

CAROLINA JOURNAL

State Budget: Higher Taxes, More Borrowing, Federal Handout

N.C. leaders continue heavy spending, avoid efficiency and solutions

By **PAUL CHESSER**
Associate Editor

Lawmakers on June 30 heralded the "balanced" budget they produced through bipartisanship, which surprised many political observers because it emerged before the beginning of the new fiscal year July 1.

However like recent years, legislators depended on tax increases and nonrecurring revenues, which included \$551.6 million in relief from the federal government.

In each of the last two years Democrats, despite possession of the governorship and majorities in both chambers of the General Assembly, failed to produce a balanced budget before mid-autumn. Delays were largely blamed on the near equally split House, where a group of liberal Democrats often joined unified Republicans' 58 votes to block regressive tax increases.

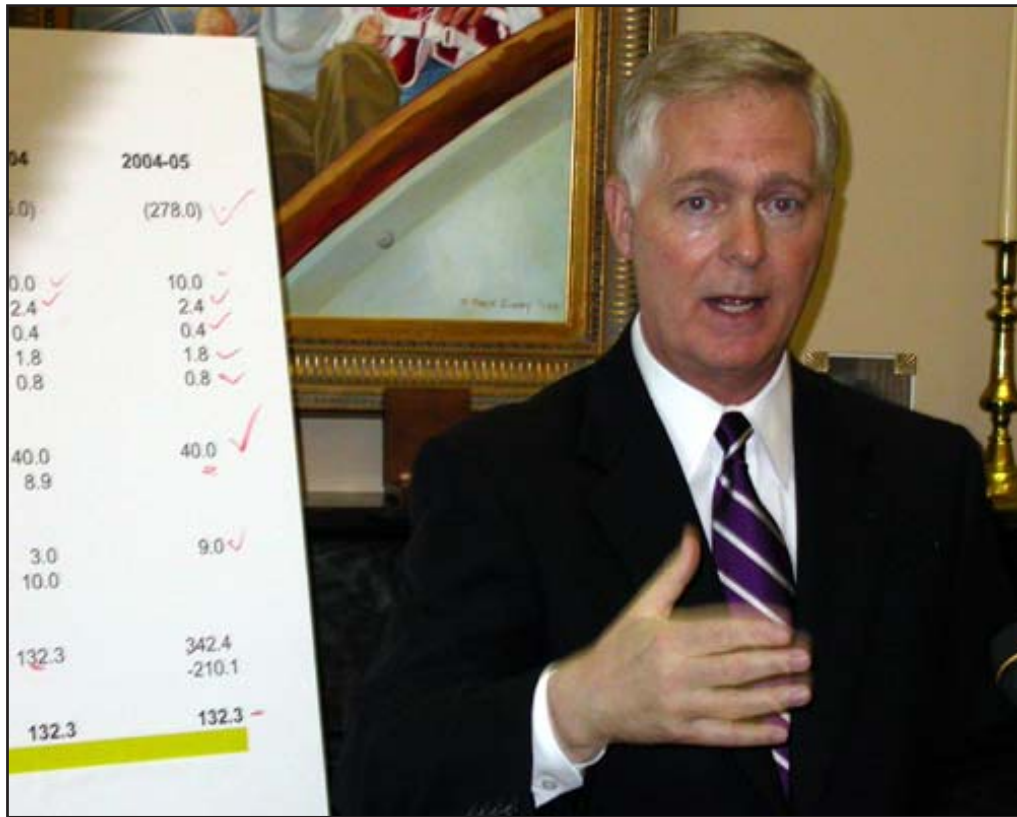
This year, loyalties shifted. Despite a 60-60 vote split between Republicans and Democrats in the House, the liberals' leverage diminished and GOP solidarity, already fragile, dissolved. Instead, a small group of Republicans led by Co-Speaker Richard Morgan joined with now-unified Democrats to craft a timely budget. The new coalition marginalized legislators who opposed tax increases and budget growth.

The realignment didn't change budgeting habits from recent years. Government spending will grow by 3 percent in 2003-04 and will grow 5 percent by 2004-05. More than \$1 billion in higher taxes will be collected through the end of fiscal 2005.

Finding new money

The extra levies didn't alleviate the need to find other sources of revenue, though. North Carolina joined most other states, which are in similar budgetary difficulty, to plead for relief from the federal government. After much hand-wringing, Congress came through with \$20 billion, which included \$551.6 million for North Carolina.

Lawmakers also took \$130 million from two of the state's trusts that were funded by its share of the 1998 tobacco lawsuit settle-



Carolina Journal photo by Richard Wagner
Easley advises the House to alter the budget at a press conference June 25 at the State Capitol.

ment. Of those two funds the Health & Wellness Trust Fund, which was to finance public health programs, will lose \$50 million the next two years. The Tobacco Trust Fund, which was established to give tobacco farmers relief for their product's diminished demand, will lose \$80 million.

Budget writers also took: \$10 million from funds recovered as the result of the attorney general's lawsuit settlements; \$58 million from taxes earmarked for the improvement of the 911 emergency telephone system; \$109 million from the Hurricane Floyd Disaster Relief Funds; and \$40 million originally headed to other special funds.

Lawmakers in recent years have transferred increasing amounts from the Highway Trust Fund. The reserve was sold to taxpayers as a way to finance special road projects through gas taxes and car taxes. This year the legislature moved \$252 million out of the designated fund.

Fee increases brought in another \$11.5 million in revenue to the General Fund.

Legislators think also that the state will be able to gain \$216.3 million through improved tax collection measures. And they expect to raise \$40 million through the sale of surplus property.

According to legislative staff, the budget relies upon nonrecurring funds of \$618.2

million in fiscal 2003-04 and \$698 million in fiscal 2004-05. The total \$1.3 billion is mitigated by nonrecurring expenditures of \$197.2 million over the two years. In 2005 lawmakers will need to replace what amounted to a nonrecurring \$1.1 billion in revenue in the 2003-05 biennium.

Brother, can you spare a prison?

Lawmakers also expanded plans this year to borrow money for capital projects through a controversial method they began two years ago. In 2001 the legislature authorized a new way to get financing without the need for voters to approve new debt, as the constitution mandates. The method was used to build three prisons.

Called "certificates of participation," the legislature authorized the treasurer to create a nonprofit corporation, which would be owner and landlord of the prison properties. The state was able to skirt the voter-approval requirement because technically it is the finance corporation taking on the debt, then turning around and allowing the state to use the facilities under a lease-purchase agreement.

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Freedom Budget 2003 rearranges priorities, offers different approach

By **PAUL CHESSER**
Associate Editor

Priorities, priorities — every person's lies in a different place. So does every agency's.

Lawmakers have to decide what is most important for all of them. Democratic Rep. Martin Nesbitt of Asheville voted in favor of the budget and believed it was "pretty good," considering the General Assembly's struggle to find revenue and cuts.

"On balance I think they did the right things in terms of priorities," he said. Still, some budget deletions troubled him.

"We cut teachers aides, and I think that's terribly shortsighted," he said. "We can get 2 1/2 aides for one teacher...and that allows teachers to teach. They are very cost-effective."

The budget reduces the dollar allotment for teacher assistants by \$16 million over the two-year period. Nesbitt also thought cuts to the Vocational Education Program, also \$16 million, was a bad idea.

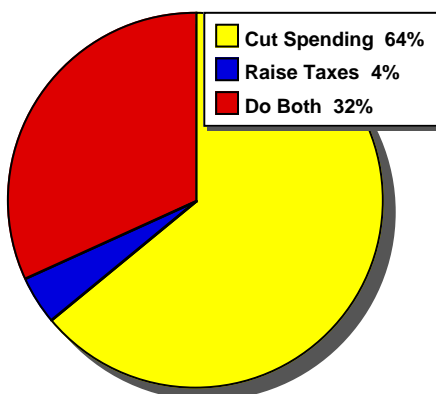
Whether cutting those line-items was appropriate is in the eye of the beholder.

The John Locke Foundation's Freedom Budget 2003 offered the organization's advice on priorities for government. The plan, which is on the Internet at www.JohnLocke.org, recommends cuts in many programs and the elimination of other appropriations where the foundation thinks government shouldn't have a role.

One way to restore the reductions in teacher assistants and vocational training would have been to follow the Freedom Budget's recommendation on cultural and recreational attractions. It estimated that if the Tryon Palace, NC Maritime Museum, NC Museum of Art, NC Museum of History, the division of Forestry, NC Zoo, NC Aquariums, and the Museum of Natural Science could recover 50 percent of their costs through fees and donations, the annual savings would be \$32.4 million.

But the Freedom Budget also proposed a more dramatic reduction in teacher assistants, recommending that \$122 million worth of positions be converted into full teaching positions. cj

Best Way to Solve Fiscal Crisis



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ON THE COVER

• What was the General Assembly's solution to the state's budget problems this year? Higher taxes, onetime money, more borrowing and ignoring efficiency ideas seemed to be the answers. *Page 1*

NORTH CAROLINA

• Two reports released in August conclude that North Carolina's primary job creation program, the William S. Lee Act, rarely creates any jobs. *Page 4*

• The length of time for copyright protection, which exceeds 100 years in most cases, is excessive and society would benefit if the period were shortened, the dean of the Barton College School of Business says. *Page 5*

• Approval of the state budget June 30 also marked the beginning of the fulfillment of a \$10 million promise made by state House Cospeaker Jim Black to a culinary arts school that planned to establish a campus in Charlotte. *Page 5*

EDUCATION

• The NC Charter School Conference held in New Bern carried the theme "NCLB," a reference to both the No Child Left Behind Act, and an acronym for "Nurturing, Challenging, Learning & Believing in all children." *Page 7*

• Lindalyn Kakadelis writes that the State Board of Education's meeting in August confirmed that its unqualified core value is that the "system" is more important than the child. *Page 7*

• Three different testing standards — the National Assessment of Educational Progress, the state ABCs, and the federal No Child Left Behind Act — are creating confusion and frustration over accuracy in North Carolina. *Page 8*

• Now that high-stakes testing has begun in North Carolina, parents and policy makers want to know whether the process is working to improve student performance. *Page 9*

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• A recently released report found that North Carolina's institutions of public higher education are hardly the only ones in the nation affected by an economic downturn in their home state. *Page 10*

• One of the last actions of the General Assembly before the legislative session ended was to pass a bill that increases eligibility for a state grant that also ended what some have labeled a discriminatory practice. *Page 11*

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OPINION

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Calendar

Woolsey to Speak Sept. 19; Epstein Featured at Luncheon

R. James Woolsey, former director of the CIA, will speak at a special John Locke Foundation event at 6:30 p.m. Sept. 19 at the Brownstone Hotel in Raleigh. Also featured with Woolsey will be U.S. Rep. Mike Pence, of the 6th District of Indiana.

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

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

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

Woolsey has also served in the U.S. government as: ambassador to the Negotiation on Conventional Armed Forces in Europe (CFE), Vienna, 1989-1991; under secretary of the Navy, 1977-1979; general counsel to the U.S. Senate Committee on Armed Services, 1970-73; advisor (during military service) on the U.S. Delegation to the Strategic Arms Limitation Talks (SALT I), Helsinki and Vienna, 1969-1970. He was also appointed by the president as delegate at large to the U.S.-Soviet Strategic Arms Reduction Talks and Nuclear and Space Arms Talks, Geneva, 1983-1986.

Pence was born in Columbus, Ind., and



R. James Woolsey

was first elected to Congress in November 2000 and was re-elected to the 6th Congressional District encompassing much of eastern Indiana in 2002.

Pence serves in the House leadership as a deputy majority whip and was named to chair a subcommittee during his freshman term — only the fifth freshman in the past 50 years to hold such a position.

An ardent supporter of the U.S. military and the war on terrorism, Pence accompanied House Speaker Dennis Hastert and a small congressional delegation in the spring of 2003 to visit troops fighting in operations Iraqi Freedom and Enduring Freedom.

Following the Sept. 11, 2001 terrorist attacks on New York City and Washington, D.C., Pence was appointed to the House Judiciary Committee, where he serves on the subcommittee on crime, terrorism, and

homeland security. Pence participated in drafting the Patriot Act and legislation creating the Department of Homeland Security.

Pence also traveled to Berlin after the Sept. 11 attacks as the only member of Congress to participate in an international conference on terrorism.

Cocktails and heavy hors d'oeuvres will be served at the special event. Cost is \$35 per person. For more information or to pre-register, contact Summer Hood at (919) 828-3876 or events@johnlocke.org.

Oct. 2 luncheon

Leading free-market legal scholar Richard Epstein will be the featured speaker at a John Locke Foundation luncheon Oct. 2 at the Brownstone Hotel.

Epstein is the James Parker Hall distinguished service professor of law at the University of Chicago, where he has taught since 1972.

He has also been the Peter and Kirstin Bedford senior fellow at the Hoover Institution since 2000.

He was editor of the *Journal of Legal Studies* from 1981 to 1991, and of the *Journal of Law and Economics* from 1991 to 2001. Currently, he is a director of the John M. Olin Program in Law and Economics.

Epstein is the author of several books on law and economics, including *Skepticism and Freedom: A Modern Case for Classical Liberalism* and *Simple Rules for a Complex World*.

Lunch will be served at noon. The cost per person is \$20.

For more information or to preregister, contact Summer Hood at (919) 828-3876 or events@johnlocke.org. *CJ*

Efficiency Commission's Recommendations Get Short Shrift

Continued From Page 1

Local governments have been allowed to use the financing method for years.

"I don't like it and I think it's something we need to put a stop to," said Rep. Martin Nesbitt, D-Buncombe. "I didn't like it when the local governments did certificates of participation. I guess everyone can justify it by saying there's no other way."

Nesbitt said he was concerned about the rapid growth of the state's bond debt over the last 10 years.

"Now we're going into self-financing, which will put us into it even further if we don't put a stop to it," he said.

Lawmakers authorized lease-purchase agreements to build three more prisons at a cost of \$234 million, in addition to several other capital projects that pushed the state \$650 million further into debt.

What efficiency commission?

Gov. Mike Easley established the Commission on Government Efficiency and Savings on State Spending in February 2002. In December the panel released recommendations that paralleled proposals by a similar commission 10 years ago. In the early 1990s, members of the Government Performance Audit Committee estimated that their recommendations could save taxpayers about \$275 million the first year, and greater long-range savings thereafter.

Few of those ideas were implemented back then, and most were forgotten when the economy improved in the mid-1990s. The Efficiency Commission, which was unable to reach the level of dollar-figure specificity that GPAC did, revived many of those suggestions, and added some new ones.

"We didn't have the resources or the time to drill down to see what dollar savings might be there," said Jim Hyler, chairman of the Efficiency Commission, and vice chairman of First Citizens Bank. The group was not given any funding in the budget.

Hyler said instead the commission focused on broad themes. "We didn't get into any policy issues; we just looked at processes," he said.

The commission's report, full of consolidation and reduction ideas, also took on somewhat of a finger-wagging tone.

"The commission has noted the work of previous commissions has tended to be ignored when the economy recovers and the immediate fiscal crisis passes," the report read. "Several steps should be taken...to avoid that process."

The commission identified dozens of specific areas for potential government savings. The major recommendations included:

- Zero-based budgeting.
- Introduce incentives to control costs.
- Prospectively eliminate longevity pay and fund additional pay for excellent performance.
- Change eligibility standards for retiree health insurance and retirement benefits to mirror the private sector.
- Reduce duplicative personnel systems.
- Aggressively work toward the elimination of positions that become open as a result of attrition.
- Change the administration of the state's \$700 million information technology service programs.
- Privatize additional state government

services.

- Sell certain state properties.
- Consolidate administrative functions of small school systems and small community colleges.
- Consolidate the many workforce preparedness programs.
- Simplify the tax code.

"If we simplified the tax code," Hyler said, "it would make some of the compliance issues go away."

But the recently completed legislative session demonstrated that legislators mostly ignored the commission's lecturing. Most of the recommendations weren't considered, and most that found their way into a bill failed to go anywhere.

NCCBI determined that only 14 bills that addressed government efficiency is-

recommendations.

"I don't know how to answer that because it's so unusual [for it not to pass]," said Steve Tuttle, vice president of communications for NCCBI. "We'll just have to wait and see."

The efficiency commission also proposed that the state explore consolidation of community colleges, an idea that an independent consultant posed as feasible. MGT of America determined that the state's three community colleges with enrollment below 1,000 could be merged with larger neighboring schools, which would save the state \$2 million a year. However, the consultant said political and technical hurdles probably make the idea not worth the trouble.

But MGT said changing the formula by which the state's community colleges receive money is worth pursuing. Community college officials and state system President Martin Lancaster discounted that idea, claiming that at least 36 schools would lose money.



Rep. Debbie Clary, R-Gaston

What Went Wrong: "I was disappointed (the only Appropriations Chair to vote 'no' on the budget) with the continuation of the sales tax in the budget."

What Went Right: "The taxes would have remained in force under any form of House leadership when you take into consideration the 'less than conservative' Senate and governor. The good news is, it didn't take 10 months to do what was inevitably going to be done."



Charlotte Sen. Robert Pittenger

What Went Wrong: "The most distinctive thing is we're unique among any other state in the country, having a significant tax increase for three consecutive budgets."

What Went Right: "There's nothing good. We've not brought in any cost savings efficiencies, and therefore we maintain the highest corporate, personal, and sales tax rates of any state in the Southeast. That clearly hinders our ability to attract economic development."

sues were introduced in either chamber of the Assembly.

Only two of the bills passed both the House and the Senate, but as of mid-August they hadn't been signed by Easley. One would allow government agencies to receive sales tax exemptions instead of refunds. The other would authorize the sale of state-owned property in Raleigh's Blount Street Historic District. That measure would allocate proceeds to the maintenance and upkeep of the Governor's Mansion.

Two more of those bills were rolled into the budget bill. The first was to consider the sale or lease of state property. The legislature hopes to jettison \$40 million worth of the state's assets over the next two years.

The other bill that was placed in the budget will establish a state-wide State Employee Benefit Committee, which consolidates the evaluation and selection process of optional benefit programs. Currently each state agency has its own committee, hindering economies of scale for the bid process.

"A couple of [bills] are still alive and in study," Hyler said. "There's been a little bit of action, but there's still a lot to be done."

Four bills that would have considered government program consolidation or reduction were themselves combined into a larger studies bill. Passage of that bill along with an appointments bill and a technical corrections bill is typically perfunctory, but not this year. Efficiency commission supporters aren't sure how that bodes for their



Asheville Rep. Martin Nesbitt

What Went Wrong: "We cut teachers aides, and I think that's terribly short-sighted. We can get 2 1/2 aides for one teacher...and that allows teachers to teach. They are very cost-effective."

What Went Right: "I think for the shape they were in they did a pretty good budget. I look for us in these difficult times to make sure we don't dismantle an institution or leave some people behind. We needed to spread the pain, and I think they did that."

"What we really need is more money," Lancaster told *The News & Observer* of Raleigh.

Only so much was possible

Tuttle said legislators could do only so much on efficiency, given their busy agenda.

"I think we made a good start," he said. "At least the issue of improving government efficiency received a good airing in the General Assembly, given they had to spend so much time balancing the budget."

But lawmakers who opposed the budget thought a lot of the efficiency commission's suggestions could have improved the budget immediately.

At the beginning of the year the com-

mission identified the elimination of half of the state's 10,000 vacant positions from 2001-02 as an instant and significant way to help relieve budget pressure. The panel estimated that if half of those positions were eliminated at an average annual salary of \$30,000, about \$180 million could have been saved.

"We're going to fund over 5,000 empty positions," said Sen. Fred Smith, R-Johnston. "Nobody's in those jobs."

"I think the state should look very hard at these positions that have become vacant and have a disciplined program to eliminate them," Hyler said last month.

The efficiency commission also said quick savings could be had in the state's technology purchases.

"Just a slight improvement in the present disarrayed information technology expenditures could save \$70 million in spending," Hyler wrote in an August 2003 article for NCCBI.

Yet budget critics didn't see that the legislative leadership had the will to overhaul government practices. Sen. Robert Pittenger, R-Charlotte, successfully amended the budget to include the purchase of a software program that helps identify Medicaid fraud — a problem the state is trying to control.

"This software program has identified \$100 million in fraud in Georgia and Utah," Pittenger said. "The vendor guaranteed the results." The program was deleted in conference committee.

"In our excessive spending, we've not brought in any cost-saving efficiencies, and therefore we maintain the highest corporate, personal, and sales tax rates of any state in the Southeast," Pittenger said. "That clearly hinders our ability to attract economic development."

'Pretty good budget'

Legislators who voted for the budget, or were at least involved in the negotiations, found some positives in the midst of what was a struggle to keep from cutting what they considered essentials.

"I think for the shape they were in they did a pretty good budget," Nesbitt said. "We're still in a recession."

"I look for us in these difficult times to make sure we don't dismantle an institution or leave some people behind. We needed

to spread the pain, and I think they did that."

Nesbitt also believed a little fiscal restraint was shown, at least by the House. "That cancer hospital at UNC — we resisted some temptation to spend dollars in future years."

And of course, there was at least some time efficiency.

"The taxes would have remained in force under any form of House leadership when you take into consideration the 'less than conservative' Senate and governor," said Rep. Debbie Clary, a Republican Appropriations Committee chair who voted against the budget. "The good news is, it didn't take 10 months to do what was inevitably going to be done." *CJ*

Around the State

• House Cospeaker Jim Black, D-Mecklenburg, has changed sides on the state lottery issue. According to the *Roanoke Rapids Daily Herald*, "(Black) said after seeing how people flock to South Carolina and Virginia to buy lottery tickets and how much money it takes out of the state, he is now in favor of a lottery."

• Phone book publisher R. H. Donnelley Corp., after vacuuming up \$4.3 million of North Carolina incentives to relocate here from Kansas and New York, cast about Durham and Wake counties to find the best local-government offer the company could get. Wake County's economic development office promised \$25,000 and wanted the Town of Cary to add \$25,000 to keep Donnelley from settling in Durham County. Officials in Cary and Durham County demurred, questioning whether Donnelley's plans qualify for incentives in their jurisdictions. Reported by *The News & Observer* of Raleigh.

• The N&O also reported that all but three of Patrick Ballantine's 21 fellow Senate Republicans support his gubernatorial bid. Andrew Brock of Mocksville supports former State GOP Chairman Bill Cobey, and Hugh Webster of Burlington is uncommitted. Fern Shubert, R-Union, is considering entering the race herself. Former Sen. Jesse Helms endorsed Cobey for governor also.

• Two freshmen state senators who hope to overcome the formidable fund-raiser power of State Sen. President Pro Tem Marc Basnight have created the Republican Senatorial Trust. Sen. Fred Smith of Clayton and Sen. Robert Pittenger of Charlotte will lead the effort to raise enough money to help the GOP win control of the Senate. Basnight has raised millions for fellow Democrats in the last several elections, enabling them to prevail in many tight races and keeping the chamber in his party's possession. "The Republican caucus got outspent 80 cents to 20 cents (last year)," Smith said. "If we're going to be competitive, then we've got to show that we can raise money." Reported by *The News & Observer* of Raleigh.

• A ninth Republican, Winston-Salem investment banker Ed Broyhill, announced his candidacy for North Carolina's 5th Congressional District, now held by U.S. Rep. Richard Burr. Broyhill, son of former U.S. Sen. Jim Broyhill, is president of the Broyhill Group. Ed Broyhill also started a furniture company in 1978. He is the grandson of J. E. Broyhill, who started Broyhill Furniture Industries in 1926.

No Democrats have filed for the race. Burr will run for the Senate in 2004. Reported by the *Winston-Salem Journal*.

• The N.C. Department of Revenue announced in a press release that it collected \$187.5 million in overdue taxes from citizens and businesses in the past two years. The milestone surpassed the department's goal for Project Collect Tax by \$37.5 million. *cj*

Jobs program fails 96 percent of the time, researcher says

Lee Act Is a 'Colossal Failure,' Legislator Says

By DON CARRINGTON

Associate Publisher

RALEIGH

Two reports released in August conclude that North Carolina's primary job creation program, the William S. Lee Act, rarely creates any new jobs.

A UNC researcher's report on the Lee Act shows that 96 percent of the jobs associated with the job-creation component of the act would have been created anyway — without the incentives authorized by the legislation.

A second report based on a survey of North Carolina manufacturers indicates that 95 percent of the time the Lee Act tax credits are not a deciding factor for companies when they are making investments or hiring workers.

UNC director's report

The first report, released Aug. 11 by the N.C. Department of Commerce, was prepared by Michael I. Luger, director of the Office of Economic Development for the Kenan Institute of Private Enterprise at UNC-Chapel Hill.

The report was prepared for the department in response to legislation in 1996 requiring a biennial assessment of the program.

Based on his own research, Luger said, "Only 4 percent of the jobs claimed to be created with Lee Act incentives actually were induced." In other words, 96 percent of the employment associated with the tax-credit program would have occurred without it.

Under the program, companies can claim tax credits for adding new jobs. The state's 100 counties are divided into five groups or "tiers." The amount of the credit varies between \$500 in tier five counties, the wealthier counties such as Wake and Mecklenburg, to \$12,500 in tier one counties, poorer counties such as Halifax and Swain.

According to Luger's report, from 1996 to 2001 about \$1.16 billion in tax credits have been generated, \$208 million have been used, and \$947 million can still be claimed. The amount is significant when compared to actual net corporate state income taxes collected in North Carolina, which total about \$800 million annually.

Luger's report gives new ammunition to critics of the program.

"The Lee Act is a colossal failure," said Rep. Paul Stam, R-Wake, a frequent critic of targeted tax incentives. "Luger's report should give the legislature the ammunition to terminate the program. A better economic development strategy would be to uniformly reduce taxes for all businesses."

A June 2001 Assessment of Results on the Lee Act released by the Commerce Department offered a more positive conclusion even though the report did not address whether the availability of the credits actually induced investment or hiring. "The Lee Act is encouraging job creation and investment in all parts of the state," the assessment said. "Based on this review, it appears that the William S. Lee Act is achieving the goals set forth for it in the General Assembly."

The Lee Act also allows credits for investing in machinery and equipment, for research and development, and worker training. It allows special credits for investment in central offices and aircraft facilities as well as additional credits for investments in state-designated business development zones.

The machinery- and equipment-credit component is by far the most costly. It ac-

Category	Credits Generated	Credits Utilized
Machinery and Equipment	\$859	\$116
Job Creation	\$162	\$34
Worker Training	\$13	\$7
Central Offices	\$14	\$3
Total	\$1,155	\$208

counted for 74 percent of the credits generated and 56 percent of the credits used during the study period.

Department of Commerce survey

Luger's research is strikingly consistent with another Department of Commerce report released Aug. 13. The report was based on a survey showing that only 5 percent of the companies using Lee Act tax credits claim they were a "deciding factor" in their decision to expand.

In December 2002, the Department of Commerce surveyed 4,471 North Carolina manufacturers as part of an effort to gather information for its Existing Industry Program.

The survey asked questions about job creation plans, knowledge of existing industry programs, and about the types of support programs they would find useful. Included in the survey were two questions about the Lee Act.

Responses were received from 977 employers, and 896 answered the Lee Act questions. The first question was:

"When your business decides to expand, to what degree will or have North Carolina's Williams S. Lee tax credits be a consideration in your decision to do any of the following tax-credit-supported activities — modernize machinery and equipment, create new jobs, undertake research and development, train workers, invest in central office administrative office property?"

The second question was: "In the past, have you used the credits?" A total of 154 companies responded yes.

Combining the responses, the report said that only 5 percent of the respondents that used the credits reported that the tax breaks were a deciding factor.

Another 25 percent responded that the tax credits were a "key consideration," but not a "deciding factor." Thirty-two percent said the credits were a "minor consideration," and 38 percent said the credits were "not relevant" to their decision regarding expansion.

Overdue reports

The General Assembly passed a law that required the Department of Commerce to biennially produce an Impact Study and report the results along with its recommendations to the legislature.

The last report was due by April 1, 2001 and even though no specific date was mentioned for the 2003 report, most observers expected this year's report to also be delivered by April 1 — in time for the General Assembly to review it.

The Aug. 11 release of Luger's report came long after the legislature adjourned July 20.

In addition, Commerce officials were reluctant to release the survey results to *Carolina Journal*. Various Commerce Department officials referred to it as a "work in progress" or an "internal document," even though the North Carolina Public Records Law defines public records as "all documents, papers, letters... made or received in connection with the transaction of public business by any agency." When it was finally released Aug. 13, the report that took more than seven months to prepare was only two pages long.

Critics question impact

"The Lee Act is an entitlement program for corporations that I don't believe serves its purpose," Dan Gerlach, then project director of the State Budget & Tax Center, told *The News & Observer* in October 2001. "We're wasting a lot of money in entitlements for economic development that would happen anyway. There is a real danger that pretty soon the Lee Act is going to topple over on its own weight," he said. Shortly after offering that critique of the Lee Act, Gerlach went to work for Gov. Mike Easley as a budget advisor.

The John Locke Foundation staff has also been a frequent critic of the Lee Act and other state economic development programs that reward companies for doing what they were going to do anyway. The Foundation recommends instead broad-based tax relief for all firms and the efficient delivery of core government services such as transportation, education, and public safety.

David Brunori, a research professor of public policy at George Washington University, also is a critic of targeted tax incentives.

A contributing editor of *Governing Magazine*, he debunked the policy in the August 2003 issue. "With states still reeling from falling tax collections, here's an idea: End the practice of granting tax incentives to individual corporations as a means of fostering economic development," he said.

Brunori offers four criticisms of targeted tax incentives:

- They cost a lot of money.
- They are unnecessary — "Corporations are far more interested in access to market, and educated workforce and labor costs than tax burdens."
- Tax incentives are patently unfair [to existing businesses].
- Tax-incentive programs suffer from a lack of accountability. "Neither the public nor most political leaders know if the corporations are doing what they promised. There are often no guarantees that the recipients will create good-paying jobs or that a company won't close down the operation a year or two later," he said. *cj*

Length of protection for copyrights is too long, Locke study finds

Barton College Dean Analyzes 'Economics of Intellectual Property'

By PAUL CHESSER
Associate Editor

RALEIGH
The length of time for copyright protection, which extends for the life of a creator plus 70 years, is excessive and society would benefit if that period were shortened, the dean of the Barton College School of Business says.

In "The Economics of Intellectual Property," a study published in July by the John Locke Foundation, John J. Bethune wrote that "strictly speaking, patents and copyrights are grants of monopoly privilege" — and rightfully so. But he said patents and copyrights should last for a period of time that will maximize the public good, yet still protect the motivation to innovate.

"It can be shown that protecting intellectual property creates important incentives to pursue new research and create new works of art, and without these protections many innovative works would never be pursued," Bethune wrote.

"...Analysis demonstrates that a time period can be chosen for both copyright and patent protection that will maximize the benefit to society, while minimizing the harmful distortions that monopolies create."

While he concluded that copyright protections are too long, Bethune said he thinks that in some circumstances the current 17-year protection for patents is too short.

"For example," he wrote, "it is often the case in the research and development of



John J. Bethune, dean of the Barton College School of Business in Wilson, estimated in a John Locke Foundation study on intellectual property that copyright protection under U.S. law is excessive.

new drugs, that the monetary and time costs of development are not fully compensated under the current legal structure."

Bethune considered the length of intellectual property protection mainly from an economic perspective. He acknowledged that monopolies are inefficient and restrict consumer choice and lead to higher prices than those that would exist in a competi-

tive situation. But removing the incentive to innovate would have negative consequences also.

"Without legal protections, the creators would be unable to reap any significant monetary benefits, especially in light of the likely costs incurred to create the good," Bethune wrote. "If this is the case, an undersupply of these creative ideas and the

resulting works would ensue, making society worse off."

Still, Bethune said, drastically shortening the length of copyright protection would benefit consumers through lower prices, yet preserve the impetus for individual creativity. He said that a protection time as short as 15 years could be sufficient.

"If creators of copyright-protected works were only given this length of time for protection," Bethune said, "would they still write their books, songs, software, etc.? How much would protection of these works be limited, or output reduced, if the legal length of protection was only 15 years?"

Bethune wrote that current copyright protection, which in most cases exceeds 100 years, is detrimental to society.

"During this (protected) time, consumers will have to purchase the protected work from the monopoly supplier, and will not benefit from lower prices most likely available from copiers in a non-protected, competitive environment.

"What we seek is just enough protection to induce the creator to create," Bethune wrote, "and no more."

Bethune noted that, contrary to his findings, trends in intellectual property law recently have expanded already excessive copyright protections, while reducing lengths of patent terms which he believes are already too short.

Bethune's study is on the John Locke Foundation website at www.johnlocke.org/policy_reports. CJ

Culinary arts university in Charlotte

State Serves Appetizer to School

By PAUL CHESSER
Associate Editor

RALEIGH
Approval of the state budget June 30 also marked the beginning of the fulfillment of a \$10 million promise made by state House Speaker Jim Black to a culinary arts school that planned to establish a campus in Charlotte.

The budget appropriates \$1 million in 2003-04 and an additional \$1 million in 2004-05 from the One North Carolina Fund to Johnson & Wales University. The fund did not receive any new money this year, and its balance has fallen below \$3 million.

Black wrote in a letter May 23, 2002 to University President Jack Yena: "You have my personal commitment of support for a \$10 million investment over the next five years by the State of North Carolina for this project." Johnson & Wales said a month later that it would consolidate its Norfolk, Va. and Charleston, S.C. locations into an \$82 million Charlotte campus, to open in September 2004. Senate President Pro Tem Marc Basnight and Gov. Mike Easley also wrote letters of support to Yena.

"...You have my commitment to make our best efforts to secure \$1 million immediately for the Johnson & Wales University campus in Charlotte and the remaining \$9 million over the next five years by the state of North Carolina for this project," Basnight wrote in a letter June 4, 2002. Easley offered support but no specific financial promise.

The One North Carolina Fund is used at the discretion of the governor to grant financial incentives for businesses to relocate or expand in the state. Typically, funds are doled out incrementally as companies meet targets for creating new jobs in the state. The \$2 million budget reallocation only requires Johnson & Wales to spend the

money on equipment purchases, structural improvements to buildings, new construction, or infrastructure improvements in the state.

At the time of the announcement, news organizations reported that Bank of America, the Charlotte Chamber of Commerce, Center City Partners, Compass Group North America, and city officials had put together an incentives package for Johnson & Wales. The offers by Black, Basnight, and Easley were not revealed until November 2002. However, there is no official obligation by the state to give incentive money to Johnson & Wales.

In an interview November 2002 with *Carolina Journal*, Johnson & Wales spokeswoman Judith Johnson said, "Jack Yena has said that we would not come without the \$10 million." Asked what assurance the school had, Johnson said, "We believe in business by a handshake. The legal documents are being worked up."

Beyond the three state leaders' personal letters of support, no legal documents committing the state exist. "We do not have any incentive agreements or documents with Johnson & Wales," said Cooper Bratton, spokeswoman for the N.C. Department of Commerce. A Commerce Department spokesman said in November that there was no "ironclad commitment." The General Assembly was left in a position to help Black and Basnight fulfill their promise by usurping Easley's money and authority through the One North Carolina Fund.

Johnson & Wales signaled its intent to come to the state well before the \$10 million in incentives was offered. The school filed papers May 15, 2002 with the secretary of state's office to do business in North Carolina — more than a month before it announced it was locating in Charlotte. CJ



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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For more information or to find an affiliate of *Carolina Journal Radio* in your community, visit www.CarolinaJournal.com.

NC News in Brief

• The Charlotte-Mecklenberg school board may revise the CMS school-choice plan for the 2004-05 school year, according to *The Charlotte Observer*. Superintendent James Pughsley has made a bid to review the plan and to "see how it has worked."

Among the items Pughsley will review is the magnet school program, in which Pughsley may make those schools and programs stronger. The system will also consider how to even out enrollments among schools. Some are oversubscribed, while others have many available seats.

According to the report, the lottery system in Charlotte is also under review. Currently, some students get preference in the school choice program, even though the system is constructed mainly as a lottery. The board may want to revise the lottery preference policies for the 2004-05 year.

Charlotte-Mecklenburg's zone choice system has caused some significant bus commutes for students. Both parents and administrators have expressed an interest in shortening the commutes for students and in guaranteeing students seats in nearby schools.

The CMS board will make any changes in the student assignment plan public by Nov. 11.

• The State Board of Education has made some revisions to the social studies curriculum for public school students, but not everyone is happy with the changes, according to the *News & Observer* of Raleigh.

One of the controversies facing lawmakers was whether to retain the eighth-grade requirement for North Carolina history. Educators wanted to remove the requirement for eighth grade, but legislators mandated the study. Students will continue to study North Carolina in both the fourth and eighth grades.

Some of the changes educators favored were adopted in the new curriculum. In general, the education establishment favored a shift toward a more global perspective.

Supporters of the new curriculum say it represents "a major change in how North Carolina's students will learn about their place in the world." "This generation must learn to understand and respect other cultures," Betty Welsh, eighth-grade teacher, is quoted as saying.

The new curriculum, with a "global" perspective, begins in kindergarten, and tries to get students to "relate to groups around the world."

Writing exercises for the upper-elementary grades will increase, and teachers will have to make an effort to connect global concepts to issues in North Carolina for middle-school students.

The curriculum also brings environment and geography more strongly into the curriculum, Welsh said. High schools will offer more electives under the plan. End-of-course tests in high school will be replaced by final exams until the 2005-06 year. *cj*

What's the Cost of a Proficient Student?

Higher costs and lower productivity are measurable costs of low achievement

By KAREN PALASEK

Assistant Editor

RALEIGH

How much does it cost to produce a "proficient" fourth-grade student? Several studies now focus on the dollars spent, as well as the opportunities lost, in the quest for improved student achievement.

In 1998, Herbert Walberg, visiting scholar at the Hoover Institution, wrote *The Cost of a Proficient Student*. Walberg used the results of the 1998 National Assessment of Educational Progress reading exam and average per-pupil spending in North Carolina to calculate a "proficiency price" per fourth-grade reading student. In the spring of 2003, *Education Next* published a kind of turnaround on Walberg's idea. The *EductionNext* article "Lost Opportunity," by Eric Hanushek, measures the dollar value of economic growth we have missed, as a nation, for failing to raise proficiency since the mid 1980s. Hanushek calculates the loss at \$450 billion in 2002 alone, more than total K-12 expenditures annually in the United States.

Dollar costs and efficiency

A proficient fourth-grade student, according to Walberg, is one whose NAEP scores place him or her in the proficient or above categories. Twenty-nine percent of North Carolina's fourth-graders were proficient in reading in 1998. In 2002, 32 percent earned proficient scores.

Walberg calculated the dollar cost for each student who reached the proficient mark. Stated in 2002 prices, Walberg's study reveals that North Carolina spent \$103,981 for each fourth-grader that was reading-proficient in 1998.

But the state's fourth-graders performed better on the 2002 test, raising questions about what North Carolinians paid to produce a proficient student on the latest NAEP exam. Calculations of the kindergarten-to-fourth-grade cost of public education for the most recently tested students show that North Carolina spent about \$33,688 per pupil in five years. Spreading this cost over the 32 students per hundred who actually achieved reading proficiency, the public cost of each proficient student was \$105,275 in 2002, according to calculations by the North Carolina Education Alliance.

Even with improved achievement, North Carolina's schools appear to be less effective in 2002 than in 1998, when measured by NAEP achievement standards.

Lost opportunity

Hanushek considered the problem of school effectiveness from a national perspective in "Lost Opportunity." His study compared potential economic growth since 1983-84, to actual economic growth up to the present.

The mid-'80s starting point corresponds to the appearance of *A Nation At Risk*, the blueprint for education reform that was supposed to revolutionize the American education system.

Hanushek's premise in 2003 is that the failure to reform K-12 education in the 1980s has left us with an economic gap between our potential and where we are instead. If proposed school reforms were carried through, the United States would have gained a "reform dividend" that would more than pay for annual public education expenditures in the nation today, Hanushek said. Because reforms didn't occur, the dividend represents a lost opportunity.



Quality, growth, and potential

"In good part because of the *Risk* report, it is now generally recognized that students' cognitive skills are a crucial dimension of educational quality," Hanushek writes. More than one study concludes that advanced education leads to substantially increased earnings.

"The conclusions of this emerging body of research are clear: Education quality, as measured by test scores, is positively related to the earnings of individuals, national productivity, and economic growth," he says.

Academic achievement is an indicator of better cognitive skills all around, and that is significant, Hanushek says. Besides the link between earnings and personal standards of living, Hanushek identifies several "positive spillovers" we can associate with higher academic achievement.

The spillovers, or "externalities," improve the quality of the growth that occurs, he says.

Examples of quality changes that come with better cognitive skills are higher rates of invention, improvements in production methods, and faster introduction of new technology, according to the author. But do qualitative changes translate into economic activity? They can, according to Hanushek and Dennis Kimko.

The reform dividend

Kimko and Hanushek devised a model that correlate changes in potential economic growth with changes in test performance. They found a significant correlation between changes in test scores and changes in Gross Domestic Product in the United States. Data for their study came from the Third International Mathematics and Science Study, using 1995 and 1999 test results. If reforms were instituted at the time of the original *Risk* report, they conclude, the gain in scores each year would have amounted to a 1 percent difference in GDP by the beginning of the 1990s.

"We find that a difference of one standard deviation in test performance is related to a 1 percent difference in annual growth rates of per-capita gross domestic product (GDP)" they said.

One percent annually doesn't sound like much, but the compounding effect is significant. In 2000, they report, GDP per

capita was \$34,950 annually. With an annual growth rate of 1 percent, average per-capita income in 2050 would be \$57,480, "more than a 50 percent increase over the period."

The \$450 billion "reform dividend" represents a GDP level 4 percent higher in 2002 than was actually realized. Even though increasing scores by 0.12 standard deviations per year would have been required, the authors think that it was "within the bounds of expectation," especially in the United States. The 2002 *Index of Economic Freedom*, published by the Heritage Foundation, ranks the United States fourth in the world in economic freedom and economic potential.

TIMSS and North Carolina

The Third International Mathematics and Science Study conducted exams in math and science in 1995 and 1999. The United States participated as a nation, and in 1999, North Carolina was one of 13 U.S. jurisdictions to participate as well.

North Carolina eighth-graders tested in six science areas — life, earth, physics, chemistry, environment, and scientific inquiry. The sample included 3,097 students from 67 schools. Students from North Carolina ranked 12th among 13 participating states on the tests.

TIMSS data for eighth grade math shows United States students at

the bottom of the pack among seven participants—Australia, Czech Republic, Hong Kong SAR, Japan, Netherlands, and Switzerland—in the 1999 *TIMSS Video Study*. Japan led the group in both years. Compared to the U.S., the Japanese spent triple the amount of instructional time on new concepts, and about half the instructional time on practicing new concepts, and on reviewing old ones.

These results show that despite increasing education budgets at the state and national levels, we have missed an opportunity, according to Hanushek.

"In other words, we need to look for ways other than merely increases in expenditure or reductions in class size if we are going to enhance the quality of our education system."

If Hanushek is correct, further delay in education reform will have "significant implications for both individual and aggregate success." *cj*

The unrealized gain for 2002 alone would have amounted to \$450 billion, or more than the nation's total annual expenditure on K-12...

Department of Public Instruction sponsors four-day event

Charter School Chiefs Convene in New Bern

By TERESA NICHOLS
Policy Intern

RALEIGH
The sixth annual North Carolina Charter School Conference was held July 22-25 in New Bern. The theme of the conference was "NCLB," a reference to both the No Child Left Behind Act, and an acronym for the conference's focus — "Nurturing, Challenging, Learning & Believing in all children."

According to the North Carolina Department of Public Instruction in Raleigh, the purpose of the conference in New Bern was to "provide charter school stakeholders the opportunity to come together to share innovative ideas and promising practices."

Charter role in public education

Over the four-day conference, several workshops were conducted that were geared toward the conference's primary audience of charter school officials and board members. Sessions and workshops addressed a variety of topics ranging from school governance and curriculum design to the No Child Left Behind Act and sharing important information on the North Carolina Report Card.

Roger Gerber, executive director of The League of Charter Schools, was disappointed in the selection of workshops. In his view, the "education monopoly" should not have been running the conference; according to Gerber, "the topics missing are market-oriented subjects [such as] marketing and public relations."

Also on-hand at the conference were a number of private vendors, including book providers, architects, and other companies with products of interest to the charter school community.

"The vendors were the only portion of the conference that DPI was not responsible for and they were really helpful to the attendees," Gerber said.

Organizations such as the North Carolina Education Alliance and The League of Charter Schools were present as well, to provide support and assistance to charter schools.

Notable speakers at the conference

Several high-profile speakers were spread across the weekend. State Treasurer Richard H. Moore spoke to the conference first. As treasurer, Moore is solely responsible for more than \$60 billion in public monies and state investments. He also serves on the State Board of Education and the State Board of Community Colleges.

In his speech, "Leading the Way," Moore covered a variety of subjects, giving a description of his job responsibilities and the services provided to charter schools by his office. In addition, he briefly touched on how North Carolina is "leading the way" in the charter school movement and how charter schools in North Carolina illustrate the creativity and innovation of citizens in the state.

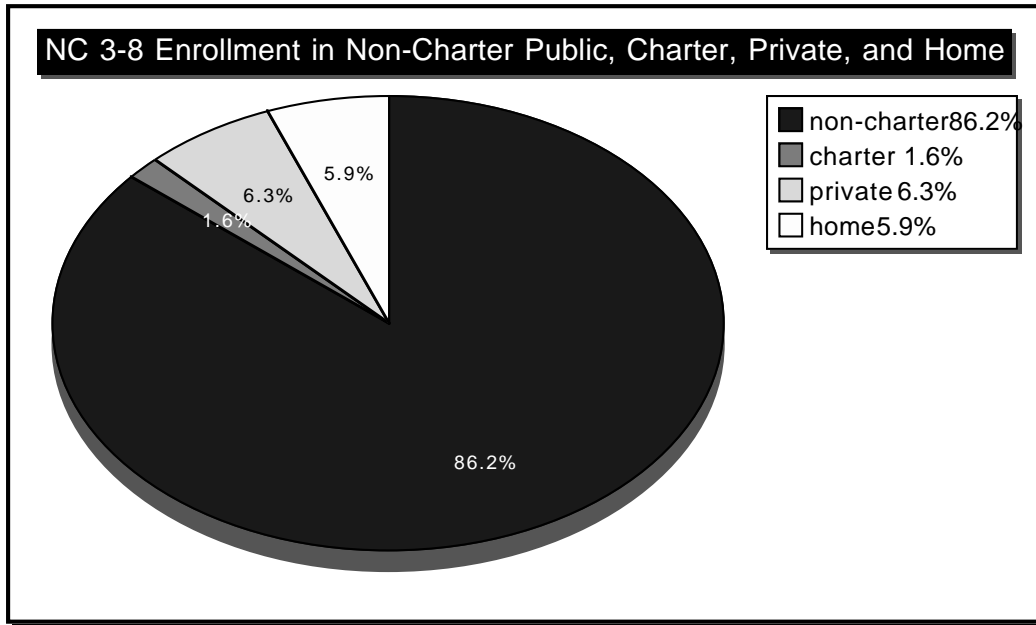
Moore concluded his speech highlighting the Unclaimed Property Program, which is designed to recover unclaimed or forgotten property and return them to their rightful owners.

Moore went so far as bringing unclaimed property claim forms to the conference for certain attendees with unclaimed items.

"When he started calling out names, it was like he was giving door prizes," mused Lindalyn Kakadelis, director of the North Carolina Education Alliance. "Richard Moore became the most popular speaker at the conference when he started giving away money," she said.

Michael Petrilli, associate deputy undersecretary of the state Department of Education's Office of Innovation and Improvement, also spoke to the attendees. Petrilli oversees about two dozen discretionary grant programs that support a variety of education reforms.

He also coordinates the office's evaluation and dis-



semination activities and works to promote promising innovations in education.

Before his appointment to the department, he served as program director of an education-oriented nonprofit called the Thomas B. Fordham Foundation, where he led school reform efforts in Dayton, Ohio.

Petrilli discussed how to receive grant money provided by the Department of Education for charter schools. According to Petrilli, a large supply of money has been allocated for charter schools under the No Child Left Behind Act. The money is being administered through the Office of Innovation and Improvement.

The program supports planning, development, and initial implementation of charter schools, and those schools awarded a grant may receive up to three years of assistance provided the charter school does not use more than 18 months for planning and program design and no more than two years for the initial implementation of a charter school.

The charter school movement is not just an educational strategy... it is a power relation shift, into a social movement.

"This was one of the most important speeches given at the conference," Kakadelis said. "A lot of the board members and officials didn't know that this money was available, and it can substantially help the charter schools across the state."

An uneasy alliance

Dr. Howard L. Fuller spoke to the conference specifically about the charter school movement. Fuller is a distinguished professor of education, founder-director of the Institute for the Transformation of Learning at Marquette University in Milwaukee, Wis., and a prominent advocate for school choice. Fuller discussed the importance of school choice. He said that individuals who have the foresight to start a charter school must accept all the challenges they entail.

"The charter school movement is not just an educational strategy, but it is a power relation shift, into a social movement," Fuller said.

Fuller's speech was the highlight of the conference, both Kakadelis and Gerber said. Gerber expressed regret about the number of conference attendees who missed the keynote talk. "Those individuals that did not attend that speech were the ones who needed to hear it the most," Gerber said.

As the executive director of the League of Charter Schools, Gerber said he was worried about the future of charter schools in North Carolina. "The Office of Charter Schools is performing a high-wire act; it's a little bit of freedom and a little bit of socialism rolled into one, due to their uneasy alliance with DPI," he argued.

Gerber said the "uneasy alliance" between charter schools and DPI is one of the fundamental issues facing charters. He said that because of that uneasiness, DPI should not have sponsored the charter school conference.

"Charter schools are the first step in redefining public education, from a top-down government monopoly, where parents and students are assigned to schools according to their geographical location, to a system where tax dollars are given to parents and students so that they can shop for the best education that meets their needs," Gerber said. "People [need to be] treated like citizens with a right to choose. Fuller explained that, and all DPI officials should have heard it."

Education Options Offer Hope To All

It's amazing how foolishness has trumped common sense in government — again! In this case, the education establishment obviously voted to merely protect itself. The State Board of Education's meeting in August confirms its unqualified core value of the "system" being more important than the child. It's amazing how board members think they exist in isolation and ignore what is happening around them. This behavior is either arrogance or foolishness. Either way, students and parents suffer.

The Department of Public Instruction's staff presented to the board a manual for new standards in alternative learning. Alternative programs assist students who are at significant risk of failure. The placement is due to a student's academic or behavioral actions and provides a "last chance" to help. Each system must provide at least one such alternative venue.



Lindalyn Kakadelis

The manual covers a variety of topics and procedures to follow in administering the program. It even covers what to do when the program cannot meet a student's needs. It is refreshing to hear the members of the education establishment admit they cannot meet "all needs." DPI staff members drafted the document and included 14 placement/services. They suggested charter schools, private schools, home schooling, community-based programs, community colleges, residential camps, and others. These suggestions are feasible, but not under the control of the "Blob" (education establishment). One could dream that the goal at this point would be the success of the student. A "whatever will work attitude" is especially needed in these situations to prevent another adult from living off the system, and possibly in prison. However, the board would not tolerate even a suggestion of these options.

Credit must be given to DPI for acknowledging educational options beyond traditional public schools. Parents and guardians of more than 169,000 NC students choose charter schools, home schools, and private schools. These practicable alternatives were listed in the document. However, before the board's approval the following day, 11 of the 14 suggestions disappeared. Only mental health services, juvenile justice services, and community-based services were listed in the final printing. In just a few seconds, without one word of objection from the board, all other options perished. Obviously someone on the board had expressed contempt for these viable education choices. Sadly, no one objected.

The guardians of mediocrity continue to maintain control and sustain their monopoly by ignoring possible options. One recipient of Children's Scholarship Fund of Charlotte, a charity that financial assists poorer families who wish to choose other educational options, clearly illustrates that options are critical. The student, a sixth-grade minority male, was disengaged academically and emotionally from school. The school suggested he be labeled "Behavioral Emotionally Disturbed" in order to receive services. The parents were advised to place the child on a prescribed drug, and hold him back a grade. The parents contacted CSF and obtained a scholarship. One year in a private school turned this student around. By the end of the year, he scored above national average on the Stanford 9 achievement test.

Members of the establishment say student success is their goal. Is it? While these folks scream against intolerance, they are the same ones who demonstrate intolerance of other educational options. Do they think they are above what is best for a child? Or is an individual child's welfare considered? Amazingly, the "Blob" refuses to think outside of the box. Tragically, students are held hostage, and parents unaware.

Kakadelis is director of the NC Education Alliance

School News: Nation

• In a state vs. federal government jurisdiction issue, the U.S. House of Representatives debated the idea of placing more responsibility and control for Head Start in the hands of state authorities, AZcentral.com reports.

Head Start has been up for renewal, and Republican lawmakers have been trying to enact revisions and amendments to the law. Eight states would be affected by the changes, if approved.

Head Start provides low-income families with health, nutritional, transportation, and educational services, including preschool classes.

Senate versions of the bill were also being considered.

• The Knowledge is Power Program is opening three charter schools in the Atlanta area for the 2003-04 school year, according to the *Atlanta Journal-Constitution*. Non-profit KIPP schools have been established in 13 states and the District of Columbia.

Kipp academies are public charter schools that offer a tough academic program and schedule. Students attend an extended school day. They also attend on Saturdays twice a month. Parents and students pledge that they will "do what it takes to catch up and get ahead," the report reads.

What makes the three new KIPP school unusual is the age of their new principals. New principals Kia Norman and David Jernigan are 25, and Marina Volankis is 30, making them some of the youngest public-school principals in the nation.

• As accountability standards under the No Child Left Behind law begin to take hold, schools are looking ahead at who qualifies for testing subgroups in a school. Schools are beginning to pay more careful attention to the count on low-income students who receive free and reduced-price lunches under the federal nutrition program, according to the *New York Times*.

Early in 2003 the Bush administration's announcement about verifying students' family incomes to qualify for the program met with widespread criticism. But if schools begin looking for ways to move students out of their low-income subgroups, they may take action to verify students data on their own.

• The *Baltimore Sun* reports in "How Many Times Can a Student Be Failed?" that education officials in Maryland are rethinking the no-social-promotions policy they adopted three years ago.

The reason for rethinking advancement in Baltimore is the number of students who have already been held back more than once. According to the report, "Some struggling students have been held back two or three times." This year, 1,500 of those kids were promoted. Instead of going to summer school, they were given "summer learning packets" to help them prepare for work in the next grade and "catch them up at home." *cj*

Is NC's achievement rising or falling?

Academic Reform Proves Confusing And Uncertain

By KAREN PALASEK

Assistant Editor

RALEIGH

The opening of the 2003-04 school year is bringing both congratulations and disappointment over test results. Three different testing standards — the National Assessment of Educational Progress, the state ABCs, and the federal No Child Left Behind Act — are creating confusion and frustration over accuracy.

Standards-based school reform

Standards-based school reform, under the banner of the federal No Child Left Behind law, is forcing school officials and parents to deal with multiple achievement standards for North Carolina's students. Since 1995, the ABCs of Public Education program has reported the progress of the state's students based mainly on end-of-grade tests and expected academic growth. By North Carolina's internal standards, about 77 percent of the state's students are proficient, or "at grade level" this year, according to Gov. Mike Easley.

But NAEP proficiency standards are much higher than North Carolina's proficiency standards, and use a national benchmark to compare students. A third standard, adequate yearly progress, is calculated on the federal No Child Left Behind benchmark, using North Carolina end-of-grade tests. The AYP benchmark is much higher than North Carolina's own "expected achievement growth." As a result, it can be hard to determine whether student achievement in the state is rising, falling, or becoming stagnant.

Preliminary reports indicate that about 53 percent of schools in the state are expected to miss their adequate yearly progress benchmark this year. And only 32 percent of North Carolina's fourth-graders were NAEP proficient-or-above in reading and writing in 2002.

To make matters more confusing, North Carolina is using the ABC results in-house to rate schools and determine bonuses, and separately, under the federal standard, to determine whether schools make AYP.

Some schools that fail to meet the federal standard will receive ABCs bonuses this year, based on the state formula. But even schools that meet the federal standard may not be recognized under the ABCs. CIS Academy in Durham was the only non-elementary school in Durham last year to make AYP. CIS operated as a school serving an alternative population of students with "serious academic problems," according to the *Durham Herald-Sun*.

CIS was able to meet the federal AYP standard under No Child Left Behind's "safe harbor" rule. That rule can apply if subgroups miss their individual benchmarks, but improve by at least 10 percent over the previous year, and pass an alternative standard.

The State Board of Education closed CIS in June on the recommendation of Durham Superintendent Ann Denlinger. According to the *Herald-Sun*, Denlinger argued that "those students would be better off in mainstream schools."

Certified Results

North Carolina education officials are scheduled to confirm the ABCs data in early September. This will also allow them to certify the adequate yearly progress results.

The different tests and standards are creating a public relations nightmare for education officials. State Board Chairman Howard Lee, in an opinion column titled

"Different Yardsticks Measure Success," pleaded in advance for board credibility on the upcoming release of state test scores. Lee and the board are facing an uphill battle, given the conflicting results and inconsistent standards. A June 18, 2003 *News & Observer* of Raleigh article reported "Test Scores Leaping in N.C." That article discussed the 2002 NAEP results. A month later, preliminary results of the state ABCs and federal AYP standards appeared amid headlines stating "Braced For Bad Marks," "New Standard Raises Bar," "More Than Half of Schools Miss Mark," and "AYP Isn't as Easy as ABC."

The latest reports point hopefully to next year's results. Commenting on adequate yearly progress, Troy Peuler, principal of Vandora Springs Elementary School in Garner said, "It's a matter of how you disseminate the information. If they know we've met 95 percent of our goals, they'll see it's all right."

Durant Road Middle School in Raleigh was chosen as a national "Schools to Watch" model, but failed to meet AYP this year. It will concentrate on helping the English as a Second Language students in reading and math for the next round of tests.

Public perceptions

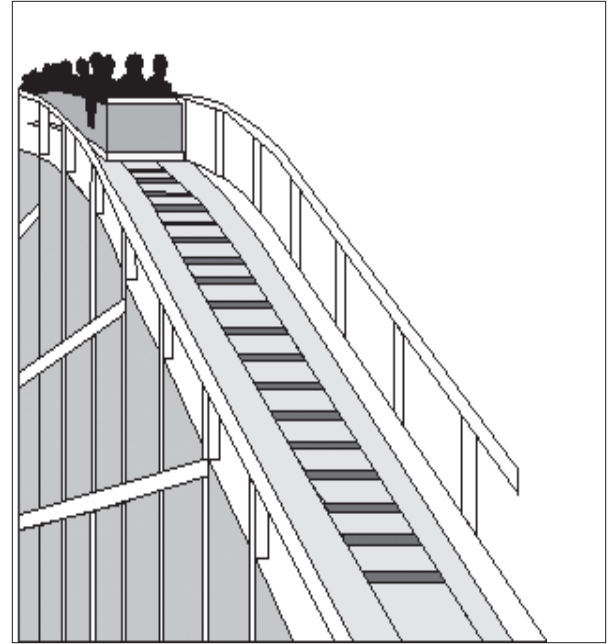
Early projections about ABCs results created a feeling of buoyancy in the state. Several administrators, including Susan Agruso, assistant superintendent for instructional accountability in Charlotte-Mecklenburg, praised the influence of the federal law. "As you put in accountability, people pay more attention to what the expectations are," Agruso said. "You're seeing a lot of things coming together and paying off for kids."

But disillusionment occurs when reality and expectations collide. Test results will be sending many schools back to the drawing board to give achievement another try, and public support for reforms may be fraying a bit at the edges.

In its report for the Kettering Foundation, "Digging Deeper: Where Does the Public Stand on Standards-Based Education?" the National Dialogue on Standards-based Education, through Mid-continent Research for Education and Learning, conducted focus group research on public attitudes toward school reform. The McREL research included public and private school parents, non-parent taxpayers, students, educators, business owners, and policymakers. "Initially, people expressed opinions... in line with recent public opinion polls that have revealed popular support for standards, assessments, and accountability," the report reads. Eventually, four "key themes" emerged, according to the authors.

Accountability and community

The themes McREL identified were that 1) standards require tests, but accountability requires more than tests; 2) true accountability makes schools more responsive to parents and communities, not outside officials; 3) parents and students are a crucial and often missing part of accountability; and 4) the biggest problems with public



schools are not standards or academics.

The McREL focus research found that "most people, including parents, were not familiar with their state standards," even though almost all believed that standards would be meaningless without testing. Participants were hesitant to judge schools based on a single performance measure.

On another theme, parents said schools and districts were sometimes "unresponsive, impenetrable bureaucracies." Because accountability now makes schools responsible to federal officials, it "may have the unintended consequence of making schools less answerable to parents and communities," the report says.

"The biggest problems with schools have little to do with standards or academics," focus participants reported. The most urgent concerns were worries about safety, violence, discipline, values, and character. "Parents were far more worried about 'chaos on the playgrounds,' bullying, or 'a general lack of control' in public schools than in test results."

Will No Child Left Behind address pa-

rental concerns about schools? NCLB's standards-based reforms, to the extent that they fail to address the public's "deepest concerns about schools," may cause public support to waver. As McREL's report states, "...by focusing educators on the technical aspects ...and diverting their at-

tention away from the public's deeper concerns about its schools, it's possible that standards-based reform could exacerbate what appears to be a growing rift between the public and its schools."

The rift is larger for urbanites than suburban parents. It reflects a perception that resources for low-income schools are given less willingly than for more affluent ones. And while most support their schools in theory, they were only involved with schools in paying taxes, or in confrontational situations.

Finally, the McREL study suggests that less adult involvement in schools may reflect a decline in local community identity. Fewer family and community ties exist than in the past. "Schools feel more like a government institution than a church. There's a real disconnect in terms of community involvement," according to one participant.

McREL's study suggests the need for two-way communication. The "public mandate to improve public schools" and provide accountability to parents should be done by engaging communities in "a genuine dialogue about their schools." *cj*

...standards-based reform efforts could further exacerbate what appears to be a growing rift between the public and its schools.

Research methods need accountability, too

Do Accountability Standards Improve Student Performance?

By KAREN PALASEK
Assistant Editor

Testing and accountability are under attack by elements in the research community. Joining them are some parents, educators, and policymakers. When education policies depend upon the results of scientific research, it is important to understand that all research doesn't have the same scientific integrity.

Now that high-stakes testing has begun in North Carolina, parents and policy makers want to know whether the process is working to improve student performance. The *News & Observer* of Raleigh reported that projected scores for Durham schools under the No Child Left Behind law will leave 29 out of 44 schools failing to meet achievement standards. Some of the failing schools are "among Durham's highest performers under the ABCs program, which uses the same testing data as the federal government." According to Bert L'Homme, Durham's assistant superintendent for instructional services, "We knew going in that certain groups of students would have problems. We now have to make sure we're doing things right to bring all of our students up to grade level."

Since more than half of all schools in North Carolina will probably fail the federal standard this first year, the possibility of financial and other consequences places a heavy burden on the influence of accountability.

Information and expertise

In the arena of accountability testing, public perception is based largely upon brief "executive summaries" of a lengthy research project. The summaries are written by the researchers themselves, and are used as an introduction to the longer published work. It's an information short-cut researchers use to decide whether to work through an entire paper in depth.

Almost no one who works with research information at the policy level reads the original data. As non-experts, they, along with most of the public, accept the researchers' statements at face value.

One of the most influential recent research pieces on accountability is "The Im-

pact of High-Stakes Tests on Student Performance," by Audrey Amrein and David Berliner of the Education Policy Research Institute of Arizona State University. They set out to study 28 states where test scores determine significant consequences, such as teacher bonuses, student promotion, and transfers. The integrity of their influential study has come into question, however.

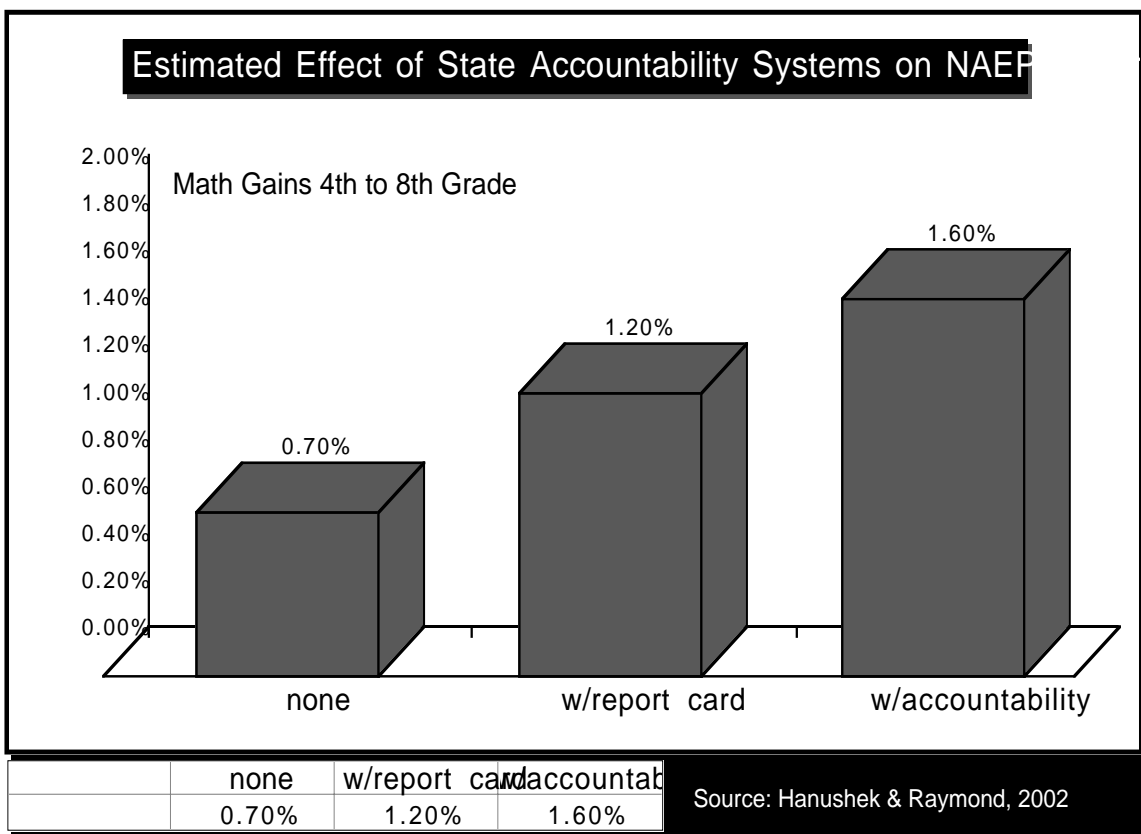
In "Shopping for Evidence Against School Accountability," Margaret Raymond and Eric Hanushek note that "Since testing and accountability [form] the keystone of current reform efforts, it is essential that we apply rigorous standards of evidence and of scientific method to the analysis of accountability policy." In "High Stakes Research," they say, "These stakes go beyond less controversial accountability measures such as publishing test scores in the newspaper."

The Amrein-Berliner study was supposed to compare before-and-after test results for states instituting high-stakes tests. "If the state's gains exceeded the national gains, they deemed that an increase," Hanushek reports. If state gains were less than the national trend, the Arizona team recorded a decrease.

Hanushek and Raymond criticized the study partly because the Arizona team applied their own rules inconsistently. The NAEP trend study included only 12 states of the 28 chosen. In eight of 12 years, scores increased more slowly than the national average. The report they published stated the results as "67 percent of the states posted overall decreases in NAEP math grade 4 performance as compared to the nation after high stakes tests were implemented." Hanushek and Raymond objected to the method as well as the misleading report.

When Hanushek and Raymond re-ran the data, they compared states that adopted high-stakes tests with those that did not. The research errors of the first study are like "a medical trial where the treatment group

The hope of the anti-accountability forces is that they can stop testing before it is fully in place and... rollbacks would be impossible.



receives the full dose...while the control group receives a half-dose. It would not be surprising to find that the full dose is dramatically more effective. The real question is whether that full dose is more effective than no medication at all."

Research and policy

"High Stakes Research" attributes the flurry of "hasty reports based on biased evidence" to the fact that the window of opportunity to discredit standards-based reforms is disappearing quickly. "The hope of the anti-accountability forces is that they can stop testing before it is fully in place and before rollbacks would be impossible," they argue.

The importance of an accurate assessment of the standards rests partly in the significance that policymakers attach to them. Most policymakers are neither researchers themselves nor "schooled in the requirements of good research," as Raymond and Hanushek note. They are dependent on the evaluations of others for their information.

"While it is certainly reasonable to question the effectiveness of particular accountability systems and the policy of accountability in general, little thought has been given to the scientific standards of evidence that ought to apply to research and evaluation aimed at informing or influenc-

ing the policy process." The standards for education research have been in such disarray, the National Research Council says, that in 2002 the council convened a panel to decide which scientific principles should apply to education research. The panel was needed, the *EdNext* article says, because the situation was "contentious" and led to studies like Amrein and Berliner's.

Instead of announcing that "High-stakes tests may inhibit the academic achievement of students," as the Arizona team did, Hanushek and Raymond made their own discoveries.

When the new team corrected mistakes in method, exclusions, and precision, and the results were dramatically different. With no accountability at all, the average gain in math scores from fourth to eighth grade in the study was 0.7 percent. With minimal accountability — reporting scores in the newspaper — a gain of 1.2 percent was measured. States that had true accountability for their high-stakes tests, with consequences for teachers or schools, experienced a 1.6 percent gain in math scores.

Hanushek and Raymond state that a better basis for "reward or sanction" could be had using a value-added technique, "but such value-added techniques need some work before they can serve as reliable performance measures." They suggest refining accountability, rather than scrapping it. *CF*



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

Bats in the Belltower

Things are tough all over

Just in case you wondered why the University of North Carolina at Chapel Hill is requiring incoming students to read Barbara Ehrenreich's *Nickel and Dimed: On (Not) Getting By in America*: University housekeepers held a demonstration outside the South Building on UNC-CH over their salaries. The housekeepers brought a poster-sized letter to UNC-CH Chancellor James Moeser inviting him to attend a forum in September where they will "teach" about being "Nickel and Dimed." One said that "We do feel perhaps we have a higher level of expertise on this issue than the faculty."

But UNC-CH staff aren't the only ones who think they're underpaid at the university. As a July 29 Durham *Herald-Sun* article reported, "In fact, UNC administrators are still underpaid when compared to many of their peers, said UNC Provost Robert Shelton." In the article, "New top UNC officials making much more than predecessors," Shelton said: "salaries are low at Carolina, whether you're working as a secretary or working as a dean."

A quick check by *CAROLINA JOURNAL* showed that there was one worker at UNC-CH this year who was not considered underpaid: former men's basketball head coach Matt Doherty.

BTW, LOL (IIRC)

Barbara Bell, assistant professor of elementary- and middle-grades education at Western Carolina University, told the Associated Press that "instant messaging" (IM'ing) improves students' writing skills. "My stance on this is anytime (students) are reading or writing, it's going to help," she said, since they are "writ[ing] for real purposes," communicating with their friends.

Responding to other educators' concerns that IM'ing relies on abbreviations, incomplete sentences, and other communication shortcuts, Bell said that students using those shortcuts still must know what they mean.

"The whole purpose of writing is to construct meaning," she told the AP. "It may not be spelled right, it may not be proper grammar, but constructing meaning through reading and writing continues."

AE! IOU.

Richard Veit, a professor of English at UNC-Wilmington, stumped people nationwide with his submission to National Public Radio's Weekend Edition puzzle challenge: "Think of five words that are all four or five letters long. Each word ends in the same pair of consonants. The letters preceding these consonants are vowels — A, E, I, O, and U — and all five words rhyme. What are these words?" The answer can be seen at www.npr.org/programs/wesun/puzzle.

What leftist bias on campus?

A recent *Psychological Bulletin* published "research" by several professors in which they purported to identify several psychological factors common in conservatives, such as Ronald Reagan, Rush Limbaugh, and other such well-known conservatives as Hitler and Mussolini. *CJ*

Amid three years of tax increases, legislators protective of UNC

Not Just NC: Study Shows How Budget Cuts Affect Public Universities Across the Nation

By JON SANDERS

Assistant Editor

RALEIGH

North Carolina's institutions of public higher education are hardly the only ones in the nation affected by an economic downturn in their home state. A report released this summer shows how many public universities and colleges across the country received cuts, some substantial, in their budgets.

Released by the National Association of State Universities and Land-Grant Colleges, the report is entitled "Changes in Annual Tuition Charges at NASULGC Institutions: Academic Year 2003/2004." The report's focus on changes in annual tuition charges includes cataloging the sometimes large increases in tuition at NASULGC member institutions in 37 states. Those increases stem from legislatures letting universities compensate in tuition revenue they lost in state appropriations.

The budget cuts (see accompanying table) some universities faced were staggering, but they were also offset by large tuition increases. The University of Virginia, for instance, saw its budget cut by 23.7 percent, but its tuition was raised by 19 percent. The California State University System's budget was cut 19 percent, but its tuition was raised 19 percent. The University of Colorado at Boulder's budget was cut by 15 percent and its tuition raised 12.5 percent, and so forth. One-third of the universities in the study reported tuition increases greater than 14 percent.

In North Carolina, the NASULGC study reports, the UNC system as a whole experienced a 4 percent "cut," offset by a tuition increase of 5.5 percent. East Carolina University, covered separately, saw its budget fall by 3.8 percent but received a 4.9 percent increase in tuition. These "cuts," however, were not actual decreases from the previous year but instead the difference between budget requests and final funding.

The N.C. General Assembly's recently completed General Fund budgets for 2003-05 will increase the UNC system's budget for both of the next two years — by 1.4 percent in 2003-04 and by 1.7 percent in 2004-05. In contrast, the N.C. Community College System's budget decreases slightly in the biennium. It falls by 1.2 percent in 2003-04 and by 0.1 percent in 2003-04.

Earlier this summer the State Higher Education Executive Officers reported the results of an informal survey in which it noted that 24 states were expecting less state spending on higher education the next fiscal year and only 18 expecting increases, mostly small ones. The SHEEO survey, which looked at 39 states, found that the average change in state spending was a decrease of 3 percent.

Senior research analysts David L. Wright told *The Chronicle of Higher Education*, "It has been a tough year for a lot of states. In some states, [these budget cuts are] a piling on in terms of cuts from last year or cuts from the middle of the year."

Just goes to show you

Gov. Mike Easley touted the study as proof of the state's commitment to higher education. In a press release on the subject, the governor focused on the tuition increases rather than the apparent cuts, comparing UNC's relatively modest increase this year with the many, much higher increases around the country. Easley said it

"just goes to show how North Carolina's investment in higher education is paying off for our students."

The state's economy, however, has been struggling. As a June 2003 Locke Foundation *Spotlight* paper showed, "Since mid-2001, North Carolina's personal income growth (3.98 percent) lagged its neighbors' (5.03 percent) and the national average (4.23 percent). Also since mid-2001, NC has lost 119,000 jobs, or more than one-third of all the net job losses in the South."

Nevertheless, as legislators reacted to the crisis, they have been protective of UNC. As an article Aug. 1 in *The News & Observer* observed, "most agree the university fared extraordinarily well in this year's legislative session despite the state's financial troubles."

The article, "UNC's PAC a top player," by Jane Stancill, discussed the impact of "Citizens for Higher Education, a political action committee created last year by wealthy UNC-Chapel Hill alumni, [which] donated \$182,000 to 91 candidates and political groups in 2002, almost instantly becoming one of the biggest-spending PACs in the state."

PAC organizer and UNC-CH trustee Paul Fulton said, "I'd like to think we had an impact" on legislators' decisions.

Meanwhile, as the *Spotlight* paper (viewable at www.johnlock.org/spotlights/2003060475.html) showed, North Carolina is one of a very few states to have enacted "large-scale, broad-based tax increases every year since 2001." While 20 states enacted major tax increases in either 2001 or 2002, only two states — New Jersey and North Carolina — enacted major tax increases in both years. Of those two, Hood wrote, only North Carolina was likely to approve another major tax increase in 2003. In July, lawmakers did, in fact, approve another package of tax increases in 2003 — one that will cost North Carolinians \$551 million.

North Carolina taxes have increased every year since voters approved the higher education bonds in 2000.

Voters will recall that the campaign for the bonds' approval promised that "the Bond issue would not require an increase in taxes," as a pamphlet printed by the UNC-CH Office of Government Relations put it. *CJ*

Budget "cuts"¹ at public universities and university systems in the nation

Institution or System	Percentage Cut	Amount (\$millions)
Colorado State U.	26.5%	\$34.2
U. of Virginia	23.7	39.6
Virginia Tech.	23	26
State U. of New York System ²	20	—
California State U. System ²	19.2	500
West Virginia State C.	16	2.3
U. of Colorado at Boulder	15	16.7
University System of Maryland	14	122
University of Illinois System	13	104.7
U. of Cincinnati ³	11	17.7
University System of Georgia	10.6	183.5
U. of Oklahoma	10.3	12.9
Montana State U.	9.8	3.6
U. of Montana	9.3	3.7
Southern Illinois U. at Carbondale	9.1	11.3
U. of Tennessee-Knoxville	9	15
U. of Arizona	8	26
U. of Illinois at Urbana-Champaign	8	58
Florida International U.	7.5	11.2
Ball State U.	7	9
U. of Nebraska	7	30.9
Texas Tech U.	7	7.4
Auburn U. ²	6.3	—
U. of Nevada-Las Vegas	6	6.5
Northern Arizona U.	5.3	6.2
U. of Massachusetts at Amherst	5	11.8
Kansas State U.	4.7	7.9
U. of Kansas	4.7	6.5
New Mexico State U.	4	—
U. of New Mexico	4	—
U. of North Carolina System ⁴	4	74
East Carolina U.	3.8	4.7
Michigan Tech. U.	3.5	1.9
U. of Washington ⁵	3.5	40
West Virginia U.	3.4	6
Idaho State U.	3.3	2.9
U. of Nevada-Reno	3	4.5
Iowa State U.	2.9	6.7
U. of Kentucky	2.9	8.6
Ohio State U.	2.5	11.2
U. of Arkansas, Fayetteville	2.39	3.7
U. of Iowa	2	4.5
Northern Kentucky U.	1.8	0.7
Cornell U.	1	1.6
U. of North Texas ⁶	1	6
U. of Hawaii at Manoa	0.8	3.28
U. of California System ^{2,7}	—	440
U. of Michigan	—	36.4
Oklahoma State System of Higher Education	—	83.3
State University System of Florida ²	—	40

Source: *Changes in Annual Tuition Charges at NASULGC Institutions, Academic Year 2003/2004*, published by the National Association of State Universities and Land-Grant Colleges

Notes

¹ "Cuts" are self-reported and do not include revenues from offsetting tuition increases; most are for 2002-03

² Cuts listed are for 2003-04

³ Cuts listed are for 2001-03

⁴ Figure does not include \$57.5 recaptured from repairs and renovations budget

⁵ Listed as "3% to 4%"

⁶ Listed as "less than one percent"

⁷ Cuts upward of \$440 million being mulled

General Assembly Extends State Grants To Students at Accredited Religious Colleges

By JONATHAN JONES

Editorial Intern

A greater number of college students could be eligible for a state grant when classes start this fall. One of the last actions of the General Assembly before the legislative session ended in July was to pass a bill that increases eligibility, ending what some have labeled a discriminatory practice.

The bill, H150, allows for students who are residents of North Carolina and attend certain accredited private institutions to obtain a grant worth \$1,800 per academic year. Sponsored by Reps. Paul Stam, R-Apex; Bill Owens, D-Elizabeth City; and Rick Eddins, R-Raleigh, it has passed both the House and Senate and now awaits Gov. Mike Easley's signature.

Religious schools currently excluded

Currently, all North Carolina residents enrolled full-time in a private college accredited by the Southern Association of Colleges and Schools may receive the funds. But those who study at Roanoke Bible College and Southeastern College of Wake Forest are now excluded.

"This measure is necessary because existing law discriminates against certain institutions," Stam said.

Both Roanoke Bible College and Southeastern College have the same secular accreditation as other private universities. They also train public schoolteachers, among the other traditional academic pursuits.

Their exclusion from the program meant to help North Carolina college students who chose a private higher education was a point of heated contention on the floor of the House, where it passed narrowly. The Senate voted for the bill by a wide margin after the House debate.

"I think the difference was that the more people stud-

ied it, the more they realized it was an issue of basic fairness. Legislators just needed some time to read the briefs and study it all a bit more," Stam said.

Sponsors of the change say the Bill of Rights of the state Constitution is violated by the rule students from the two colleges are ineligible for the grant. The state is not permitted to discriminate against anyone on the basis of religion. No matter the final outcome, students and parents of public colleges will continue to receive the better financial deal.

Currently, North Carolina taxpayers pay \$9,500 per full-time equivalent to 14 of the 16 institutions within the University of North Carolina system. The two "flagship" schools, UNC-Chapel Hill and N.C. State University, receive funding of \$14,000 per student from the state.

The two colleges in question are accredited like other private universities. They were excluded from the grant in part because of their religious affiliation. Much of the legislative argument arose from connections to institutions that do not receive subsidies. Although owned by a seminary, for example, Southeastern has secular accreditation and is not limited to religious instruction.

That grants are issued to students and not schools was a basis for claims that the current policy is discriminatory. Supporters also pointed to the Supreme Court case of *Witters v. Washington Department of Services for the Blind*. This 1986 decision found it was unconstitutional to deny aid to a student studying pastoral theology at an institution that is pervasively sectarian. The court has ruled that to deny funding to students studying at institutions of faith and support those who express their skepticism means the government is not truly neutral in matters of religion.

The bill, which grew less controversial as the session drew to a close, was presented to the governor July 19. If Easley signs it, about 250 students who had not been eligible will qualify for the grant. CJ

Connerly Seeks Amendment in Michigan To End Racial Preferences, Told to 'Go Home'

By JON SANDERS

Assistant Editor

A landmark loss in the U.S. Supreme Court has not disheartened opponents of racial preferences in higher education.

In July, Ward Connerly, chairman of the American Civil Rights Institute, and other prominent advocates for eliminating preferences met on the campus of the University of Michigan at Ann Arbor. There they announced their plans to get an amendment placed on the November 2004 ballot that would rid the state of race, ethnic, and gender preferences used in public education, employment, and contracting.

Connerly said that their cause was not limited to Michigan. "In the weeks and months ahead, we will be exploring the feasibility of undertaking initiatives in other states, cities, and counties across the land," he said.

Connerly, who was instrumental in the elimination of racial preferences in California in 1996 and in Washington in 1998, faces opposition from both political parties in the state. Democrats fear the measure might pass. Republicans fear the measure might bring more Democrat votes to the polls and hurt President Bush's reelection chances.

'Go home and stay there'

Connerly also drew heated opposition from Michigan Rep. John Dingell. On July 9, Dingell sent Connerly a blistering missive. "The people of Michigan have a simple message for you: Go home and stay there," Dingell wrote. "We do not need you stirring up trouble where none exists."

"Michiganers do not take kindly to your ignorant meddling in our affairs. We have no need for itinerant publicity seekers, nonresident troublemakers, or self-aggrandizing out-of-state agitators. You have created enough

mischief in your own state to last a lifetime.

"We reject your 'black vs. white' politics that were long ago discarded to the ash heap of history. Your brand of divisive racial politics has no place in Michigan, or in our society. So Mr. Connerly, take your message of hate and fear, division, and destruction and leave. Go home and stay there, you're not welcome here."

In response, Connerly cited the First and Fourteenth Amendments of the U.S. Constitution, and explained how the Constitution "confirms my right to visit Michigan, as a full-fledged American citizen and not simply as a tourist, is not contingent upon your invitation. As a taxpaying U.S. citizen, anywhere I set foot on American soil is my 'home,' just as much as it is yours."

Connerly noted the "eerie similarity" between Dingell's advice and actions and "Southern segregationists who sought the comfort of states' rights to practice their discrimination against black Americans":

- "George Wallace, Lester Maddox and others who shared their rabid and abhorrent views believed in treating people differently on the basis of skin color... and so do you.

- "They wanted to practice their brand of racism free from the interference of 'meddling, outside agitators'... and so do you.

- "They called those who disagreed with them and merely wanted to exercise their right to assemble 'carpet-baggers' and 'non-resident troublemakers' who were 'stirring up trouble where none exists'... and so do you.

- "They were arrogant, intolerant bullies... and so are you."

Connerly said that he and the other supporters of a Michigan Civil Rights Initiative "are doing what the Constitution of Michigan allows; and you should not be seeking to abridge the right of American citizens to use processes allowed by law to implement their civic belief and values." CJ

NCSU Celebrates Elusive Harmony

The Division of Student Affairs at North Carolina State University will be "Celebrating Race and Ethnicity" this semester. Really. It has even developed a full slate of programs by which to celebrate these all-important nouns.

A look at the division's website (www2.ncsu.edu/student_affairs/theme/index.html) and the accompanying links to "University Resources" on its "Diversity Theme" make it crystal clear that N.C. State's governing idea of "diversity" is almost exclusively "Race and Ethnicity."

You'll see there was a staff retreat focused on efforts to achieve racial diversity. The university has an Office of Diversity and African American Affairs. It's somehow separate from its Office of Equal Opportunity as well as its trifurcated office of Multicultural Student Affairs (comprising African American Student Affairs, Hispanic Student Affairs, and Native American Student Affairs). N.C. State even has designated "Protected Classes of Race & Color."

Why? Does N.C. State actually believe it will create harmony on campus by deliberately making students *even more* conscious of their racial differences?

Harmony is step three of N.C. State's diversity process. Right now N.C. State is still at step one, focused on its "climate" for diversity. Step one involves, apparently, "celebrating" race and ethnicity, herding students into "protected classes of race and color," and asking students how poorly their particular class of race or color is received by students of the other classes.

Nobody at N.C. State has a clue what the second step should be, just that it should lead to the harmony; i.e., where race and color aren't issues to students.

As for step one, N.C. State recently released the results of a campuswide diversity poll of students. According to *The News & Observer* July 28, the poll "found that students generally feel good about interactions among one another and with faculty, but that African-Americans and Hispanics on average were less satisfied than white students" (emphasis added).

"Students say a series of incidents in the past two years illustrates the need for more understanding about diversity on campus," the *N&O* reports. It is a "series" of two. "In April 2002, a black student filed a complaint when a white student told him to 'go back to Africa' during a class discussion. In February, someone painted derogatory remarks about Arabs and homosexuals in the campus' free-expression tunnel."

Those are it; single acts by two of N.C. State's nearly 30,000 students over two school years. As *CAROLINA JOURNAL* readers know, however, the "go back to Africa" remark came before the class had begun and after the black student had denounced the United States, Abraham Lincoln, and the Founding Fathers as corrupt and racist. His complaint was also dismissed. And those familiar with the free-expression tunnel know how futile it is to nurse a grievance over its quickly changing, gratuitously offensive graffiti.

The examples do at least illustrate students' "need for more understanding about diversity" *beyond racial diversity*. It's an understanding they don't get at N.C. State. Offensiveness runs many ways in those examples, yet the focus is on only the offense to the "protected class or color." The free-expression tunnel is rife with offensive slogans, yet we hear of one complaint. The student making the offensive "go back to Africa" remark was herself offended by the other's offensive portrayals of her country, her heroes, and her heritage.

The *N&O* article ends with a hopeful look at two black football players at N.C. State, who "said they haven't felt left out at all." The athletes "say the rest of the student body could learn from watching team interactions. There, they say, race isn't an issue."

That, ostensibly, is N.C. State's goal. But where among N.C. State's celebrations of race and ethnicity, its protected classes by race and color, and the rest of its racially focused diversity obsession can one find anything pointing to race *not* being an issue? CJ



Jon Sanders

Course of the Month

We're Here! We're Queer! We're Gettin' College Credit Here!

During the curriculum revolutions of the latter 20th century, courses emerged that brought academic exegesis to subjects in which students of college age were already interested and engaged. Textbooks are expensive, after all, and can become rather dull. They aren't as interesting as such popular-culture items as, say, watching TV, going to movies, buying clothes, meeting new friends, or meeting new love interests. So college courses moved into those areas, teaching students how to "read" TV, movies, clothes, friendships, and social or sexual interaction. Students are made to read those things the way an enlightened college person would, naturally, and that would be along Marxist lines of class, race, and gender, judging individuals as either oppressed or oppressor.

For the students, it's an easy way to earn three credits — just do what you would be doing anyway. Now there is a sort of universal Cliff's Notes behind all the courses, and CM thinks it won't violate copyright to give it in full: *White, male, heterosexual, or any combination = bad.* If the students are lucky, they've already covered that in primary school, or at least by junior high. Too bad for those home-schooled kids, what with their arithmetic — hah, but we bet they don't know how to socialize.

As readers of CM are aware, the new college courses also reach out to students whose interests are in political activism. This month's selection from Duke University is an example:

WOMEN'S STUDIES 150: REGULATING SEX

Synopsis: Andy Warhol once commented that "sex is the biggest nothing of all time." We may agree or disagree with this assessment, but it is clear that in the United States that people spend a great deal of time monitoring, legislating, debating, critiquing, and organizing around sex acts or practices associated with sexuality. This course is a survey of the ideological and state sanctioned regulation of sex, and of community and individual mediation and activism around this regulation. We shall focus primarily on the regulation of and activism around women's bodies because the female citizen's alleged national responsibility to bear and rear children has produced a massive number of political projects which turn on protecting and utilizing the female body. The course will examine history, law, personal narratives, and

literature, in order to understand the history of corporeal control — and fights against it — in the United States.

As we cover topics such as abortion, miscegenation, the lesbian body, pornography, sexual assault, and reproductive technologies, we will also look to Durham's activist community in order to interrogate how the theories presented in this course speak to current activism around sexual politics. Over the course of the semester, each student will be required to complete sixteen community service hours relating to one of the topics covered in this class. In the final paper, each student will use their [sic] encounter with contemporary activism in order to discuss the relationship between theories of corporeal control and political practice.

The "Course Objectives" are given next, with the explanation that the course "is designed as both a survey of the history of activism around issues of sexuality and an opportunity for service learning." That having been said:

By the end of the course students will — be able to produce a narrative about the history of the regulation of women's bodies in the United States.

— be introduced to local nonprofit organizations which are engaged in struggles over sexual politics.

— reflect on the alleged conflicts between academic theory and the practice of activism around sexual politics.

While they are learning those skills, students read selections from such works as Leslie Feinberg's *Stone Butch Blues*, Dorothy Roberts' *Killing the Black Body*, Michel Foucault's *History of Sexuality*, Lillian Faderman's *Odd girls and twilight lovers: a history of lesbian life in twentieth-century America*, and others, including the indispensable Susie Bright's *sexwise: America's favorite X-rated intellectual does Dan Quayle*.

At least Duke has heard the complaints from uncounted employers everywhere about the dearth of prospects who are able to produce a narrative history of U.S. women's-bodies regulatin'. One hopes, however, that they won't get fired for "goofing off." In other words, don't go reflecting on the alleged conflicts between academic theory about sexual politics and actual sexual activism while on the clock! CJ

Janie, do you interrogate how theories of lesbian bodies speak to current activism around sexual politics?

You betcha! I interact with the activist community, so I could even write a whole narrative about it!



Whoah ...
You go, girl!

Duke Summer Reading Program Chooses 'Savage Inequalities'

By JON SANDERS
Assistant Editor

RALEIGH

Like its public rival, the University of North Carolina at Chapel Hill, Duke University is requiring its incoming students to read a book this summer. Duke's summer reading selection is Jonathan Kozol's *Savage Inequalities: Children in America's Schools*.

Duke's selection committee chose *Savage Inequalities* by a wide margin over *The House of Sand and Fog*, a novel by Andre Debus.

According to Duke's Dean of Students office, "*Savage Inequalities* offers a look at public school education in the U.S. and provides some very real opportunities for discussion." Assistant Dean of Students Ryan Lombardi called the book "an eye-opener" in the *Duke Chronicle*.

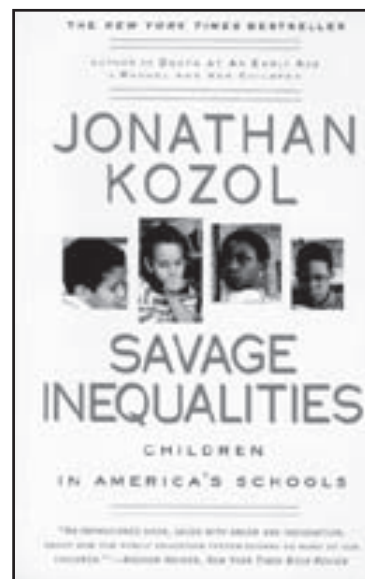
Savage Inequalities "does resonate with pretty much everyone who has come through a public-school education," Lombardi told the *Chronicle*, "but also anyone who has had a private-school education, because he compares and contrasts

that."

In May, *National Review* online ran a highly critical review of Kozol's book. Reviewer Jay P. Greene of the Manhattan Institute charged Kozol in *Savage Inequalities* with "perpetuating the myth of school poverty [by] simply ignor[ing] the facts and repeat[ing] the myth."

Kozol "pulls our heart strings describing New York City public schools" but "doesn't mention that New York City public schools spend more per pupil than 95 of the 100 largest school districts in the country" (citing National Center for Education Statistics data), Greene wrote. "He can only point out that some other schools spend even more. ... And he never considers that the shortcomings of New York City public schools are caused by wasteful spending rather than the shortage of funds.

UNC-CH had also considered *Savage Inequalities* for its summer reading program. Kozol's book was among the many included on the list of books, published by the *Herald-Sun* July 11, that were considered for the UNC-CH Summer Reading Program. CJ



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

Investor Politics

The New Force That Will Transform American Business, Government, and Politics in the 21st Century

"John Hood has produced a timely and informative account of the most significant demographic shift of this century — the rise of a shareholder democracy in America." — Jack Kemp

"*Investor Politics* is chock-full of interesting historical anecdotes, clever policy analysis, and surprising musings." — *National Review*

"John Hood offers many astute observations about the reasons government social programs are imperiled." — *Greensboro News & Record*

"I highly recommend *Investor Politics* to any reader interested in understanding how our government turned into an entitlement trough." — Kevin Hassett, AEI

"Hood has delivered a thoughtful and very engaging text that will help move the debate from last century's entitlement-dependent view of society to the country's Jeffersonian roots of self-reliance" — Chris Edwards, *Cato Institute*

Look for *Investor Politics* in bookstores or at www.TempletonPress.org.

Intellectual cotton candy replaces the traditional core curriculum

UNC Schools Promise a Strong General Education, But Most Don't Deliver

By GEORGE LEEF
Contributing Editor

Suppose that you have dropped your son or daughter off at one of the campuses of the University of North Carolina system. You have plenty to worry about: housing, roommates, clothing, money, and so forth. It's quite a load.

At the risk of further depressing you, there's one more thing that you should be worrying about, but probably aren't. That is the college curriculum. Every one of the campuses of the UNC system pays lip service to the idea of giving every student a strong, well-rounded general education in addition to his or her major, but most of them don't really guarantee it. If you are coasting along on assurances that the school you have chosen will give your child a good educational foundation, you'd better take another look.

The traditional core curriculum that distinguished our higher education system in the past — required courses in literature, American history and government, science, college-level mathematics, and fundamental courses in the social sciences and fine arts — has been abandoned by most colleges and universities in the country. The UNC system is no different.

Instead of a real core curriculum, most have adopted the "distribution requirements" approach, wherein students must take a course or two in each of several different academic fields.

In the UNC system, only three schools still have a core curriculum of key courses that all students take: Elizabeth City State, North Carolina Central, and Winston-Salem State.

Lunatics, Dreamers, et al.

At the other UNC schools, mandatory courses are rare. Students fulfill most of their general education requirements by choosing from lists (sometimes prodigious lists) of courses that qualify. The problem is that many of the courses are far from the kind that should be regarded as providing the student's general education. Many are overly specialized; some are politically charged; others are just educational cotton candy. Giving students such a range of choice not only eliminates the possibility of

their benefiting from a shared educational experience, but also means that many will graduate without ever having taken the courses that are key to a well-rounded education.

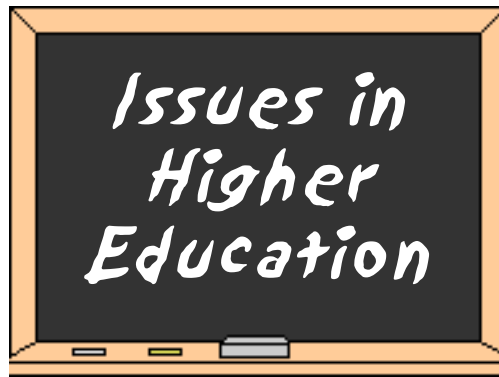
Let's look at some examples.

A student attending Appalachian State has to take four humanities courses, of which at least one must be a literature course and one a fine arts course. This requirement could be fulfilled with some excellent and thoroughly appropriate courses such as English Literature, American Literature, Arts and Ideas, Introduction to Philosophy, and Logic. But it could just as well be filled with African-American Literature, Modern Studies, Introduction to Film, Introduction to Women's Studies, History of Rock Music or Religions of Asia. Meat and potatoes, or side dishes and desserts? The university is completely indifferent.

At UNC-Greensboro, students have to complete two courses in Social and Behavioral Sciences. They could choose such worthwhile courses as Introduction to Economics, American Politics, or General Psychology — or they could fulfill the requirement with the likes of Sociocultural Analyses of Sport and Exercise, Human Sexuality, Personal Health, or Leisure and American Lifestyles. Any two will do.

Western Carolina students have to take just one history course. It could be American History, but equally good (in fulfilling the requirement, at least) are Lunatics, Dreamers, and Ordinary People: Biography in American History, Ancient Greece and Rome, or Religion and Science. Those latter three courses are probably very good, but shouldn't students become familiar with the history of their own nation (which most high schools now shamefully neglect) before taking more esoteric courses?

North Carolina State spreads a dazzling array of courses before its students for each of its general education requirements. To satisfy the "Science, Technology and Society Perspective," students have more than 50 courses available, including Science



Fiction, American Parks, Parkways and Estates, Women and Gender in Science and Technology and Textiles and Society. In Humanities and Social Sciences, students have to take seven courses — from more than 200 possibilities. Some of the courses

appear exemplary (Introduction to Shakespeare, Western Civilization, and Practical Reasoning, for example), but others are hardly the stuff of general education, such as Introduction to History of West Africa, Postmodernism, The Buddhist Traditions, Religious Cults, Sects, and Minority Faiths in America, History of Film to 1940, Women in Music, Psychology of Gender, Race in U.S. Politics, France in the Old Regime and Sexuality and Values.

Finally, at Chapel Hill, students have a prodigious smorgasbord of course offerings to choose from in order to satisfy their general education requirements. Hundreds of courses are open to UNC students that count toward their requirements. Naturally, many are unobjectionable. But many others are too specialized, politicized, or academically dubious for general education credit. Some examples: Environmental Advocacy, Literature and Cultural Diversity, Introduction to Rock Music, Introduction to

Country Music, Sex and Gender in Society, Diversity and Post-1945 World History, Hegel, Marx, and the Philosophical Critique of Society, and Social and Economic Justice.

Let the student decide?

How much different things are at some of the smaller campuses. At Elizabeth City State, for instance, about all the choosing students do is to decide whether to take their two social science courses in basic sociology, basic political science, basic geography, or basic economics. The rest of the general education curriculum is set out for the student, and it consists of nothing but fundamental courses.

Conclusion: with only a few exceptions, the administrators at the schools of the UNC system talk a good game when it comes to general education, but don't come through. One of the hallmarks of modern intellectualism is its refusal to say that anything is more important than anything else. American History or History of West Africa? Just let the student decide. Shakespeare or Hispanic Literature? Let the student decide. Logic or Leisure and American Lifestyles? Let the student decide.

Since the administrators won't make such judgments, parents or other concerned family members should. They need to step in and strongly encourage the student to take courses that will add up to a good, fundamental education. CF

We Want Less!

Concerned About Issues Such As Taxes, Regulations, Property Rights & Patient Choice in Health Care?

Thousands of your fellow North Carolinians are, too — that's why they have joined **North Carolina Citizens for a Sound Economy** to fight for less government, lower taxes, and more freedom. They are making their voices heard.

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North Carolina Citizens for a Sound Economy holds politicians accountable for their votes on taxes, regulations, and other issues. Its aggressive, real-time campaigns activate a **grassroots army** to show up and demand policy change.

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Here's what some are saying about Citizens for a Sound Economy:

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- "CSE is a great organization . . . The hundreds of thousands of volunteer activists that are members of CSE are vital to this country's economic prosperity."
— U.S. Rep. Richard Burr of Winston-Salem
- "You guys are everywhere! CSE is a great organization. CSE, thanks."
— Sen. John McCain

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

Town and Country

Boeing eyes GTP, official says

The Global TransPark and other North Carolina sites are still in the running to land Boeing's new aircraft manufacturing plant, a state official told area economic development leaders in Kinston on Aug. 4, *The Free Press* of Kinston reports.

"Boeing is dead serious, I'll just leave it at that," said William "Bill" Williams Jr., aviation director of the state Department of Transportation. "I think whatever list there is now, we're on it."

Williams was measured in his talk with about 25 people who turned out for the meeting of the chambers of commerce of North Carolina's Eastern Region at the GTP.

He did not discuss specifics of Boeing's ongoing site search, but did indicate that sites in North Carolina, particularly the GTP, were still in the hunt for the highly coveted operation.

Earlier this year, Boeing invited states across the country to submit proposals for siting the company's plant, which will handle construction of the new 7E7 Dreamliner aircraft.

The plant is expected to create about 1,200 jobs. Support facilities could generate thousands more.

Twenty-two states, including North Carolina, responded to Boeing's invitation. Besides the GTP, five North Carolina sites were submitted in the state's proposal: Charlotte, Greensboro, Elizabeth City, Raleigh, and Wilmington.

Nonprofit lands lighthouse

A federal official dashed the hopes of Currituck County officials July 30, granting ownership of the historic lighthouse in Corolla to a nonprofit that restored the structure and has maintained it for more than 20 years, according to *The Daily Advance* of Elizabeth City.

"Under the circumstances, the county had a full and fair opportunity to compete and was simply outdone by a more experienced applicant," wrote Craig Manson, assistant secretary for fish, wildlife and parks at the U.S. Department of the Interior.

The county and the Manteo-based nonprofit Outer Banks Conservationists Inc. have been competing for ownership of the light since fall 2001. Earlier this year, a committee of four National Parks Service employees picked the nonprofit as the best steward for the lighthouse, and the decision was passed on to Manson after the county appealed.

Free rides for public workers

The Raleigh City Council on Aug. 5 approved a one-year test of a program that would provide state employees free rides on the city's Capital Area Transit system in exchange for \$27,000 cash and \$12,000 worth of marketing and advertising from the state, the *News & Observer* of Raleigh reported. About 23,000 state employees live in Wake County. The council also extended the offer to the 3,200 city employees.

The program could start Sept. 1. State administration and transportation officials still need to sign off on the plan, said David King, state deputy transportation secretary for transit. The city's Transit Authority also must approve the deal. *CT*

Localities Use New Tool to Collect Taxes

N.C. cities, counties use debt-collection program to harvest \$1.2 million

By DONNA MARTINEZ

Associate Editor

RALEIGH

Finance officials in local government offices around the state are praising a relatively new and little-known debt collection program that has helped clear their books of more than \$1.2 million in bad debts from thousands of North Carolinians.

The North Carolina Local Government Debt Setoff Clearinghouse program recoups money owed to cities and counties by matching Social Security numbers of debtors against income tax refunds scheduled for payment by the state. The Department of Revenue subtracts the past-due bills from the refund, transfers the money to the city or county through the North Carolina Capital Management Trust, and then mails any remaining refund to the taxpayer.

Ninety-five localities participate

The program began in January 2002 and is administered by the North Carolina League of Municipalities and the North Carolina Association of County Commissioners. It piggybacks on the state's own effort using the refund-matching process to collect money it's owed by taxpayers. As of mid-July, 54 cities and towns and 41 counties were actively participating in the Clearinghouse, while 19 municipalities and 14 counties were preparing to use the service. The service is available to local governments at no cost.

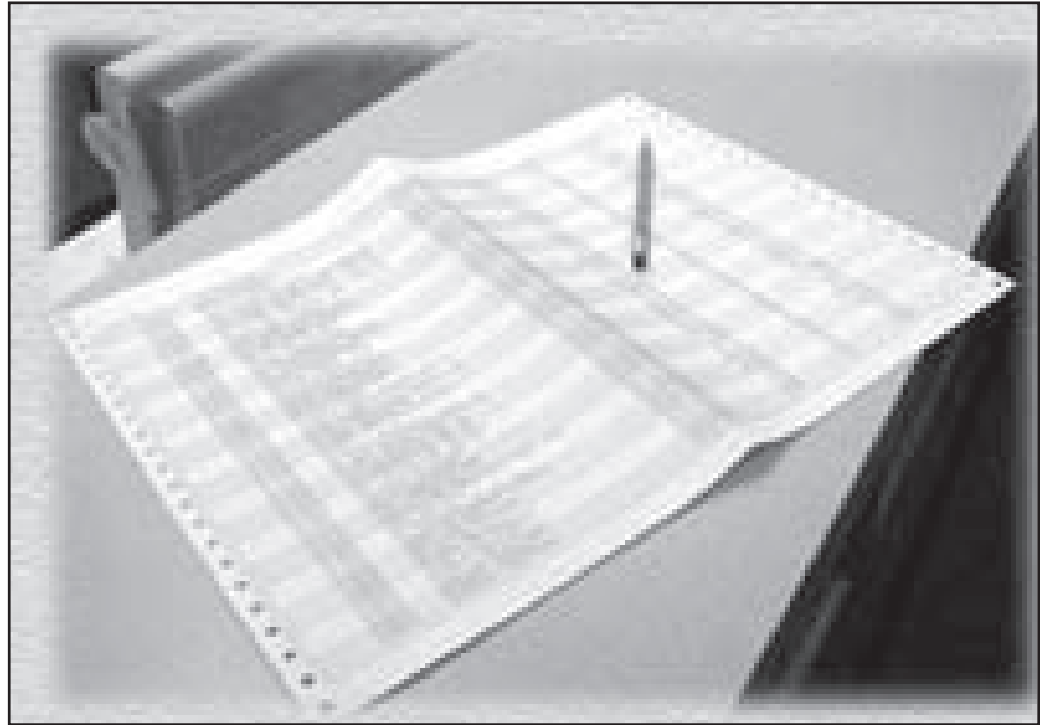
Each taxpayer whose debt has been matched against a refund is charged a \$15 fee to administer the transaction. NCLM or NCACC receives \$3 of the \$15, depending on whether the debt is owed to a municipality or a county. The remaining \$12 is paid to Five Star Computing, Inc. of Columbia, S.C., the company hired to receive and process the debt information from cities and counties and transfer it to the Department of Revenue, where matching occurs. If the debtor owes both the state and a local government, the state receives its money first.

Governments benefit year round

The list of governments using the Clearinghouse has grown steadily as local officials hear success stories from their peers and realize they may recover overdue money throughout the year, not just during tax season, since the state runs refund checks twice a month. "We get money all year long because people have filed an amended return or filed for an extension," said Tom Medlin of NCLM.

Any debt that's more than 60 days past due to a local entity and is at least \$50 is eligible for submission. Multiple bills from the same person can be combined to reach the \$50 threshold. Most delinquencies are for water and sewer service, property taxes, parking fees, and paramedic visits, but any debt qualifies.

"Everyone has success with this," said John Whitehurst, Medlin's counterpart at NCACC. "We haven't had any counties not satisfied." He points to Wayne County, which has collected more than \$135,000 this year, as an example of the value to local government. County Manager Lee Smith said the program gives his staff an additional tool to increase its already impressive collection rate from 97.5 percent before using the Clearinghouse, to 98 percent now. That may not sound like a big increase, but Smith views every percentage point as increased efficiency. "We're like a service industry and we should be collecting what's owed," Smith said. "We now can perform



like a private sector company. This (program) helps taxpayers in general."

Greg Allison, a certified public accountant and term lecturer in public finance at the University of North Carolina at Chapel Hill, said he thinks Smith's assessment is right on the money. He calls the Clearinghouse an excellent program and wishes more local governments took advantage of it. Allison asked Whitehurst to explain the benefits to finance officials who attended a recent meeting of the North Carolina Local Government Investment Association, which Allison helped organize.

Before Smith added the Clearinghouse to his collection tool kit last year, Wayne County relied primarily on mailing delinquent notices to its customers. That netted some dollars, but using the last-known address is a hit-or-miss proposition. Many people move and don't leave a forwarding address, he said. If the county couldn't find the person, it would consider writing off the debt. "This changed our mindset about how we collect money," he said.

Cindy Miller, finance operations manager for the City of Asheville, said the program has improved her city's collection efforts as well. In the beginning, her department submitted debts it had previously given up on. Some of those have been collected, leaving a smaller backlog of tough cases. They now submit past-due debts regularly in order to collect as quickly as possible. The city has recouped more than \$82,000 using the tax-return match.

Debtors' refunds withheld

Miller was pleasantly surprised to find that a pre-match operational requirement of the program is an effective collection device on its own. Setoff program rules require the local government to send a written notice to the debtor telling him of the intent to submit the debt for collection by tax-refund setoff. "Many, many folks have been collected from the letter. There's something about having their taxes withheld that feels like a punishment; they feel like they're caught," Miller surmised. In fact, Asheville has collected more than \$44,000 from the letters alone, retrieving payment for services ranging from parking garage fees to wedding banquets held in the civic center.

Whitehead said Asheville's windfall

from the notification letter is typical of what many governments report. More than \$7 million has been collected statewide in response to the notices and what Whitehead calls the "fear factor" that sets in when debtors receive them. "They look forward to their tax refund and don't want anyone touching it, so they pay," he said. Whitehead notes that when Pasquotank County mailed notification letters, it was deluged with more than \$100,000 in overdue payments.

Smith tops Pasquotank's experience. He described an incident in which Wayne County mailed 3,000 to 4,000 notification letters on a Tuesday. By the next Monday, people were lined up to pay their bills. "People have reacted almost immediately," he said. The county has received nearly \$2 million in payments from letters.

There are many reasons why people don't pay bills owed to local government, Smith said. Some may have simply forgot-

ten to pay, others may have moved before receiving a final bill, and some may not have received a bill because of paperwork snafus. "But it's still the taxpayer's responsibility" and Smith makes no apologies for using notification letters and the Clearinghouse match. "I pay my taxes, so should everybody," he

said.

Heather Herbert, customer service supervisor for the City of High Point, has a similar attitude. She is adamant about the program's value, effectiveness, and fairness. High Point has recouped nearly \$175,000 from letters and setoffs, and there have been no complaints from customers. "It is fabulous," she said. "This is an extra set of legs doing work for us to try and get this money back." High Point has submitted bills dating to 1999, debts it once considered unrecoverable. Now, there's hope the city may one day receive what it's owed.

While the program's success is widespread, the majority of local governments don't participate. Medlin said he thinks some may not get involved if their past-due debt is low and existing collection procedures are deemed adequate. But, he said, some localities still may not know about it, despite his and Whitehead's best efforts. Once officials talk to participants, he said, they usually opt in. "This is an economical way to collect debts," Medlin said. *CT*

"It is fabulous. This is an extra set of legs doing work for us to try and get this money back."

— Heather Herbert



Corporate Airlines may fly 19-seat Jetstream turboprops from Raleigh to six N.C. cities.

Six cities apply for federal grant, offer local incentives

Airports Aim for Added Service

By MICHAEL LOWREY
Associate Editor

RALEIGH
Six North Carolina cities are proposing incentives of \$5.4 million to help establish additional airline service. The communities, Fayetteville, Hickory, Kinston, Moore County (Pinehurst and Southern Pines), New Bern, and Wilmington, hope to combine federal grant money with local funds to attract a commuter air carrier to start flights to Raleigh. Many uncertainties, however, remain before the flights become a permanent fixture.

The federal grant program

The Small Community Air Service Development Pilot Program is a federal initiative that helps smaller communities attract new air service. Under the program, the Department of Transportation awards grants to up to 40 applicants a year. Program funds may be used to subsidize an air carrier for up to three years.

The law creating the program requires priority consideration be given to communities or consortia of communities when:

- Air fares are higher than average;
- The community or consortium will provide a portion of the from local sources other than airport revenues;
- The community or consortium has established, or will establish, a public-private partnership to facilitate air carrier service;
- Assistance will provide material benefits to a broad segment of the traveling public, including business, educational institutions, and other enterprises, whose access to the national air transportation system is limited.

As might be expected of a federal grant program, SCASDP is popular. In fiscal 2002, 179 applications were submitted requesting a total of more than \$142 million. Most applications were turned down, however, as Congress provided only \$20 million for the program. Asheville was the only North Carolina airport have its application approved in 2002. It received a \$500,000 grant.

The application

For the 2003 round of the program, the six North Carolina airports have formed a consortium with and are requesting a total of \$3.6 million, or \$600,000 each. The program has \$20 million to distribute this year and requests for funding are again expected to greatly exceed that amount.

In addition to the requested federal

funds, the six communities would also put in up to a total of \$1.8 million to help start service to Raleigh. Unlike the federal grant request, however, the local incentives would vary widely; the cities that don't have air service are willing to contribute greater amounts of money.

Fayetteville, which has flights to Charlotte and Atlanta, would provide up to \$76,000 to attract air service to Raleigh. New Bern, which is served by an US Airways affiliated commuter airline from Charlotte, is willing to provide about \$62,000 in incentives.

Wilmington would put up \$79,000. Several airlines serve Wilmington and offer nonstop flights to Atlanta, Charlotte, New York City, and Washington, D.C.

Kinston, Hickory, and Moore County lost all of their scheduled air service in the last few years. As a result, they have been willing to ante up greater amounts to see service restored.

In the case of Kinston's Global TransPark, the incentive package totals \$280,000. Hickory, meanwhile, offers \$339,000. The value of the package Moore County is offering just under \$1 million.

The application lists Corporate Airlines as interested in providing the service. The airline operates 19-seat Jetstream turboprop aircraft under contract as an American Airlines-associated commuter carrier. Most of Corporate's current flights are in support of American's St. Louis hub.

Should the SCASDP application be approved, Corporate would serve each of the cities at least three times a day from Raleigh on Jetstreams. Corporate has also pledged to work to obtain an American Airlines code share for the routes.

Success not guaranteed

Despite the airline's interest and willingness of the communities to provide incentives, the success of the routes is far from certain. Federal funding is not assured. Even with the subsidies, the application projects that Corporate will lose \$3.2 million on the routes in the first year. The hope is that demand will build over time, allowing the routes to eventually become profitable.

Whether that demand will materialize is questionable. Or as the Boyd Group, a respected, Colorado-based aviation consultancy recently noted on its webpage (www.aviationplanning.com):

"In lots of thinly-populated, non-growing areas, there isn't a solution that will provide real connectivity to the air transportation system, at least not one under the current situation that consumers will use." *cj*

Local Innovation Bulletin Board

High Housing Costs Studied

Some advocacy groups claim that America faces a nationwide housing affordability crisis, and that the solution is increasing the supply of housing. However, economists Edward L. Glaeser and Joseph Gyourko say two issues are being confused: poverty and housing prices.

Housing advocates define affordable housing as that which can be purchased with a fixed percentage of income. The authors reject this notion. "To us, a housing affordability crisis means that housing is expensive relative to its fundamental cost of production — not that people are" they wrote.

It is more relevant, they say, to compare prices to the physical cost of new construction. Restricting their analysis to single-family homes, they found in most of the United States, home prices appear to be close to the physical costs of new construction. In some parts of the country, home prices are far below new construction costs.

In only a few particular areas are housing prices substantially above construction costs. Unfortunately, they include both North Carolina cities in the study.

Glaeser and Gyourko included Raleigh and Greensboro in their study. In Greensboro, 69 percent of city area housing was valued at 140 percent or higher of construction costs in 1999.

In Raleigh, the percentage was 81 percent. The only cities included in the survey with higher percentages of high-priced housing relative to construction costs than Raleigh were notoriously expensive West Coast cities such as San Francisco, San Diego, Los Angeles, and Seattle.

Housing prices are not high in these areas because land is intrinsically scarce. Land costs in these areas is not substantially higher than average. Even in areas with high home prices, a house on a 10,000-square-foot property costs about the same as a house on a 15,000-square-foot lot, and although prices are higher for lots with a view, land is generally 20 percent to 40 percent of the home price.

High prices are not necessarily associated with extremely high density — for example, there is as much land per household in San Diego as there is in

Cleveland (a low-priced area).

However, restrictive zoning is associated with high home prices, suggesting that local government regulation is the main cause of higher home prices in some areas.

Researched by Edward L. Glaeser and Joseph Gyourko, "The Impact of Building Restrictions on Housing Affordability," *FRBNY Economic Policy Review*, June 2003, Federal Reserve Bank of New York

Car rental taxes

Taxes to pay for such amenities as sports stadiums and airport fees are adding as much as 72 percent to the cost of car rentals at some airports in the United States, according to a study by the travel web site Travelocity.com.

Airports and municipalities have long looked at taxes on car rentals and hotels to fund special projects ranging from sports stadiums to convention centers. The fees have been rising in recent years.

Of the 10 airports with the highest taxes and fees tacked on to rental cars, six are in Texas, including Houston's Bush Intercontinental Airport, where taxes and fees added 71.7 percent of the cost of a car rental. Car renters at airports in Dallas and Austin pay more than 50 percent extra in added fees.

The national average of the 100 top U.S. airports is 24 percent.

Taxes and fees at North Carolina's three largest airports were about average. At Charlotte/Douglas International Airport the mark up was 23 percent to cover taxes and fees. At Raleigh-Durham International Airport, taxes and fees added 26.7 percent to the cost of renting a car. At Greensboro's airport, the markup was 27.1 percent.

So called airport-concession fees charged by airports to rental car companies wanting to do business at the airport are among the fees passed on to consumers. As a result, travelers may be able to avoid some of the taxes by renting cars away from the airport. In other instances, rental car taxes and hotel taxes are county-wide, leaving travelers with little choice but to pay them.

Reported in the *Wall Street Journal*. *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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Government Conspires To Steal Private Property

A report recently issued by the Swedish Research Institute of Trade confirmed America's continuing unrivaled wealth.

The group's analysts reported the average Swede receives less income than the average black person in the United States. Because Sweden is in the middle of the European income distribution, this means the average European's annual income is similar to, or even less than, the annual income of the average black person in the United States.

Of course, conventional wisdom holds that the distribution of income in the United States is so unequal that our low-income households are less well off than those in "more enlightened" economies. That view does not stand. The Swedish Research Institute found U.S. low-income households receive more income than low-income Swedish households.

Property rights prevail

Why does the United States consistently report the highest per-capita income of any nation with more people than Rhode Island? There are a number of reasons, but a contributing factor is the strong (though not strong enough) protection of property rights.

A principal role of property rights is the creation of greater wealth: not because property rights make owners richer; but because they make everybody, especially those in the lowest income classifications, richer.

Property rights are much stronger in the United States than in most other developed countries, and that contributes mightily to our affluence. According to Peruvian economist Hernando De Soto, author of *The Mystery of Capital*, the lack of clear property rights explains why so many post-communist and newly democratic nations have been unable to replicate the economic success of Western nations and Japan.

In America, the greater wealth available to middle-income and low-income people is, to a large degree, facilitated by home ownership. Nearly one-half of the net worth of middle-income Americans is in home equity.

This equity is capital that can be marshaled to finance educations, new businesses, and home improvement. Homeowners are considerably more affluent than renters, with an average net worth 30 times as great.

The public-policy message is clear. Since home ownership creates wealth and improves both real and relative economic positions, home ownership should be encouraged and expanded.

Discouraging home ownership

Regrettably, many (if not most) of America's urban planners are encouraging just the opposite: policies that would reduce home ownership and gut the equity many already have in their homes.

In its *Growing Smart Legislative Guidebook*, the American Planning Association proposes something called "amorti-

zation of nonconforming uses." Translated into everyday language, the term means your house could be virtually confiscated for no reason other than that it does not conform to the vision of urban planners as contained in local, state, or even federal land use plans.

This is not merely some nonthreatening policy report for filing and forgetting. *Growing Smart* is being widely distributed to government agencies nationwide as part of an effort to "update" land-use planning and zoning in the United States. As part of former Vice President Al Gore's "Livability Agenda," the *Growing Smart* guide has achieved near-official status as a result of millions of dollars in financial support from the U.S. Department of Housing and Urban Development.

A new way to take property

The confiscation clause would work like this: Local government officials, following the *Growing Smart* recommendations, would revise their community's land-use and zoning regulations, adopting APA's confiscation policy as part of the new code. In the process, those officials would decide a particular neighborhood should be zoned for multifamily dwellings. In keeping with APA's confiscation policy, they would require that nonconforming structures, such as detached, single-family homes, be brought into conformance with the plan (be made multifamily) by a certain date.

That date might be 20 years into the future, or 10, or five, or even fewer. When the deadline comes, the home owner would no longer be able to use the house as a single-family dwelling. He would have no choice but to sell the land for multifamily redevelopment, redevelop the property herself, or simply abandon it.

There are serious problems with APA's confiscation agenda. For one, it clearly violates the Takings Clause of the Fifth Amendment to the U.S. Constitution, which states: "nor shall private property be taken for public use without just compensation."

For HUD to be involved in funding this assault on fundamental constitutional rights is akin to the Department of Justice financing development of local ordinances to limit free speech.

While the confiscation agenda appears to be the most threatening element of *Growing Smart*, there are other causes for concern, such as recommendations that would destroy local democracy by taking local land-use decisions to the regional or even state level.

For at least seven decades, expansion of home ownership has been a principal objective of U.S. economic policy. For even longer, the United States has sought to expand the economic pie and increase the standard of living of those at the bottom of the income scale. This is no time to turn back. CJ

Wendell Cox is a senior fellow at the Heartland Institute.



Wendell Cox

From Cherokee to Currituck

Counties Adjust Their Border But Residents Still Confused

By MICHAEL LOWREY

Associate Editor

CHARLOTTE

Many landowners along the border between Orange and Chatham counties remain uncertain what their county of residence is, 14 years after the counties agreed to redraw their border. While a resolution may be likely soon, landowners remain confused by the process.

In January 1989, the counties agreed on a new border and a process to complete the adjustment. Five months later, they agreed to let landowners affected by the new borders choose whether to stay with their original county of residence or to change their residence to the other county. Recording of the actual border survey, however, was not completed until last March, when the agreement came up for final approval.

It's at that point that officials in both counties realized they had interpreted the 1989 agreement differently. Chatham County officials interpreted the agreement to mean that only property owners at the time of the agreement, and not anyone who later bought the land, could elect their county of residence. Orange County officials, however, took the agreement to mean that subsequent landowners could make the election as well.

For homeowners Ronnie Johnson and his wife, Janet Mousley, the entire process has been frustrating. The couple bought a house in 1990 thinking their county of residence was Orange County and paid property taxes to Orange County. In August 2001, however, they got a property tax bill from both counties. To make matters worse, both the valuations on the bills were substantially different after 2002 revaluations by both counties. Johnson and Mousley's property is now considered part of Chatham County, though they would prefer if it were in Orange County.

"The biggest thing is how unfair it seems, to have thought we were buying a house in Orange County, and then wake up 10 years later and find out otherwise," Johnson told the *Durham Herald Sun*. "There's nothing we can do about it. There's no recourse for us."

Interstate 26 widening on hold

A federal court has put on hold the N.C. Department of Transportation's plans to widen a stretch of Interstate 26 near Asheville. In his ruling, U.S. District Judge Terrence Boyle said the state cannot proceed with the work until it conducts a broader environmental impact study.

The DOT had originally planned to begin work last year on widening from four lanes to six lanes a 13-mile stretch of I-26 in Henderson County between Asheville Regional Airport and East Flat Rock. Four groups sued, however, contending the DOT's environmental impact study was inadequate as it did not also consider the impact of a separate project to widen nine miles of the interstate in neighboring Buncombe County.

Boyle agreed, noting that the record indicated the department had not taken a "hard look" at the widening. Boyles was

also troubled by the accident data the DOT used to help justify the project. The agency argued originally that the stretch of road had an accident rate four times the state average for urban interstates, when, in fact, the road really had an accident rate one-fourth that of comparable roads.

The state has decided not to appeal the decision. "Our conclusion is, from a timeliness standpoint, we believe the best course of action would be to prepare another environmental document and combine the sections of I-26 in Buncombe and Henderson counties," N.C. Highway Administrator Len Sanderson told the Associated Press.

Boyle's decision is not the first court ruling requiring the DOT to consider the environmental impact of several projects together. Construction of an outer beltway around Winston-Salem has been held up while the state completes a study detailing the cumulative environmental impact of

the entire project. A federal judge ruled that earlier environmental impact statements that examined impacts of sections of the project separately were inadequate.

The I-26 widening would cost about \$54 million and be a design-build project, allowing for an accelerated construction schedule. Because the

widening involves putting the extra lanes in the existing median, it would have only minimal environmental impact.

Animal shelter to be privatized?

A nonprofit group in Forsyth County has renewed its attempts to take over operation of the county's animal shelter. The move comes as a county task force examines an extensive list of recommendations by the Humane Society of the United States on the operation of the county's existing animal shelter.

Under the proposal by Save the Animals, the county would contract with the group to operate the shelter for \$778,000 per year. The group would generate the remaining funds toward a proposed \$1.3 million budget through fees for adoption, vaccination clinics, and grants and donations. The groups' request to take over the shelter will go before the county commission once the task force completes its review of the HSUS' recommendations. The group originally suggested that the county contract out operations in November.

"It can be run very well," Vernon Ferrell, Jr., chairman of the group's board of directors, told the *Winston-Salem Journal*. "It could be the shining star of the whole state of North Carolina with the right people running it."

Save the Animals helps low-income pet owners get their pets sterilized and vaccinated. In addition, it may build a regional spay-neuter clinic in Kernersville.

Animal issues have been gaining additional attention across North Carolina in recent months. The General Assembly recently chartered a special commission to examine conditions in the state's animal shelters and the state's high kill rate for unadopted pets. Recent articles in *The Charlotte Observer* has focused attention on the issue in Charlotte as well. A city council committee is examining ways to reduce the number of animals euthanized locally. CJ

Richard Burr: U.S. Congressman, Candidate for Senate

By PAUL CHESSER
Associate Editor

WINSTON-SALEM

U.S. Rep. Richard Burr, a Republican representing North Carolina's 5th District, is serving his fifth term in Congress. He also is a candidate for a U.S. Senate seat held by Democrat John Edwards. Edwards declined an invitation to be interviewed by *CJ*.

CJ: It has been reported that you have considered a run for U.S. Senate for several years now. More recently news stories have said that close associates of President Bush strongly encouraged you to run for the seat now held by Sen. John Edwards. How much did the president really need to persuade you to run?



Rep. Richard Burr

Burr: Since coming to Washington in 1995, I have tried to serve as a model of constituent service to the people of the 5th District. My experiences have given me a strong foundation on which to build in the future; however, much work remains to be done.

I feel certain that the U.S. Senate is the best place for me to utilize my legislative experience while continuing to serve North Carolina. I am heartened that friends, colleagues, and supporters from North Carolina, along with the White House, have encouraged me to seek this office. These pledges of support were critical to my decision. I will keep fighting for what I feel is in the best interest of North Carolina and the nation.

CJ: A delegation from your committee, after a trip to Baghdad, reported that "large numbers of U.S. troops are likely to remain in Iraq for years." As a representative from a state with a large constituency of soldiers in that area, does that square with what your expectations were going into the war? Do you agree with that assessment? Does it affect how you view the way the president and the administration handled the war before, during, and after major hostilities?

Burr: I think that everyone in Congress understands the importance of achieving peace and stability in post-war Iraq. While keeping our troops safe and expediting their return is certainly a major concern, history has taught us that we must not be hasty or unrealistic when approaching the challenge that is before us. Recently, multiple units of the North Carolina National Guard, many comprised of my constituents, were alerted to the possibility of their deployment in Iraq. I remain dedicated to achieving a swift departure from Iraq, provided our mission there has been accomplished and a stable Iraq can be turned over to a democratic Iraqi government.

CJ: How do you, as a member of the House Permanent Select Committee on Intelligence, measure whether intervening in another country is crucial to our national interest, for security or otherwise? You voted against involvement in Kosovo, but supported the Iraq War. Should we get involved in Liberia?

Burr: I feel that the most important issue to consider when measuring the necessity of military action abroad is the threat, or potential threat, that the situation poses to our national security. Prior to Operation Iraqi Freedom, it was clear that Saddam Hussein's hostile regime had a passionate interest in challenging our nation's security and had little interest in acting in accordance with

the agreements made at the end of the Gulf War in 1991. As a result of continued defiance by the Iraqi regime, as well as the prolonged inaction of the United Nations, I feel that the president's decision to abandon diplomatic efforts and employ military force was an inescapable conclusion.

As you mentioned, I voted against President Clinton's deployment of U.S. troops in Kosovo, because I felt that the mission he proposed was unclear and had not been sufficiently explained to Congress or the

American people, and the Kosovo situation did not represent a direct threat to our nation. Our troops are still in the Balkans. As Liberia's situation does not pose a direct threat to our security, I would prefer to see our troops in a support role for a multilateral force.

CJ: Do you believe there needs to be a change in the structure, and the leadership, of the CIA? Where or how is it failing, and where and how is it serving its purpose?

Burr: I am a member of the House Permanent Select Committee on Intelligence. One task of this committee is to conduct oversight of our intelligence agencies and, consequently, it is my job to remain an objective investigator in evaluating the necessity of reform in our intelligence community. This is an ongoing process, but we are dedicated to working to improve the structure, accuracy, and efficiency of our intelligence resources.

CJ: Do you agree with Senate Intelligence Committee Chairman Pat Roberts that weapons of mass destruction will be found in Iraq?

Burr: I agree with Chairman Roberts' assessment. As a member of the House Select Committee on Intelligence, I stand behind the work that both intelligence committees have done in considering the evidence regarding the existence of weapons of mass destruction in Iraq. Though weapons have yet to be found, the available intelligence indicators continue to point to their presence on Iraqi soil. Although our military forces continue to scour Iraq for Saddam's WMD, there can be no question that Saddam possessed such weapons. He went to great lengths to deceive and obstruct the search for WMD, and had 12 long years to perfect his regime's ability to build and hide those weapons.

CJ: Do you agree with Rep. Jeff Flake of Arizona that with wide Republican support for expanding by \$400 billion for Medicare to cover prescription drugs, that the Republican Party has abandoned its principles by creating such an entitlement?

Burr: As vice chairman of the Energy and Commerce Committee and a member of the Health subcommittee, I have worked closely on Medicare prescription drug legislation for more than four years.

At the beginning of this Congress, I hoped to help pass a fiscally responsible Medicare prescription drug bill that provided all Medicare beneficiaries with access to lower-priced drugs, gave low- to middle-income beneficiaries monetary assistance with their drug purchases, established tax-incentives for saving money for future drug purchases, and capped beneficiaries' catastrophic risk. Unfortunately, the bill considered and passed by the House did not follow those principles and contained a large structural flaw. Under the

House-passed bill, the federal government is required to subsidize insurance companies' costs by 73 to 99.99 percent and the government has no bargaining power during those negotiations. Given that structural flaw, there is no guarantee that the bill will only cost \$400 billion. I could not vote for the passage of a bill that is certain to cost \$800 million to \$1 billion in a few years and does not increase the quality of benefits my constituents receive.

CJ: Do you believe the president, and the GOP as a whole, has drifted from conservative principles because of its overall increase in government spending; its increased involvement in education; increased spending on foreign aid; etc?

Burr: In recent years the U.S. has been influenced by the drastic economic adjustment that is required to successfully wage the war on terror. This challenging and very costly duty has led to momentous changes not only in our economic climate, but also in the way our government must balance spending. As the Republican Party and myself remain steadfast in our dedication to fiscal responsibility and conservative economic principles, this new challenge has led to the necessity of increased spending for the protection of our nation and the safety of our people. Securing our homeland and working towards global stability simply cannot be done "on the cheap." We have had several initial costs, such as creating the U.S. Department of Homeland Security, and will need to continue to ensure that proper funding be given to all aspects of this battle.

It is my commitment and responsibility, however, to see that the money we spend is used correctly. As we move for-

ward, we should continually reassess these programs and their funding.

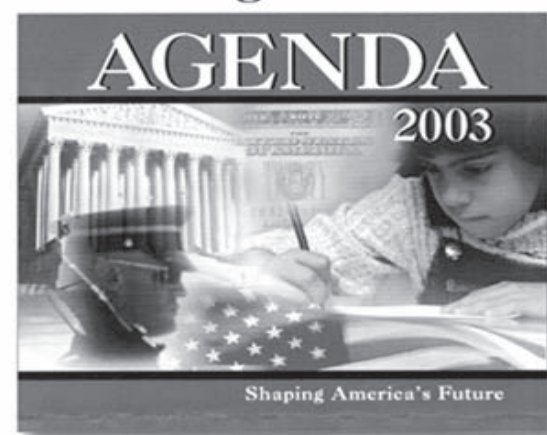
CJ: Years ago one of the GOP's big issues was the need for a balanced budget amendment. Now the budget deficit could possibly surpass \$450 billion. Why has the concern for such an amendment fallen by the wayside? Does the GOP in general now believe in having a "strategic budget deficit?"

Balancing the budget is a central concern of both the entire Republican Party and me personally. This task, however, must be approached in a manner that is sensitive to issues such as national security, education, and Medicare. While it is necessary to work towards balancing the budget, I feel that it must be done in a manner that protects important federal programs while cutting unnecessary government expenditures. I believe that the Republican Party remains dedicated to balancing the budget; however, we must first aim at recovery, then at reform.

CJ: Should the federal government have provided money to the states to help bail them out of their budget crises? Where do you believe the bulk of the responsibility for those shortfalls falls?

Burr: We have taken steps to ensure that our economy recovers fully — and ensure that the recovery reaches into all corners of our country and state. In May, I voted in favor of an economic stimulus package that provided both tax relief and \$20 billion in assistance to states suffering from budget crises. I feel that the best way to address the problems that remain is through strong economic growth, and I believe the president's plan was a step in the right direction. *CJ*

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• The rapid spread of the liberal market economy throughout the world poses new and complex questions for the consideration of religious believers, as well as anyone concerned with the intersection of ethics and economics. Is the liberal market order, particularly as it affects the poor, compatible with Christian moral and social teaching? Or is it in some ways in substantial tension with that tradition? In *Wealth, Poverty, and Human Destiny*, editors Doug Bandow and David L. Schindler bring together some of today's leading economists, theologians, and social critics, including Wendell Berry, Michael Novak, Richard John Neuhaus, and Max Stackhouse, to consider whether the triumph of capitalism is a cause for celebration or concern. See www.isibooks.com for more information.

• In some quarters of the globe, hatred of Jews has assumed epidemic proportions and is intensifying by the day. In *The Return of Anti-Semitism*, Gabriel Schoenfeld explores how and why a murderous anti-Semitic rage has once again come into being and examines its likely trajectory. Schoenfeld traces the confluence of several lethal currents: the infusion of anti-Semitism into Islamic fundamentalism; the rise of terrorist movements, which are motivated in large measure by a pathological hatred of Jews; the deliberate and well-financed export of anti-Semitism from the Muslim world into Europe and from there into the United States; and the re-emergence of older anti-Semitic traditions in the West, which were thought to have ended along with Nazism. Learn more at www.encounterbooks.com.

• Some environmental activists, politicians and celebrities have supported "sustainable development" as though its meaning and value were clear. But the concept has barely been defined, let alone subjected to scientific, economic, and philosophical scrutiny. Oxford University economist Wilfred Beckerman puts the theory to the test in *A Poverty of Reason: Sustainable Development and Economic Growth*, questioning several of its core claims. After examining the evidence, Beckerman finds "sustainable development" lacking on both scientific and moral grounds. Although millions of people lack clean air and water, and are plagued by deteriorating ecosystems, these problems are caused not by "unsustainable development" but by poverty, poorly defined property rights, and lack of freedom of opportunity. Published by the Independent Institute at www.independent.org.

• *Intellectuals and the American Presidency: Philosophers, Jesters, or Technicians?* examines the relationships between presidents and America's intellectuals since 1960. Author Tevi Troy looks at the advisers who served as liaisons to the academic community, the presidents' views of those intellectuals, and how they fit in with the presidents' plans. In this bipartisan study, Troy analyzes how American presidents have used intellectuals to shape their images and advance their agendas. More at www.rowmanlittlefield.com. CJ

Museum review

Museum Captures North Carolina's Role in History

By JONATHAN JONES

Editorial Intern

RALEIGH

North Carolina's Museum of History in downtown Raleigh is a pleasant surprise for the visitor expecting political correctness at the expense of actual history. Across the street from the State Capitol, it presents an enjoyable, educational overview of the state.

The "pioneers of aviation" exhibit occupies much of the first floor. Hanging above the visitor's desk is a large replica of the Wright Flyer, which the Wright brothers flew at Kitty Hawk. Immediately behind it, memorials to aviation include pieces of the original machine, representing one of mankind's greatest accomplishments. The historic first flight lasted only 12 seconds and 120 feet, but it ushered in an explosion of mechanical improvement that rivaled the automobile. This story of advancement in aviation makes the Museum of History worth a visit. Years of failure preceding the Dec. 17, 1903 success of Orville and Wilber Wright add to the impressiveness of their accomplishment.

Museum visitors also learn about North Carolina innovators such as Dr. Daniel Ashbury, who died while experimenting with cylindrical hot-air balloons. Stories, myths, and legends of aviation originated from across the geographic landscape of the state, gaining wide audiences as human flight rose in prominence and commercial promise.

Rumbling Bald Mountain, for example, borders Rutherford and McDowell counties in the western area of North Carolina. It was the scene of the 1904 Jules Verne novel *Master of the World*, home of the memorable mad scientist Robur and his flying machine of terror.

North Carolina and technology

As technology grew, the state offered the nation more than its share of inventors, aces, astronauts, and daredevils. "Pro-flight" newspapers such as the *Daily Charlotte Observer* were among the chroniclers of the colorful scene. Samples from newspapers, diaries, and literature help to bring these times alive. Personal letters and photographs, some from the only eyewitness account of the first flight, are especially insightful. Although this is not a large museum, the section offers plenty of interesting material for amateur history buffs.

Soon, more pieces of history will be on the way. A traveling exhibit of more than 400 Charles Lindbergh artifacts will open at the museum Nov. 8. Lindbergh's transatlantic flight and immediate worldwide celebrity, only a few decades after the Wright brothers, remind observers of how the 19th century faith in the power of science and human reasoning was a mixed blessing. Technology made travel faster, cheaper, safer, and more comfortable. But in times of war, it also provided a means for slaughter on a scale previously unimaginable.

Museum celebrates progress

That the museum resists the temptation to wallow in victimology instead of highlighting achievement and progress may be a feat unto itself. Fortunately, there is not much of the Balkanization one will find in Washington D.C.'s American History Museum. American Indians, blacks, women, and every group a curator could categorize have at least one very important thing in common. We belong to the fabric of America as citizens of a grand, rare, and unusually successful experiment. This museum gives



A replica of the Wright Flyer hovers over the visitor's desk at the N.C. Museum of History.

a glimpse into North Carolina's contribution to that laboratory of success and genius. It is our common heritage, including efforts for greater liberty and self-determination, that make America unique in world history.

War Between the States

This struggle is chronicled in the Civil War exhibit. North Carolina had about 34,000 slaveholding families on the eve of the conflict. Only Virginia had more "free blacks," and one-third of the state's population was of African origin. When North Carolina succeeded from the United States on May 20, 1861, citizens were deeply divided like no other time before or since.

In January of that year, voters had refused by referendum to consider secession. The economic system supported by slavery was not as widespread as in other states. Sure the national government was intent on wrecking its economy and way of life, South Carolina and most of its neighbors were a hotbed of Confederate sentiment. Not so in the Tar Heel State, especially the staunchly Republican counties of the western mountain expanse.

Displays throughout the Civil War section highlight this dichotomy. More than 125,000 North Carolinians, many of them teen-agers, fought in the Confederate army. The state lost more soldiers than any other Southern state; 40,000 died in battle or from wounds and disease. In addition, a large number from North Carolina, 15,000 white soldiers and black soldiers, chose to battle alongside Union regiments. Some of their symbols, such as the 1861 musk silk flag of the Eighth Regiment North Carolina State Troops, are presented for public view in very good condition.

The muskets, pistols, uniforms, pictures, and everyday items of the young men who died are a reminder of the struggles for progress, as well as the bloody sacrifices, Americans have undertaken. Among the most striking exhibits are large portraits of soldiers and civilians accompanied by the story of their short lives. Hunger and disease were constant threats, and the likelihood of death on the battlefield seems to sharpen their valor.

By neither minimizing nor concentrating on the undeniable immorality of slavery or the heroics of soldiers, the tragic story of the Civil War and its impact on North Carolina is presented in a straightforward and somber way.

When viewing the exhibit, one cannot help but wonder what life was like without modern means of communication. Its absence could be deadly. In North Carolina, for instance, the last skirmish of the Civil War was fought in White Sulphur Springs on May 6, 1865. Robert E. Lee had surrendered to Ulysses S. Grant in Appomattox, Va. one month earlier.

Intelligence-gathering exhibit

Other displays of note include America's Secret Warriors: The OSS and the George Watts Hill Collection. The Office of Strategic Services was formed to temporarily gather military intelligence as World War II drew to a close. Once an ally against greater evil, the emerging imperial menace of Soviet communism endangered world peace and security. Then considered a success that must continue, today's intelligence services trace their origin to this agency. It was formed to keep the United States current with new global realities and is yet another example of American creativity and tenacious determination.

This collection of material from a North Carolina native and clandestine operations officer contains some remarkable real-life spy supplies. The first large-scale confrontation of superpowers waged without traditional war utilized both ideas and weap-

ons. Gun silencers, small knives disguised as grooming items, pinhole cameras, microfilm viewers, and unconventional radios, among other items, are a good starting point for learning about the Cold War.

Another must-see exhibit is From the Museum's Attic. The mu-

seum has a collection of more than 150,000 artifacts, some dating back thousands of years. One feature worth viewing is a wooden canoe used by the Algonquian Indians. Discovered around Lake Phelps in Washington County and more than 2,300 years old, its smooth interior is still mostly intact.

There are parts of the museum, however, that leave something to be desired. Health and Healing Experiences in North Carolina is particularly out of place. Advertised as "environments and stories of self-care, conventional medicine, faith, and other healing systems," it's simply a nod to our therapeutic culture of feelings and affirmation. Although such "learning" usually comes at the expense of more valuable educational pursuits, at least most of the museum is actually devoted to history. CJ

It is our common heritage, including efforts for greater liberty and self-determination, that make America unique in world history.

Book Review

Great Tax Wars: History Laced With Pro-Government Philosophy

• Steven R. Weisman: *The Great Tax Wars*, Simon & Schuster, 2002, 419 pp., \$27.

By **BURT FOLSOM**

Guest Contributor

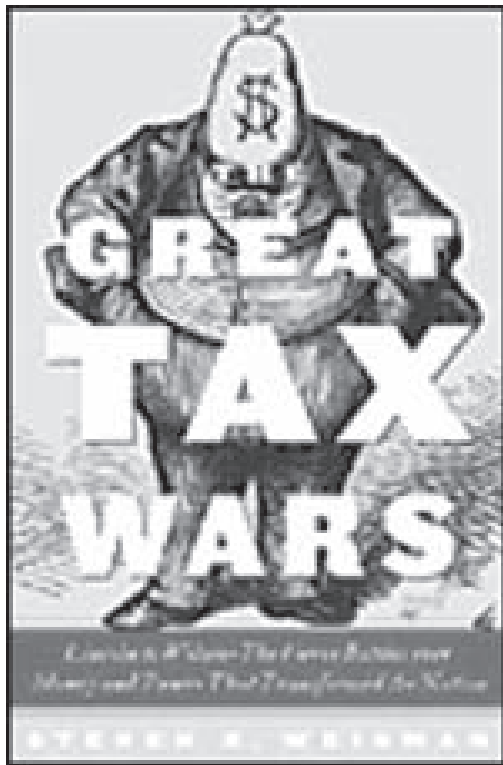
HILLSDALE, MI

The *Great Tax Wars* describes the 60-year battle (from Presidents Lincoln to Wilson) that led to the permanent adoption of the federal income tax. As important as the income tax is to explaining the rise of big government in the 20th century, we have regrettably few books on why and how the income tax came into existence. Weisman's book, therefore, is welcome even though the author's analysis is often unsatisfying.

Author blinded by statism

On the positive side, his account is informative and he sprinkles his narrative with interesting biographical sketches of key figures in the tax debate. If you're interested in the historical battle over the constitutionality and desirability of the federal income tax, Weisman's book covers it well. On the negative side, though, he is blinded by statist presuppositions on the role of government and never seriously questions the conventional liberal/progressive view of American history.

At least he announces his biases at the beginning. "The income tax is... a kind of leveler," Weisman writes. "[I]t softened the edges of the distribution of wealth in the interest of justice and fairness—and among progressives, in the interest of maintaining a certain level of social stability. The income



tax, in Weisman's view, is "desperately needed to underscore the idea of social justice in the distribution of rewards and sacrifice in our society."

With this framework, Weisman depicts those who favored an income tax, especially a progressive tax, as heroic and courageous; their opponents are labeled as "ultraconservative" defenders of entrenched, selfish, and wealthy interests. It evidently never occurs to him that lusting after the income of individuals in order to lavish it on politically-driven programs might be the quintessence of greed.

Myopic view of history

Weisman's narrow view of tax history leads to three problems. The first is imprecise definitions. He talks constantly of the need for a "fair" income tax that targets those with the ability to pay; but as an advocate of a progressive tax, he never can say with any precision what a "fair" top rate is for the income tax — 7 percent (the 1913 rate), 77 percent (the 1918 rate), or 100 percent (President Roosevelt's advocated rate in 1942 on all income over \$25,000). Weisman is committed to progressivity — the more you make the more you pay — but he never says exactly what, or even roughly what, that top rate should be.

Weisman's second problem is that he is so eager to show a need for an income tax after the Civil War that he misses the dangers to liberty that existed when the income tax was in place during the Civil War. He does not seem alarmed that Lincoln's secretary of Treasury, Salmon P. Chase, said, "It is not the business of the Secretary of Treasury to receive an ultimatum, but to declare one if necessary." Weisman also expresses no alarm that George Boutwell, the first commissioner of the IRS, concealed revenue from the income tax, thus creating a shortfall that undermined President Ulysses Grant's case that the income tax was no longer needed. The power to tax, as the Supreme Court insisted long before the income tax, was the power to destroy: It was only another step from Chase and Boutwell to Franklin Roosevelt and his use of the IRS to investigate political opponents such as Huey Long and William Randolph Hearst.

The dark side of the tax bureaucracy had manifested itself long before the 16th Amendment was enacted, but Weisman turns a blind eye to it.

The third problem with the book is that Weisman never views taxation as dynamic — that is, lower tax rates can yield larger revenues. He stops his story at 1920, when the top rate was over 70 percent. What that misses is the Mellon tax cuts, which, during the 1920s, slashed all rates by about two-thirds and resulted in sharply increased revenue from the income tax — entrepreneurs, under the lower rates, were encouraged to invent products from radios to air-conditioners.

Weisman's historical errors

Weisman makes a variety of historical errors. The top tax rate after the revenue act of 1932 was 63 percent, not 55 percent; the top rate after Roosevelt's tax bill of 1935 was jacked up to 79 percent, not 75 percent. Also, Albert Fall was U.S. senator from New Mexico, not Nebraska, as Weisman insists.

The Great Tax Wars has some useful information on a neglected subject, but readers must separate its history from its statist philosophizing. A recent and better book on the subject is W. Elliot Brownlee's *Federal Taxation in America*. CJ

Burton Folsom, Jr. is Kline professor of history at Hillsdale College, and the author of *The Myth of the Robber Barons*, now in its fourth edition.

Book Review

Vieira's Pieces of Eight: Monetary Policy and the U.S. Constitution

• Edwin Vieira, Jr.: *Pieces of Eight*, Sheridan Books, 2002, 1666 pp. (two vols.), \$49.95

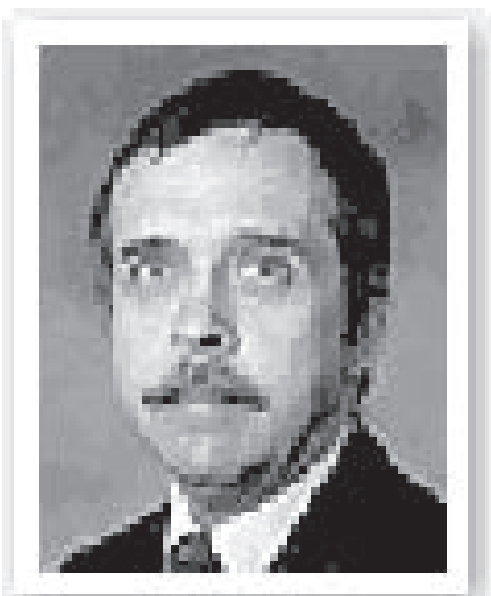
By **GEORGE C. LEEF**

Guest Contributor

RALEIGH

Take out your wallet and examine the rectangular pieces of greenish paper in it. You'll probably first think "money" and then "dollars." Looking closely, you see the words "federal reserve note" and "legal tender" printed on the paper. You have perfect confidence that you can exchange the pieces of paper for valuable goods and services. Whether those paper bills have any constitutional validity certainly does not cross your mind. The government prints the stuff, so it must be legit, right?

If, however, you have read Edwin Vieira's monumental work on our monetary system, you would look quite differently upon the money in your wallet. With remarkable breadth and depth of scholarship, lawyer and constitutional expert Vieira has given us a treatise on, as the subtitle of this two-volume work says, "The monetary powers and disabilities of the United States Constitution." First published in 1983, this is a second, expanded edition, beautifully printed and bound. The author has woven together constitutional provisions, statutes, court decisions, and his own sharp legal analysis into an encyclopedic work on our monetary system that should be the starting point for anyone with an interest in the chasm between the system we now have and that which the Constitution ordained. What is the Constitution's definition of



Edwin Vieira, Jr.

a "dollar?" For Vieira, that is the essential first question. The answer, under Article I, Section 9, Clause 1, is that it is a coin containing 371.25 grains of fine silver. How odd that seems. But that was the weight of the most widely circulated coin in the colonies and early United States. The coin was the Spanish milled dollar, commonly known as a "Piece of Eight" and hence the title of the work. Vieira writes that silver coins of 371.25 grains are the lawful foundation of our monetary system, "not any gold coin or base-metallic coin, let alone any paper currency, be it the first legal-tender United States notes (the "Greenbacks"), the later National Bank Notes, or today's Federal Reserve Notes. And, the Constitution never having been amended in this particular since 1788, that meaning remains legally

controlling today."

Or at least it should be. What Vieira subsequently shows is that the Constitution's monetary strictures, like its strictures in so many other areas, have been evaded and destroyed by politicians and that the Supreme Court has chosen to turn a blind eye to the monetary shenanigans of Congress. The surprising conclusion of *Pieces of Eight* is that there is no legal authority for our present system of irredeemable fiat currency. "To introduce the FRN (federal reserve note) as a new paper currency in 1913, the government had to tie it by a right of redemption to the circulating money of that day, gold coin. And then, to transmogrify the FRN into a currency fit for limitless inflation, the government had to cut that tie to gold (and silver as well)... If the FRNs were not 'dollars' when they explicitly promised to pay in gold, they did not magically become 'dollars' when they stopped promising to pay in anything at all, and statutorily can be redeemed in nothing better than base-metallic coin," Vieira says.

Inflation. There's the key. The Constitution gave the United States a monetary system under which money could be coined by the government, but not created out of thin air. Once they had been freed from the Constitution's restraints, politicians were able to spend money without the unpopular need to levy taxes. Absent the monetary mismanagement of our central bank, the Federal Reserve, our economy

would have been spared the boom and bust cycles that we have endured at its clumsy hands. In the court of history, those who planned and acquiesced in the destruction of the Constitution's monetary framework have much to answer for.

There is no part of this fascinating story that Vieira doesn't cover in detail. The precise meaning of the relevant Constitutional provisions; the several Coinage Acts of the early 1800s, the First and Second Banks of the United States; the Supreme Court's blunder in sustaining the constitutionality of legal tender U.S. notes; the institution of the Federal Reserve system; FDR's gold seizure; the severing of the final ties to redeemability in gold and silver — all that and far more is covered in these volumes.

People who fancy themselves as "realists" might snicker and say, "So what — we can't go back to an antique system with people carrying around silver dollars to make their purchases." Vieira's task here is not to set forth the ways in which our monetary system could have evolved to suit modern commercial needs without destroying the constitutional base, but other scholars have done so. The problem is not that a modern economy is impossible without government monetary control, but that the politicians will fight like mad to keep the power they have taken illegitimately.

Pieces of Eight is an indispensable work for anyone who believes in upholding the Constitution. CJ

The Constitution gave the U.S. a monetary system under which money could be coined by government, but not created out of thin air.

EPA Study Exposes Hype in the Media

Environmental pressure groups regularly publish "studies," blindly reported by the media, meant to convince people that the environment is falling apart. We are also told that as a consequence our health and quality of life are declining.

In June the U.S. Environmental Protection Agency exposed all of this as nonsense. With no fanfare, the EPA published its "Draft Report on the Environment 2003." This is a book of facts that paints an optimistic and comforting picture of environmental improvement.

The most notable data relate to air pollution. All air pollutants are declining and four of the six pollutants regulated by the EPA are at levels, throughout the country, that are well below the maximum allowed. The exceptions are ground-level ozone and particulates, where most of the country was, until recently, meeting federal standards.

What changed are the standards, not the amount of pollution. Ozone, in particular, has declined continuously for the last 20 years. But new and much more stringent standards, which have moved many areas from being in compliance to being out of compliance, are being put in place. However, even using the new standards, ozone concentrations have decreased by more than 11 percent in the last 10 years. It is also notable that acid rain, a byproduct of particulates, has declined; reductions of as much as 30 percent have been reported in certain areas of the Northeast and Midwest.

Probably the best indication of air-quality improvement is captured in one significant trend. Between 1988 and 2001 "based on EPA's Air Quality Index...the percentage of days...on which air quality exceeded a healthy standard dropped from almost 10 percent to 3 percent..."

The EPA report covers a range of other environmental indicators. For example, in the area of wetland preservation, there has been a dramatic improvement. Between 1954 and 1974 there was a loss of nearly 500,000 acres of wetlands annually. Between 1986 and 1997 that fell to 58,000 acres out of a total of nearly 106 million acres of wetlands nationwide. This constitutes a loss of one-twentieth of 1 percent of the total annually.

In the chapter on land protection, the EPA reports that the continental United States has more than 2 billion acres of land. Only 98 million acres, or 4.3 percent of the total, are considered developed. The other 96 percent is designated as farmland, grazing land, wilderness, etc. This is a very different picture from that portrayed by the Sierra Club and other pressure groups that constantly tell us that the country is over-populated and being swallowed up by "urban sprawl."

Most encouraging is the EPA's report on health. Over the last century, life expectancy at birth increased from age 51 to 79.4 years for women and from age 48 to 73.9 years for men. Rates of heart disease, cancer, and most other chronic diseases are down and decreasing. While it is noted that death rates from cancer have increased, the EPA points out that this is due to the good news that we are living longer. Diseases such as polio and tuberculosis, which once killed Americans at younger ages, have either been eradicated or rendered curable. As cancer researcher and National Medal of Science winner Dr. Bruce Aims has shown, when the data is adjusted for age, cancer death rates are also declining.

The EPA report should be required reading at every newspaper, television, and radio newsroom in the country. It is a sober and refreshing antidote to the "scare" reports offered by special-interest groups, whose purpose is to shock people into closing their minds and opening their checkbooks. *CJ*



Dr. Roy Cordato

Editorials

PREDATORY POLS

Taxpayers cry out for Roy Cooper's help

Where's state Attorney General Roy Cooper when North Carolina's taxpayers really need him? We're in serious trouble.

For quite some time now, the mild-mannered defender of truth, justice, and the North Carolina way has been waging a never-ending battle on TV, warning the public of various con artists, hucksters, and other undesirable characters who prey on trusting consumers. He has run announcements on identity theft, predatory lending, and a settlement with a home equity lender. Most recently he has reminded consumers of a national no-call list they can sign to ward off telemarketers.

Strangely enough, though, Cooper has been silent about a gang of rip-off artists who reside in his own backyard. They don't call us at home at suppertime. They don't break our fingers if we don't repay a loan. And they don't rifle through our trash or computer files.

No, they gradually wreck our pocketbooks and our lives while our backs are turned. They are North Carolina's predatory politicians. And the mountains of money they steal put all the other villains in the shade.

A bait-and-switch binge

Bait and switch is their game. First, they tell taxpayers that a certain tax is needed to fund some worthy-sounding cause. Then, when the political climate is right, the backroom shades are drawn, and the accrued revenue is high enough, they siphon the money into other pet projects under the guise of an "emergency."

Once unusual in North Carolina, bait-and-switch politics appears to have become the preferred way of conducting government business today. Almost anything goes nowadays, under the convenient excuse that the state is so strapped for cash that state leaders are justified in transferring money from one fund to another that they find more politically expedient.

Like thieves on a rampage, predatory politicians grow bolder with each new heist. Demonstrating the epidemic proportions of the larceny were actions taken by the General Assembly this year.

Among the legislature's recent victims were cellular telephone customers. Since 1998 cellular customers have been paying 80 cents a month into a special fund that would pay for updated 911 technology. The new equipment, which was to have been completed by the end of 2005, would have enabled officials to reduce from five miles to 100 yards the location of an emergency call.

Totaling \$33 million this fiscal year and \$25 million

expected next year, the fund was too fat a pigeon for the state's scam artists to resist. So they plucked it, they said, to help balance the state's teetering 2004-05 budget. Now, implementation of the system will be needlessly delayed for an unspecified length of time. And the human casualties of the legislature's cavalier action wait to be counted.

The number of victims waylaid by predatory politicians over the years continues to mount.

In 1998 North Carolina voters approved \$200 million in bonds to extend natural-gas pipelines to 22 unserved counties in the state. Although pitched as a project that would reap benefits around the state, the pipeline eventually was steered to 17 counties in eastern North Carolina. Senate Pro Tem Marc Basnight, D-Manteo, commandeered the project by wielding influence over several commissions and boards after the bond referendum.

None of the money is likely to be paid back because the bond legislation doesn't require it, and because the pipeline project isn't expected to be economically feasible for decades, if ever.

Remember the higher-education bonds approved by North Carolina voters in 2000? State leaders assured taxpayers at the time that the \$3.1 billion in new debt wouldn't add to their tax burden. Numerous state tax increases, some of them necessitated by payments for interest on the bonds, have followed.

Taxpayers also might remember that the bonds were sold to them on the promise that they would be used primarily to repair and renovate dilapidated buildings.

A report by the Pope Center for Higher Education Policy in May 2002 found, however, that universities were using most of

the money for new construction rather than for repairs and renovations.

Gov. Mike Easley, too, got in on the act. Since fiscal 2001-02 he has seized hundreds of millions of dollars in special tax revenue that traditionally was reimbursed to localities around the state. Easley's confiscation angered local officials, many of whom accused the state of stealing their money. Dozens of localities filed a lawsuit to recover the lost revenues.

In another lawsuit against the state, former Transportation Secretary James Harrington and former state Sen. William Goldston seek \$285 million that Easley shifted from the Highway Trust Fund to the General Fund in 2001 and 2002. Harrington and Goldston, rightfully contend that the money was earmarked for specific road projects and that the fund cannot be used for any other purpose.

In 2003 Easley proposed, and the legislature obliged, using \$700 million from voter-approved bonding authority associated with the trust fund for projects that weren't included in the 1989 legislation that established the fund.

More generally, motorists have been paying higher taxes on gasoline and cars for 14 years, but they aren't enjoying the full benefits of the fund, as some of the money goes for general government or even transit.

How much longer can Cooper ignore the widespread looting of North Carolina's taxpayers by predatory politicians? The extent of the crime spree demands immediate action, perhaps a bulletin on prime-time TV. *CJ*

They are North Carolina's predatory politicians. The mountains of money they steal put all the other villains in the shade.

MORE PROMISES

Another misguided round of pork for NC

We're optimists at heart, particularly about the future of North Carolina. We live in a place that is frequently underestimated, that has generated more than its share of industrious and innovative people, and that has recovered time and again from misfortunes and mistakes.

So when we see a burst of enthusiasm around a new initiative that promises great things, it brings us no pleasure whatsoever to try to tamp it down. But it has to be done. North Carolinians have also had more than their share of false promises and costly political boondoggles. We're afraid it's happening again.

On Aug. 7, the board of the nonprofit Golden LEAF Foundation approved a proposal to spend \$64.5 million to create a biotechnology training plant at North Carolina State University, undergraduate and graduate programs in biotech at North Carolina Central University, and training programs at the state's community colleges (though only \$9.4 million of the total goes to that last, slightly less objectionable, purpose).

Advocates of the program insist that it offers the bright hope of expanding the state's existing biotechnology industry to replace jobs currently disappearing in traditional industries such as textiles and furniture — and tobacco, they hasten to add, since the Golden LEAF money is supposed to help tobacco-dependent communities.

Gov. Mike Easley said in a statement that the grant would "place North Carolina in a prime position to corner the market on high-paying jobs." One of Easley's former aides, who currently sits on the Golden LEAF board, said that "an industry such as this can generate 100,000 jobs in 10 years."

A history of failed promises

Sounds great. But we've heard it all before.

Remember the Global TransPark in Kinston? In the early 1990s, proponents of the project promised that it would create 50,000 new jobs in North Carolina by 1998. It actually did nothing but reduce overall employment through the waste of tax dollars (the jobs currently at the site are either tax-subsidized or moved from elsewhere in North Carolina).

Remember the Information Highway project? In the mid-1990s, then-Gov. Jim Hunt pitched a plan to construct a high-speed system to link public and private institutions across the state. Taxpayers were forced to "invest" millions of dollars in the initiative, which was supposed to create an economic bonanza.

In reality, there was very little interest in signing on to the relatively expensive system. For one thing, most businesses and institutions found that the non-subsidized Internet could do pretty much what they wanted. The project petered out.

Remember the William S. Lee Act? Enacted in the late 1990s, this and related legislation introduced an aggressive and complicated system of tax incentives linked to how much a business invested in plants, machinery, and research as well as how many and what kind of jobs were created. The Lee Act was supposed to make North Carolina competitive with other giveaway-happy states and induce net new employment.

Shortly afterward, North Carolina sank into a recession more serious than that in the rest of the country. Its unemployment rate soared. The Lee Act didn't cause these woes, of course, but it didn't prevent or alleviate them, either.

And on the very same day, Aug. 7, the Golden LEAF Foundation agreed to the expensive biotechnology-incentives plan fashioned by its political patrons — so much for the foundation's vaunted independence — the N.C. Department of Commerce released a long-awaited outside evaluation of the Lee Act incentives. The findings were sobering.

From 1996 to 2001, eligible companies earned nearly \$1.2 billion in state income-tax credits, though they have so far claimed only \$208 million. But of the thousands of jobs supposedly created, the study found that only 4 percent were actually induced by the offer of incentives. Almost all the jobs, in other words, would have occurred anyway.

It is simply foolish for government to make grandiose projections and risky bets with the taxpayers' money — which is a far characterization of Golden LEAF's assets, by the way, in that they could and should be returned to the state treasury and used for general governmental pur-

poses. We don't know whether biotech is the wave of the future, and frankly neither do the politicians spooning out this latest serving of higher-education pork. Certainly some intimately acquainted with the industry think so, and they have every right and opportunity to invest their own money or attract venture capital into building plants and training workers.

Markets allocate resources well precisely because those in a position to gain from a successful investment are also in a position to lose from a bad one. Taxpayers shouldn't be forced to weave someone else's financial safety net — again.

TAIL WAGS DOG

The strange logic behind Smart Growth

It's like giving criminals a reduced sentence if they promise to commit their crimes only during the daylight hours, so that the police department could cut back staff during the night shift.

It's like pressuring parents to move closer to major highways so that school buses will take less time and gas to pick up students.

It's like having the Division of Motor Vehicles close all but one of its offices and requiring would-be license renewers to camp outside as if waiting for tickets to the next Star Wars movie.

Uh, make that the next Harry Potter movie.

What are we talking about? Try the latest manifestation of the "Smart Growth" mentality, this time in Charlotte. City planners there are taking flak from developers for proposed land-use rules that try to steer future development into corridors served by the planned regional-rail system. The rules would make it difficult to respond to the demand of actual consumers who might want houses in between the transit stops, or who want to live in neighborhoods that aren't optimal for train travel.

The result, say those in the real-estate business whose job it is to predict consumer demand, would be either a lot of dissatisfied Charlotteans — or perhaps a lot of satisfied ex-Charlotteans.

Poppycrack, respond the planners. They insist that the public wants alternatives to the auto-friendly development patterns that typify Charlotte and other North Carolina communities. Sure, the public doesn't show any signs of realizing that, yet — but that's why governments exist, to "lead." Improbably, they also reject warnings from the business community that too many controls will choke off growth. Instead, the planners say that controls are needed to keep growth from slowing. You think we jest. The city's planning director "told council members the revised policies will create more sustainable growth," *The Charlotte Observer* reported. "Without the changes, he said, 'In fact, Charlotte will peak and development will run out of Charlotte.'"

Unless you step on the brake, the car will slow down. Got it.

What's the point of being urban, again?

Charlotte will never be a "true urban city," according to newspaper's version of the Smart-Growth argument — one wonders whether the reporter or the planning director come up with that nonsensical phrase, as if there could be a "false urban city" or a "true rural city" — unless it uses urban-planning devices to increase density and mixed-use developments.

OK, let's assume that's true for the moment, but only for the moment. One might wonder what the point is of having a "true urban city," as opposed to the current suburban hellhole that, well, seems to be such a popular place to move to. The answer is simple: It would be easier to run trains around in.

Real people in the real world want to choose how they will live, and then see private and public services respond to their preferences. Real government planners in the unreal world want to choose how to deliver services, and then force consumers to comply with their — the planners' — preferences.

Which is why this policy is like trying to tow burning mobile homes from all over town into a single block so that the fire department can concentrate its water-hose fire. This is like the cart before the horse. This is like the tail wagging the dog. This is like scrimping on dessert in order to save room for the appetizer.

A not-very original conclusion presents itself. There's not much smart about Smart Growth. *CJ*

Education, Medicaid Can't Be Off Table

Since 2001, North Carolina politicians, state employees, lobbyists, and policy analysts have been debating the causes of our string of budget deficits. There are nearly as many explanations as there are commentators.

Some arguments have more validity than others. But one that I'm tired of hearing goes like this: "Our problem can't be wasteful spending. If you add up elementary and secondary education, universities, and health care programs, that's the vast majority of our state General Fund budget right there — and surely you can't seriously suggest that we not fund those programs!"

Yes, I can. And don't call me Shirley.

It is fallacious to suggest that if you support the existence of a program, you must blindly support whatever amount

of tax money the politicians would like to spend on it. In elementary education, for example, North Carolina spends hundreds of millions of dollars a year placing teacher assistants in classrooms. The best available evidence

— including the same study from Tennessee that advocates of smaller class sizes cite as justification for their proposal — suggests that teacher assistants have no statistically significant impact on student achievement. Spending fewer dollars on teacher assistants would not harm the educational process in any meaningful sense, and I've been glad to see some lawmakers warming to the idea of economizing in this area to fund higher-priority needs.

Similarly, to say that every dollar requested by administrators of the North Carolina Medicaid program is a dollar that must be spent, else we end up with a humanitarian crisis worthy of United Nations intervention, is to double a rhetorical bet with a pair of fours and hope no one calls your bluff.

In this case, though, the cards are showing. For one thing, we keep hearing of cases in which North Carolina seems to have significantly overpaid its Medicaid vendors and generally to have managed its program with accounting controls somewhat below those of the average charity fish fry. Most recently, *The News & Observer* reported that the state might have to repay the federal government as much as a quarter of a billion dollars.

State administrators and politicians have advanced a variety of excuses for the Medicaid surge. They are, for the most part, either misplaced or exaggerated. As an invaluable analysis from the American Enterprise Institute reveals, North Carolina and other states expanded Medicaid spending during the 1990s far beyond what was needed to keep up with caseload growth or general medical inflation. Indeed, from 1994 to 2000, only four states in the union had a faster growth rate in state Medicaid spending than North Carolina's staggering 62 percent. This couldn't possibly be due to an increase in the truly needy population for which Medicaid was originally created, since North Carolina's poverty rate shrank by 15 percent during the same period.

No, there was nothing inevitable in our state's massive Medicaid expansion. The system wasn't on autopilot. Its budget wasn't forced upward by federal mandates, or by general medical inflation (Medicaid spending grew twice as fast as Medicare and far faster than private health-care spending). Former and current legislators, governors, and state administrators bear the responsibility for creating the Medicaid monster that has already torn up the laboratory and is now rampaging through the countryside. No more excuses. Let's act. *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

States spend themselves silly

Financial problems racking many state governments this year have less to do with the weak national economy than with the inability of governors and legislators to manage money wisely, according to a *USA Today* analysis of how the 50 states spend, tax, and balance — or don't balance — their budgets.

Utah, Georgia, and Delaware are the best financial stewards, according to the analysis of the states' financial performance. The key to their success: restraint — during the economic boom of the late 1990s, these states limited both spending growth and tax cuts. After the economy weakened in early 2001, they acted swiftly and decisively to keep their finances sound.

To make ends meet, some states have removed thousands of low-income adults from Medicaid and reduced benefits for others. Many states have raised college tuition, cigarette taxes, and other narrowly targeted fees. At least six states have increased sales and income tax rates. But one thing has remained constant throughout the crisis: state spending keeps growing. It went up 6.3 percent for the fiscal year that ended June 30, 2002, and it's on track to rise about 5 percent in the 12 months that end June 30.

Reported in *USA Today*.

Cost of federal regulations soars

President Bush and Congress will eventually answer to taxpayers for the \$2 trillion federal budget. But who answers for the \$860 billion — 8 percent of gross domestic product — that federal regulations now cost on top of federal outlays?

In "Ten Thousand Commandments: An Annual Snapshot of the Federal Regulatory State," analyst Clyde Wayne Crews finds regulatory spending takes up more than one-third of the entire federal budget, a larger burden than the entire federal budget in the 1960s. The *Federal Register*, where new rules are published daily, hit a high of 75,606 pages last year (up from 49,795 in 1990). In the pipeline are 4,187 rules at various stages of completion.

Five agencies are responsible for more than half of this torrent: Environmental Protection Agency and the Transportation, Treasury, Agriculture, and Interior departments.

Many such rules are well-intended, while others are questionable, Crews said. Congress takes credit for popular regulations, but then blames agencies for costs. Phasing out inefficient rules, making regulatory costs as transparent as direct taxes and making Congress directly responsible for those costs are crucial to economic health, Crews said.

Reported in *Investor's Business Daily*, based upon Clyde Wayne Crews Jr., "Ten Thousand Commandments: An Annual Snapshot of the Federal Regulatory State," 2002 Edition, Cato Institute.

For sale: cities' names and prestige

Cities across the nation are striking deals with corporate sponsors, in effect selling their names and prestige to the highest bidder as they try to ease financial problems without raising taxes.

Portland, Ore., had 92 basketball courts resurfaced by Nike; in exchange, the company was allowed to put its swoosh logo on the courts. The Buncombe County, N.C. Parks and Recreation Department is offering naming rights to tennis courts, swimming pools, and hiking trails.

Phoenix is considering a naming rights program that could generate up to \$1 million annually; Philadelphia hopes for \$3 million. Palo Heights, a suburb of Chicago, is trying to sell naming rights to Lake Katherine, a 158-acre nature preserve. New York Mayor Michael Bloomberg has hired a consultant to consider selling sponsorships for parks in the city.

Although some cities have reaped millions of dollars by selling naming rights for stadiums and arenas to corporations, some opponents decry the growing popularity of such deals as gross commercialism that intrudes on their life and culture.

Boston, San Francisco, and Los Angeles have rejected sponsorships for subway stations, a football stadium, and other facilities.

Reported in *USA Today*.

CJ

Ignorant Electorate Endangers Nation, State

By DONNA MARTINEZ

Associate Editor

TV talk shows are a consistent source of humor about the American public's ignorance of politics and government. In a post-Sept. 11 world, you'd think people would know top elected officials in Washington D.C., but man-on-the-street interviews tell us otherwise. These laugh-out-loud Q&A's never fail to produce people who can't name someone as high profile as the vice president. You just know they wouldn't get the joke if "an undisclosed location" were offered as a possible answer to a question about where Mr. Cheney lives.

Given that reality, none of us should be surprised, but all of us should be concerned by some of the appalling results of Civic Index 2003, a survey conducted by the North Carolina Civic Education Consortium and released earlier this year. Housed at the UNC-Chapel Hill School of Government, the project conducted interviews with a random sample of our state's adults and teens, revealing what we've unfortunately come to expect: paltry knowledge of the most fundamental aspects of American government and history.

Only four of 10 adults surveyed knew the first 10 amendments of the U.S. Constitution are called the Bill of Rights. Three of 10 didn't have a clue, and the rest gave a wrong answer. Imagine the dismal responses had the survey delved into the amendments themselves.

Care-free in Carolina

Tar Heel adults' knowledge of state politics was just as bad. Only 31 percent correctly named our two U.S. senators, John Edwards and Elizabeth Dole. Only 25 percent could name one. That's bad news for both senators, but particularly stinging to presidential hopeful Edwards, who's spent lots of face time outside the state trying to raise his profile. To be fair, these respondents weren't classified as likely voters, but he still has a recognition problem here at home.

As awful as these results are, the societal and policy implications of the survey's results of North Carolina teens (age 13-17) are of equal significance. Only 8.8 percent of the group — not even one in 10 teen-agers — could name both Dole and Edwards. That's a sad performance by middle- and high-schools students who are presumably being taught government and history in North Carolina's classrooms. Clearly, somebody's asleep at the chalkboard. The unanswered question is whether the problem is with the kids or the teachers. Remember, the 17-

year-olds are only 15 months shy of being able to vote in the 2004 presidential election. Their uninformed votes have just as much impact as those cast with an understanding of who, what, and why.

With that in mind, it's scary to think that just three of

10 teen-agers knew the General Assembly makes the laws in North Carolina. Considering we've lived through six months of legislative and budget battles that made news nearly every day, this is another educational red flag. We shouldn't expect teen-agers to cite chapter and verse on the session's bills or the budget, but when 70 percent don't know or answer incorrectly about who makes the laws, there's something wrong. Adding to the puzzle is that 68 percent said politics is sometimes or very often discussed around their house. What are they talking about? Evidently not Edwards. Or Dole. Not the General As-

sembly. Not the state budget.

The free enterprise system is more understood by the teen-agers who were surveyed, but respect for business and entrepreneurship is lacking by the majority. Only 31 percent told surveyors they have quite a lot or a great deal of confidence in large corporations, while 44 percent expressed positive sentiments about small business. Yet while they're skeptical of business, 70 percent said they're likely or very likely to consider a job with a for-profit business at some point in their careers.

Confident in Carolina

Despite their acute lack of knowledge, North Carolina teens are confident in themselves, as reflected in what the survey calls their "civic skills." Translation: politically correct attitudes grounded in our self-esteem-obsessed culture. Almost half, 49 percent, said they've boycotted a product because of the conditions under which it was produced or because they disliked the company's conduct. Six of 10 said they're effective at compromising and weighing pros and cons, and 82 percent said they're effective at listening to others' ideas.

OK, our teen-agers like themselves, but that's not enough. What transforms good people into good citizens is what

they do at the intersection of politics and civic skills. If young men and women don't know who leads the state or how policy decisions are made, all the boycotting, listening, and compromising in the world won't do much to improve North Carolina's future.

It's time to stop focusing on self-esteem. Let's address what our teen-agers think and what they don't know. CJ



Donna Martinez

As awful as these results are, the societal and policy implications of the survey of North Carolina teens are of equal significance.

*A summary of common terms***Breaking the Language Barrier When Talking Economics**

By MICHAEL L. WALDEN

Contributing Editor

Every field of study has its own jargon. A few years ago when I had surgery I was astonished by the medical terminology the doctor used to describe what he did! I was impressed, but I really didn't understand much he said.

Economics also has its own set of terms. But while few of us will practice surgery, we all participate in the economy. So to better understand the economy, it's good to know the lingo. Here's a summary of some common economic terms you'll come across in press and other reports.

Common economic terms

Gross Domestic Product: Also known as "GDP", it's the monetary total of everything made in the economy, including products and services, during a specific period of time. GDP is used to measure the size of the economy. The state version of GDP is *Gross State Product*, or *GSP*.

Inflation, disinflation, and deflation: Inflation is an increase in an average of prices. Disinflation is an increase in an average of prices, but the increase is getting smaller. Deflation is a decrease in an average of prices. The *Consumer Price Index* uses an average of retail prices faced by the average consumer, and the *Producer Price Index* uses an average of prices paid by the average business.

Nominal Dollars and Real Dollars: Nominal dollars are the dollars we observe as a price, cost, or salary. So, last year you may have earned \$40,000, and this year you earn \$41,000. Real dollars are dollars adjusted for changes in average prices (inflation) and measure purchasing power. So if inflation was 2 percent last year, then \$800 (0.02 x \$40,000) of the \$1,000 increase in your salary was due to inflation. In "real" or "purchasing power" dollars, your salary this year is \$40,200, not \$41,000.

Economic Growth, Expansion, and Recession: Economic growth is the percentage change in GDP, measured in real dollars. An expansion occurs when economic growth is

positive, and a recession occurs when economic growth is negative for at least six months. The reason economists now say the recession ended in November 2001 is GDP has increased since then.

Unemployment, Discouraged Workers, and Underemployment: Unemployment includes people who want to work but don't have jobs. But unemployment does not include people who have stopped looking for work (discouraged workers) or people who take jobs for which they are over-qualified (underemployment).

The Fed: The "Fed" is short for the Federal Reserve System, headed by Alan Greenspan. The Fed has strong influence on, but not direct control over, interest rates and economic growth.

Monetary and Fiscal Policy: These are government policies designed to affect economic growth. Monetary policy is operated by the Fed and involves changing interest rates and credit available for loans. Fiscal policy is operated jointly by the president and Congress and involves changing federal taxes and federal spending. Needless to say, there's intense disagreement over the effects of monetary and fiscal policies.

Budget Deficit and National Debt: A budget deficit occurs in any year in which the federal government spends more than it collects in taxes and other revenue. The national debt is the accumulation of past deficits minus what has been repaid. The size of both is best judged as a percent of GDP, not by their dollar amounts.

Trade Balance: There are two trade balances. The *current account* compares imports of goods and services to exports of goods and services. The current account is in surplus if exports exceed imports and is in deficit if imports exceed exports. The *capital account* compares new foreign investment in the United States to U.S. investment flows to foreign countries. The capital account is in surplus if foreigners invest more in the United States, and it is in deficit if the U.S. citizens invest more in foreign countries. Interestingly, the current account and capital accounts offset each other in any year. That is, if the current account is in deficit, the capital account will be in surplus.

Competition and Monopoly: Competition is many firms

trying to sell the same product or service to consumers. Monopoly is one firm selling the same product or service to consumers. However, the distinction gets fuzzy if firms tweak their products or services so they are not exactly like those offered by competitors.

Cost and Price: Cost is the value, usually in monetary terms, of resources used to make a product or service. Price is the value received when a product or service is sold.

Money: Money is simply a measure of resources. Most people strive to have more money because it represents control over more resources.

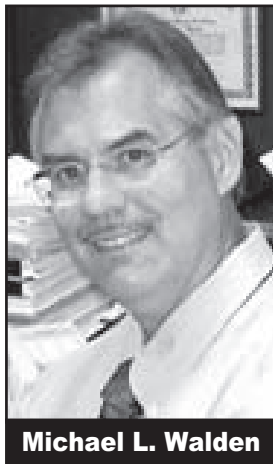
Private goods and public goods: Private goods are products and services that, once used by an individual or household, are not available to other individuals or households. Big Macs are private goods because if I eat a particular Big Mac, you can't. Public goods are products and services that, once available, are able to be used by many individuals or households to the same degree. National defense is the premier example. Private goods are usually paid for by the individual using them, and public goods are funded with tax dollars. The distinction gets messy, both economically and politically, for products and services having a mix of private and public characteristics. Education is an excellent example.

Demand, Supply, and Markets: I've saved the best for last, because everything in economics revolves around demand, supply, and markets. Demand shows how much of a product or service people are willing to buy at a given price. People are willing to buy more the lower the price. Supply tells how much of a product or service businesses are willing to sell at a given price. Businesses will want to sell more the higher the price. Markets are where buyers meet sellers, and the job of the market is to equate demand and supply at a single price.

I've hit only the highlights here. There's much more to the language of economics. But this gives you a start to "Economese", and I hope you'll decide to take the advanced levels!

CJ

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



Michael L. Walden

The Passing of Jazz Man Benny Carter, the Musician's Musician

By MARC ROTTERMAN

Contributing Editor

Little noticed by the pop culture was the recent death of jazz "legend" Benny Carter. When Carter died in July, a month shy of his 96th birthday, it ended a career that spanned more than eight decades.

Although he never received the celebrity status that his contemporaries such as Duke Ellington, Count Basie, Benny Goodman, or Louis Armstrong achieved, Carter was widely recognized as one of the most influential figures in jazz. As Ellington wrote, "the problem of expressing the contributions that Benny Carter has made to popular music is so tremendous it completely fazes me, so extraordinary is he." That statement was made in 1943.

The budding of a legend

Carter was born in New York City in 1907. As of age 15, he was sitting in at Harlem night spots as a features soloist. He and Johnny Hodges were the models for the swing era alto sax players. You might say that Carter and Hodges were the Hendrix and Clapton of their era.

Self-taught Carter helped to chart the course for big bands. His arrangements, such as "When Lights Are Low" and "Blues in My Head," have become jazz standards.

In the early 1930s, Carter became music director for the Detroit-based McKinney Cotton Pickers. Having established himself as a major player on the alto sax, Carter returned to his first love, the trumpet. On both instruments he was considered an acknowledged master.

Around 1932, Carter returned to New York and began forming his own orchestra. Numerous swing-era stars, including Chu Berry, Teddy Wilson, Sid Catlett, and Dickey

Wells, played in this band. Among jazzmen his band was known as "the musicians' band." In fact, over the years, that was the case with all the bands that Carter formed.

In 1935, Carter was invited to Paris to play with The Willie Lewis Orchestra. From Paris, at the suggestion of music critic Leonard Feather, he headed for England, where he served as arranger for the BBC Dance Orchestra. Carter was one of America's first "jazz ambassadors" abroad.

For three years he played throughout Europe performing as well as recording with the premier British, French, and Scandinavian jazzmen of his time.

American stars, such as friend Coleman Hawkins, also did a stint with his band. Around this time, in Holland, Carter formed and led the first international, inter-racial band.

Carter returned to the states in 1938. In this period, the "big band sound," which Carter had helped shape, was taking the country by storm. Carter quickly got another band together and from 1939 to 1940 was one of the featured performers at Harlem's famed Savoy Ballroom.

Carter's arrangements were featured on recordings by Goodman, Basie, Ellington, Gene Krupa, and Tommy Dorsey, among others. In other words, the giants of the swing era came to Carter to help create the "beat." Along the way, other greats such as Billie Holiday and Miles Davis also worked with Carter.

New challenges on the West Coast

In the early '40s, Carter, the nomad once again, uprooted and moved to the West Coast, where he lived the rest of his life. It was during that time he increasingly did studio work and for almost 25 years was out of the public eye.



Marc Rotterman

In Hollywood, he became the first black musician to write and arrange film scores. It was Carter who opened the doors and broke down the racial barriers for people like Quincy Jones. Although Carter kept a relatively low profile, he was not averse to standing up for his rights. In the '40s he fought and won a legal case against restrictive covenants that had prohibited blacks from owning homes in specific areas of Los Angeles.

From the mid '40s to the late '60s, Carter continued to write and record jazz. During this time he did few live concerts, preferring the home life in Los Angeles.

During the late '60s, he re-emerged and began touring more frequently. In 1975 he traveled through the Middle East on a tour sponsored by the U.S. State Department. He visited Europe often and became a virtual commuter to Japan, where he achieved rock-star status among jazz aficionados.

During the '80s he received a Lifetime Achievement Award from the National Academy of Recording Arts and Sciences.

He also led an orchestra for the 1984 inaugural of President Reagan and played at the White House in 1989 as a guest of President Bush. In 1990 he received the Jazz Artist of the Year Award in both the Down Beat and Jazz Times International Critics' polls. In December 1996, President Bill Clinton presented him with the Kennedy Center's Honors Award for an extraordinary lifetime of contributions to American culture.

Carter had an amazing career as a composer, arranger, bandleader, and jazz virtuoso on both the alto saxophone and trumpet. As Miles Davis said, "Everybody ought to listen to Benny, he's a whole musical education." Known to his contemporaries as the "King," Carter was the musician's musician.

CJ

Marc Rotterman is a senior fellow at the John Locke Foundation.

Dear Tar Heel Taxpayers: Thanks for the Cash

Civic lesson for dummies: Legislature allows new residents to reap a windfall at public universities

An Open Letter to North Carolina's Taxpayers:

As a college student, newly minted resident of North Carolina, and political conservative, I am torn by my latest interaction with state government. Taxpayers will subsidize a large portion of my existence until I graduate in May. They were already doing so heavily before I became eligible for in-state tuition. My new residency status amounts to legislators dangling about \$12,000 of taxpayer money before me. I simply did not have the willpower to turn it down.

The logic of pouring so much cash into public higher education is well known and perhaps entirely valid. Yet I cannot help but feel guilty in accepting the same rate of tuition as someone who is part of a family that has filled North Carolina's coffers for years. As for myself, one year of employment has been compensated at less than \$10,000. Taxes paid on my earnings are small compared to a full-time wage earner. If measured in terms of payment in, and services received, my ratio probably beats the worst welfare offender.

One year later, living large in Carolina

How did this come about? It was easier than one might think. After living in North Carolina for a year, filling out a form, sending it in, and waiting for about a week, I closed the deal. I will pay about \$4,000 in tuition and fees for the upcoming academic year, as opposed to the \$16,000 of the (still partially subsidized) out-of-state student. There is no way ideological remorse can overcome that financial carrot.

Having no idea of how many applicants were rejected, I do not know how lucky, or proud of myself, to feel. But the process was simple and fast, and I am no grand intellect, community citizen, or wordsmith. The residency applica-



The Old Well at the University of North Carolina-Chapel Hill.

tion consisted of two pages of general information and an essay asking a student to "describe the factors involved in your decision to move to North Carolina." Three hours and 1,000 words later, I was ready to go.

This presents a small, temporary problem of conscience for me and a rather different one for taxpayers. An educated populace benefits the entire state. Arguments for

public education rely heavily on that fact. But what if a student from somewhere else leaves as soon as their time is up? That's my most likely course. North Carolina is a fine place, but it's not home.

Thanks for the memory, now I must go

I've tried to rationalize my part in this process. And it is true that soon enough I will be the one shelling out cash for some spoiled know-it-all to determine whether Lewis Carroll liked little girls a little too much, which "gangsta" rap lyric is the finest form of new poetry, or whether Homer and the Greeks represent the earliest example of warmongering, patriarchal exploitation. Still, small tinges of guilt remain.

My delusions of grandeur don't include the belief that the state's taxpayers will miss any professional contribution of mine sometime in the future. The amount of money spent on my education, certainly a very small part of a bloated state budget, may not be of much concern. But something larger is at stake. If out-of-staters take advantage of the legislature's generosity and then take off, it hurts North Carolinians both in their pocketbooks now and later down the road. Although lacking in conservative principle translated into action, I would feel a little guilty if I don't stay and start paying taxes. Might that be worth something?

In the meantime, I will remain anonymous to avoid the embarrassment of facing up to rightfully displeased citizens, as I would be if the circumstances were reversed. An important part of my education since moving here is the first-hand understanding of how entrenched human self-interest and hypocrisy actually are.

Anonymous Student and Lucky New Resident
Chapel Hill, N.C.



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