs, as well as emergency response and short-term relief. These are appropriate functions for North Carolina to perform, meaning that they are appropriate functions for North Carolina taxpayers to finance.

So the next time that you hear a politician talk about running (largely empty) choo-choo trains around Charlotte or the Triangle, or the next time you hear a UNC lobbyist complain about too-little subsidy for its high-priced researchers, or the next time you hear about how middle-class families ought to get free day care or health care or school lunches for their children, or the next time you hear the case for tossing millions of dollars down various "economic development" ratholes, remember:

Are any of these requests as urgent and important as recovering from a hurricane? If not, then why does North Carolina's political class continue to respond so favorably to these proposals of dubious merit, when they must know that they are setting the state up for fiscal turbulence in the future?

Of course, there is a "solution" available other than fiscal discipline. It's the call to raise North Carolina's taxes again, at least temporarily, to address the new set of needs. I'll be waiting to see how long it takes for some politicians or newspaper editorial boards to utter the t-word. In 1999, in the aftermath of Hurricane Floyd, it only took a few days.

But remember that any tax increase passed now wouldn't be to finance disaster recovery. It would be to finance all those lower-priority items that politicians funded for years with the money they should have set aside for disaster recovery. CJ

Hood is president of the John Locke Foundation, publisher of Carolina Journal, a syndicated columnist, and host of "Carolina Journal Radio," now broadcast each week on 14 stations across the state.

John Hood

Editorial Briefs

- The number of states having minimum wages higher than the federal level has increased from six to 14, despite rising unemployment rates. Such higher minimum-wage laws lock the least-skilled workers out of the labor force, experts say.

According to a study by the Employment Policies Institute, states with high minimum-wage rates also have high unemployment rates. Alaska, Oregon, Washington, Illinois, California, Massachusetts and Connecticut have the highest minimum wages in the country and account for 20 percent of America's unemployment "black spots."

The states with the highest minimum wages — Alaska, Oregon, and Washington — have the highest unemployment rates in the United States. Leaders from the three states have asked Congress for a doubling of federal job-training dollars to help their less-skilled workers enter the labor market. But these workers are most likely to be harmed by minimum-wage increases, and less likely to be able to take advantage of on-the-job training.

High wage mandates tend to hurt the entry-level job market, because it increases labor costs and makes competition for jobs fiercer. Less-skilled workers aren't able to take advantage of on-the-job training that can boost their skill levels and wages, EPI says.

Far from helping the poorest residents of a state, as a 1995 Michigan State University study found, minimum-wage laws may actually keep the least-skilled workers out of the job market.

Reported in *Investor's Business Daily*.

- One reason why women don't get more top jobs may be that they view work differently than do men, researchers say. New research by Catherine Hakim of the London School of Economics finds that men are three times as likely as women to regard themselves as "work-centered."

Research by economists at two American universities suggests that, even in the job market, women behave in ways that disadvantage them. At the University of Chicago's business school, Uri Gneezy and a group of colleagues have used novel techniques to show that women and men have different attitudes toward competition.

In one study, groups of students were paid to solve simple maze problems on a computer. In some groups, everybody was paid 50 cents per problem solved; in others, a payment of \$3 per problem went only to the individual who solved the most mazes. Female performance was much the same in both groups; but in the second lot, the average man did about 50 percent better than in the first, indicating that competition is motivational for men.

A second study, of physical tasks, showed similar results. When 9- and 10-year-old children ran a race alone, boys and girls clocked similar speeds. When children raced in pairs, girls' speed hardly altered. But boys ran faster when paired with a boy, and faster still when racing against a girl.

Gneezy points out that, if men try harder when competing, they will disproportionately win the top jobs, even when doing the job well does not require an ability to compete.

Reported in the *Economist*.

- Efforts to stir up "public agitation" about loss of manufacturing jobs to China are based on lies, says Alan Reynolds of the Cato Institute. China accounts for only 18 percent of our imports of merchandise. However, Chinese imports seem bigger, he explains, because they are concentrated in clothing and consumer goods, which are far more visible than more costly industrial supplies and equipment.

Apparel accounts for only about 6 percent of U.S. imports, industrial supplies and equipment for 55 percent. Major industrial countries supply almost 48 percent of U.S. imports of manufactured goods, while all newly industrialized Asian countries account for 9.3 percent.

Another factor that is rarely reported correctly, Reynolds says, is that American workers are more productive than their Chinese counterparts. The level of value-added per Chinese worker in 1999 was only 8 percent of U.S. worker productivity, according to the International Labor Organization. Or to put it another way: It takes a dozen Chinese manufacturing workers to match one American.

Reported in *Investor's Business Daily*. CJ

Forget Reform, Politics Corrupts Money

By **GEORGE LEEF**
Contributing Editor

RALEIGH

On Sept. 8, the U.S. Supreme Court heard oral arguments in the heated battle over campaign finance reform legislation — the so-called Bipartisan Campaign Reform Act, or BCRA.

I won't offer any prediction as to how the court will rule. Especially in the wake of this summer's decision in the University of Michigan case, where a majority of the court invented out of thin air a "compelling state interest" in "diversity" that allows schools to ignore the 14th Amendment's requirement that all citizens be treated equally under the law, it's impossible to say how the court will decide, since the language of the Constitution is so easily evaded.

But I will offer some thoughts on how the court ought to rule. It ought to declare the BCRA unconstitutional and should do so in language that doesn't encourage Congress to go back to the drawing board. The whole enterprise of campaign finance regulation is not only a violation of the Constitution, but logically misconceived as well.

The constitutional issue is simple. "Congress shall make no law abridging the freedom of speech or of the press," says the First Amendment. In limiting political contributions, which are instrumental in campaign communications, and in restricting political ads, BCRA abridges both. Backers of the legislation say that there are very good reasons for it. I disagree, but even if there were good arguments, the Constitution doesn't say, "no law unless it's really needed."

The central idea of campaign finance reform is also flawed. Money — at least money from the wrong sources, or too much of it — supposedly corrupts our otherwise pure democratic system. Bad bills get passed just because of donations from well-heeled interest groups to politicians whose support is up for sale, and good bills are blocked for the same reason. The rich have undue influence in the political arena, while "the little guy" is ignored. So what could be fairer than to (sorry, but here comes another cliché) "level the playing field?"

That central idea, however, gets it completely backward. Money does not corrupt politics. Politics corrupts money — that is to say, individuals with money.

Seventy years ago, sociologist Franz Oppenheimer pointed out that there are fundamentally only two ways of getting what you want in life. He called them "the economic means" and "the political means." By economic means, Oppenheimer meant producing and trading. By

political means, he meant the use of force, particularly force as organized and used by government.

If government sticks to its proper role as a neutral enforcer of laws that protect life, liberty, and property, people have to use the economic means to achieve their goals. They have to work to produce goods or services, which they then sell to get money so they can buy other things. That regime channels human energy into useful endeavors.

On the other hand, if government starts allowing its powers to be used so that some people can dictate to and live at the expense of others, society will change dramatically as the political means becomes increasingly prevalent. Human energy, resources, and money will go into scheming for the passage of laws and regulations that benefit a few at the expense of many.

Therefore, the temptation of politics corrupts people into using their money for all sorts of nefarious purposes. Companies try to

buy governmental subsidies. Unions try to buy protection against competition. Various citizen lobbies try to buy "free" medical care or more "protected wilderness" or increased student aid or hundreds of other governmental goodies. But at the same time, individuals and organizations that don't want those things foisted on them spend their resources on politics to oppose them. Money in politics is not only spent trying to bring about the enactment of bad laws and policies, but also to stop their enactment.

The proponents of campaign finance reform evidently believe that with their cleansing reforms in place, there will be much less support for the political "bads," even though there is no agreement as to what constitutes a political bad. I submit, however, that it is at least as if not more likely that campaign finance regulations will do more to impede those who oppose the political bads than to impede those who promote them.

The interest groups that push politicians to give them goodies will not be deterred merely because we pass laws regulating campaign spending. They will find ways to influence politicians anyway. Regulations are apt to have far more impact on "leave us alone" groups, making it hard for them to raise issues with the public, as with the ban on "issue ads" during campaigns.

If you're serious about cleaner politics, forget about trying to take out the influence of money. Instead, think about removing the temptation to use government power. CJ



George Leef

The whole enterprise of campaign finance regulation is not only a violation of the Constitution, but logically misconceived as well.

George C. Leef is director of the Pope Center for Higher Education Policy and a contributing editor of Carolina Journal.

*Additional products and lower prices***Pillowtex: Consumers Shouldn't Forget Benefits of Free Trade**

By MICHAEL L. WALDEN
Contributing Editor

The closing of Pillowtex plants in North Carolina is only the latest in a long series of textile and apparel factory shutdowns. Since 1973, the combined textile and apparel industry in North Carolina has lost 230,000 jobs, or 60 percent of its job base. Nationally, textile and apparel mills and plants have handed out more than 1.5 million pink slips in the past 30 years.

Automation is part of the reason for the job cuts. Like all of U.S. manufacturing, factory floors today are brimming with machinery and technology. This has dramatically increased the productivity of factory workers but has reduced the number of workers needed to produce the same, or greater, output. Each textile and apparel worker today produces one-third more than a decade ago.

A strong argument can also be made that the North American Free Trade Agreement and the Uruguay Round of the General Agreement on Tariffs and Trade, signed in 1993 and 1994 respectively, have accelerated the job cuts. From 1973 to 1993, 5,000 textile and apparel jobs were lost, on average, in North Carolina each year. Since 1993, the annual losses have swelled to 15,000.

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Michael L. Walden

These job losses are, of course, troubling, and they have caused many people, especially in North Carolina, to question the wisdom of the trade agreements signed in the 1990s. Why, they ask, would our country's leaders agree to trade deals that have resulted in the loss of so many jobs?

The question is a very valid one, and it can be answered in the following way. International trade agreements involve costs and benefits for the American economy. Costs include the loss of jobs to countries that can manufacture certain products more cheaply than in the United States. This is the case for many textile and apparel products that use relatively lower-cost foreign labor.

But what are often ignored are the benefits of freer world trade. These benefits come in two categories.

First are the additional products U.S. companies can sell in foreign countries due to lower trade barriers. Electronic, farm, and chemical products are a few of the industries where American firms have a cost advantage over foreign producers. In fact, U.S. factories increased production by 46 percent in the seven years following NAFTA and GATT and declined only during the recession years of 2000 and 2001.

Second are the lower prices American consumers will pay for some products by having greater access to lower-

cost foreign imports. This can provide substantial savings to American families and free-up money for spending on other domestically made products and services.

A good example of the second benefit is apparel prices. Before NAFTA and GATT, apparel prices in the United States were rising about 4 percent per year, compared to 6 percent for all products and services. But since NAFTA and GATT, retail apparel prices have fallen an average of 1 percent annually, compared to an increase of 2.4 percent annually for all products and services. I estimate American consumers of clothing are saving a minimum of \$19 billion annually as a result of the lower apparel prices after the institution of NAFTA and GATT. This is enough to pay every former textile and apparel worker in the United States displaced since 1993 an annual amount of \$25,000.

Trade agreements such as NAFTA and GATT represent a change in the economic "rules of the game" that create benefits and costs. Certainly many textile and apparel workers in North Carolina and other states have been on the losing end. But equally as clear is that consumers of clothing products have benefited. Perhaps a method of shifting some of the consumer benefits to the displaced workers is the "win-win" solution. *CJ*

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

Piedmont Job Losses Promise to be Potent Political Issue in '04

By JOHN HOOD
Publisher

It's been a truism of North Carolina politics for years that swing voters in Eastern North Carolina hold the key to winning statewide races. I think this notion became outdated a long time ago, and now I think that the economic reversals of the past three years have clearly revealed its obsolescence.

Of course, votes are votes in this situation. You don't get elected governor, or attorney general, or commissioner of whatever, by winning the electoral votes of counties. Every vote counts the same. The issue here is where most of those voters who can be coaxed to voted Democratic or Republican depending on the particular candidates and campaign pitches reside.

Judging by the behavior of many politicians, they've already seen the political center of gravity shifting westward. You can certainly see this in the case of the Pillowtex bankruptcy centered in Cabarrus and Rowan counties. Gov. Mike Easley, members of Congress of both parties, and just about everyone trying to take their places in the 2004 elec-

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tions have weighed in on the Pillowtex implosion and spent time in and around the blast area.

Among Republican gubernatorial candidates, there are already well-traveled campaign trails — and most of their mileage lies in the Piedmont counties of the state. Naturally, some of this is partisan. That's where most North Carolina Republicans could be found until relatively recently. But there are other factors at work. Like it or not, the benighted areas of Eastern North Carolina have been in economic trouble for some time. Voters have had some time to adjust, not that they are happy about it, of course. In the Piedmont and west, the economic reversals-of-fortune have been sudden, traumatic, and politically revolutionary. We've seen counties that had virtually no unemployment three years ago posting double-digit jobless rates.

Take Caldwell County, where former Congressman and GOP leader Bill Cobey and Senate Minority Leader Patrick Ballantine each campaigned within a few days of each other back in August. Caldwell just experienced a 13 percent rate in July. To the southeast, Davidson County also hosted separate meet-and-greet events for Cobey and Ballantine and just got hit with more plant closings in Lex-

ington and Thomasville, places that have long typified North Carolina's small-town mix of manufacturing heft and conservative politics. From Transylvania County in the far west to Rockingham and Yancey counties along the northern rim of the Piedmont Triad, communities that grew up around major manufacturing enterprises are now adjusting to life without them. Consequently, some local residents are yielding to the protectionist temptation. Others are critical of wasteful spending, high taxes, and onerous regulations that pound businesses already teetering on the edge. Still others see their community's salvation in more government spending for retraining and infrastructure.

It's too early to tell what this political turn to the Piedmont means for the 2004 election cycle. My sense is that what we are really seeing here is a upswing in political interest. Politics just seems to matter more than it did when most North Carolinians perceived their state as chugging along without major impediments. Now, they are asking some deep and troubling questions. Many politicians won't want to hear these difficult questions, and many voters, in turn, won't want to hear some of the inevitable answers. But the conversation has begun. *CJ*

John Edwards: a Part-Time Senator for North Carolina's 'Little People'

By MARC ROTTERMAN
Contributing Editor

Wouldn't you like to have a job where you showed up for work only 78 percent of the time—a job where you hobnobbed with cultural elites in Hollywood and crisscrossed the country in private jets?

That's the life of North Carolina's "Part-Time Senator" John Edwards, now "officially" running for president.

Edwards has outgrown the little people of North Carolina. He now wants to be commander-in-chief of the world's only superpower. In fact, the senator so wants to be the leader of the Free World that he has made the executive decision to send his presidential campaign chairman, Ed Turlington, to handle town meetings. own meetings are historically where citizens gather to interact with their elected representatives to get an update on what is transpiring in Washington. This is also when "constituents" — a word foreign to Edwards — bring their problems and voice their concerns to their elected representatives.

I have met Turlington several times, and he seems like a nice guy. But with all due respect to Turlington, who

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Marc Rotterman

elected him senator? Has Edwards spent so much time with the Hollywood elites that he has forgotten who hired him? Apparently so.

According to Edwards's spokeswoman, Jennifer Palmieri, "When there is a close vote, he will make it a priority to be there for it." Yet the *Charlotte Observer* in an editorial June 18 wrote, "Edwards has missed some votes on important issues this year."

Case in point: On May 5, Edwards wrote a letter to his Senate colleagues requesting support for an amendment to the energy bill to remove language that threatens existing moratoria that protects sensitive coastal and marine areas. "I am leading an effort to prevent drilling for oil and natural gas off the Atlantic coast of North Carolina," Edwards said. (Edwards' press release 5/14/03)

However, when the Senate voted June 12 on the amendment, Edwards was a "no show." According to CNN, Edwards missed the vote because he was on his way to Nashville to "meet and greet Tennessee Democrats."

In fact, to date Edwards has missed 25 percent of the energy votes cast this session. This is a sad commentary on North Carolina's "part-time senator." Perhaps it's time to

invoke a little-known law that hasn't been enforced since 1914. That is U.S. Code Title 32, Section 39, which says that "no show" lawmakers have to forfeit their salary for each day he or she is absent from the Senate or the House. The only excuse for not showing up is sickness of a member or of a member's family.

Edwards has missed 22 percent of the votes cast this session. His salary is \$154,700 a year. It has been calculated by the National Taxpayers Union that members owe \$616.33 for every day they miss work. Now Edwards is running full time for president. Since that is the case, perhaps Edwards will do the right thing and return his \$154,700 a year salary to the taxpayers.

If most North Carolinians took off work to look for another job, they wouldn't be paid. Members of Congress, and particularly Edwards who has been blatantly absent in the Senate, should not get preferential treatment.

Edwards was elected senator for the citizens of North Carolina. He has been derelict in his duty, and he should forfeit his salary if he does not intend to show up for work and do the job that the citizens of North Carolina hired him to do. *CJ*

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

Basnight Pushes Moldbusters Jobs Program

Mold disposal can be combined with North Carolina's biotechnology initiative, Senate leader says

By RAY STANTZ
Spiritual Correspondent

RALEIGH
State Senate leader Marc Basnight recently unveiled his Moldbusters job creation program to a standing-room only crowd gathered at the North Carolina Museum of History auditorium. Basnight's initiative involves combining a biotechnology initiative with the mold cleanup program at North Carolina Central University in Durham.

"This is an historic opportunity for North Carolina to take an unfortunate situation, combine it with a bold initiative, and become a national leader in an emerging industry," he said.

NCCU officials shut down two dormitories and the main library after they found "black mold" throughout the buildings. Basnight said he thinks there is mold at the other schools.

Under his proposal, displaced workers would receive extensive training in the field of moldbusting. The program would be conducted at all state universities, allowing participants to get extensive exposure to mold.

When the participants graduate they would be hired as permanent state employees assigned to the campus where they trained.

Basnight predicted North Carolina would become the envy of other states. He said that the state's plan to train North Carolina workers for jobs in the biotechnology industry is certainly going to be copied by others and that to differentiate we had to offer a unique component.

"Moldbusting is an emerging industry and North Carolina is well-positioned to be a world leader," he said.

It's about jobs

Basnight predicts cleaning up the mold at NCCU alone will create 300 full-time jobs. For the 16-campus UNC



system he predicts a total of 5,000 jobs by November 2004.

After a reporter asked him how he came up with 5,000 jobs, Basnight explained that he multiplied 300 jobs per campus times the 16 campuses and got 4,800 jobs. Then he added 200 jobs for a central administrative office he wanted built in Dare County. The total, he said, comes to 5,000 jobs.

Another reporter asked him how he came up with the original 300 jobs at NCCU. He said that a staff member calculated that figure, but that he planned to appoint a team of economic developers to review his calculations.

He said the Dare County facility will likely be located at the state-owned Wanchese Seafood Industrial Park.

"I am tired of people making fun of that project. We tried to do something good for the people. At the time how was I to know that state government would be unable to

operate an industrial park? Locating the Moldbusters central office there would help people forget about the seafood park," he said.

Other reporters inquired about the cost of the program. Basnight said the initiative would cost considerably more than the \$60 million that the Golden LEAF Foundation had already committed for biotechnology. He estimated that startup costs would total about \$100 million and that annual operating expenses would run about \$350 million, an average of \$70,000 per employee.

One reporter asked Basnight what the employees would do after they removed all the mold. He said he prefers to be optimistic. "I believe this will be an ongoing program. We don't want to give these daring employees any reason to be concerned about job security."

Gov. Mike Easley did not attend the press conference, but issued the following statement: "Marc Basnight is a visionary. I do not know if this Moldbusters thing is going to work, but Marc has enough power to give it a try."

Senate Republican leader Patrick Ballantine said that he supported the program, but that he thought the central office should be located in Wilmington. "In addition to the State Port we have a struggling film industry here. I am sure there is a way to make a movie about this," he said.

It's about vision

Basnight said he got the idea recently while he was watching television and flipping through channels. He came upon the movie *Ghostbusters* and "the idea just sort of fell into place. "I often talk to friends and political contributors to get my ideas, but sometimes you just get ideas sitting around watching television." CJ



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