

## Economic Development Goes Haywire in Northeast

*Recruited company fell victim to turf war between N.C. agencies*

By PAUL CHESSER  
Associate Editor

RALEIGH  
State officials botched the recruitment of a biotechnology company because of a power struggle between the Department of Commerce and an economic development agency in northeast North Carolina, officials of the company say.

Documents also show that rather than helping the company, CropTech Corp., in their negotiations, North Carolina's Northeast Partnership continued a practice of seeking equity in the companies it recruits instead of providing services it is supposed to offer for free.

In the process of trying to entice CropTech, state agencies and local agencies in northeast North Carolina actually contributed to the insolvency and demise of the company, a former company executive said. (See story, Page 3).

Documents obtained by *Carolina Journal* and interviews with many officials involved in negotiations between CropTech and the state show that an economic incentive deal hinged on CropTech receiving \$3 million from the N.C. Tobacco Trust Fund. The deal fell apart because government officials perpetually postponed closing dates on agreements and imposed numerous other delays, forcing CropTech to expend its limited capital, company officials said.

North Carolina's Northeast Partnership, chief negotiator with CropTech and led by Executive Director Rick Watson, proposed that the company give ownership equity to the partnership in exchange for helping CropTech get financial incentives. The partnership would put up little, if any, of its own money in exchange for a significant ownership stake. The company rejected the proposal. The state's seven regional economic development agencies were created to provide free assistance to businesses looking to relocate to North Carolina.

The Northeast Partnership attempted to work similar deals in the past. In March 2003 *CJ* reported that Watson and others sought a personal stake in an ethanol plant that a Raleigh businessman wanted to build



CropTech Corp. planned to extract proteins from tobacco plants for pharmaceutical use.

in Martin County. And in a series of articles in *The Daily Advance* of Elizabeth City last May, officials of DataCraft Solutions alleged that partnership representatives tried to get a 15 percent stake in their company in exchange for services from their side business. The DataCraft executives claimed they were told that Watson owned 50 percent of the side business and would "close deals" for DataCraft — which would have been a violation of Watson's contract with the partnership.

Senate President Pro Tem Marc Basnight, D-Dare, appears to wield strong influence over the Northeast Partnership, sometimes determining whether and how businesses get state incentives. Evidence from the CropTech case bears out this influence. Officials representing Basnight and the Northeast Partnership did not respond to phone messages and questions submitted by electronic mail.

### CropTech's first visit

In mid-2001 Blacksburg, Va.-based CropTech looked to North Carolina and South Carolina hoping to find incentives that would enable it to build research and production facilities, and to operate for a few years. CropTech specialized in the "development and commercialization of the use of genetically engineered plants to produce high-value proteins and biochemicals." CropTech officials wanted to raise mass quantities of "transgenic" tobacco, which would be genetically altered to pro-

duce human proteins.

CropTech already had contacted Dr. Charles Hamner of the N.C. Biotechnology Center, a nonprofit organization established by the state to develop economic opportunities in the biosciences. Hamner had a track record of success in judging the viability of technology companies, and he became a cheerleader for a CropTech move to North Carolina.

"I was enthusiastic about CropTech because I thought it had the potential to provide NC farmers the opportunity to raise up to 15 to 20 thousand acres of a new crop," he told *CJ* via e-mail.

Richard Roberson of the state Department of Commerce introduced the CropTech project to the Albemarle Economic Development Commission — a regional agency representing the governments of Camden and Pasquotank counties and Elizabeth City — in late June 2001. CropTech wanted

funding to build facilities and "to go commercial" with its products, and Roberson believed Elizabeth City was a good fit.

Roberson informed AEDC that company officials would visit Raleigh on July 10 and July 11 to meet with Basnight, and that the group would also visit sites in Elizabeth City. Before the meetings, Bill Prince of AEDC notified Vann Rogerson of the North-

east Partnership of the impending visit. Roberson's introduction of Basnight and the partnership into the process made the AEDC's involvement, despite the lead Roberson gave it, short-lived.

### Looking for money

At the July 10 meeting, CropTech expressed the need for a \$3.5 million "bridge" investment to get it to a larger "institutional round" of investing, in which it hoped to raise \$10 million to \$15 million. The need for seed money to attract private investment was a theme to which CropTech would repeatedly return throughout the negotiations.

On July 12 Prince e-mailed Watson in an effort to learn more about CropTech's meeting with Basnight.

"The company reps make it pretty clear that [Basnight] is key to the project and they will go wherever the money is made available," Prince wrote. "They seemed to think that some 'hopeful' comments were made to them during their meeting."

Roberson invited representatives of several government-created nonprofit organizations, all with public money to use for economic development incentives, to a follow-up meeting scheduled Aug. 2. That meeting included Basnight, his director of special projects, Rolf Blizzard, and Watson.

According to records of the Northeast Partnership, "Senator Basnight want[ed] this project very much." Blizzard's notes from the meeting state that the N.C. Biotechnology Center offered a \$250,000 loan, and that Watson would work to get \$1 million in venture capital and \$50,000 in

local government funds for CropTech. Blizzard would secure \$3 million from the Tobacco Trust Fund, \$250,000 from the Governor's Competitive Fund, and \$200,000 from the N.C. Rural Eco-

economic Development Center. The goal was to get \$5 million in cash for CropTech.

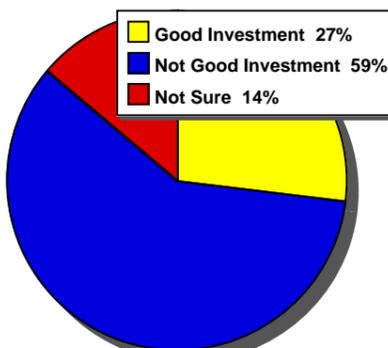
At that point Commerce's "involvement declined a lot," a department official said.

While Basnight's soldiers took charge, frustration over turf surfaced. In a tele-

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## Calendar

### Col. Gov. Bill Owens to Headline Locke's 14th Anniversary

The John Locke Foundation will celebrate its 14th anniversary with a dinner March 10 at the North Raleigh Hilton. Colorado Gov. Bill Owens will be the featured speaker for the evening.

Called "the best governor in America" by *National Review* magazine, Owens was sworn in as Colorado's 40th governor in January 1999. He was re-elected in 2002 with the greatest majority in Colorado history, earning a broad mandate for his innovative leadership.

Owens pushed through the largest tax relief package in state history, amounting to \$1 billion in cuts in rates of sales, personal income and capital gains taxes, and an elimination of the marriage penalty. As a result, he has won high marks for his fiscal leadership, earning the highest grade among the nation's governors from the Cato Institute. His policies of low taxes and restrained government spending were cited as an example for other states in a lead editorial in *The Wall Street Journal*.

He was recently touted as one of the major emerging leaders in American politics by *The Economist* magazine, and was identified as one of the country's top 10 rising political stars by syndicated columnist Robert Novak.

He is the chairman of the Republican Governors' Association.

Keeping his promise to institute sweeping school reform in Colorado, Owens created an education accountability system, including detailed, online school report cards, that U.S. Education Secretary Rod Paige has called "the envy of the nation." His accountability system has been praised as among the best in the nation by *Education Week* magazine and The Heritage Foundation. He combined this model education



Colorado Gov. Bill Owens

and reforming the tort system.

and reforming the tort system.

He was also a leading advocate of the Colorado Taxpayers' Bill of Rights (TABOR), which caps government spending and requires that excess funds be returned to state taxpayers.

Owens, who holds a master's degree in public administration from the Lyndon B. Johnson School of Public Affairs at the University of Texas, worked for 20 years in the private sector with the consulting staff of Deloitte and Touche, with the Gates Corporation and as director of a trade association. The governor is an expert on Soviet affairs and writes and lectures often on Russia.

The event also will feature remarks by John Locke Foundation President John Hood, who will present the 2004 James K. Polk and John William Pope awards to North Carolinians who have demonstrated leadership in the public and private sectors, respectively.

The cost of the anniversary and awards banquet is \$50 per person. The reception and registration will begin at 6 p.m., and dinner will be served at 7 p.m. Owens's speech and the awards program begins at 8 p.m.

For more information or to preregister, call (919)828-3876 or send an e-mail message to [events@JohnLocke.org](mailto:events@JohnLocke.org).

### Shaftesbury Society

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

# Commerce Cites 'Chapter and Verse' of Bungled Projects

Continued From Page 1

phone call with an AEDC official, Roberson said "he was annoyed that [AEDC] had told the CropTech management that they needed to talk with Rick Watson if they were going to do a project in the Northeast," according to notes of the conversation.

The AEDC official reminded Roberson of a previous conversation they had, when the official said that if Roberson was going to meet with Basnight to ask for support and money, it was necessary for Watson to know about it.

According to notes of the phone conversation, "further discussion cleared up [Roberson's] 'annoyance' issue." But the notes also said, "Roberson has had negative experiences in the past with the [Northeast Partnership] taking over control of his projects," and thought AEDC "had facilitated this again."

"Negativism abounds with Commerce and the [partnership] on control of projects," the notes read. "Keep this in mind."

A former CropTech official confirmed the negative atmosphere between the Commerce Department and the Northeast Partnership.

"[Commerce representatives] cited chapter and verse of Rick Watson screwing up projects," the official said.

The Northeast Partnership enlisted the help of a University of Virginia professor, Barry Johnson, to research CropTech's technology, patents, and business model. His findings were largely favorable, emphasizing that CropTech was able to secure more than \$7.7 million in federal funding through

highly competitive research grant programs. Johnson said the company held excellent growth potential, but was just beginning to "pursue commercialization activities."

Blizzard was the point man for the deal. On Aug. 13 Cathy Scott (of the partnership) wrote to Johnson, asking him to send his report to her and Watson, because "we will need to send it on to our higher powers first thing in the a.m."

That "higher power" was Blizzard, who received from Scott some summary points from Johnson's 67-page report.

Meanwhile on Aug. 14 and Aug. 20 Scott e-mailed Roberson and Prince, who were wondering about the project, and explained that the Northeast Partnership drafted a letter of intent to "exert its best efforts" to find \$10 million in financing for CropTech, through "its relationships with state, federal, and private funding sources."

"Rolf Blizzard, on behalf of Senator Basnight, has reviewed this information and



Dr. Charles Hamner, former director of the North Carolina Biotechnology Center, supported a deal with CropTech

has indicated that the Senator's support for this project remains intact," Scott wrote.

In response to the Northeast Partnership's commitment letter, CropTech President Robin Radin wrote Aug. 27 that he was "strongly encouraged" by the incentives package, and anticipated making a final relocation decision the following week. But in reality a deal was not close.

**'Rolf Blizzard is the source'**

The Northeast Partnership, Blizzard, Roberson, and CropTech officials were to meet Sept. 7

in Raleigh, and several documents showed that Blizzard lined up the funding sources. Roberson told Prince that "Rolf Blizzard is the source."

"Thanks for all your leadership on this project," Mike Scott, Cathy's husband and business partner, wrote to Blizzard. "Let us know how we can assist you."

"Obviously [Sen. Basnight's] got power in the system," said a Commerce official

who didn't want to be identified. "He's able to get meaningful accomplishments through the system."

"Mr. Blizzard was able to assemble all the funding agencies together in order to negotiate a recruitment incentive package attractive to CropTech," said Peter Rascoe, a lawyer for Edenton and Chowan County (where the company ended up trying to locate), in an e-mail to *CJ*. "Mr. Blizzard was also very concerned that the state's and Chowan County's resources be protected."

In the meantime, Watson attempted to co-opt some financial compensation for the Northeast Partnership. A letter from Watson to CropTech introduced a surprise requirement: that the Northeast Partnership and the state would be considered "joint owners of intellectual property developed and patented in North Carolina facilities." The partnership, with no investment of its own money but simply by helping obtain incentives from others, would also be included as "stockholders in the Corporation with all associated rights."

## Where's the proposal?

By Sept. 19 CropTech was still waiting for a proposal from the Northeast Partnership, including the promised \$5 million — three months after the process began.

On Sept. 27 Watson and Mike Scott of the Northeast Partnership, trying to secure \$3 million of the \$5 million it promised to CropTech, made a presentation about the

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# CropTech Was Told There Was 'No One More Powerful' in N.C. Than Basnight

By PAUL CHESSER

Associate Editor

RALEIGH  
CropTech Corp., which negotiated with North Carolina for more than a year in an effort to relocate to the state, instead decided to move to South Carolina in May 2002. But officials knowledgeable about the company say that by then the time spent dealing with North Carolina drained its limited finances, and less than a year later it was bankrupt.

Why did CropTech give North Carolina so much time?

"Because the initial proposal and interactions were so encouraging," said a former company executive. "We persisted because we were persuaded that the people involved were serious and sincerely interested in seeing this deal get done."

"We were astonished at the later stage, that the whole set of understandings that led us to commit to a long period of negotiations suddenly went up in smoke."

"Nobody complained about the structure and the basic terms of the proposed deal until later on," he said, "until we became part of a political crossfire, which we didn't understand at the time."

The former CropTech official considered Rick Watson, president of North Carolina's Northeast Partnership and the most direct negotiator with the company, to be a big source of the problems.

"He made himself the linchpin, but seemed to have a personal agenda," the official said. "He seemed to have no interest or capability to put anything together."

As negotiations progressed, not only did the financial terms change, but control over the tobacco growing process did as well. Because CropTech's goal was to produce pharmaceuticals, the company needed to control every part of that process.

"Those terms were changed at the very

last stage," the official said. "Every participant in the deal had more than ample time to review the proposed agreement. All the participants, other than the Northeast Partnership and [Edenton-Chowan Development Corporation], agreed in principle with those terms — in fact, most had signed off. Then suddenly Watson got involved and all those understandings were cast aside."

"We felt enormously frustrated and even desperate, because we proceeded in good faith over many months. We were really damaged by these people."

One of the Northeast group participants viewed negotiations differently.

"From the ECDC's perspective," said Peter Rascoe, ECDC's lawyer, in an e-mail, "Rick Watson and the Northeast Partnership spent untold hours in attempting to put this industry recruitment deal together."

"We can say that the North Carolina participants were very dedicated and professional in this process," said William Upchurch, executive director of the Tobacco Trust Fund Commission.

The former official said CropTech had enlisted an investment bank to raise private funds, based upon the timetable and assurances the company believed were conveyed by "responsible North Carolina officials."

Why did the company negotiate through Senate President Pro Tem Marc Basnight, instead of Commerce?

"We were told there was no one more powerful in the state of North Carolina than Senator Basnight," the official said. "No one, not even the governor." He said contacts in Commerce confirmed the claim, which seemed unusual. "But as a practical matter we accepted what we were told were the realities of dealmaking in that environment," he said. "Who were we to know?"

"It was understood that this was an exceptional situation because of the involvement of the Tobacco Trust," the official said,

"and Senator Basnight had the key to that resource. His key to opening that door was accommodating his interests — that's what we were led to believe."

"Rolf [Blizzard, Basnight's director of special projects] was running the show, and he seemed like a highly competent fellow and dedicated to the project, and obviously had the mandate from the Senator."

The former CropTech official said ultimately those assumptions were wrong, as the Commerce Department and Attorney General's Office "showed their power to slow down and stymie the deal by inserting themselves into the final review process."

But the deal was effectively killed by the sudden imposition of new conditions that were unacceptable to CropTech. The company official said one of those "last minute" conditions, the performance bond, was "absurd on its face."

"CropTech was not a contractor engaged to construct a bridge or building that needed to be bonded to ensure completion of the job," the official wrote in an e-mail to *CJ*. "We were a highly promising biotechnology company being courted to relocate... because of its potential to attract new capital investment and new jobs."

"For an early-stage biotech company, a performance bond was neither appropriate nor available. We were concerned that the sudden imposition of this and other new terms was evidence of incompetence in the best case, or in the worst case, a means of just driving us away and killing the deal."

But Rascoe said CropTech was on board with some of those milestones. "It is our knowledge that CropTech originally suggested private investment goals," Rascoe wrote. "It is also our understanding that CropTech agreed to a performance bond requirement when suggested by a state agency to protect the expenditure covenants of a proposed grant from that agency."

The Tobacco Trust also viewed the deal differently. "From the Commission's point of view, it was being asked to invest public money in a private enterprise where the private enterprise kept pursuing the Commission with great vigor," Upchurch said. "The assurances we asked for in negotiations... were intended to protect the public money given to CropTech in the event the company either failed or succeeded."

"In hindsight, the Commission's insistence on assurances was wise. Our understanding is that CropTech eventually went to South Carolina for more money and incentives than were ever on the table in North Carolina and then filed for bankruptcy a year later."

According to the former company official, Watson steered CropTech, for some unknown reason, away from Elizabeth City, to Edenton, as a condition for his help. But he said the ECDC, with their conditions, "were unpractical and overreaching in their demands." Towards the end of the negotiations CropTech contacted Elizabeth City development officials to see whether there was still an opportunity there.

"We wanted to go back to Elizabeth City and deal with reasonable people," the company official said. "But then [Watson] made it clear that that was not something that would be allowed."

"The whole thing reflected very poorly on the state and its economic development. It couldn't have been much worse. It revealed a very seamy and sordid political structure. That was quite a shame, because good people, particularly Commerce Department people, were involved."

"The blow-up of the deal with North Carolina had a major impact on weakening the company. We never really recovered from the loss of precious time, capital, and opportunity involved. It was a major factor in our ultimate failure." *CJ*

# Despite Chronic Delays, CropTech Remained in Negotiations

Continued From Page 3

company before the Tobacco Trust Fund Commission. Commission members agreed to earmark the \$3 million for the project.

Notes obtained from the Tobacco Trust Commission indicate that Edenton, in Chowan County, was immediately considered the prime location for CropTech, over Elizabeth City.

According to a former CropTech official, Watson said that Edenton was the only place CropTech could go if the company wanted help from the partnership. But that was fine with CropTech, as long as the money was there.

Radin sent Blizzard commitment letters Oct. 31 for each contributor to the North Carolina incentive package, and stressed to Blizzard the need to close the deal within two weeks.

"I would appreciate your OK," Radin wrote, "before I distribute this package of documents to each member of the NC group." On Nov. 5, according to Blizzard's notes, he "advised Robin to forward along." Radin did so the following day.

By Nov. 10 CropTech was dealing exclusively with the Edenton-Chowan Development Corporation for a site. ECDC sent CropTech a letter, approved by Blizzard, agreeing to the terms in Radin's memorandum. All the parties planned for a meeting to close the deal Nov. 30 in Raleigh.

## Last-minute requests

On Nov. 23 Mike Scott asked CropTech for financial and ownership information for "funding entities" in order to complete proposals from the ECDC and the Northeast Partnership. He also requested that company officials meet the morning of Nov. 30 in Basnight's conference room "to discuss final proposals... by all partners."

The request alarmed Radin, who was adamant about closing the deal by the agreed date. He told Mike Scott that all problems needed to be resolved in time to sign the agreement on Nov. 30.

"As I have discussed with [Blizzard]... we would appreciate your assistance in arranging that planned closing on the afternoon of November 30th," Radin wrote to Mike Scott. "In view of the central role Senator Basnight has played in lining up the various pieces of the incentive package and making CropTech's relocation to North Carolina feasible, a signing and closing at his offices at that time in Raleigh would be most appropriate..."

Radin added that timing was critical in order to support CropTech's planned institutional round of financing.

"I believe that the key pieces of the North Carolina package are now substantially resolved and that the relevant Commitment Letters under the [Memorandum of Understanding] can be signed by November 30, in order to complete the transaction," Radin wrote to Mike Scott.

But the day before, Nov. 29, the signing was delayed because Watson told Radin that the ECDC and the Northeast Partnership needed until Dec. 5 "to finalize their commitments." Still, Radin was assured that the "pieces will fall into place by that time."

But Radin's patience was tested again the following day, when at the last minute deputies of the Attorney General's Office, who reviewed earlier versions of the agreements, recommended more special provisions. On Nov. 30 when the Tobacco Trust Commission voted to grant the \$3 million, the board of directors added a stipulation that to receive the money, CropTech must "meet the standards utilized by the N.C. Department of Commerce for grants of similar magnitude and purpose..." Those spe-



N.C. Secretary of Commerce Jim Fain

cific standards were not outlined in meeting minutes.

Following the Tobacco Trust's approval, Radin thanked Executive Director William Upchurch in an e-mail, but said, "I am sorry to have expressed some frustration with the input of the [attorney general's] attorney as this stage relating to the [new] condition. But I thought that the participation of Doug Johnston [the special deputy attorney general who recommended the new conditions] at our negotiating meeting would have prevented any last minute hitches of this sort."

Radin also expressed his disappointment the following day in a message to Blizzard.

"I am deeply distressed that the AG attorney has thrown a bomb at the last minute that effectively preempts the agreement of the parties arrived at... with the benefit of [Doug Johnston's] counsel. Again, I beg your intervention to enable the realization of our shared goal," he wrote.

Radin's objections, while not specifically clear, had to do with the issuance of the \$3 million from the Tobacco Trust, which was to be paid in three \$1 million increments. An earlier version of the agreement, which Johnston said in an e-mail "looks good," called for the distribution of the money equally upon:

1. Execution of the letters of commitment between the parties,
2. A groundbreaking ceremony for the construction of the bioprocessing facility,
3. Receipt of a certificate of occupation from the local authority for the facility.

On the later advice of Johnston, the Tobacco Trust placed more stringent conditions upon CropTech for the money. In an e-mail to his other ECDC colleagues, lawyer Peter Rascoe confirmed the late changes.

"The Tobacco Trust Fund apparently was not as willing to write a check for \$3 million as quickly as originally indicated," Rascoe wrote. "They voted to give the money — but subject to several contingencies."

The new contingencies may have arisen from ECDC's own letter of intent, that required CropTech to raise \$8 million by June 1, or its building lease with ECDC could be terminated. That stipulation caused lawyers in the Attorney General's Office to consider advising the Tobacco Trust to revise conditions for its \$3 million.

CropTech was depending on the tobacco money in order to raise the private funding, but the lawyers worried that the money could be lost if ECDC pulled the

plug in June 2002.

After further internal discussions, ECDC raised its private funding requirements for CropTech from \$8 million to \$10 million by June 1, 2002.

The Northeast Partnership followed suit and submitted an offer letter to CropTech that required the company get \$10 million in private financing by June 1, 2002. Upchurch wrote to Blizzard Dec. 17 that the Tobacco Trust was prepared to send CropTech its own commitment letter.

"I told CropTech we were on board," Upchurch wrote, "but they didn't seem too happy. They apparently are having heartburn over [the Northeast Partnership's] and ECDC's letters. I think they realize our information will look very similar."

Radin's recourse was to seek "heartburn" relief in a seven-page letter to Blizzard. He outlined CropTech's objections, the most significant of which was the requirement by the Tobacco Trust to raise \$10

million in private investment by June 1. He said that demand was a "material change in previously agreed milestones."

"The proposed change converts the transaction into a \$2 million matching grant for a \$10 million equity raise," Radin wrote. "This scheme makes no economic sense... since it requires [CropTech] to implement a relocation program in exchange for \$1 million, and then penalizes [CropTech] if, for example, it succeeds in raising (only) \$9.9 million by June 1...or \$10 million by June 2..."

Radin also objected to changes in the ECDC offer, which he said substantially scaled back and increased conditions "of commitments previously set forth in writing by the ECDC."

"The ECDC required contingencies for CropTech to raise private funds in order to protect the ECDC's equity offered to be invested in this recruitment project," Rascoe told *CJ* in an e-mail.

As for the commitment letter submitted by the Northeast Partnership, Radin told Blizzard that CropTech found all 16 of its enumerated conditions objectionable.

"The proposed letter contains only best efforts commitments for possible equipment financing arrangements that we believe, in line with [Watson's] speculation, are unlikely to materialize," Radin wrote.

Notes obtained from ECDC showed that, in the opinion of Hamner of the N.C. Biotechnology Center, forcing CropTech to raise \$10 million after the Sept. 11, 2001 terror attacks was "unrealistic."

## Standing firm

ECDC, the Northeast Partnership, and the Tobacco Trust Commission all stood firm on their proposal.

The deal stood still until after New Year's 2002, when N.C. group members began to speculate on CropTech's plans. A company official left a voicemail at the Northeast Partnership, asking for a meeting to work more on the deal.

Continued as "CropTech," Page 5

## A View of Basnight and the Northeast

By PAUL CHESSE

Associate Editor

RALEIGH

**F**ragmentation of leadership and responsibilities has diminished the effectiveness of North Carolina's public-funded economic development agencies, says a private developer who once had dealings in the northeast area of the state.

He said the state Department of Commerce was once one of the best, aggressive, and well-organized in the country.

The establishment of regional development agencies in the mid-1990s changed that, he said.

"You no longer know who you are talking to. Who is in charge?" he said. "You need a strong leader. That was the Department of Commerce."

The developer said North Carolina's Northeast Partnership, if asked for help, all too often took over a project and decided where in its 16-county region a business would locate.

The developer said "that region is controlled by [Senate President Pro Tem Marc] Basnight and by R.V. Owens (III)." Owens is Basnight's nephew, chief fund-raiser, and a powerful influence in the Northeast.

"Everybody has to stay in line and stay in step," the developer said, "or there are negative ramifications held over their heads."

In a March, 2003 *Carolina Journal* article about a Raleigh businessman's efforts to build an ethanol plant in the Northeast, an intermediary identified Basnight, Owens, and Basnight's assistant Rolf Blizzard as the powers over the Northeast Partnership.

"Everyone knows they are the head of the Northeast Partners," said former Wake Forest Mayor Jim Perry in the story, who was a go-between for businessman Bill Horton and Northeast interests.

Perry also said Basnight's name carries great significance in financial circles. He said when he meets with bank officials, "they know that I am there to speak for Marc Basnight."

Northeast developers, the private developer said, were often told to invite new businesses in the area to public events honoring Basnight, where they should be encouraged to "tell the Senator how appreciative they were of his efforts."

"Anything that's ever happened out there," the developer said, "if it was good, they will say it was because of Marc Basnight."

Anyone not in line with that plan had to contend with "the redneck mafia," the developer said.

"It is that serious," he said.

Basnight's office did not respond to questions submitted by electronic mail or to phone messages. *CJ*

# CropTech Spurns N.C. In Favor of Speedy, Efficient South Carolina

Continued from Page 4

"(CropTech's) other efforts must have fallen through," Watson wrote to Blizzard. "I think someone should call [CropTech] to hold firm on our offer, but tell them how bad we would love to have them here.

"Can I, can I, please, please, let me call!" Watson begged Blizzard.

By then CropTech, a former executive said, was weary of dealing with the Northeast members of the negotiating team. Mike Scott informed Blizzard and Watson that the Biotechnology Center was working with CropTech to show them other areas in the state, including Wilson County.

"I hope [CropTech] understand(s) that puts the whole package that we developed in jeopardy," Blizzard wrote to Scott. "They need to understand that very clearly. We can count real well."

The N.C. agencies sent a letter to Sandy White, CropTech's board chairman, on Jan. 17 to restate their interest in the company, but did not change their offer.

White responded five days later with a pared-down modification to the original proposal, which would eliminate ECDC and the Northeast Partnership from any financial interest in the deal. Only the Biotechnology Center's and Governor's Competitive Fund grants would remain in the mix, and the Tobacco Trust would ante up only \$1 million for CropTech. In exchange, the company would build its own building in Edenton — with a land gift from the town — without other financial assistance from ECDC.

Blizzard, the Northeast Partnership, ECDC, the Tobacco Trust, and CropTech officials planned to meet Jan. 30 in Raleigh. If the new financial terms White proposed were agreed upon, state and local taxpayers would pay \$3.4 million less than what was offered by the North Carolina group in the original deal.

## Incentives kept in deal

Despite CropTech's willingness to take fewer incentives, the North Carolina group kept most of the funding intact. White's scaled-back proposal was ignored, as the Northeast Partnership kept its \$50,000 in equipment financing in the deal. Also, the Tobacco Trust Fund incentives offer remained at \$3 million, with slightly adjusted milestones. ECDC withdrew its offer to construct a building for CropTech.

On Feb. 7 Dept. of Commerce Secretary Jim Fain, who had not been involved in the CropTech discussions, wrote to Tobacco Trust Chairman Billy Carter.

"CropTech has approached several agencies or economic development entities seeking incentives and financial commitments for their project," Fain wrote. "As you explore the prospect of granting funds for this project, I would urge you not to commit resources to the venture until you have completed a thorough due diligence process and satisfied yourselves... that the venture is viable."

The Northeast Partnership and Tobacco Trust had already looked extensively into CropTech's history, patents, and finances, which confirmed that the Commerce Department had almost no involvement to that point in negotiations. Fain also recommended that the Tobacco Trust commit funds only if CropTech raised "substantial" private capital, another requirement that was already in the deal.

"The Department of Commerce has ex-

perience in underwriting economic development investments and is available to provide assistance to you where we can," Fain wrote to Carter.

A former CropTech official said he thought Fain's letter was an attempt to insert the Commerce Department into the negotiations. A week after Fain wrote his letter, Carter accepted his offer, and the Commerce Department's influence over the Tobacco Trust increased.

## A long, pregnant pause in talks

The move began a long delay, as Blizzard and the Northeast Partnership waited for Fain to rubberstamp the Tobacco Trust offer to CropTech. Upchurch informed ECDC that he was waiting for a letter from Fain "offering suggestions about continued due diligence for the state." Others in the Northeast group stewed.

"I am running out of things to tell [CropTech]," Watson wrote to Blizzard on Feb. 21. "Any ideas, besides the truth?"

"I have absolutely no problem with the truth," Blizzard responded.

"You always tell the truth," Watson replied. "I am the salesman and I have to soft pedal the truth. I plan to tell [CropTech] for a draft approval we feel good about the middle of next week. Is that OK?"

"I hear ya, although I am not satisfied with that," Blizzard answered. "Where the crap is the Fain letter?"

Watson then told CropTech that Fain's letter "was the hold up," and that he and Blizzard would "push him in person" on an unrelated trip the following Monday.

Fain finally approved the due diligence efforts and funding milestones, but Watson had to stall CropTech into mid-March, as he waited for the Attorney General's office to produce a final "memorandum of understanding" between all the parties.

J. D. Brooks of CropTech pressed for an update March 8, and Watson turned to Blizzard for help.

"Rolf, are you mad at me? If you and R.V. do not call, I get worried," Watson wrote. "Do you have any answers?"

"R.V." is likely R.V. Owens III, Basnight's nephew and chief fund-raiser, and a powerful influence in the Northeast.

By March 22, CropTech was still waiting to hear about a firm proposal.

By the end of the month the patience of the Northeast group wore thin. A letter from Chowan County Manager Cliff Copeland to the governor further illustrated the breach between Basnight's Northeast cronies and the Commerce Department.

"It has been a long frustrating process, but we feel that now we have put a package together that will entice CropTech to relocate to this state," Copeland wrote to Easley on March 27. "At this point, your intervention is needed because we feel that state agencies are still reluctant to proceed without your wholehearted endorsement."

An April 10 advisory letter from the Northeast Partnership's legal counsel, Ernie Pearson, to Watson further illustrated the tug-of-war between Commerce and the partnership over influence of the Tobacco Trust. Pearson had reviewed concerns raised by Fain and his financial advisor, Stewart Dickinson, in early February, which mostly questioned CropTech's viability.

"Many of the points they raised have been discussed fully and in my opinion fully accommodated," Pearson wrote. "The conclusion that this is an early stage company is no surprise."

Pearson emphasized that the decision to grant the \$3 million in incentives belonged solely to the Tobacco Trust Commission. He also said that "a reasonable level of due diligence (was) completed."

In a letter to CropTech April 10, Watson confirmed the Tobacco Trust's reluctance to sign the agreement because of Fain's concern about granting \$3 million to an high-risk, speculative company.

On April 16 the Tobacco Trust Commission met and approved the grant for CropTech, with the possibility of using the Northeast Partnership as a "fiscal agent" to administer the funds to the company.

However, the final agreement — not received by CropTech until May 8 — again proved distasteful to the company. Included in the deal was a demand for the company to provide a five-year, \$3 million performance bond (see story, page 3), which would be forfeited to the Northeast Partnership if CropTech failed to meet any conditions in the agreement. Also objectionable to CropTech was that it would need to raise \$5 million in private funds by Jan. 1, 2003, to receive the third \$1 million installment.

The performance bond appeared to be another opportunity for Watson to fill Northeast Partnership coffers while making only a minimal investment (\$50,000 over two years, if incentives were reached). If CropTech missed any milestones in the overall agreement, a bond insurer would need to cough up the insurance money to the partnership, which was the "fiscal agent" for the deal. No documents provided to *CJ* showed that bond funds would revert to any other funding agencies.

## CropTech goes to South Carolina

On May 30, 2002, CropTech announced it would relocate to Charleston, S.C.

South Carolina gave CropTech a site where public money would provide infrastructure to a privately constructed building, which the company would lease from a developer. That arrangement meant

CropTech didn't have to find money to build a building.

Also included in the package was "millions of dollars of incentives" from public and private sources, including \$1.5 million in grants, according to *The Post and Courier* of Charleston, S.C.

On June 2 Cathy Scott informed ECDC officials about a call among her, Blizzard and Brooks of CropTech, which explained why the company spurned North Carolina.

"It was what we all pretty much knew in the back of our minds — the delay of the [agreement]," Scott wrote. "[Brooks] said that what he felt should have taken days ended up taking months.

"He indicated South Carolina was able to act quickly and coordinate a comparable deal... (and) provided a developer that was very easy to work with.

"[Blizzard] offered to [Brooks] the main reason (person) for the hold up in NC's package, which I feel is above my pay grade to report here."

According to a former CropTech official, after dealing with so many agencies in North Carolina's fragmented economic development, "going to South Carolina was like a breath of fresh air."

Construction on the building began in South Carolina, but by March 2003 CropTech filed for bankruptcy protection and ended operations.

"It wasn't a fundamentally flawed concept," Bob Faith, South Carolina's commerce secretary, said to *The Post and Courier* last year. "[CropTech] ran out of capital and it's a tough venture capital market out there."

For one North Carolina lawmaker, the CropTech episode illustrated the state's flawed economic development policy.

"The bottom line is these incentives, where everybody says we have to do it, well that isn't necessarily so," said state Rep. John Rhodes, R-Mecklenburg.

"I believe we should be the state that draws the line in the sand. It's selling our state short. Let everyone else continue to sell their state out." *CR*

## The Northeast's Cost of Making Deals

By PAUL CHESSER

Associate Editor

RALEIGH

In early May 2002 Ernie Pearson, the N.C. Northeast Partnership lawyer, informed Rick Watson about legal expenses from the CropTech deal. The partnership, a public agency established by the state that should have the free services of the attorney general at its disposal, paid \$8,129.39 as of May 2, at which time Pearson billed the partnership another \$1,785 "to assist in overcoming concerns raised by Commerce Secretary Jim Fain and to finalize the [agreement]."

Pearson billed the partnership at \$250 per hour, and his partner Robert Jessup billed at \$200 per hour.

Watson also requested that Pearson bill the Northeast Partnership for future services related to CropTech, which the lawyer acknowledged in a letter to Watson.

"You have also asked me to provide to you a flat fee invoice which would liberally cover all fees paid to date, plus anticipated future fees," Pearson wrote. "Attached is that invoice."

The unitemized invoice for "anticipated future fees" was \$21,000.

Likewise Mike and Cathy Scott, consultants for Watson, billed the Northeast Partnership \$7,597.75 for work related to the CropTech deal. The Scotts charged \$70 per hour for 101 and a half-hours' work, plus almost \$500 for mileage.

Watson, prior to CropTech's South Carolina announcement, asked the Tobacco Trust Fund if it would pay some of the partnership's expenses of \$17,500 related to the failed deal. The commission voted June 11 to pay the partnership \$8,750.

But the Northeast Partnership on July 25 invoiced the Tobacco Trust Commission for \$28,597.75. Included as supporting documentation for the bill was the unitemized invoice of \$21,000 from Pearson's law firm for "anticipated future fees" related to CropTech. Little, if any, of those future services were needed, but Watson billed the Tobacco Trust for them anyway.

On June 12 William Upchurch, executive director of the Tobacco Trust, informed Watson that because Gov. Mike Easley was taking Tobacco Trust money to balance the budget, he was doubtful about future opportunities to fund business projects. Watson appealed to Sen. Marc Basnight's assistant, Rolf Blizzard.

"Rolf, this is about the only fund left (where) we can get money to close deals," Watson wrote, "and they really have a lot of confidence in you and our group. Can you help?"

"I can't do anything about what the governor does," Blizzard answered. "Having strong successes like CropTech would help to ameliorate things. Now we don't have that success and that leverage. Don't know that we have any further options at this point." *CR*

## NC News In Brief

**Leaving some students behind**

Recent reports in *The Charlotte Observer* indicate that at least some of the state's public schoolchildren might have been left behind.

The most recent analysis of state end-of-grade and end-of-course test scores indicate that the highest-achieving students are making "substantially less year-to-year progress, on average, than low-scoring students" according to Department of Public Instruction Accountability Director Lou Fabrizio.

Uneven progress by students on state exams showed small percentages of Level IV, or advanced students, achieving a full year's worth of progress last year. In middle-school grades, only 6 percent of Level IV students advanced by a full year's equivalent of academic growth.

As a result, state education officials will take a closer look at the state's testing system.

In addition to the lackluster progress by the top group of students, officials are being questioned about whether the cutoff scores for a Level III-grade level-performance are high enough.

A substantial increase in the grade-level pass rates across the state is fueling inquiries.

According to State Board of Education Chairman Howard Lee, the state will not be raising the cutoff scores for at least a few years. Both Fabrizio and Charlotte Board of Education member John Tate expressed concerns about the standards facing North Carolina students.

**Adjusting the passage rate**

It seems that an alternative standard for "passing" a school under the federal No Child Left Behind law would have changed the 43 percent pass rate for schools to 57 percent in North Carolina.

According to the *Observer*, the N.C. Department of Public Instruction might be able to make use of the statistical confidence interval, into which results fall, to adjust its school passage rate.

Under the alternative standard, about 220 more schools would have met their adequate yearly progress targets. State education officials are looking at the alternative as a way, according to State Superintendent Mike Ward, "to refine" the system, not to "beat it."

**Reassigning for diversity**

*The News & Observer* of Raleigh reports that Wake County schools will continue to assign students to schools to achieve socioeconomic diversity. The 2004-05 plan might reassign 10,000 students to different schools in the fall, said Ramsey Beavers, Wake County senior director for growth management.

Meanwhile in Charlotte, *The Charlotte Observer* reports that choice is a "misnomer" for school placement there, and CMS is dropping the term.

Parents complained that they often did not receive their choice in the selection process. *CF*

# Room For Improvement, But Not Intuition

## Federal reform guidelines require that schools' research be scientifically based

By KAREN PALASEK

Assistant Editor

RALEIGH

Since its reauthorization, the Elementary and Secondary Schools Act, or No Child Left Behind law, has required that school improvement programs be grounded in "scientifically based research." According to Lynn Olson of *Education Week*, "Those words, or an approximation, appear more than 100 times in the reauthorization..."

So, the U.S. Department of Education and the Institute of Education Sciences issued a document, *Identifying and Implementing Educational Practices Supported By Rigorous Evidence: A User Friendly Guide*, to clarify what "scientifically supported research" means in the education field.

The idea behind the guide is to help schools determine which educational reforms have the research to back up effectiveness claims.

The Institute of Education Sciences has also established the What Works Clearinghouse, a central source of evidence for what actually works in education.

**Effective reform**

Effectiveness is increasingly the watchword in education circles. The N.C. Department of Public Instruction reported in January that for 2003, top students in the state's public schools made far less progress than did their lower-achieving classmates.

According to the *Raleigh News & Observer*, State Board of Education Chairman Howard Lee focused on the fact that overall pass rates on the state's achievement tests were up. "What I'm hearing is that we're all fairly comfortable with where we are and we ought to let sleeping dogs lie for now," Lee said.

William Sanders of the SAS Institute, and co-director of the *SAS in School Research Project*, noted at a John Locke Foundation event that students who are just under the adequate yearly progress bar, are "worth more" to a school's success under No Child Left Behind than the children who are already making adequate progress.

They can make or break the school's adequate yearly progress standing, and cause a school either to pass or to be labeled "needs improvement," he said.

The need to get as many of these "close" children as possible up to the adequate progress level directs schools' attention and resources away from high-achieving and very low-achieving (those with no chance of making adequate progress) students, Sanders said. Sanders calls this the "shed effect," and predicts that both groups will lose out under No Child Left Behind mandates.

The *N&O* report confirms that, for 2003, top students in the state have, indeed, lost out.

**Analysis becoming more important**

This type of critical analysis will become increasingly important as North Carolina moves further into the NCLB process. According to state Accountability Director Lou Fabrizio, some students "may not be getting what they need" with current programs and testing. So schools will be looking for reforms that can deliver achievement benefits to all students.

In 2003, 53 percent of North Carolina public schools missed at least one of their adequate yearly achievement targets. A second year of missed targets would put children in the transferable category. That means the clock is now ticking toward mandatory change. Education reforms and other interventions, such as supplemental tutoring, are likely to be part of the overall accountability and school improvement process.

But for many parents, transfer is not desirable, and may not even be possible unless enough seats can be had in non-failing schools. In the 2003 Phi Delta Kappa/Gallup poll on public attitudes toward public education, parents expressed a strong desire to improve the schools their children currently attend, rather than to send them into an unknown situation at a different school.

The No Child Left Behind achievement timetable directs schools to reach 100 percent proficiency with every child by 2013-14. In this race for quality, the luxury of trial-and-error in finding programs that build achievement no longer exists. Using an analogy to pharmaceutical testing, the *Guide* is intended to help determine which education "interventions" can pass both the well-designed and effectiveness tests.

**Robust design**

The U.S. Department of Education's *User Friendly Guide* provides a checklist for evaluating the research on education practices. With reliable research to back them up, school officials should be able to choose program designs that have a high likelihood of success.

The *Guide* identifies a "gold card" standard for educational program design and research, starting with a randomized-controlled trial to evaluate program effectiveness.

According to the *Guide*, trial programs should start with well-matched candidates. Student demographics, the type of tests they will take, the time period for the trial program, and methods of collecting data all can affect measured outcomes, and must be as uniform as possible.

Children participating in the research study should be assigned the control or the program group via random selection. This helps eliminate unintentional bias in the results.

Researchers have to be particularly wary of factors such as parent or student motivation, the *Guide* says. These factors can create significant differences among otherwise similar students.

A control, or comparison group, is key. The results of pre-and-post tests alone don't generate adequate scientific research, officials say.

Without a comparison group, it's impossible to tell whether differences in test scores and other measures are related to the



education program, or to other variables.

Pilot programs that are well-designed should give a reliable indication of their effectiveness, but they need not be perfect, officials say.

Programs with some flaws, such as less well-matched participants, higher-than-desirable attrition rates, or small sample size may still be acceptable, but come under the "possibly effective" banner. This means that schools and districts should approach them with some reservation, and the *Guide* warns against overstating expected success.

Finally, scientifically based research should report all of the program's results, not just positive ones. In addition, researchers need to publish the results of statistical tests.

Statistical significance and the standard errors that arise in measuring outcomes give a good idea of whether the program is effective. If so, it should be possible to replicate those results in more than one school setting.

**What we need**

As Linda Darling-Hammond points out in "Standards and Assessments: Where We Are and What We Need," at least 47 states have created standards for student learning, but "not all of these initiatives have accomplished the goals that early proponents of standards-based reforms envisioned."

The heaviest emphasis in accountability has been test-based, partly motivated by No Child Left Behind, and partly, no doubt, motivated by states' desires to avoid a low or last-place ranking when it comes to comparisons using nationally standardized tests.

According to Darling-Hammond, however, schools now using "test-based accountability [that] emphasizes sanctions for students and teachers have often produced greater failure, rather than greater success, for their most educationally vulnerable students."

Can North Carolina afford the type of well-researched, well-documented reforms that the No Child Left Behind law requires? In many states, school officials complain that NCLB imposes unfunded mandates in terms of testing, transfers, and supplemental services.

The answer is "yes," according to Sen. Elizabeth Dole's office, which reports that North Carolina has more than \$54 million in federal funding, earmarked for No Child Left Behind, that is uncommitted. *CF*

*Agencies extend the Big Brother-Big Sister concept*

## North Carolina Mentoring Program Designed To Connect Kids With Community Volunteers

By KAREN PALASEK

Assistant Editor

**H**ave you ever had a mentor? Most of us associate this idea with something we experienced as children. Take the *Karate Kid*, for example, whose mentor had him painting fences “just so” to ingrain an essential karate movement into his inner being. Of course, the Kid thought he was just painting boring fences. Not so. In the critical “ah-ha” moment, he faces his opponent in combat, and comprehension descends.

Or the other martial arts guy, “Grasshopper,” who became a *Kung Fu* master by learning to catch flies with chopsticks, and forever afterward experienced his teacher’s wisdom in audiovisual playbacks during times of crisis.

I experienced nothing quite so mystical, but my first mentor was my third-grade teacher, Mrs. Kay Sillaway. I spent third grade, or all the important parts of it, singing and marching to original tunes by Sillaway, along with the rest of my class. For any 8-year-old with ants in his pants and a “can belto” vocal style, this was the class to have. I had no idea I would regard her as my most important teacher, even later, when I became a music major and a teacher myself.

When I discovered after 41 years that Sillaway had a past of which I was completely unaware as an 8-year-old, I also had an “ah-ha” moment. Sillaway spent her early years as Kay Weber, big band vocalist and recording artist. She was discovered at age 25 by Glenn Miller, and she eventually joined the Dorsey Brothers and the Bob Crosby orchestras.

**Mentor “programs”**

Gov. Mike Easley proclaimed January “National Mentoring Month,” and he is encouraging support of state-sponsored mentor screening, training, and assignment programs. Through the North Carolina Commission on Volunteerism & Community Service and the North Carolina Mentoring Partnership, the governor’s office recruits prospective mentors. Public service announcements on television and radio frequently remind listeners of the benefits — volunteer opportunities for them — that will also benefit children.

The “Change the Outcome — Mentor,” and other campaigns have been sponsored in part by large corporations such as Pepsi and Duke Energy. According to the North Carolina Commission on Volunteerism & Community Service website, mentoring is now heralded as a “prevention strategy,” and promoted in “all grants and funding involving youth.” Besides state funding, the Volunteerism Commission has encouraged business and faith-based partnerships for the training and support of prospective mentor volunteers.

The National Mentoring Partnership describes a mentor as follows: “A mentor is an adult who, along with parents, provides young people with support, counsel, friendship, reinforcement, and constructive example.” Among the characteristics of mentors they list “good listeners,” “people who care,” and “people who want to bring out strengths that are already there.”

This sounds right. But can someone really learn to do these things online, using the *Learn to Mentor Toolkit*? Ac-

ording to the National Mentoring Partnership, someone can. Some of the “tools” in the mentor training kit include:

- Personal Reflection page — looking for memories of significant adults; analyzing why they were interested in you; looking for qualities you want to imitate as a mentor.

- One Role, Many “Hats” page — imagination exercises where someone pretends to take on different roles; imagine the “hats” he will wear as a mentor.

Since the two people about to be paired in this planned relationship are basically strangers, there is an abundance of “getting to know you” material. Workbook pages direct the exchange of specific personal information, ask questions about feelings, mission statements, agreements, use “relationship checkup” guidelines, and the like.

Sample questions for the child/mentee include an “If I Could Be Anything” page, which asks the child what he would want to be if he could be a cartoon character, insect, musical instrument, famous painting, celebrity, famous landmark, automobile, shoe, bird, or animal. The worksheet describes this exercise as one that will, for the mentor, “provoke some thoughts about what your mentee could be.”

Training, and screening through the appropriate agencies, are mandatory components of this type of community service.

**Is planning better?**

People whom I would identify, on reflection, as mentors, never set out to be community volunteers in my life. Had they been required to follow a state-sponsored training and screening program, the experiences might not have happened. Institutionally designed “relationships,” such as computer dates, have to be fleshed out tremendously if the effects are expected to last a lifetime. Perhaps that’s not the expectation. They may be just “feel good” opportunities for all involved.

Sillaway’s biggest encouragement to me in school was directed at my writing efforts. In third grade, all my “original” stories closely resembled Nancy Drew mysteries in content — and length. Her comment on one writing assignment contained the request that “when you write your first book, please send me an autographed copy.” I took this as a compliment, though it may have been a veiled complaint about length — or originality. Nevertheless, I

dedicated my economics dissertation to her in 1989, not knowing whether she was still alive.

It turns out she was, and when I spoke to her at age 94 — after 41 years — in January 2004, I was unsure whether she would have any idea who I was. She did. She had repeated one of my stories numerous times over the years, and told me she had been thinking of me “just that morning.” We’ll keep in touch hereafter.

Sillaway represents the best kind of mentor that a kid can have. There’s lots of enthusiasm, no planning. It’s what we in economics call a “spontaneous order process.”

While the current movement to promote mentorlike relationships between caring adults and kids who could use the attention is laudable, I wonder how many will be turned off by the very institutional nature of it all. Will we now need degrees or certificates in mentoring?

I hope not. Institutionally engineered friendships are at best two-dimensional substitutes for the real thing. *CP*



Kay Weber Sillaway in 1998



Kay Weber in the Dorsey Brothers Band.

## Believable Scores From Better Tests

**I** chuckle at all the barbecue restaurants boasting the BEST barbecue in the county. If BEST truly means BEST, how are all serving the BEST? For credibility you must know the criteria in judging, or if it is simply someone’s opinion. It seems educators (professional, bureaucratic educators) have the same problem with “proficiency.” Proficiency means “what a student should know and be able to perform at each grade level.”

Nowadays, proficiency is relative. Parents and citizens remain completely confused regarding the reliability of how well public school students achieve. A school can be called a “school of excellence” while also “needing improvement.” The Department of Public Instruction reports 81 percent of fourth-graders reading proficiently, while the National Assessment of Educational Progress reports 33 percent.

A recent *New York Times* article compared two middle schools only a few miles apart. The North Carolina school had 95 percent of students passing both the reading and math tests, while the South Carolina school had more than 50 percent failing the math, and 75 percent failing the reading test.

In the article, a widely respected national education organization reported North Carolina setting some of the lowest student proficiency in the country. The spin from DPI always produces feelings of confidence, but when proficiency is scrutinized, the feelings quickly dissipate.

The State Board of Education spends incredible amounts of time discussing testing issues. The tests usually stay the same with the same proficiency scores, but sometimes changes are made. Beginning this year, the state will use a 95 percent confidence interval in reporting percent proficient, meaning 65 percent is now 70 percent. Using this formula, 57 percent of schools in the state would have made average yearly progress, instead of the 47 percent reported in 2003. When all else fails — change the formula!

One solution to the testing-measurement mess is to let the federal government develop one test, and one definition of proficiency. God forbid! The only situation worse than now is getting the federal government more involved.

The only good answer is to use an achievement test produced by a national testing company beholden neither to Washington nor the state. This is what we did before the early 1990s. Competition between testing companies will keep the quality higher and the cost lower. Independent education organizations can rate the achievement tests for content and rigor. The state board officials could then determine what test they thought best, and set the proficiency scores. Parents and teachers would get a diagnostic assessment and also compare their students’ achievement with students nationally.

The state’s exit exam for high school should be based on students’ plans after graduation. An SAT, ACT, community college placement, or military exam would fit the desires and needs of students. The state would then determine minimum standards for a diploma.

These suggestions are simple, based on common sense. However, the authority for changes in DPI’s testing policies rest within a politically appointed board or a majority of legislators. Either way, it’s politics.

Quality barbecue is only important for folks who like barbecue; the quality of student achievement affects the future of our state. With the very future of North Carolina’s students in the balance, all North Carolinians need to care. *CP*

Lindalyn  
Kakadelis

Kakadelis is director of the NC Education Alliance.

Around the Nation

No Child Left Behind

States may be undercounting the number of failing schools under the federal No Child Left Behind law, *The Washington Times* reports. Fear of consequences may be fueling the numbers, U.S. Education Secretary Rod Paige says.

"There's an expectation that there will be those that push the envelope and try to game the system," Paige said.

More than half of states are reporting fewer low-performing schools for 2003 than for the previous year, an unexpected trend, given the tighter achievement standards.

At least five states are engaged in legal appeals over their low-performing numbers. The appeals are part of what is preventing the Education Department from finalizing its figures for the 2002-03 school year. Despite some resistance, Paige said, "the culture is changing" in the U.S. education environment.

Zero tolerance

Students who violate school policies may face arrest rather than detention, even if the violations are not illegal *per se*.

According to the *New York Times*, dress code violations, disruptive behavior or language, and other noncriminal violations have become the province of the juvenile justice system rather than the schools.

Lucas County, Ohio, handled 1,727 school-related court cases last year, an increase of 490 over the previous year. The Lucas County court intake officer, Fred Whitman, said that only two percent of the cases involved serious or criminal offenses. "The vast majority involved unruly students," Whitman said.

Examples include two middle-school boys who were arrested in an Ohio school for turning out the lights in a girls' bathroom and an 11-year-old girl for hiding in the school to avoid class. Other states report a similar trend, and the offenses are no more "criminal."

James Ray, administrative judge for Lucas County, said, "We're demonizing children." But some parents are glad to see the justice system take over where they refuse to go. The mother of a high school girl who refused to cover her midriff-baring top with a T-shirt "said she had not objected to the decision to arrest her daughter," according to the report.

New Jersey vs. home schools

Academic testing and medical examination requirements may be required of home schools in New Jersey. A bill was introduced by Loretta Weinberg in reaction to the Jackson family case that occurred in Collingswood. Despite at least 38 "incompetent" visits by child welfare officials over four years, the children's physical condition was attributed to home schooling. From *Townhall.com*. *cr*

Educators concerned about fairness

Special Education Struggles With Accountability

By KAREN PALASEK  
Assistant Editor

RALEIGH

In "Count Me In: Special Education in an Era of Standards," *Education Week's* "Quality Counts 2004" report considers the problems of fairly assessing special education students under the federal No Child Left Behind law.

By 2013-14, the law directs that all students, special education included, achieve academic proficiency. The issues facing special education are twofold. First, schools will have to find a way to test at least 95 percent of special education students to fulfill the requirements of the law. Bringing 100 percent of those students to academic proficiency is the second challenge.

As data from 2002-03 state-level tests show, special education students are much farther behind in achievement than are their nondisabled counterparts. North Carolina is no exception, although some districts in the state are making progress through aggressive efforts to improve student skills, and to move them out of special education entirely.

In Durham's schools, a concerted effort to identify and correct reading difficulties in the early grades has reversed the trend in special ed. Instead of enrolling more kids every year, Durham's literacy program has reduced special education enrollment by 100 students each school year.

Special education stats

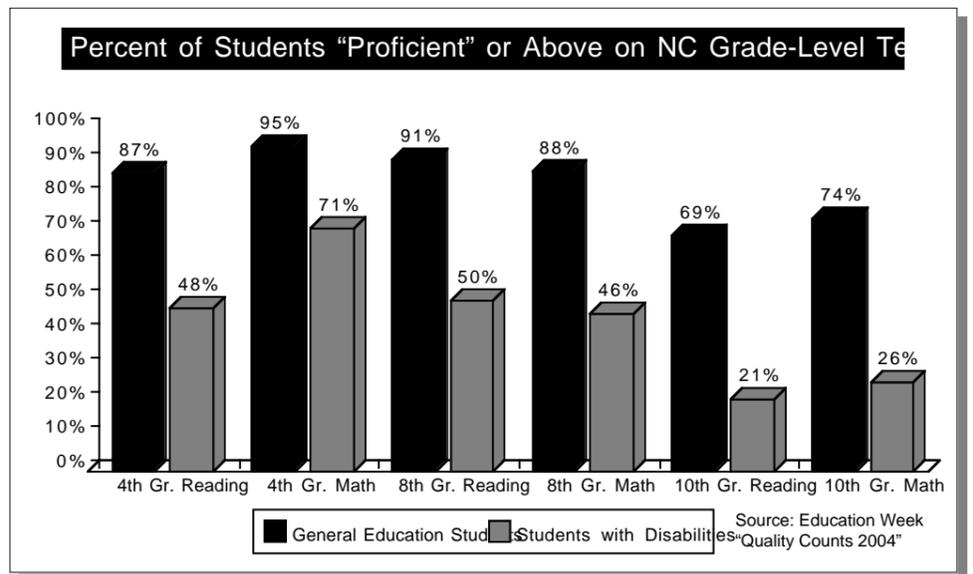
According to *Education Week*, the range of possible disabilities is so wide that special education students are more different than alike. Children with specific learning disabilities make up the largest single category of students covered by the Individuals with Disabilities Education Act. Almost half of all special ed enrollments, or 48 percent, are due to SLD students. Speech and language impairment affect another 19 percent, mental retardation 10 percent, and emotional disturbance 8 percent of the special ed population.

In addition to these, about 2 percent of kids are diagnosed with multiple disabilities, 2 percent are autistic, and hearing impairment, orthopedic impairment, and developmental delay account for another 1 percent each. The final 7 percent fall into the "other" catchall category. In all, nearly 6.6 million students are enrolled in special education programs across the nation.

According to the National Center for Education Statistics, 14.2 percent of the 1.4 million public schoolchildren in North Carolina's schools during 2002-03 had some type of learning disability. Another 4 percent were of limited English proficiency. These percentages indicate that in 2002-03, North Carolina public schools served about 255,000 special ed students under IDEA.

Inclusion

Before No Child Left Behind, many special ed kids would have been excluded from standardized testing, or held to separate or lower standards. Since 1998, when the National Assessment of Educational Progress began to allow accommodations for students with disabilities, national testing has become more inclusive. And on state-level end-of-grade tests, disabled students can receive alternative assessments, modifications, or test accommodation, de-



pending on their Individualized Educational Plan.

Whether on the NAEP or on North Carolina end-of-grade and end-of-course tests, students classified as learning-disabled have not been able to match the academic scores of their nondisabled peers, however.

The average composite level of proficiency for fourth-, eighth- and 10th-grade special education students in North Carolina was less than 44 percent at the end of the 2002-03 school year.

This fact has many educators worried about the fairness of requiring virtually all special ed students to be tested in the first place, and to holding special education students to the same proficiency standards as students in general education.

Flexibility can reduce the potential for unfair comparison, however. North Carolina is one of 26 states that count students who take tests under nonstandard conditions in their No Child Left Behind participation rates. In some cases, as with test modifications, flexibility could alter what is being measured on the test.

Most states, North Carolina included, count alternative assessments in their participation measures. Only 18 states allow any out-of-level testing (testing a grade level below the enrolled grade). North Carolina counts its out-of-level testing in state participation rates.

Proficiency

To avoid the problem of comparing apples and oranges, the "Put to the Test" segment of *EdWeek's* report states that

"...each state's [proficiency] rates were determined by comparing the number of special education students who scored at or above the proficient level on state tests with the total number of special education students enrolled in the tested grade. The same procedure was used to calculate proficiency rates for general education students."

The significance of using the entire general or special ed population to calculate percentages is clear. According to the report, this gives "a more complete picture of how the total student population performed, as opposed to how well a group of tested students performed." The facts are sobering.

In 30 of 39 states that supplied complete proficiency data for the *EdWeek* study, the gap between special and general education students was 30 percentage points or more in fourth-grade reading alone.

In six of the 39 states, the reading proficiency gap was more than 50 percentage points.

Only five states reported fourth-grade reading proficiency gaps of less than 30 percentage points.

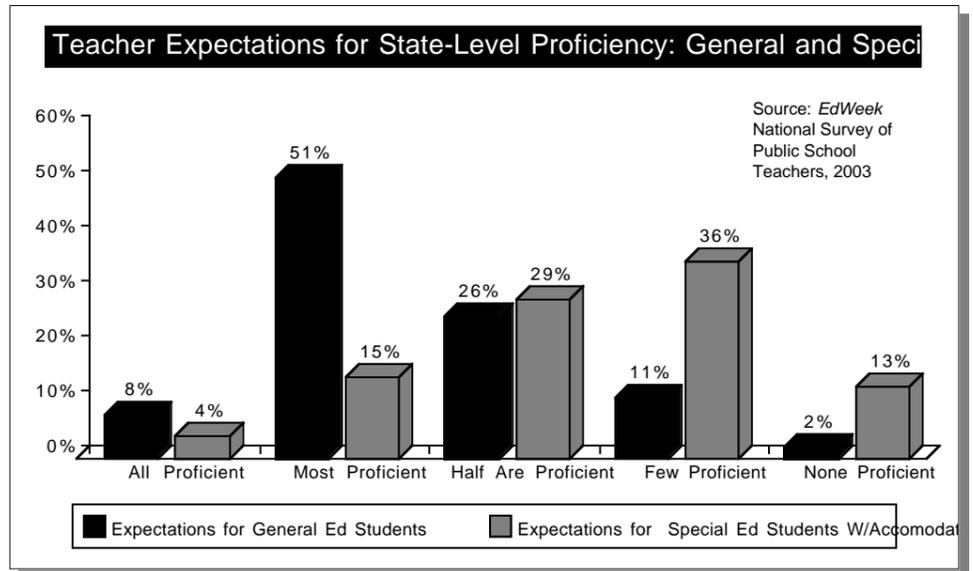
The story doesn't improve in high school. High school proficiency levels for general vs. special education revealed proficiency gaps wider than 30 percentage points in 30 out of 36 states.

Expectations

According to "Quality Counts," only 4 percent of teachers think all of their special ed students can score in the proficient level on state tests; 13 percent expect that none of those students will hit the proficient mark in 12 years.

If expectations drive outcomes, there is trouble ahead for No Child Left Behind. And as a matter of practice, accountability standards in special education remain both difficult and unsettled issues. *cr*

...students classified as learning disabled have not been able to match the academic scores of their non-disabled peers...



Compensation varies with professional training, national study shows

# Professional Pay Standards: Too Low For High-Quality Teachers?

By BRIAN GWYN  
Contributing Editor

**I**n recent years, North Carolina has placed increasing emphasis on teacher pay. Education officials and teachers argue that higher teacher compensation is needed to improve the quality of education across the state. Citing concerns that teachers are underpaid relative to other professionals, the National Education Association and the American Federation of Teachers have steadfastly worked to increase monetary as well as nonmonetary compensation for their members.

Two education experts recently squared off on this subject in *EducationNext's* "Are Teachers Underpaid: New Facts on an Old Debate." The results are predictable: The answer depends on what is counted in the compensation package.

The debate, between MIT Professor of Economics Peter Temin and Ohio University Economics Professor Richard Vedder, brings out the strong as well as the weak points in this ongoing controversy. At the bottom line remains the question: Is increasing teacher pay the best way to raise the quality of education? Next, and not least important, how do we properly measure teacher "pay?"

According to the NC Education Alliance *Ranking Teacher Pay 2002* report, after adjusting for cost of living, North Carolina ranked 13<sup>th</sup> in the nation in teacher compensation. North Carolina, however, has yet to meet the No Child Left Behind teacher-quality requirements.

In a market economy, monetary "worth" must be tied to effectiveness, the authors of the *EdNext* point-counterpoint discussion argue. Thus engineers, math-computer professionals, and others whose work requires a minimum of a master's degree, for example, may well command higher dollar pay than elementary-school teachers who have a bachelor's degree alone.

### Low pay, low quality

In "Low Pay, Low Quality" Temin points out three main problems that face policymakers when deciding teacher compensation. First, how do you measure the quality of a teacher? "Many of the attributes that make for a good teacher are outside the regime for testing or licensing teachers. A high-quality teacher is one who can energize and motivate students in addition to imparting information — "qualities that

are hard to recognize at the hiring stage," Temin writes. He argues that raising teacher pay by small increments will do nothing for improving teacher quality; an unqualified candidate can easily slip through the cracks.

A second problem, according to Temin, is that teacher pay has not kept up with demographic trends. Women have historically filled teaching positions, and policymakers have not acknowledged the attractive new opportunities open to women. In this sense, Temin writes, teacher salary is too low to make teaching a viable option for many modern women. When nonteaching opportunities were few, markets responded with low wages, he says.

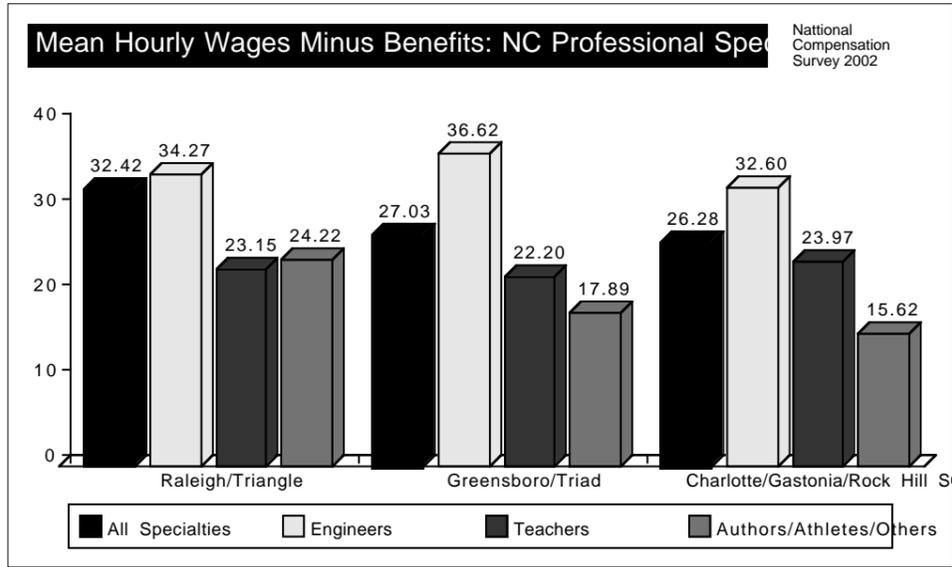
Third, Temin discusses how government policies have made teaching even less desirable than it would otherwise be. Testing, extra duties, and undermining teacher authority in the classroom have caused good teachers to leave the profession.

Reform measures such as testing have been designed to boost teacher quality, but stricter controls on teachers mean "less tangible and more creative parts of teaching are discounted relative to the basic mechanics of teaching." New restrictions, according to Temin, have taken away the intrinsic rewards without increasing the main extrinsic one — pay.

### Comparable worth

In "Comparable Worth," Vedder responds to Temin by saying that the goal should be overall effectiveness in education, rather than boosting teachers' salaries. If policymakers only look at pay increases as ways to boost student achievement they might be discounting other methods that could prove just as effective (or more so). Vedder writes, "For instance, say a school district could raise its average test scores by one point by spending an extra \$1 million on teachers' salaries. But what if the school district would induce a two-point increase in scores by spending the same amount on nonprofessionals to tutor struggling students?"

Taking a step further, Vedder argues that teachers are not underpaid; rather, the distribution of pay is what is suspect. He references data from the National Compensation Survey of the Bureau of Labor Statis-



tics, which shows that teachers actually earn slightly more than other professionals. The data, however, are calculated by hour and may not include the extra time spent by teachers outside the classroom. Still, the data exclude fringe benefits such as health insurance or retirement plans, which can be substantial for teachers. Adding these factors into the equation help give a better picture of teacher compensation, as the *Ranking Teacher Pay 2002* report demonstrated.

### Teacher-Pay Inequities

Vedder concedes that three types of teachers may, in fact, be underpaid. "Three groups of public school teachers can make a good claim for not being typically paid above-market compensation: unusually effective teachers, teachers in specific geographic areas, and teachers with specialties that are in great demand," Vedder writes.

Vedder concludes that if pay were redistributed according to demand, much of the criticism would subside. Schools receive overwhelming numbers of applications for social studies and English positions, but too few in science, math, and special education. Vedder thinks the problem would be solved if school boards could pay more for the positions they need and less for the positions that have too many applicants.

Pay increases have been a focal point of

education reform in North Carolina in recent years. The N.C. Excellent Schools Act boosted teacher compensation in many ways, including higher starting pay, longevity pay, and incentives for seeking national certification or advanced degrees.

According to the state's pay scale, a certified teacher who has 12 years of experience and a bachelor's degree earns \$35,110, excluding local supplements and fringe benefits. The teacher would earn \$38,620 with a master's degree.

Since boosting pay, North Carolina's scores in both reading and mathematics have improved slightly on the National Assessment of Educational Progress.

At first glance, Vedder's argument that teachers are paid above the level of other professionals seems untrue in North Carolina. Vedder noted that professionals statewide earn an average of \$27.49 per hour, while a teacher who has 12 years of experience and a bachelor's or master's degree earns \$22.80 or \$25.08, respectively. He argues that omitting benefits and tenure understates the total value of teacher compensation, however.

What can North Carolina do to address the teacher quality and teacher pay question? Temin suggests money should be earmarked for merit pay, at the discretion of districts. Vedder argues that schools should reward teachers who take on larger classrooms by giving the teachers extra pay. Both authors agree that the relationship needs more study, rather than a purely knee-jerk response. In the end, high-quality education for the nation's schoolchildren is what matters most to both experts.

...the data excludes fringe benefits such as health insurance or retirement plans that can be substantial for teachers.



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## Bats in the Belltower

## "He's a racist!" they reasoned

The letters section in the Duke University *Chronicle* of Dec. 3, 2003, was filled with reactions to a letter the previous day. The letter, written by Paul Musselwhite, responded to recent editorials in the *Chronicle* denouncing various student factions and Duke students in general for self-segregation; i.e., *racism*. Musselwhite suggested their concern over race consciousness by students focused "only on fraternities and other campus social institutions [for] causing structural segregation," but they ignored "many other large factors."

"Affirmative action is the elephant in the room," Musselwhite wrote. "Affirmative action at peer institutions results in admitting African-Americans that have SATs that are about 200 points lower than their non affirmative action peers. Having a group of clearly identifiable students that are part of an educational cohort that is considerably lower than the general population of the school is bound to lead to ghettos, socially and academically."

"While it would be sad for students to make judgments based on physical attributes, it is easy to do. Designing structures that encourage interaction based on nonracial factors involves making interaction as easy as possible. Making academic excellence, as opposed to academic competence, a universal standard will encourage beneficial interaction," he wrote.

"The end of affirmative action would allow students to interact with each other as true peers, and thus increase the chances for racial mixing," Musselwhite wrote. "Try ending institutionalized discrimination before killing frats and selective living groups."

So how did the scholars at the highly selective Duke react to Musselwhite's letter? With personal attacks, of course. From the letters of Dec. 3, some Duke students reasoned that Musselwhite:

- is "ignorant" (two out of three letter writers agree)
- has a "veiled desire [that] Duke must accept fewer minority — specifically black — applicants" (not so veiled that this intellect didn't detect it!)
- aims to "wipe[] out any traces of minority presence on this campus"
- is afflicted with "xenophobia"
- has "issues with race, more specifically African Americans"
- is himself responsible for the self-segregation at Duke, because "the tactless expression of opinions such as his have impacted Duke's racial climate," and therefore, "in order to avoid contact with individuals who are equally as ignorant and uninformed as Musselwhite, some blacks just choose to align themselves with those like them."

## Doggone, it's not just at UNC!

Here is part of the course description for Franklin & Marshall College's "Mind, Self, and Spirit 118":

"Does your dog think? Does your dog have emotions? Is your dog conscious? ... Is thinking having symbols and images in your head? ... What are emotions? ... Finally, what is consciousness? Can you define it? Are you even sure you have it? All of these questions will be explored over the course of the semester..." *CF*

## Patriot Act, Ignorance of First Amendment Threaten Freedom on Campus, Reports Say

By JON SANDERS  
Assistant Editor

**T**wo recent reports sound warnings about freedom on university campuses. A report by the American Association of University Professors centers on threats to academic freedom since the terrorist attacks of Sept. 11, 2001. A report by the Foundation for Individual Rights in Education demonstrates college students' and administrators' lack of knowledge of the First Amendment protection of religious liberty.

## Raising 'troubling questions'

The AAUP report was prepared by a special committee tasked with "assessing risks to academic freedom and free inquiry posed by the nation's response to the attacks on the World Trade Center and the Pentagon." A key portion of the report looks at provisions of the USA Patriot Act, which the report states "gravely threatens academic freedom." In general, the report states, "The speed with which the law was introduced and passed [in October 2001], the lack of deliberation surrounding its enactment, and the directions it provides for law-enforcement agencies have raised troubling questions about its effects on privacy, civil liberties, and academic freedom."

According to the report, provisions in the Patriot Act that affect academe include: granting exceptions to the Family Educational Rights and Privacy Act (1974) to allow senior officials in the U.S. Department of Justice with a court order to collect educational records related to an investigation or prosecution of a suspected terrorist; altering the Electronics Communications Privacy Act (1986) to eliminate the wiretap statute for voice communications stored with third-party providers (such as presumably university voice-mailboxes), requiring instead a search warrant, which is easier to obtain than approval of a wiretap permit; and amending the Foreign Intelligence Surveillance Act (1978) to "eliminate the specific categories of information" covered and extends its coverage to "any 'person,' a designation that can encompass academic libraries, university bookstores, and Internet service providers."

The report was also cautionary over the Public Health Security and Bioterrorism Preparedness and Response Act of 2002, which places security strictures over "every laboratory in the nation that works with 'select' biological agents." The report also lists several problems and concerns with the Student Exchange Visitor Information System, "a Web-based system to track foreign students and scholars," and the more rigorous screening requirements for foreigners from countries designated as supporters of terrorism (Cuba, Iran, North Korea, Syria, and others) or as sensitive (Russia, China, and India).

Furthermore, the report questions the overall effectiveness of restrictions on "sensitive" information and research and also regulations on exports. It acknowledges that the "classification system [for information] and export regulations are suitable for restricting the release of information that could result in sudden and drastic gains by terrorists." It says, however, "The challenge is to restrain the dissemination of only that research which, if disclosed, could harm national security."

Finally, the report discusses "issues that have arisen within the academic community and the ways in which faculty mem-

bers, administrators, and governing boards have dealt with challenges to academic freedom." It discusses the cases of University of New Mexico Professor Richard Berthold (who joked in class that "Anyone who can blow up the Pentagon gets my vote"), Orange Coast College Professor Kenneth Hearlson (falsely accused by Muslim students of calling them "terrorists" and "Nazis"), and some others. The report denounced as "disturbing" the University of South Florida's dismissing of Professor Sami Al-Arian, who was arrested with several others for having "raised funds and provided material support for terrorist organizations."

Two universities in North Carolina merited mention in the AAUP report. UNC-Chapel Hill was discussed owing to the controversy and lawsuit over its assignment of Michael Sells' *Approaching the Qu'ran: The Early Revelations*, but the report noted that "the UNC administration held firm."

N.C. State also was mentioned in the report under a section highlighting "intense community response, even expressions of outrage," to visiting speakers. The report states that "talk-show host Phil Donahue managed to finish his commencement address at North Carolina State University, despite boos, catcalls, and the visible departure of some graduates." (The report's paucity of description does not inform readers that the boos began after, as reported by Baker Mitchell for *CarolinaJournal.com*, Donahue had "harangued parents for their role in trampling the United States Constitution and said that the graduates must protect this sacred document by becoming liberal.")

The AAUP also discusses the threat presented by "private groups, parading under the banner of patriotism or acting to further a specific cause, [that] have been monitoring academic activities and have denounced professorial departures from what these groups view as acceptable." Nevertheless, the report says, "As private entities, these groups are protected by the First Amendment from state censorship or sanction as long as they stay within lawful bounds. They are sheltered by the same freedom of expression that we seek for ourselves, and they are equally subject to public rebuke."

The AAUP report also says, "Insofar as a particular professor might be thrust into the rough and tumble of the public arena, the law demands, as a prominent legal scholar once put it, a certain toughening of the mental hide. Such is the price of free speech."

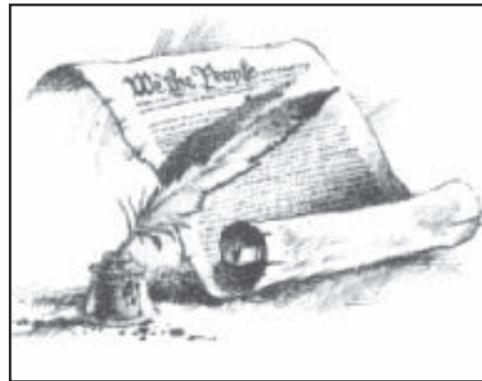
## Congress shall make no law...

Concerning the understanding of religious liberty on campus, the Center for Survey Research and Analysis at the University of Connecticut conducted surveys for FIRE between December 2002 and April 2003. The surveys involved 1,037 students representing 339 colleges and universities (margin of error is  $\pm 2.8$  percent) and 306 administrators from 306 colleges and universities (margin of error is  $\pm 5.6$  percent).

Among the survey's findings were that, when asked to name a freedom protected

by the First Amendment, about one-fifth, or 21 percent, of administrators and almost one-third, or 30 percent, of students named religion. When asked to name which freedom the First Amendment mentioned first, only 6 percent of administrators and just 2 percent of students correctly answered the freedom of religion.

Even knowing about the First Amendment protection of this right, only 74 percent of students and 87 percent of administrators stated that it is "essential" that students on their campus have this right. Concerning the free exercise of religion (and speech, also), a majority (55 percent) of students would allow religious individuals to spread their religious beliefs *only* if they did not give offense in



doing so, while just 32 percent favored allowing students to spread their religious beliefs by whatever legal means they choose. Administrators were evenly divided, with 41 percent favoring not giving offense and 41 percent favoring whatever legal means chosen.

Surprisingly, even though the free exercise of religion is the first protected right in the Bill of Rights, almost one-fourth, or 24 percent, of administrators believe they have the legal right to prohibit a student religious group from actively trying to convert students to its religion — even though half that number, or 12 percent, think they have the legal right to prohibit a nonreligious student group from actively recruiting members.

Freedom of (voluntary) association is another First Amendment right, but administrators were found to be inconsistent in their views on its application. Less than one-fifth, or 19 percent, of public-college administrators knew that U.S. law (most recently upheld in the 2000 U.S. Supreme Court case of *Boy Scouts of America v. Dale*) permitted a religious group that believes homosexual behavior is sinful is permitted to exclude homosexuals from joining their group. Nevertheless, 34 percent of public-college administrators believed they have the right to compel students to attend diversity training or sensitivity training to value all sexual preferences regardless of their personal beliefs.

"If the American experiment in liberty is to survive, citizens must both keep alive and cherish the free exchange of ideas, values, and convictions. These survey results are disheartening, but unfortunately they are not surprising," said FIRE President Alan Charles Kors. "Freedom of speech and freedom to worship are undergoing a frightening and powerful assault."

Kors said he hoped the survey results would serve as wakeup call for people concerned with religious liberty on campus.

"This survey confirms what students of faith have long perceived — that their fellow students and the administrators either misunderstand or minimize the extent and importance of their First Amendment rights," said David A. French, author of the *Guide to Religious Liberty on Campus*, recently published by FIRE. "It is ironic that administrators who are so eager to encourage 'tolerance' and 'diversity' know so little about the fundamental freedoms that make true diversity and tolerance possible." *CF*

## UNC-CH Opens Semester Abroad Program With the University of Havana in Cuba

By JON SANDERS

Assistant Editor

RALEIGH

This semester the College of Arts & Sciences at the University of North Carolina at Chapel Hill began a semester abroad program in Cuba. The university teamed with the University of Havana.

The study abroad was made possible when the U.S. Department of the Treasury renewed UNC-CH's site license governing travel to Cuba. UNC-CH's previous license preceded federal restrictions put in place after the Sept. 11 terrorist attacks.

Eight UNC-CH undergraduate students and a graduate student will participate. The undergraduates will attend courses in Cuban history, culture and international relations, and Spanish language, and grammar. They will be taught in English by Havana faculty.

The program also seeks to have UNC-CH professors meet with the Cuban leaders. The meetings would focus on furthering relations between North Carolina and Cuba, to include agriculture and other kinds of trade between the state and the dictatorship.

Only a handful of American universities have partnerships in Havana. Robert Miles, UNC-CH's study abroad executive director, negotiated UNC-CH's agreement with Havana, which includes, according to the Arts & Sciences online Showcase of the program, contributing "something academic to the University of Havana in return." The Cuba program is "a program of activities that includes the study abroad program alongside a number of other academic collaborations."

The program receives, upon the approval of Richard Soloway, interim dean of the College of Arts and Sciences, private funding from the Arts and Sciences Foundation.

### A head start — or legitimizing a brutal regime?

Fidel Castro seized power in Cuba in 1959 by overthrowing the dictator Fulgencio Batista. Under Castro, Cuba became a one-party state dominated by the Cuban Communist Party, but Castro himself oversees every political appointment and outlets of political power in the country.

"Under Castro, the cycles of repression have ebbed and flowed depending on the regime's need to keep at bay the social forces set into motion by his severe post-Cold War economic reforms," reports Freedom House ([www.freedomhouse.org](http://www.freedomhouse.org)). "There are some 320 prisoners of conscience in Cuba, most held in cells with common

criminals and many convicted on vague charges such as 'disseminating enemy propaganda' or 'dangerousness.'"

Cuba receives the lowest scores that Freedom House gives for political rights and civil liberties.

"In Cuba it is a crime to criticize Fidel Castro and his functionaries, criticize communism, associate conscientiously, establish independent media, or leave Cuba without permission," said Myles Kantor, a columnist for FrontPage Magazine and editor-at-large for Pureplay Press, which publishes books about Cuban history and culture. Kantor said the Castro regime's totalitarian orthodoxy brings to mind Frederick Douglass' observation that "Liberty is meaningless where the right to utter one's thoughts and opinions has ceased to exist. That, of all rights, is the dread of tyrants."

### What's next after Castro dies?

UNC-CH officials, however, point to Cuba as a nation "on the brink of transition" because Castro is 77 years old and in failing health. "Cuba is right next door to us," said Evelyne Huber, who is a Morehead Alumni professor of political science and also director of the Institute of Latin American Studies. "Whether there is going to be a peaceful transition or a violent transition there [after Castro's death] is of great importance to us."

"Understanding the people with whom you want to have expanded economic ties and cultural ties is very important," said Louis Perez, citing UNC-CH's "very strong" library collection of Cuban newspapers, magazines, and books. The Carlyle Sitterson professor of history also said, "We want to be in a position to have already established collaborative relationships on many different fronts, so that when relations improve (between the Cuban and U.S. governments), our students, the academic community, and the larger public of North Carolina will have a sort of head start."

Kantor said the program implies legitimizing the present Cuban regime. "Given this systematic violence perpetrated against Cubans — specific atrocities including the mass imprisonment of human rights activists last year and the expulsion of university students who signed the Varela Project — the legitimizing implications of UNC-Chapel Hill's Cuba program are problematic, to say the least," he said. "Instead of solidarity for Cuba's independent intellectuals, UNC pursues collaborations (to use Miles's word) with the regime that persecutes these heroes and crushes the academic freedom UNC would no doubt profess to cherish." *CJ*

## UNC-CH Sophomore Reports He Did Just Fine After a Summer Experiencing 'Nickel & Dime'

By JON SANDERS

Assistant Editor

RALEIGH

Last summer, as the University of North Carolina at Chapel Hill was assigning Barbara Ehrenreich's *Nickel and Dime: On (Not) Getting By in America*, UNC-CH sophomore Matthew Pulley was experiencing, for the first time, living on his own, with only a small income to sustain him.

Rather than feeling lied to about the American Dream, Pulley left his experience puzzled about Ehrenreich's published difficulties. In fact, as he writes in the October 2003 *Carolina Review*, he has "a hard time seeing how [Ehrenreich] could have failed, other than the fact that she set herself up for failure from the start."

Pulley writes that he "unknowingly participated" in the Ehrenreich experiment in that over the summer, he "got a job, found an apartment, and at age 19, lived independent of my parents for the first time."

Like Ehrenreich, he writes, his experience lasted about three months, but unlike her, "I had neither a significant savings nor a 'permanent home' to fall back on... failure was NOT an option for me."

Also unlike Ehrenreich, he writes he "could not afford to take the lowest paying job offered to me." He had completed only one year of college, as opposed to Ehrenreich's three. And as he was also attending UNC-CH part-time during the summer, he had to pay for tuition and books — a large expense *not* faced by Ehrenreich.

As Pulley explained in a December 2003 followup piece in *Carolina Review*, he worked 14 weeks as a lab technician. Although that job "could be considered specialized," he writes that his brother "makes more money per hour as a pizza delivery boy" so he doesn't think working as a lab technician "gave me too much of an advantage on the income level."

Overall, Pulley reports that he earned \$2,854. From that he paid out \$1,200 in rent for his one-bedroom, one-bath apartment in Carrboro, \$550 for food, \$420 for his car, \$150 in utilities, and \$450 in tuition and books. This left him with \$84 left over. He writes that "I had more than enough to get by," and also that he could have chosen to save more by adding a roommate.

He did have some advantages, however. For one, he had a \$30 membership to Sam's Club that his parents had purchased. Also, he had a "willingness to eat Cheerios and PB&J" and not "eat every meal in a restaurant," because "Food is not at all expensive if you're actually willing to cook for yourself and brown bag your own lunch."

Pulley found that "even living on my own as a part-time worker, earning less than the average \$243 per week Ehrenreich boasted, and living in housing considerably over the 30 percent of my income that is claimed 'affordable,' I managed to get by AND put myself through summer school."

To him this was instructive. "This is part of the American Dream, putting in long hours and hard work for a chance for a better tomorrow." *CJ*

## Of NCSU Orientation, Racial Identification

Your first step towards academic success at NC State University begins with your orientation to the university. The University requires all first-year students to attend New Student Orientation, during which you will be introduced to the academic opportunities available to you. As part of your orientation we invite you to attend the White Folks Symposium. Faculty and staff members, as well as the Symposium Counselors will be on hand to assist you and to answer your questions about NC State's academic programs and campus activities.

"Through your involvement in the White Folks Symposium, you will gain valuable insight into campus life from the perspective of White faculty, staff and students. You will have the opportunity to enhance your knowledge of self, develop transitional strategies for academic success and begin building your personal network of support. This orientation is an introduction to a variety of exciting academic and cultural experiences, which will challenge your minds. It's a chance to learn about NC State University's diverse academic disciplines, offerings which push you beyond the ordinary by encouraging participation in independent study, major research projects, special seminars, scholars programs and forums. It is also a sampling of State's cultural and social opportunities.

"The opportunity is at hand to absorb all the ingredients, which have made NC State University one of the nation's premiere institutions. Seize the moment and join us! The faculty, staff and students are anxious to meet you and welcome you to NC State University. See you in July!

"Warmest regards,

"Dr. Justin Ordic, Director, White Student Affairs"

### White Symposium history and purpose

"The White Folks Symposium is a summer educational and transitional experience sponsored by the Office of Multicultural Student Affairs and the Office of White Student Affairs. Its purpose is to foster a sense of community for incoming first-year White students and to provide them with information about campus support, personnel, coping strategies and White heritage and contributions as a basis for helping ensure their academic, social and emotional success at NC State. The Symposium began in 1983 as a response to concerns about the retention and successful advancement of White students... Today the Symposium is an institutionalized retention and advancement effort of the University and is specifically designed to achieve the following objectives:

"1. To maximize the academic success of White students.

"2. To encourage multiculturalism.

"3. To facilitate the enhancement of strong White cultural identity and positive self-esteem.

"4. To coordinate activities which enable White students to get to know each other.

"5. To educate White students and parents/relatives about the availability and appropriate use of various campus resources and support services.

"6. To provide opportunities for interaction with White faculty, staff and upper-class students.

"7. To provide information about our rich White heritage and the valuable contributions we've contributed..."

OK, there is no "White Folks Symposium" at N.C. State. (Thank goodness!) But N.C. State does have a Native American Symposium and an African American Symposium, from which all of the text to this article (except for "White," "White Folks", and the director's name) was taken. The texts for the two real symposia are identical save for the use of "African" or "Native." For some reason, it seems to read differently with this substitution. Why? *CJ*



Jon Sanders

## Course of the Month

They're Living in a Materialist World  
— of Bearded, 19th Century Germans

This month's selection is another Duke University course selected by Young America's Foundation for inclusion in its annual report on silly college courses, "Comedy & Tragedy: College Course Descriptions and What They Tell Us About Higher Education Today."

## WOMEN'S STUDIES 161S: MONEY, SEX AND POWER

*Capitalism as a historical force in its relation to gender and race structures. The intellectual history provided by Marxist critiques of capital for the development of a distinct body of feminist materialist thought, including dual systems theory, ideology critique, poststructuralist understandings of language and culture, and the rise of globalization as the latest economic context in which to think about gender, material life and power.*

Ah, yes, the ever-present *reductio ad marxiam*: Professor Y posits Topic X, students discuss Topic X, Professor Y steers discussion into the same, old, tired waters of "gender, material life and power" — and that's only because Professor Y teaches women's studies as opposed to an ethnic studies discipline (in which case, of course, he would steer the discussion into the old, tired waters of *racism* &c.).

The contrast presented in this course description is interesting, though not unusual. Marxist critiques of capital leave an *intellectual* history, although capitalism is a *force* that relates to gender and race structures. (Structures? What about our "poststructuralist understandings"?)

Beyond this "force" of capitalism, CM wonders why anyone is interested in Marxist critiques of *anything*. The past century alone finds more than 100 million graves owing to the force of Marxist and materialist thought and tyranny that it enabled to breed. Yet this "intellectual history" is given a bone-chilling pass by the savants in academe. Anyone would rightly scoff at a course description that promised "the intellectual history provided by Nazi critiques &c." At least today's Marxists allow themselves the luxury of joining the rest of civilization in denouncing the National Socialists (Nazis), but one wonders whether that's merely owing to sibling rivalry — the Nazis edged out the Communists in Germany just as the Bolsheviks edged out the Mensheviks in Russia — but they're all socialist, collectivist systems rooted in Marxism and leading to slaughter, terror, privation, and despair.

The ideas expressed in the above course description are quite old and tired, as Darío Fernández-Morera shows in *American Academia and the Survival of Marxist Ideas* (Praeger 1996):

"Seemingly unaware that what they say has already been said many times, and possibly said better, by socialist professors in Europe and elsewhere, American feminist professors continue to reiterate materialist teaching dating back to Marx and taught for generations in the socialist countries. Under the guise of a

'Gender' philosophy and history of science, they are presented as something new when in fact they constitute strikingly comprehensive replications of Marxist theories... Feminist theory merely replaces the notion of class with that of sex (or 'gender,' as puritan feminists prefer)... [Their] writings sometimes mimic quite accurately the materialist positions of Lysenko and Stalin on the politically conditioned nature of science."

In sum, Fernández-Morera writes, "With their contemporary makeup removed, the fundamentals of the non-individualist version of feminism and 'women studies' turn out to be those developed by bearded, middle-class, white paterfamilias in nineteenth-century Germany."

## Update on last month's pick

Last month CM left open the possibility that the UNC-Chapel Hill German Languages course "Canine Cultural Studies" was an elaborate hoax. Now CM is pleased to report that it isn't. As the professor of the course, Alice Kuzniar, writes on her departmental web page ([www.unc.edu/depts/german/personnel/kuzniar-p.html](http://www.unc.edu/depts/german/personnel/kuzniar-p.html)):

*Most recently, my teaching and research have taken a new turn! I taught a first year seminar entitled "Canine Cultural Studies." Those who know me personally also know of my passion for whippets. For this class, in which we studied art, film, and literature on dogs, I also organized*

*an exhibition at the Ackland Art Museum and took my students to the American Kennel Club headquarters in Raleigh NC, where they could discuss canine legislation, breeding practices, and other hotly debated issues with the directors of various departments at the AKC. I realized, though, that, despite all the exposure my students had to pets and despite all their enthusiasm for dogs, their vocabulary for discussing them was strictly circumscribed.*

*Their writing was journalistic and would not allow them to explore the complexities in the works of Franz Kafka, Virginia Woolf, or J.M. Coetzee. I decided then that it was imperative to write about the difficulties of expressing the ineffable communication between dogs and humans—and to see how the literary and visual arts explore this dilemma.*

*In my forthcoming book Melancholia's Dog, inspired by debates in animal rights philosophy, I will devote chapters to how various artists address the issues of muteness, intimacy, shame, and death with respect to dogs.*

Kuzniar earlier states that "My ongoing captivation with 'Nekromantik' has even taken the form of a graduate course on 'The Undead'" (CM is sad to note that it missed the opportunity to honor that course). Other courses Kuzniar has taught include "The New Queer Cinema," "German Cinema: An (Inter-)national Film History," and "Postmodernist Aesthetics: Handke and Wenders." cr



## Colleges Shut Down Bake Sales That Protest Racial Preferences

By JON SANDERS

Assistant Editor

RALEIGH

This past fall, several universities shut down "affirmative action bake sales," held by students protesting race-preferential admissions policies.

In an affirmative action bake sale, baked goods have prominently advertised different prices according to the races of the buyers. The protest is intended to promote campus debate about the fairness in discriminating according to race, as race-preferential admissions policies do.

Bake sale protests are not new on college campuses. Feminists, for example, use them to promote debate over the "wage gap" between working men and women.

Shutting down such protests, however, is new. The shutdowns violate free speech, said Thor Halvorssen, CEO of the Foundation for Individual Rights in Education.

"Parody and political satire are not illegal in this country," Halvorssen said. "College administrators appear to be under the mistaken impression that protesting affirmative action is not covered by the First Amendment of the U.S. Constitution."

On Sept. 24, Southern Methodist University shut down the Young Conservatives of Texas' protest only 45 minutes after it began. Dean of Student Affairs Jim Caswell told ABC News that university policy forbids harassment. "Some folks felt harassed by this discriminatory menu," he said.

On Sept. 25, the University of California, Irvine ended the College Republicans' protest on the ground that the sale was "racially discriminatory."

On Oct. 8, the University of Washington stopped the UW College Republicans' protest after counterprotesters tore down their signs, threw their wares to the ground, and threw a box of cookies in a conservative student's face

On Oct. 31, Northwestern University ordered the Objectivist Club's protest at the Norris Center shut down because, Director J. William Johnston said, it was "discriminatory and not permissible legally nor justifiable morally."

On Nov. 8, The College of William and Mary's assistant vice president for student affairs, Mark Constantine, closed the Sons of Liberty's protest by ordering all signs removed because they were "violating campus policy."

Not all universities shut down such protests, however. Officials at the University of Texas-Austin and Texas A&M University allowed bake sales on those campuses to take place. So did Indiana University. At Indiana, the associate dean of students, Damon Sims, told the *Indianapolis Star* that the issue was a "freedom-of-speech issue," and "one of the more significant social and political issues of our time." Sims also said, "It is exactly the kind of dialogue that should be encouraged on college campuses." cr



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.

Now *Carolina Journal* is taking its trademark blend of news, analysis, and commentary to the airwaves with a new program — **Carolina Journal Radio**.

A weekly, one-hour newsmagazine, **Carolina Journal Radio** is hosted by John Hood, publisher of *Carolina Journal*, and features a diverse mix of guests and topics. Education reform, tax policy, the state legislature, affirmative action, air pollution, freedom of the press and the courts — these are just a few of the subjects that **Carolina Journal Radio** has tackled since the program began production in May.

Currently broadcast each weekend on 16 commercial radio stations — from the mountains to the coast — **Carolina Journal Radio** is a one-of-a-kind program that seeks to inform and elevate the discussion of North Carolina most critical issues, and to do so in a fair, entertaining, and thought-provoking way.

For more information or to find an affiliate of *Carolina Journal Radio* in your community, visit [www.CarolinaJournal.com](http://www.CarolinaJournal.com).

## At odds with American core principles

## Adrift of Scientific Principles, Universities Pursue Social Re-engineering

By STEPHEN H. BALCH

Special to Carolina Journal

RALEIGH

The last third of the 20th century witnessed the rise and triumph of the post-modern or, better yet, the “New Age University,” whose core mission involves bringing America into a new age based on substantially altered principles and social forms. To say that this New Age University faces America’s political and cultural establishment in an adversarial stance would, however, be to overstate the case, since many of the nation’s leaders already take their philosophic bearings from its beacon light. Nonetheless, a great residuum of regressive institutions, ideals, attitudes, and habits, remains to be reconstructed, and the New Age University approaches its redemptive work with formidable energy and ambition.

The watch-phrases of the university in its preceding “scientific phase” had been progress, meritocracy, academic freedom, reasoned debate, and protected dissent. In contrast, the watch-phrases of the New Age university are diversity, multiculturalism, sensitivity, the affirmation of difference, and race, gender, and class. As to science itself, it is ambivalent, still capitalizing on science’s remaining prestige, but increasingly hostile to its intellectual rigors, dispassion, and even results.

In the New Age University, governance is increasingly in the hands of “progressive” cadres of faculty and administrators, ideologically vetted and advanced, and backed by external and internal constituencies empowered by ethnicity, gender, and most importantly, unimpeachably progressive thought. Faculty autonomy, though still an honored principle, is, when in conflict with the new orthodoxy, regularly trumped — though given the close attention to who gets hired and tenured, these conflicts are becoming less frequent. Student life is also more heavily policed, with autonomous centers of student activity distrusted and often curbed. Some of this, of course, revives practices, though with very different ends, of the old-time denominational college.

The New Age University is egalitarian rather than meritocratic. Now involved in the education of nearly 50 percent of the adult population, and aiming at more, it has sorted its purposes into what might be

called the exo- and the esoteric. The former, constituting its public face, presents higher education as a ladder of career mobility, offering great gains for no more intellectual effort than every man (and woman) is able to provide (though generally at considerable, if highly subsidized, cost). With this exoteric goal in view, professional training is emphasized, while other standards and expectations are lowered to accommodate widened demand.

The university’s esoteric objective lies in its mission of social change, emphasizing group rights, entitlements, differential standards, attacks on tradition, and the discouragement, freezing out, or punishment, of dissenting views. Right reason is generally subordinated to right sentiment.

Indeed, the Supreme Court’s decision in favor of using race as a factor in university admissions, provoked the American Association of Colleges and Universities and 26 other higher-education organizations to publish an unusually clear statement of New Age Mission on the opinion page of *The New York Times*. “Every student”, it piously announced, “should learn about the struggles for full inclusion in our democracy, that have been a crucial part of the nation’s history. Such study will help all students gain the intercultural and civic knowledge and capacities that are needed in a diverse democracy, and a deep knowledge of the continuing struggles — in this nation and the world — to achieve equity and justice for all.”

Another straw in the wind was the 43-3 vote of the Academic Senate of the University of California, taken at the request of UC President Richard Atkinson, to remove from the system’s academic-freedom policy provisions that cautioned professors against making their teaching a “platform for propaganda” or attempting to “convert” students. As the National Association of Scholars’ newsletter put it, “The former code of faculty conduct, which was drafted in 1934, associated academic freedom with scholarship that gives ‘play to intellect



rather than passion,’ and conceived of scholarship as ‘dispassionate’ and concerned only with the ‘logic of facts.’ The revised version drops the requirement of objectivity, and accepts as legitimate any presentation of material that the ‘competent’

teacher chooses.”

The battle over political correctness has largely pitted the earlier ideals of the “scientific university” against those of the New Age model. Its outcome is critical because the core principles of the New Age University are not only at odds with those of the scientific, but also with many of America’s ideals of republican government:

- 1.) New Age ideals erode the concept of individual rights, autonomy, and meritocracy via diversity and group rights.
- 2.) They seek to supplant the concept of tolerance with “the affirmation of difference”, a euphemism for forced approval and coerced conscience.
- 3.) By sanctifying relativism they deny the possibility of moral judgment and critical thinking.
- 4.) They undermine the notion of fairness and rule of law, by encouraging the ideologically partisan enforcement of campus regulations.

5.) They poison the well of civic self-respect, through a heavy and constant emphasis on America’s collective and pervasive sins.

In fact, preoccupation with pervasive cultural sin is in ultimate tension with a basic assumption of representative government — that the people are sufficiently virtuous to govern themselves.

If there is ever going to be an effective recovery of the ideal of the university as a temple of science, that ideal is going to have to be somewhat rethought.

First, the concept of the scientific university must be strengthened by a more clearly delineated moral component, the absence of which has constituted its most conspicuous institutional weakness. No great institution can long survive emptied of moral content; human nature abhors moral vacuums, and if one set of moral purposes evaporates, another will seep in.

Second, those who seek to revive the scientific ideal will have to understand its practical limitations in the humanities and social sciences. This, in turn, will entail a re-examination of the modes of academic governance most appropriate to these fields, and the issue of why the established ones have failed to maintain norms of rigor, dispassion, and fair-dealing at anything like the levels commonplace in the natural sciences. Finding more suitable forms of governance will require a serious and imaginative rethinking of the constitution of academe. CJ



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## Town and Country

**Vote on convention center**

Voters in Raleigh and Wake County are overwhelmingly in favor of holding a referendum on a proposal from city and county officials to build a new convention center in downtown Raleigh, a public opinion poll by the Center for Local Innovation says.

Eighty-six percent of the respondents favored a public vote on the convention-center project, while 11 percent were against a public vote, and 3 percent were not sure. By almost as large a majority — 75 percent to 18 percent — Wake voters said they opposed giving a proposed \$23 million subsidy to a new for-profit hotel downtown to make the convention center viable. CLI, a special project of the Raleigh-based John Locke Foundation, commissioned the survey of 400 recent Wake County voters.

On whether to build the convention center itself, poll respondents were more closely split when asked an initial question: 45 percent opposed the project, 34 percent favored it, and fully 20 percent were undecided. But when told that the project's proponents expected to spend \$743 million over the next 30 years to build, market, and operate the facility, a majority (55 percent) said it would not be a "good investment of tax dollars," while only 29 percent said it would be, and 16 percent were undecided.

There were no significant differences in opinion between those respondents residing within the city and those residing in the rest of the county. Self-identified conservatives were more likely to say the convention center would not be a good public investment (63 percent, vs. 22 percent saying it would be) than were self-identified moderates (45 percent vs. 34 percent) or liberals (47 percent vs. 39 percent). But in all three cases, at least a plurality of respondents expressed a skeptical view when told of the project's long-term costs.

Interestingly, there was roughly the same level of public support for a referendum among supporters of the convention center (84 percent), opponents (89 percent), and undecided voters (85 percent).

**Lawsuits filed on Navy field**

Two lawsuits filed Jan. 9 asked a federal court to block the Navy from building a practice landing field near a national wildlife refuge and expanding airspace for practice flights over other eastern North Carolina refuges, *The Charlotte Observer* reports.

The suits were filed by Washington and Beaufort counties, where the airfield would be built, and by three environmental groups. They follow months of growing protests from local farmers, wildlife agencies, and Gov. Mike Easley.

The suits claim the Navy failed to take the "hard look" required by federal law at the field's environmental impact and any alternative sites.

Opponents say the noise of F/A-18 Super Hornets will disrupt the more than 100,000 snow geese, tundra swans, and other waterfowl that spend winters five miles away at Pocosin Lakes National Wildlife Refuge. To practice aircraft carrier landings, the jets would perform 32,000 touch-and-goes a year at the new airfield. *CJ*

# Rail Transit Destined to Fail, Experts Say

## North Carolina's low population density and lifestyle are not suitable

By **DONNA MARTINEZ**

Associate Editor

RESEARCH TRIANGLE PARK

**R**ail transit systems proposed for three North Carolina metropolitan areas are destined to fail because they conflict with the state's demographic trends, high auto usage, complex driving patterns, and low transit ridership, experts said at a recent Center for Local Innovation conference.

To have any chance of reducing road congestion and improving mobility, rail requires high-density population — and the problem is the state doesn't have it, Ted Balaker of the Reason Public Policy Institute told the audience at the *Innovate 2004* conference.

**Balaker: Densities matter**

For example, Portland, Ore., often cited by "smart growth" advocates as having a successful rail system, is home to 3,300 people per square mile, or nearly twice the density of Charlotte. The density of other major cities is much greater than North Carolina's metro areas as well. Los Angeles has 7,000 people per square mile, San Francisco has 6,000, and New York has 5,300.

In Charlotte, where there are 1,700 people per square mile, the cost of the proposal to build less than 10 miles of rail is estimated at \$371 million. Yet, Balaker said, proponents concede it will reduce auto traffic by just one-tenth of 1 percent, concentrate traffic around rail stations, and create new congestion. In the Triangle, estimates on the reduction of congestion are slightly better but still minuscule — perhaps 1 percent. The proposal for 35 miles of light rail and 16 stations requires an investment of \$844 million to serve 1,800 people per square mile. In the Triad, four possible rail corridors are being considered to serve fewer people. If all four are built for rail, he said, capital costs would top \$2 billion.

While the rail proposals would remove few cars from the roads, Balaker said, it won't matter to supporters once the systems are built. They will do what others have done: say that relief of congestion wasn't a goal anyway and that rail is increasing social identity and interaction. Those claims can't be quantified, he said, and rail supporters are able to avoid answering hard questions and accountability to taxpayers.

**Rubin: illogical city planners**

This convoluted thinking is practiced by many transportation planners, said conference panelist Thomas Rubin, a former controller-treasurer of the Southern California Rapid Transit District. Rubin described the illogical analysis of planners who tell themselves that things are going to get worse if they don't do something, that rail transit *is* something, and that rail is an acceptable solution even when research indicates otherwise.

"Bus and rail are neither good nor bad in and of themselves," he said. "They are tools. If you are driving a nail, a hammer is an excellent tool. If you are trying to drive in a screw, no. And when the only tool you have is a hammer, all your problems begin to look a lot like nails," he said of the knee-



Carolina Journal photo by Richard Wagner

**Chad Adams, director of the CLI, (far left) conducts a session with Balaker and Rubin (right).**

jerk reaction of smart-growth advocates to propose rail systems. Any rail plan must produce a quantifiable benefit and be built only if it's the best solution. Appropriate or not, the projects are notorious for cost increases, construction delays, and lower-than-expected ridership.

In 1980, Los Angeles County voters passed a plan for 11 rail lines funded by a half-cent sales tax. In 1990, one line was open but planners determined funding was insufficient, so voters approved another half-cent tax. By 2003, only four lines were open, with others in various stages of development. Officials still need more money and are considering proposing a third half-cent sales tax. Even if passed, it won't be enough to complete all 11 lines.

The logic planners typically use to compare rail capacity with freeway capacity is equally flawed, Rubin said. Capacity comparisons look only at passenger miles and do not acknowledge freight that moves over highways and that rail cannot accommodate. These "ton miles" are key elements of traffic and should be considered when evaluating the productivity of transportation options. "It does nothing, nothing for you," he said of rail transit's inability to move freight.

**Cox: Transit usually ineffective**

If urban planners were more diligent, they would understand the fallacy of many purported rail benefits, said Wendell Cox, a transportation analyst who studies transit projects around the world. Transit must be effective at more than getting people to downtowns or it can never compete with the car. In the United States, he said, average downtown employment is about 4 percent to 6 percent of an area's work force. That leaves at least 94 percent of workers who use cars to get to and from work.

It's no surprise to Cox that there are few places where transit's market share is increasing. In the United States, 1.9 percent of trips are on transit, driven largely by high usage in New York City, where transit accounts for 9 percent of trips. In Charlotte and the Triangle, only one out of every 200 trips is on transit. This one-half of 1 percent ridership is much lower than the national average.

It isn't that people hate transit, Cox said. It's that it isn't competitive with the car. To make sense for a rider, transit must be convenient, fast and frequent, and get people within a quarter mile of their destination on either end. "I don't care how bad traffic gets, you're not going to get out of your car onto transit that doesn't take you where you want to go," he said.

North Carolina's lifestyle profile doesn't support rail because the state's dispersed pattern of living follows the European trend of people moving farther from cities, Cox said. Among the 15 largest states, North Carolina is the only one that has no urban center with more than one million people. "The point is, you're developing an almost rural style, or a combination rural-urban style of living that we didn't do before 1950 because we couldn't do it before 1950," he said.

**Hartgen: Roads follow growth**

As the state's population has grown — 21 percent in the last decade, twice the national average — traffic across county borders has increased as well. Today a full 60 percent of work-related vehicle travel reflects this pattern, according to conference speaker Dr. David Hartgen, a UNC-Charlotte professor in the Department of Geography and Earth Sciences and a nationally known transportation expert.

Smart growth proponents routinely assert that building roads rather than rail creates sprawling growth, which they consider a problem. However, Hartgen's research on about 3,000 road construction projects conducted during the 1990s disproved their premise. He found that the opposite is true: Growth occurred before roads did. By overlaying road projects with census tract data, Hartgen determined most of the state's population growth took place in areas that didn't have major road improvements. Indeed, about half of the growth was in areas with no major improvements. Local factors such as zoning laws and prior density were the drivers of an area's growth.

Hartgen is working on a new study about the condition of North Carolina's roads. Preliminary statistics show they have deteriorated and are becoming a serious problem that must be addressed soon. "The data I'm looking at show that we're just not spending money that we do have on road repairs and so, relative to other states, we're losing ground," he said. The effect, he concluded, will be to make the state less competitive by reducing its accessibility. *CJ*



Wendell Cox

Speaker tells of land grab in South Carolina

## Landowners Fenced In by 'Smart Growth'

By DONNA MARTINEZ

Associate Editor

RESEARCH TRIANGLE PARK

Kay McClanahan wishes she could scan the horizon around her South Carolina farm and blissfully enjoy the green pastures and beautiful horses frolicking in the golden sunshine. Now, she says, her farmland is surrounded by storm clouds generated by "smart growth" advocates and government bureaucrats.

Under the guise of preserving open space, the Richland County Council's 2020 Town and Country Comprehensive Land Use Vision Plan uses rural down-zoning to deny infrastructure to the 330-square-mile area outside the new urban growth boundary. It also imposes large-lot zoning, buffer zones around water, and other restrictive rules on the area now called the Congaree Preserve.

McClanahan and others who live in the area, many of them senior citizens, fear the land their families have owned for generations will be rendered worthless to buyers or legally manipulated away from them altogether. For many the property is their only significant asset and is used as collateral for loans. Some give parcels to their children. Others sell a few acres at a time to developers.

"Preservation zoning of our land will mean that either the property can't be subdivided at all or will mandate that the lots be so large that the average rural property owner won't even have enough land to divide among his children, so that a judge has to order that it be sold in order to probate his estate," she said.

The council's action has permanently altered McClanahan's life. Before the upheaval, she and her husband, Bill, planned to retire to their horse farm outside Columbia. Their dream of peaceful days at Homestead Farms was shattered when they learned their property rights had been quietly but severely diminished.

Rather than give up, the McClanahans got angry and vocal. In 2000, Kay retired from a distinguished career in the criminal justice system, where she was twice named South Carolina Law Enforcement officer of the year. She and Bill now spend their time fighting the final implementation of the zoning code that will affect the area she describes as the largest landmass on the East Coast that is still primarily owned by African-Americans.

**Segregation by economic status**

McClanahan doesn't think that statistic is coincidental to the council's activities. She makes the serious charge that the plan was intentionally written to restrict minority growth in the area, where many minorities are "land-rich and money-poor." She denounced the county's plan to create seven densely populated villages throughout the green space and said the plan will create segregation by economic status. Based on the county's map, she concludes the remotely located communities featuring high-density housing will become "a place for the poor and the displaced not-so-poor to be hidden away after their land is taken from them."

She's not alone in her concern. Last November, *The Wall Street Journal* published an editorial that criticized the Richland County plan, noting that many of the affected families have owned the land since the end of the Civil War. "They've had to fight for it through Jim Crow, segregation and now, apparently through smart growth," the editorial said.

It is ironic to McClanahan that Richland County landowners, people she believes have been good stewards of the land, are now targets of those who call themselves preservation advocates. She advises property owners to be wary of appeals for preservation areas, open space, buffer zones and the like, and to closely monitor local government activities for regulations that can be passed with little fanfare but which have devastating, permanent implications for property rights.

"At home, radical environmentalists and government are joining forces to use smart growth to take property away from rural landowners, without conscience or compensation. And we are not alone," she said.

Just ask residents of Portland, Ore. The area has been notorious for its land use restrictions since implementing an urban growth boundary in 1979 as part of its far-reaching attempt to create a utopian society in which people live, work, and recreate in tightly compacted areas. Randal O'Toole, director of The American Dream Coalition and the Oregon-based Thoreau Institute, told the audience that Portland's massive rezoning actions, called "densification" by planners, have imposed serious limita-



Carolina Journal photo by Richard Wagner

Kay McClanahan speaks at the conference's luncheon.

tions on personal freedom and property rights.

Since population continues to grow and planners have resisted all but minor expansion of the boundary, the 24 cities and three counties in the area rezoned to limit the types and size of homes that can be constructed. For example, if a home burns down, an apartment or row house that meets new, higher density requirements must be built in its place. Multistory apartment buildings are constructed in single-family neighborhoods.

"They wanted to see four or five-story apartment buildings, so we're seeing these big behemoths mushrooming up all over the Portland area," he said.

If a single-family house is planned, it must go up on a very small lot. While the average lot size was 9,000 square feet in 1990, planners are trying to decrease the average to 6,000 square feet. That goal has led to the creation of the "skinny house," a home that's 15 feet wide and increasingly is being wedged into neighborhoods all over Portland. It's not uncommon, O'Toole said, for a developer to buy a house on a 100-by-100-foot lot, tear it down, and rebuild four skinny houses in its place.

Many of the high-density developments are taxpayer-subsidized through grants, tax breaks, or fee waivers, he said. Then, residents aren't pleased with the results. The multiple-level apartments and skinny houses have some of the highest vacancy rates in the city.

The argument used by Portland's smart-growth advocates to justify the growth boundary is that U.S. farmland is in short supply and therefore needs protection. That is absurd, said conference panelist John Charles of the Cascade Policy Institute. Prescriptive zoning is really about power and control. Instead, he advocates performance-based zoning that acknowledges the free market's ability to determine where things should go, and at what density and lot size.

Private-sector zoning imposed by communities through deed restrictions and covenants is also preferable to sweeping growth boundaries because it affects only the people who opt in. "While there are horror stories with community associations, and it's not a perfect world, it's a very market-based approach," he said.

There is a glimmer of hope in turning the tide against coercive smart-growth policies like the rural down-zoning occurring in South Carolina and Portland, which Charles described as reflecting an antihumanity view of the world in an attempt to cram people into dense cities.

"The backlash against this elitism is beginning to be seen in the political arena," he said, describing developments in Loudoun County, Virginia, the second-fastest growing county in the country and an area with restrictive zoning ordinances.

Most of the county's smart-growth advocates who were voted into office in 1999 were recently defeated at the ballot box. cj

Governor Deals  
A Fool's Hand

I don't know about you, but lately I feel as though I've been hit by a serious grifter working the old Three Card Monty. You know the game. The victim watches the cards move about, impressed with his own easy ability to win. Then, when the stakes increase, the victim is left without his cash, scratching his head wondering how it all went down.

This is the game Gov. Mike Easley is playing with us. Two years ago, with North Carolina's budget on the verge of collapse under the weight of a seemingly endless spate of programs, Easley and other state officials opted to keep hundreds of millions of dollars owed to localities. To make up for this egregious act, the state kindly "let" them pass a sales tax to make up the difference. But this is old news.

Now we hear that two counties, Durham and Forsyth, are in need of jobs... and the state is suddenly trying to help with your money. Easley says he wants to provide new jobs for all of North Carolina, but instead, he played the Ace of Diamonds to "buy" the jobs with incentives for two large and successful companies. Some of those jobs will cost the taxpayers more than \$120,000 per job — and some are merely a partial replacement from jobs eliminated in another part of the state.

In normal times, this might be called the Ace of Spades — creative governance. But see whether we can stay focused on the game.

By now folks in the rest of the state, especially the rural counties, must be scratching their heads. Just when they are starting to understand how North Carolina is still growing its budget at stubbornly high rates, they must now try to figure out why Easley is so fixated on urban areas — at a time the rest of the state is reeling from the economic devastation within the furniture, textile, and agriculture industries. It makes no sense. Why do economic incentives go to the most economically stable areas of the state?

The card, my friends, is what Easley hopes is the Ace of (good) Hearts — re-election. Without geographic representation at any level of state government, the best bang for literally *your* buck comes when good news happens in large population centers.

Had the governor launched an initiative in Stokes or Columbus counties, the political benefits would not be there, despite the fact that these counties and countless others could use the help.

How can we put a stop to this game? Perhaps one way is a constitutional amendment to provide citizens with a Senate balanced by geography, not population. Stokes, Columbus and other rural areas deserve greater representation, in the same way that Rhode Island and California are equally represented in the U.S. Senate. Two counties, one state senator, is a simple way to provide balance at the state level, preserving county integrity and giving small counties a seat at the state table of governance.

Much more challenging is the need to revise our tax system to provide true incentives to attract and retain jobs. It is far easier, cheaper, and more market-sound to attract business by making overall taxes lower, rather than just sharpshooting with tax breaks.

These are two ideas worthy of considerable debate. However, recent sessions of the General Assembly point to signs that debate is not a worthy endeavor. Power, political back-scratching, fast-tracked subsidies, and "trust" between the co-speakers tend to make us forget which card we should be watching. So, while the entertainment value is impressive, and cards are flashing about, we must be on the lookout for the Ace of Clubs — where we are hit over the head with ever more tax money going to Raleigh and ever less to the necessity of running businesses in every county of this state. And you can take that to the bank. cj

Chad Adams is a Lee County commissioner, a fellow of the North Carolina Institute of Political Leadership, and the director of the Center for Local Innovation.



Chad Adams

## Local Innovation Bulletin Board

## Wind Farms Generate Heat

Some environmental groups in California are opposing permits for wind turbines at wind farms in the state because of the death toll from the whirling blades of the turbines. Threatened and migratory bird species are among the victims. Scientists estimate as many as 44,000 birds have been killed over the past two decades by wind turbines in the Altamont Pass, east of San Francisco.

The victims include kestrels and red-tailed hawks. The area is also home to the largest resident population of golden eagles in the lower 48 states, and an average of 50 golden eagles are killed each year.

There are 7,000 wind turbines at the Altamont wind farm, built in the early 1980s when little was known about the migration patterns of birds in nearby areas.

There are wind farms in 29 states, and they provide about 1 percent of the nation's energy, but that could increase to 6 percent by 2020, according to the American Wind Energy Association. The bird deaths have led some environmental groups that support wind power to oppose permits for the Altamont site.

In North Carolina, wind energy plants exist or have been proposed for both the mountains and along the coast. Future wind farms on the coast could be on the Outer Banks or offshore.

The controversy over bird kills has "delayed and even significantly contributed to blocking the development of some wind plants in the U.S.," according to a 2001 report commissioned by the National Wind Coordinating Committee, an industry advocacy group. For instance, Sen. Edward M. Kennedy, D-Mass., is opposing a proposed 28-acre offshore wind farm off Cape Cod because of environmental concerns.

Companies can be fined for every protected bird that is killed by the wind turbines. But a citation has yet to be issued at Altamont.

Reported in the *Washington Post*.

**Berkeley's living wage**

Social justice, equality, and a higher standard of living: Those were the ideals of the Berkeley, Calif., living-wage ordinance. But the law, designed to bring "economic justice" to the city's workers, is leaving some nonprofits in a bind, squeezed between the rising demand for services in a tough economy and swelling costs that could lead to cuts in staffing or programs.

Berkeley's living-wage law requires employers who hold large city contracts or lease city-owned property, including nonprofits, to provide a higher minimum wage and health benefits to their employees:

In July, the Berkeley City Council voted to increase the city's living wage from \$9.75 to \$10.76 an hour (an 11 percent increase) to reflect inflation; this was the first increase since the living-wage ordinance was enacted in August 2000. Berkeley's new minimum wage puts some of its workers \$4 above the

state minimum and \$5.60 above the nation's minimum.

But some nonprofits can't afford to pay the increase. For example, the Berkeley Food and Housing Project, Berkeley's largest homeless services organization, estimates it would cost about \$30,000 — money the group doesn't have — to bring employees' salaries up to compliance.

After already trimming its budget last spring, the group found itself facing \$100,000 in unanticipated costs because of the hike in insurance premiums and wages. The project might have to make cuts to permanent staff, which would lead to reduced services.

Another difficulty in lifting the minimum wage is that the project cannot afford to raise other workers' salaries accordingly in order to offer incentives for staying longer, pursuing education, or doing a good job. People who just started could be making as much as people who have worked for several years.

Reported in the *Daily Californian*.

**Arena subsidies put cities at risk**

Municipalities across the country are being conned into paying for the construction of fancy new stadiums and dishing out tax breaks, only to remain fearful that someday their lucrative investment will be lured away by the adjacent municipality.

Major league baseball has successfully been able to claim it is suffering terribly and needs public funding to stay afloat. These claims have resulted in significant handouts to the industry.

During the 20th century, more than \$20 billion has been spent on major league ballparks, stadiums, and arenas. At a minimum, \$14.7 billion in government subsidies have gone to the four major league sports, including more than \$5.2 billion since 1989.

Charlotte is building a \$200 million arena for the National Basketball Association's Bobcats, an expansion team that will begin play next season.

The city had previously built an arena in the late 1980s to attract an NBA team. The original Charlotte team, the Hornets, moved in 2002 to New Orleans after deciding that the late 1980s facility was not modern enough to meet the team's needs.

These numbers exclude the billions of dollars in subsidies provided through the use of tax-free municipal bonds, interest paid on debt, lost property, and other tax revenues not paid on facilities, taxpayer dollars placed at risk of being lost if the venture fails, and the billions of dollars spent by taxpayers on minor league facilities.

Therefore, tax-funded entities should immediately begin selling off all their sports venues. Private owners are far more likely to upgrade facilities, seek creative revenue-generating schemes, and stay in their host cities. In addition, sale of stadiums and arenas would bring some much-needed revenue for cash-strapped cities and counties.

Reported in *Reason*.

CJ

From Cherokee to Currituck

## TTA Scales Back Its Rail Plans In Effort to Get Federal Dollars

By MICHAEL LOWREY

Associate Editor

CHARLOTTE

In an effort to obtain federal funding, the Triangle Transit Administration has made significant reductions in its proposed Durham-to-Raleigh light-rail line. Whether the cuts are enough to assure federal funding that would allow construction to begin this year remains to be seen.

The TTA had been planning to build a 35-mile-long system at a cost of \$749.4 million. The design was thought to have satisfied the Federal Transit Administration's standard for funding of a cost of no more than \$25 per new rider. The federal government will pay for about half of the line's cost.

Recently, however, the FTA changed how it calculates the cost per new rider. The TTA proposal came in at \$26.34. The TTA redesigned its system to a cost of \$708.5 million. Changes include relocation of the end station in Raleigh, thereby reducing the length of the line by 1,000 feet and eliminating the need for several bridges. The line's rail yard and shops will be scaled back and the track design made less complex. The TTA also will reduce the number of rail cars it is buying from 36 to 32.

After the cuts, the TTA's proposal comes in at \$24.48 per new rider.

"The easy story here is they (FTA) are making the criteria tougher and tougher to meet as they try to cull projects," Joe Huegy, TTA's senior transportation engineer, said to the *Triangle Business Journal*.

Merely meeting the cost-per-rider criteria does not guarantee the TTA federal funding in the upcoming fiscal year. Other cities also are competing for scarce federal dollars. Should the TTA not receive funding, construction of the line would be delayed by at least a year.

The FTA will release its ranking of projects and funding recommendations this month.

**Charlotte eyes more cameras**

The Charlotte-Mecklenburg Police Department has received a federal grant to expand the use of uptown Charlotte security cameras. While the police are excited about the extra dollars, critics question the program's effectiveness.

In April 2001, the police department installed 12 videocameras at 10 locations in uptown Charlotte. The cameras are operated from a centralized location, and an operator selects where to point the cameras. Funding limitations have kept police from staffing the cameras full-time.

The cameras are typically active during workdays, during special events such as Carolina Panthers football games, and on weekend nights. Police plan to use the extra funding to train more camera operators and, perhaps, add cameras.

Aside from scanning for street crime, the cameras are used also for homeland security, criminal intelligence, and to check for aggressive panhandling.

"An officer in the control room can cover the territory of 15 to 20 officers on the street," CMPD Capt. Terry Sult said to the *Charlotte Observer*.

The program is not without critics. The

cameras have been responsible for only a few arrests — 42 in total, or about 1.3 per month — and crime has grown in the area since they were installed. In particular, auto thefts and theft from vehicles both have risen substantially compared with 2001. Both are often difficult to detect from a video camera.

"It's a question of priorities and efficiency," Charlotte defense attorney James Gronquist said to the newspaper. "Is it more critical to have eyes in the sky, or to hire more officers to do the community policing they talk so much about?"

**Asheville road widening challenged**

A group of Asheville residents is asking that the City Council oppose state plans to widen a portion of Interstate 240, the *Citizen-Times* of Asheville reports. The request is the latest in a long-running dispute on upgrading I-26 through Asheville.

In recent years, I-26 has been extended from its traditional terminus in Asheville to Johnson City, Tenn. While newly completed portions of the road meet the latest design standards, several older stretches are antiquated. This includes I-240, which will eventually become part of I-26.

The state has recognized the problem since at least 1989, when funding for an Asheville connector project was included in North Carolina's Highway Trust Fund program. Local opposition has prevented any real progress

from occurring.

In this latest round, opponents contend that the state's proposal to widen I-240/future I-26 to eight lanes is excessive and will increase dependence on the car. In June 2002, the city accepted a N.C. department of Transportation recommendation on the widening.

"It's almost hard to imagine the kind of swath that highway is going to cut through this community," said Doug Ruley of the Southern Environmental Law Center at a rally of opponents.

**Greensboro's alleys remain**

In a rarity in modern cities, alleys still exist in several older Greensboro neighborhoods. And with the narrow, often unpaved, streets comes considerable confusion.

"One of the big misconceptions is that alleys are public rights of way," Greensboro city planner Mike Cowhig said to the *News & Record* of Greensboro. "They are private rights of way, created by those who developed the neighborhood."

With the developers long gone, alley ownership is a sort of no-man's land, Cowhig said. The city will not perform maintenance work, such as removal of fallen tree, in alleys.

When alleys are created today, neighborhood associations typically are responsible for maintaining them. Most of the alleys in Greensboro predate homeowners associations.

Some alleys are maintained by homeowner donations and labor. Other alleys are disused and overrun. In some places, neighboring landowners have made use of the land, which is legal if no one objects. CJ

# Chad Adams: Director of Local Innovation, Commissioner

By PAUL CHESSER

Associate Editor

RALEIGH  
Chad Adams recently was named the director of the Center for Local Innovation at the John Locke Foundation. Also a commissioner in Lee County, Adams offered his perspective on local-government issues in an interview with *Carolina Journal*.

*CJ: Chad, why don't you begin by telling us your background and where you're from.*

**Adams:** I was raised throughout the Southeast. My father was with Blue Bell, makers of the Wrangler brand headquartered in Greensboro. I was raised in Virginia, Mississippi, Puerto Rico, Texas, Tennessee, and eventually North Carolina. As both of my parents were from North Carolina, we eventually moved back here. I then went to UNCW and moved to our family farm in Sanford when I graduated in 1989. So I lived in Sanford and commuted to the Triangle for about seven-and-a-half years.

*CJ: What were you doing in the Research Triangle?*

**Adams:** I worked for a company called Family Health International for a while. I was a graphic designer and coordinator for them and started going to graduate school at NCSU in their university administration program. Later, I worked as a technology consultant for TenPlus Systems eventually starting my own company in Sanford. By 1998 I had become very active in the Jaycees and the community. Some folks approached me and asked me to run for office, so I did. In 1998 I ran for county commission and won. In 2002 I was re-elected and have served for the past two years as vice chairman.

*CJ: What was your motivation to run for county commissioner?*

**Adams:** Actually, even in college as the managing editor of UNCW's newspaper, *The Seahawk*, I always had an interest in community issues. I can recall pushing for change, trying to get more instructors in the English Department or for the university to explain policies from time to time. And so when I got into the Jaycees my desire to effect change eventually afforded me the opportunity to lead the local organization. What I had continually seen was a lot of apathy amongst my generation. I'm 36 now, so from ages 20 to 40 there's a tremendous amount of apathy out there with young people not getting involved, not tuning in. As a result of this I was noticing that we seemed to be surrendering freedoms and people didn't really seem to care.

In the Jaycee organization, while president, we were able to take that group from 36 members to 116 members in one year. We were one of the fastest-growing Jaycee organizations in the nation. We tripled our membership in one year, which no other chapter in the state had done in quite some time. And we were able to get very active. That activity was directly related to folks getting involved and understanding what was happening in their community.

*CJ: So how would you characterize your stay so far on the Lee County Commission? Are you more of a group of like-minded folks generally, or do you have to try to work real hard to build consensus, or are you a voice crying in the wilderness?*

**Adams:** It's been very fascinating. We have a 4-3 split. We have four Democrats and three Republicans, of which I'm one of the

latter. We have one Democrat that tends to vote for our leadership. Obviously, I wouldn't be vice chairman and we wouldn't have the chairmanship without that Democratic vote.

But for the most part, we've been battling, not so much always against the people on our board, but battling to cut spending and find more creative ways to provide required services. We've been able to, even with roughly 80 percent of our budget under the control of federal and state mandates. And regardless, we end up spending more property tax money to fund these things — the rest of the counties and cities do as well. We've been able to find ways to conserve money and make some cuts and consolidate services. A good example was consolidating with the City of Sanford in planning and inspections and doing things like that to find ways to creatively provide a high level of service at a lower cost. If we can do that and be proactive in other areas, I think everyone benefits.

*CJ: When you say working with Sanford, are you talking about even merging?*

**Adams:** We did merge those departments; we were able to get the Planning & Inspections combined. We also moved the inspections part of the Health Department into the same building. So instead of citizens having to drive all over town they can now go to one location, get their permits, and move forward. In this way we were able to improve the service at a lower cost. Only time will determine what the overall savings will be, but this was "proactive" rather than "reactive" government. But again, we have to be ever vigilant to try to save that money.

There are many elected officials today that perceive government money as their money, and it's not. It's actually money that we took away from somebody who earned it. And if more elected officials had that perception about what tax money actually is, I think they would all make far better, more conservative decisions.

*CJ: So that's somewhat of a unique phenomenon in that you've merged those services with Sanford and the county. How does the accountability work out with your arrangement?*

**Adams:** That's a great question, and I think one of the things we addressed well. We created what we call an inter-local group, where we have representatives from our county commission and from the city council to address issues that might come up.

The Planning Department is run by a city employee who oversees the entire department, including county employees. And the county commission doesn't *per se* hire that planner, so then you could say, "If I'm a citizen of the county and I don't like the planning director, I have no elected representation." But you do, because those county commissioners can go into that inter-local group and say, "Here are some problems we're having." It's in their best interests, also, to make sure we keep the harmony. Because this only works insofar as these groups will work together. And there are exit clauses for the city or county so that either can separate if the deal isn't working. But right now it seems to be working, it seems to be functional, efficient and we're moving forward in our county.

*CJ: I'm sure you got to talk to a lot of local government folks, not only there but on the phone. What's your perception on what's the hot issue or a couple of issues that were thrown at you?*

**Adams:** In the large metro areas, when you talk about Charlotte, the Triad, and the Triangle, which are huge population areas,

certainly mass transit's an issue, and issues around "smart growth" because people are pushing for both of those in all the large communities.

Here in the Triangle folks are pushing for — not we, but people are certainly pushing for the light-rail initiative. But when we look at the facts on that, when we look at the amount of money that's going to have to be spent, there certainly is some accountability that the elected officials need to be aware of. It sounds like forward momentum is happening with smart growth and these light-rail issues without any critical analysis and tough questions. We are interested in that and will continue to be vigilant on those issues.

Outside of those metro areas there are a lot of issues as well. A lot of small counties and cities are dealing with growth issues. They're looking at county zoning, they're looking at unified-development ordinances, city sewer and water issues certainly, and privatization possibilities. What are they doing to be creative in solving a lot of the problems? Then there's the big, 800-pound gorilla that's out there in my mind, Medicaid. We're one of just a handful of states in the entire nation that fund Medicaid at the local level. And you can say, "Well, it's only 5.7 percent." Well, 5.7 percent of the entire expenditure in some counties equals 15 to 20 percent of their budgets and encompasses over 30 percent of their population.

*CJ: So when you say 5.7 percent of what?*

**Adams:** Let's say that the county incurs \$100 in Medicaid charges through a hospital; \$5.70 of that has to be funded by property taxes from the county or sales tax. It has to be derived from local reimbursements.

So in Wake County that budget number is somewhere around 8 percent of their entire budget, but that number is far higher in a county like Columbus or Robeson or Hertford or Bertie, any of the more rural counties. The more rural the county, the higher percentage of that budget is dedicated to Medicaid. And they don't have any say-so over that. I certainly have always been hopeful that the state would assume the state's responsibility on that. The state and federal government should pay for it. It's a state and federal program. When the reimbursements were taken, I fully expected them to assume the control for Medicaid. So when they left Medicaid on the counties and took the reimbursements, it was a horrendous situation.

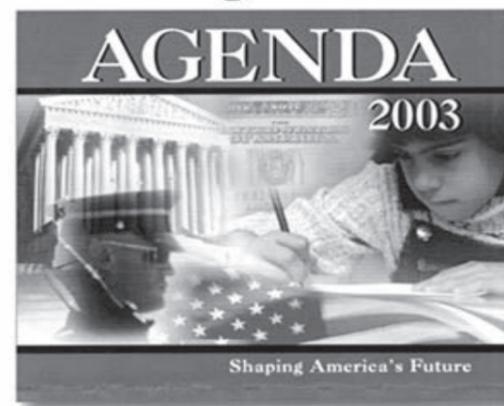
*CJ: What recourse did Lee County have?*

**Adams:** This is where things get rather bizarre. Groups like the NC League of Municipalities and the NC Association of County Commissioners asked the state to let us have permission to raise our sales tax by one-half cent. So instead of the legislature raising money to cover their problems, they passed the buck down to us. Counties fell in line and did it including ours.

Other counties had to raise property taxes, and you'll see in the report we just produced, *By the Numbers 2004*, a slow trend upward at the local level. It's worse in some communities than others, but certainly the trend is that the local tax burden is increasing faster than services or population growth. But certainly the mandates are hurting the cities and counties the worst.

One more thing: Lee County joined the lawsuit against the state for the stealing of the reimbursements. CJ

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• In *Breaking the Real Axis of Evil: How to Oust the World's Last Dictators by 2025*, ambassador Mark Palmer argues what diplomats and political leaders dare not speak: that global peace will not be achieved until democracies replace the world's remaining dictatorships. Under the dictators, millions of people have been killed, a tidal wave of refugees has swept across the planet, and nations have been driven into poverty, famine, and despair. Drawing on more than 25 years of diplomatic experience, Palmer wants to embrace a vision of a world made safe by democracy. This is the story of the last 46 dictators, the strategy and tactics to oust them, and the need to empower the people of every nation to control their own destinies. More at [www.rowmanlittlefield.com](http://www.rowmanlittlefield.com).

• Social activist and media commentator Star Parker, in *Uncle Sam's Plantation: How the Welfare Bureaucracy Enslaves America's Poor and What We Can Do About It*, uses her own story to teach readers a five-step plan for breaking free from the slavery of entitlement and grabbing hold of the unlimited potential that comes with faith, personal initiative, and entrepreneurialism. Parker says America has two economic systems: capitalism for the rich and socialism for the poor, which keeps the poor enslaved to poverty while the rich get richer. Published by WorldNet-Daily books, learn more at [www.wndbooks.com](http://www.wndbooks.com). *CR*

## Book review

## FDR's Folly: Federal Failure at Economic 'Fixes'

• Jim Powell: *FDR's Folly*, Crown Forum, 2003, 324 pp., \$27.95

By GEORGE C. LEEF  
Contributing Editor

Imagine, if you will, this scene. A group of presidential candidates is having a "debate" and the moderator asks, "What are your plans for the economy?" After several long-winded speeches, the final candidate answers as follows: "I have no plan for the economy. That is so for two reasons. First, the federal government has no authority to take any steps to 'manage' or 'stimulate' or 'fix' the economy. My opponents, and indeed most politicians over the last 75 years or more, believe that the Constitution gives them almost limitless power to enact laws enabling government officials to control the nation's economy. But in fact, that document, which as president I would be sworn to uphold, confers no such power.

"Secondly, governmental economic planning and regulation are counterproductive. Politicians love to foster the illusion that they know how to improve the functioning of our economy, but that is a completely mistaken idea. The history of governmental efforts to improve the economy is a history of waste, inefficiency, and destruction. Therefore, if I were elected president, my only economic 'plan' would be to repeal as many of the foolish and illegitimate laws we currently have in place, reduce taxes, and give the people their freedom back."

**Our foolish politicians**

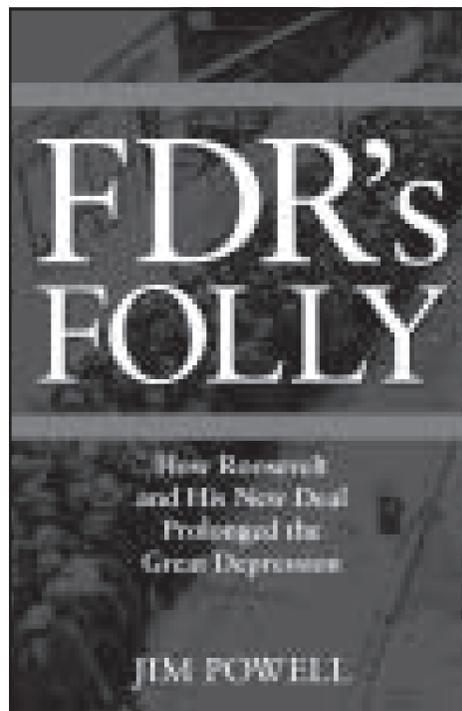
Of course, that scene is just a fantasy. It is inconceivable that any major party candidate for the presidency (or other political office) would say such a thing. Having an economic plan is now obligatory for politicians. One would have to look back as far as Calvin Coolidge to find a candidate who was happy to spare the American people from the vain notion that his commands could improve their lives.

We have suffered enormously at the hands of sanctimonious, meddlesome politicians, but the clear champion in that regard is Franklin D. Roosevelt, president from 1933 until his death in 1945. Usually ranked among the "great" presidents, FDR was a disaster of monumental proportions. Recently, a number of books have challenged the myth of his supposedly brilliant leadership. Among them is Jim Powell's devastating *FDR's Folly*.

Historian Powell here makes a comprehensive assessment of the "New Deal" policies of FDR that have long been credited by big government partisans as having rescued the U.S. from the Great Depression. He argues convincingly that, far from rescuing the country, the New Deal had precisely the opposite effect. FDR's great plans for fixing the economy turned an economic downturn that probably would have lasted just a year or two into a full decade of misery, and gave us a legacy of subservience to imperious federal officials that remains with us to this day.

**Scan of chapters says it all**

The 19 chapters of *FDR's Folly* are all titled as questions, for example, "Why Did FDR Seize Everybody's Gold?" "Why Did the New Dealers Make Everything Cost More in the Depression?" and "How Did New Deal Labor Laws Throw People Out of Work?" Just scanning the chapter titles gives the reader a good précis of the book — the



New Deal was a series of authoritarian measures that succeeded only in upsetting the natural economic order and making life worse for Americans.

A recurring theme in the book is that FDR and his "Brain Trust" were not just economic bunglers who didn't understand what they were doing. Rather, they were committed enemies of laissez-faire capitalism, bound and determined to replace our traditions of private property and freedom with all-embracing government planning and regulation. FDR himself set the tone. Powell quotes his first inaugural address: "Rulers of the exchange of mankind's goods have failed, through their own stubbornness and their own incompetence, have admitted their failures and abdicated. Practices of the unscrupulous money changers stand indicted in the court of public opinion, rejected by the hearts and minds of men... The money changers have fled from their high seats in the temple of our civilization." Most of FDR's lieutenants held similarly anticapitalist views, and the Depression gave them all the chance to indulge in their wishes to restructure the United States along socialist lines. The fact that their plans would bring suffering and ruin to millions didn't matter. After all, to make an omelet, you have to break some eggs, as Stalin once said.

**FDR's seizure of gold**

Among Powell's chapters, a personal favorite of mine is the one devoted to FDR's seizure of gold. I remember my grandfather telling me about his disgust over that action and was eager to learn more about it. On April 5, 1933, FDR issued Executive Order 6012, which expropriated all privately held gold, with penalties up to 10 years in prison for noncompliance. But why take such a flagrantly unconstitutional step? Powell explains that one of FDR's bugaboos was his notion that gold hoarding was responsible for the banking crisis facing the nation. He used his May 7, 1933 "fireside chat" to explain (as Powell puts it) "if Americans were free to buy gold, there soon wouldn't be any left; and therefore in the interest of fairness, he denied it to everybody."

Now, the "running out of gold" idea was obvious nonsense, but FDR was adept at concocting deceptive rationales for his policies. Just a month later, he took a further

step toward his goal of getting Americans out of the habit of insisting on real money by pushing a bill through Congress outlawing gold clauses in contracts. There was no constitutional warrant for either the gold seizure or the prohibition of gold clauses in contracts, but the Constitution meant nothing to FDR.

Another theme of the book is how New Deal policies often hurt the poor. That was the case for many poor sharecroppers, for example. Under the Agricultural Adjustment Act, farmers were told how much they could plant. While the federal government then paid land-owners for not growing crops (in furtherance of the idiotic notion that high farm prices would trigger the return of prosperity), sharecroppers received nothing and their incomes fell precipitously. Other New Deal policies that hurt the poor were pro-union labor legislation that made it easier for racially discriminatory unions to stifle competition from black and other minority workers, and FDR's fondness for business cartels that prevented price cutting. The "little guy" for whom FDR's heart supposedly bled was hurt badly by the New Deal's economic "fixes."

**The New Deal's lessons**

The author draws a list of key lessons from the New Deal that contemporary politicians ought to heed (but undoubtedly won't): government "jobs programs" must be avoided because they can't create useful employment; that "soak the rich" taxation will backfire by driving away investment funds; that deposit insurance should be left up to the free market; that government must not interfere with the free movement of prices; that government support for labor monopolies should be ended; that trade restrictions must be ended, and more. It's all eminently sound advice, drawn from the sad history of the damage done by one of our "great" presidents.

What Powell has given us is not so much a "revisionist" history of the New Deal as one that is not distorted by the common historian's lenses of the idolatry of power. Most historians are so eager to depict Roosevelt as an inspiring leader that they gloss over or attempt to explain away the facts that the New Deal was immensely damaging to America's economic recovery. *FDR's Folly* puts those facts at center stage. Moreover, Powell emphasizes that Roosevelt did much more than just retard our economic recovery — he launched a furious attack upon the freedom of people to go about their lives without having to obey orders from government officials. The New Deal was a major erosion of American freedom, and to this day we live with nearly all of its dictatorial measures. Bravo to Jim Powell for showing that FDR's presidency left America both poorer and less free.

I cannot imagine that any objective individual could, after reading Powell's book, view Roosevelt as anything other than a knave who managed to capitalize on the nation's distress. If we could get politicians to read *FDR's Folly*, perhaps we would some day hear one give that opening fantasy answer with which I began this review. But even if it's too much to hope that politicians will enlighten themselves on the history of economic bungling, at least readers of *Freedom Daily* should. *CR*

*The New Deal was a major erosion of American freedom, and to this day we live with nearly all of its dictatorial measures.*

## Book Review

## Ideas That Conquered World: A Hasty, Slanted View of History

• Michael Mandelbaum: *The Ideas That Conquered the World: Peace, Democracy, and Free Markets in the Twenty-first Century*; Public Affairs; 200; 512 pp; \$30

By GENE CALLAHAN

Guest Contributor

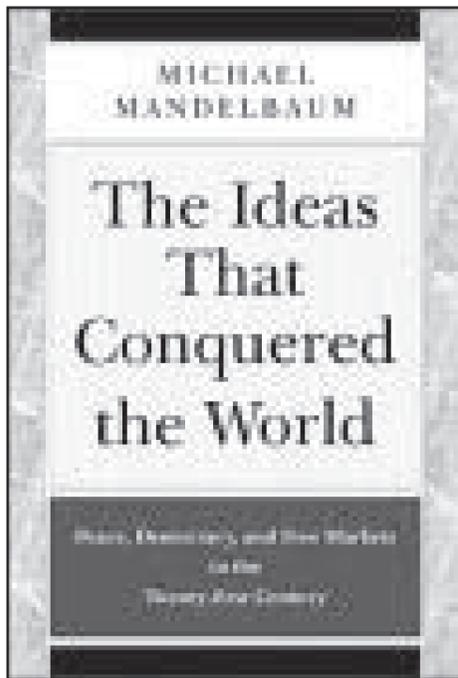
BROOKLYN, NY

The wonderful thing about Hegelianism as a “theory” of history is that it can be shaped to suit almost any particular political agenda one wishes. If you can formulate a thesis and antithesis so that your political program emerges as the synthesis of the two, then you can read all of history backward — a story inevitably leading to its stirring climax: the triumph of your ideology.

### ‘The liberal theory of history’

*The Ideas That Conquered the World* is such a reading of the past, intended to support what the author, who teaches foreign policy at Johns Hopkins University and is a senior fellow at the Council on Foreign Relations, calls “the liberal theory of history.” However, it is not so much a “theory of history” as a riffing through the last century or two to discover events that lend support to Wilsonian social democracy. Mandelbaum presents a “triad” of policies fundamental to his vision of liberalism: democracy, free markets, and disarmament-collective security.

However, he does not coherently articulate the meaning of any one of his triad’s elements. For instance, Mandelbaum asserts that the “liberal” approach to international relations is the “configuration of all... military forces so that they are suitable for



defense but not for attack.” Such a policy has been adopted fully, he says, “only [by] the countries of Europe and North America.”

Does Mandelbaum really believe that the military forces of the United States currently are configured only for defense? Since World War II, no foreign government has attacked American territory, yet the United States has intervened militarily in other countries more than 60 times. One might applaud those interventions as necessary for the good of the liberal world order, but to call all of them “defensive” seems so to stretch the application of that word as to render it meaningless. If the U.S. invasion of Panama in 1989 can be called “de-

fensive,” what war cannot?

Nor does Mandelbaum offer any argument as to why democracy is inherently liberal. He asserts that democracy involves “restraints on the exercise of power by governments,” but he does not explain how or why that is so. If democracy simply means that a government should perform only those actions that are approved by the majority of its citizens, as Mandelbaum implies, then it limits government only to doing whatever the majority approves, however illiberal it might be.

### Author’s not-so-free free markets

Mandelbaum’s version of “free markets” is a sadly attenuated version of the classical liberal policy of laissez faire. Rather than recognizing that free markets are what occur when coercion and central planning are absent, he believes that free markets must be “constructed” and “maintained,” and that such construction and maintenance are “far more difficult than had been imagined for most of the modern era.” He holds that the “status and power” of the World Bank and the IMF are evidence of the triumph of “laissez faire capitalism,” despite the fact that the existence of the two institutions springs entirely from a perceived need for centrally planned intervention into the market economy.

Mandelbaum says “the rise of the welfare state... made popular sovereignty through universal suffrage compatible with the protection of private property by giving every citizen property in the form of an entitlement to benefits from the state.” In other words, “private property” is “protected” by being subject to arbitrary confis-

cation by the majority of voters. While Mandelbaum asserts that modern social democracies establish zones that are “off limits to the exercise of government power,” he gives no indication as to what the boundaries of such “zones” might be. He tries to calm the fears of classical liberals by contending: “In the twentieth century... liberty and political equality proved to be compatible in Britain and the United States and throughout the Western core.” However, many classical liberals might contend that mass democracy has led to precisely the diminution of liberty that they predicted it would.

### ‘Working’ knowledge of markets?

While purportedly a supporter of free markets, Mandelbaum does not seem to realize the fundamental flaw of socialism: the absence of any means by which to calculate economic success. He contends that while the command economy was “not necessarily superior to the market, [it] did work.” As evidence he cites the facts that in socialist regimes “people migrated in large numbers from the countryside to the cities” and “governments built, owned, and managed huge industrial complexes.” It is hard to imagine why these are indicators of an economy “working.”

*The Ideas That Conquered the World* is a salient example of the tendency to herald whatever trends are currently ascendant, while ignoring any analysis of whether such trends are sustainable in the long run. *CR*

Gene Callahan is the author of *Economics for Real People* and an adjunct scholar of the Ludwig von Mises Institute.

## Book Review

## Outgunned: Authors Fire Blanks in Their Account of Liability Suits

• Peter Harry Brown and Daniel G. Abel: *Outgunned: Up Against the NRA*; The Free Press; 2003; 338 pp.

By CLAYTON CRAMER

Guest Contributor

BOISE, ID

I love a book with a happy ending — and in spite of the hopes of the authors, this is such a book. *Outgunned* chronicles the product liability lawsuits by city, county, and state governments, alleging that gun manufacturers negligently marketed their products, leading to criminal misuse. An interesting twist is that one of the authors, Abel, is one of the lawyers who worked with Wendell Gauthier, the mastermind between these gun marketing negligence lawsuits (and the far more successful tobacco lawsuits).

The guns in question worked as designed and advertised; these are not defective guns. The theory is that because a small percentage of guns are unlawfully transferred by a retailer, or more commonly, by a retail customer — three, four, five, or more steps removed from the maker — the maker should therefore be held responsible for its criminal misuse. Substitute “automobile” and “drunk driving accident” into this theory, and the reason for the failure of these lawsuits becomes obvious.

One might get the impression from *Outgunned*’s title that the political muscle of the NRA defeated these lawsuits. It’s true that four lawsuits were dismissed because of legislative passage of laws shielding gun makers from such lawsuits played a part.

But at least four other lawsuits failed on their own merits. Even in gun-hostile jurisdictions, such as New York and California, the courts ruled in favor of gun makers, because the negligent marketing legal theory is too silly to be taken seriously.

Just because Brown and Abel are anti-gun doesn’t discredit *Outgunned*. To the extent that *Outgunned* chronicles how these lawsuits were pursued, and the personalities of the participants, this could be a valuable book. Unfortunately, *Outgunned* is so awash in gross factual errors that it is hard to take it seriously — and easy to understand why Gauthier and Abel’s team has lost nearly all these lawsuits so far, either at trial, or on appeal.

### Sloppiness and sleaziness

Let me emphasize — errors, not intentional deception. Brown and Abel seem to be honestly trying to portray what happened — often providing a surprisingly sleazy portrait of their side. They describe how Wendell Gauthier, the lead lawyer in these lawsuits, faked a heart attack to a judge in order to move his closing argument from Friday afternoon to Monday morning — just before the jury would start deliberations. Brown and Abel describe one of their fellow lawyers who went into an intensive care unit to sign up a client with

burns on 80 percent of his body.

To those with knowledge of the subject, the grossness of the errors is astonishing — and because *Outgunned* lacks footnotes, it is impossible to determine on which sources the authors carelessly relied. Some of these errors are minor, and simply show the authors’ firearms ignorance, such as several references to “Glock service revolvers.” Glock has never made a revolver.

Another example: In discussing the stockbroker murders by Mark O. Barton in Atlanta in 1999, we are informed that his pistols, “a Glock 9mm and a Colt .45... were equipped to kill with cartridges that could discharge seven bullets without reloading.” Magazines can hold seven bullets without reloading. With very rare exceptions, a pistol cartridge holds one bullet.

### A fourth branch of government?

Is this nitpicking? No, because Brown and Abel tell us in a number of places that what they are doing with these lawsuits is acting “as a de facto fourth branch of government, achieving by litigation what had failed legislatively.” If you don’t understand these basic technical details, how can your extraconstitutional “fourth branch of government” come up with sensible laws?

More important than these careless errors about firearms are the careless errors

about firearms laws — where, one would presume, a lawyer would be in his element. “The Assault Weapons Ban prohibits dealers from selling guns like Uzis and Tec-9s to anyone.” Not true. The 1994 federal assault weapons law, which actually prohibits new manufacture and importation, and is not a ban, does not apply to “the possession or transfer of any semiautomatic assault weapon otherwise lawfully possessed under Federal law on the date of the enactment of this subsection.”

The lawyers threatened Smith & Wesson with lawsuits to get them to accept a “Code of Conduct” that required makers to not sell guns that could be “quickly converted” into machine guns. That was already federal law, and has been for many years. Any weapon that “can be readily restored to shoot, automatically more than one shot, without manual reloading” is already a machine gun under existing federal law. How many hours did they bill their taxpayer clients for drafting that provision?

Legal arguments are supposed to be a series of logical arguments based on facts, leading to conclusions. When the facts are so often wrong, it’s hard to take seriously the conclusions — or those making the arguments. *CR*

Clayton E. Cramer has written books about weapons regulation in America, black history, and the Civil War. His most recent book was *Concealed Weapon Laws of the Early Republic: Dueling, Southern Violence, and Moral Reform*.

Substitute “automobile” and “drunk driving accident” into this theory and the reason for failure of these suits becomes obvious.

## Recording Industry To Face the Music

Last year was not a good year for the music industry — sales were down. The previous two years were even worse, with even bigger declines in sales. The recording industry, of course, blames all of its problems on people downloading music instead of buying it.

They miss the point: The music industry's economic model is broken. The way the industry operates simply does not work for customers, artists, or even the record labels themselves. This is not a new development, it's just that advances in technology — affordable high-speed Internet access and CD burners — have made it very obvious. The underlying issue is who determines what music is available, at what price, and how: Is it consumers and artists or a static industry blob?



Michael  
Lowrey

From the listener's standpoint, music has become pricey. List prices of \$17.99 or even \$18.98 are common. Even on sale, the latest releases still go for \$14. With the single gone, consumers are forced to buy the entire album just to hear the one song they are interested in. And at nearly \$20 a pop, few people are willing to experiment in the music they buy.

Musicians, in turn, feel underpaid. The amount artists receive varies based upon the specifics of their contract. While royalty rates of about 15 percent are common, after various discounts and allowances that go to the label are figured in, artists might get 9 percent of the gross (say \$1.50 per CD sold). The artists are also responsible for the costs of recording the album, and some or all (depending on their contract) of any videos produced to support the record. An artist's manager and lawyer also get a share of receipts. Finally, if a band is involved, whatever is left gets divided up.

The *New York Daily News* recently ran an article calculating what a hypothetical four-piece band whose album went gold (sold 500,000 copies) would earn. Though generating \$8.5 million in sales, each band member would get about \$40,000 under standard industry contracts. In 2002, of the many thousands of albums released, only 128 went gold.

The situation is little better for major labels. Their own cost structure is such that unless an artist sells very well, the label loses money, too.

### The non-solution

The recording industry's very public answer to its problems is to crack down on people sharing music via the Internet. While copyright infringement is a serious issue, stamping out file-sharing won't solve what ails the industry. Basic economic theory teaches that as price increases people buy less of a product. Or to put it another way, only some of the people that download the latest Pink album would otherwise have bought it in stores.

Regardless of the industry's momentary success in fighting file-sharing, the cat is out of the bag. The public is now aware of the low costs of manufacturing CDs and the high prices being charged for them.

The incentive remains for someone to find a legal means to change the industry using the Internet. Apple's iTunes is one exciting recent development, offering 500,000 songs for legal downloading at 99¢ each. Entire albums go for \$9.99.

The Internet creates the potential for something even more revolutionary, the possibility of direct marketing by artists to listeners. Given the limited income stream artists currently enjoy, it would not take much for many of them to jump ship.

Whatever the outcome, the fallout will reach far beyond the world of music. Other copyright dependent industries will face closely related issues in coming years. And if technology and entrepreneurship can transform the music industry, a powerful model for change will exist that might be applied to other stagnant sectors, such as education. *cr*

## Editorials

# BETTER GAS TAX

*U.S. bill offers states a golden opportunity*

Some of North Carolina's, and other states', highway headaches could be soothed relatively quickly if revolutionary legislation recently introduced in Congress were to become law.

The name of the bill, sponsored by Rep. Jeff Flake, R-Ariz., is the Transportation Empowerment Act (H.R. 3113). It would reverse an unfair funding formula whereby the federal government collects 18.4 cents a gallon on gasoline and other fuels and then distributes the accumulated revenue each year to the states as Washington sees fit. States also tack their own fuel taxes atop the federal levy. North Carolina adds a tax of 24.3 cents a gallon.

The problem is that there is wide disparity, geographically, in the distribution of the revenue. Southern and Western states, year after year, generally receive much less than the amount they pay in fuel taxes to the federal government. On the other hand, states in the northeast and central U.S. generally get much more than what they pay.

Then, too, the nation's transportation problems have become increasingly local and regional in nature. In North Carolina, a rapidly deteriorating Interstate 95 and the decay of other major highways and bridges quickly come to mind. Federal officials have little to offer in the way of effective solutions to the crumbling of the states' infrastructure.

Flake's bill would allow states to collect all of the taxes and keep their full portion of the revenue. Then the states

could spend the revenue on transportation priorities of their own choosing — not Washington's. Billions of dollars, and a healthy measure of independence, are at stake.

North Carolina alone stands to gain at least \$300 million a year, based on an annual average the state paid in federal gas taxes from 1995 to 2000. That's because North Carolina gets back only 64 cents of every dollar paid to the feds, according to N.C. State University economist Michael Walden. Other fast-growing states in the South — Alabama, Mississippi, Georgia, Virginia, Florida, Tennessee, South Carolina, Kentucky, Texas, and Louisiana — also are "donor" states.

States in the Northeast, many of which rely heavily on transit, make a killing off the current federal apportionment. New Jersey, Rhode Island, Connecticut, New York, and Massachusetts all receive \$1.50 to \$2.80 in federal transit spending for every dollar they pay in federal gas taxes, Walden reported.

Another major problem with the existing federal program, according to Dr. Ronald D. Utt, writing for the

nonprofit Heritage Foundation's *Background*, is the mandated diversion of as much as 40 percent of federal fuels-tax revenues to nongeneral purpose highway projects that benefit small but influential fractions of the population. Members of Congress inserted into the 1998 legislation, the Transportation Equity Act, many of the thousands of pork-barrel projects that waste billions of dollars.

The largest diversion of all is the federal transit program that shifts a disproportionate share of the federal transportation money (20 percent) from roads to transit systems that carry only a small portion (1.8 percent) of the traveling public. In North Carolina, Gov. Mike Easley began diverting some state highway funding to mass-transit projects in 2003.

Under current law, 2.86 cents of the federal tax goes into the Mass Transit Account — which means that motorists across the nation provide the same subsidy for transit even though the availability and usage of transit services vary dramatically from place to place and are largely concentrated in just a few major metropolitan areas, Utt says. Seventy-four percent of transit ridership occurs within seven metropolitan areas — New York, Chicago, Philadelphia, Boston, San Francisco, Los Angeles, and Washington, D.C. New York alone accounts for 42 percent of America's total transit ridership.

Despite this concentration of transit ridership in a handful of places, all motorists share equally in the costs. Motorists in Oklahoma, for example, ship nearly 20 percent

of their federal fuel taxes to the Mass Transit Account in Washington, D.C., yet transit ridership in Oklahoma accounts for only 0.04 percent of the trips taken in the state, compared to Maryland, where 6.9 percent of commuter trips are by some form of mass transit.

Bus systems in North Carolina's major metropolitan areas continue to attract low ridership. In the Charlotte area, for example, only about 3 percent of travelers use mass transit, according to the

2000 Census. Given the state's relatively low population density, this is unlikely to change, even after planned light-rail projects are constructed in the Triangle and the Charlotte metropolitan areas.

Flake's proposal would allow each state to adjust its spending patterns and subsidies to conform more closely to the prevailing ridership preferences of its taxpaying citizens. In North Carolina, ever-worsening congestion on major highways dictates that the money go toward construction of new roads, not toward mass transit.

The expiration of TEA-21 on Sept. 30, 2003, presents Congress with a once-in-a-decade opportunity to reform the federal highway and transit program in a way that would give greater responsibility and decision-making to the states and metropolitan areas. The Transportation Empowerment Act — which would give motorists greater mobility without increasing taxes — is a good place to start.

By then, hopefully, North Carolina's leaders will gain the wisdom to put gas-tax money to work on the state's highways, where the money belongs. *cr*

**Southern and Western states... generally receive much less than the amount they pay in fuel taxes to the federal government.**

## DROPOUT-GATE

*State superintendent's excuse really isn't*

**F**or a group that has gotten used to receiving — and broadcasting — good news about its public schools over the past few years, North Carolina politicians reacted to a recent critical report with a dismaying combination of confusion and obfuscation.

The issue was North Carolina's "graduation rate." It's one of the statistics that states must report to the federal government under the No Child Left Behind Act.

Educators, reformers, and politicians have been talking about ways to assess high-school completion rates for some time. The mostly widely used statistic in the past, the "dropout rate," fails to communicate useful information. A dropout rate is simply the percentage of students known to school officials in any given year to have ended prematurely their high-school career. These rates can seem awfully low, in the middle to low single-digits, but the appearance is deceiving.

For example, if 6 percent of a given class drops out in 2003, that may not sound dire. But if this rate occurs in each of the four years, then only 78 percent of the original class would graduate.

More problematic has been the practice of some schools to report dropout rates not simply for grades nine to 12 but for grades seven to 12, arguing that there were some students who were old enough legally to drop out while still in middle school. The real reason for adopting this alternative was to mask further what was really going on by increasing the size of the denominator far more than the numerator.

### *Other ways to measure school completion*

Understanding the drawbacks of the dropout rate, many schools had developed alternative measurements. The primary one was the graduation rate, also sometimes called the retention rate or the completion rate. The simplified version merely divided the number of students in 12th grade by the number of students in the entering freshman class four years earlier. While crude, the resulting percentage more or less reflected the share of students moving through high school successfully.

But complications arose. What about students who transferred from one school or district to another, or who dropped out for a while and then returned? What about school systems experiencing large inflows or outflows of school-aged population for reasons unrelated to education, such as rapid immigration?

Responding to these concerns, researchers devised ways to adjust numbers and include more data. One objection — that the graduation rate was an unfair measurement because it implied students who failed to graduate in four years would never graduate — sounded plausible but was really beside the point. Students who fail a grade and then go on to graduate in five or more years will still make their statistical presence felt, albeit in a different year's graduation rate. This won't distort the trend over time.

### *North Carolina's laughable statistic*

Sorry for the lengthy explanation, but only now can we explain what happened with North Carolina's exaggerated graduation rate. First, a group called Education Trust compared the states' independently measured graduation rates to those reported by the states to the federal government. In some cases, the differences were dramatic — none more so than North Carolina's, which had been reported as 92 percent but was actually 63 percent.

Why this huge disparity? Many drew the rather obvious conclusion that North Carolina education officials were trying to hide bad news. The state's methodology was risible: It started with the 12th-graders who graduated and then worked backwards to see how many had done so in only four years. This gets the problem exactly backwards, since obviously those students who dropped out before getting to the 12th grade aren't in the mix.

But school officials denied playing games. They said that North Carolina had submitted admittedly flawed data because they didn't yet have a way to measure a real graduation rate. "For the Education Trust to come along and suggest we're somehow deceitful . . . is absolute nonsense," state school Superintendent Mike Ward told the Asheville *Citizen-Times*.

Here's where Ward lost us. We know for a fact that the agency he heads, the Department of Public Instruction, had long measured and reported the graduation or retention

rate in its statistical reports, at least since the mid-1990s. A sister organization, the North Carolina Education Alliance, has used the data frequently, including in an annual report card on the state's school systems.

Perhaps the state's measure was relatively crude, but it was certainly superior to inventing a useless "graduation rate" measure that could only serve to obscure the real dropout problem.

At this point, it appears that someone in DPI either made an egregious error or tried to fool parents, taxpayers, and the federal government. A better explanation is needed, to put it mildly.

## WEIGHTY FREEDOM

*New data show taxpayers shoulder the load*

**H**ave you been eating right? Getting enough exercise? How far away are you from your ideal weight? You may think that we have no business asking you such personal questions, but privacy is no longer a legitimate excuse. And you can blame the so-called "progressive" legislation of the 1960s that forces us potentially to pay for your health-care costs.

According to a new study by researchers at the North Carolina-based RTI International and the Centers for Disease Control and Prevention, U.S. taxpayers are compelled to fork over \$39 billion a year, or about \$175 per person, to finance treatment for obesity-related illnesses through Medicare and Medicaid. This startling number is even more so when compared against the total estimated cost to treat obesity each year: \$75 billion. In other words, most of the medical costs associated with people eating too much or exercising too little are borne not by the patients or their families but by innocent taxpaying bystanders.

That leads to this disquieting conclusion: What you do in the privacy of your own homes regarding diet and exercise is now very much our business, as our habits are now yours.

Sure, the government officials who say these data prove the need for "public investment" in anti-obesity programs make the whole endeavor seem reasonable, compassionate, and noble. But that doesn't change the fact that in a supposedly free society, there is now a coherent if terrifying rationale for coercive government to "help" you count your calories and burn your carbs.

### *And then come the lawyers*

Moreover, since we all know that it is rather difficult to give up the fatty foods we enjoy and make ourselves spin the treadmill for half an hour after a hard day's work, couldn't it logically be said that obesity is the result of addictive behaviors? Don't nefarious fast-food corporations manipulate us through deceptive advertising and predatory pricing to eat too much of the wrong things, just so they can greedily reap their ill-gotten profits?

It's not too far a journey from Big Tobacco to Big Mac. There are already serious proposals to impose excise taxes on fatty foods, just as governments do on cigarettes and alcohol. There are plaintiffs already beginning an initial round of lawsuits against food companies to recover health costs from obesity, and it's not too much of a stretch to imagine state governments following suit at some point to recover Medicaid and other public health expenses.

What's dangerous is not that these attempts are being or will likely be made, but that they are not all wholly unreasonable. If obesity isn't just a problem for the obese but for the entire society, made so by government programs that socialize risk and reduce incentives to act wisely, taxpayers cannot fail to have some legitimate say in trying to reduce their financial risk.

It would be no different if government compelled homeowners to purchase insurance and then compelled insurers to offer coverage even to already burning houses. And advocates of today's government health programs can't get away with insisting only that they favor information and public education. What if a Medicaid patient or elderly retiree refuses to take your sound advice? Given the socialization of health care, what right do they have to refuse and thus impose a cost on everyone else?

There are plenty of moral reasons to oppose the continued growth of intrusive government. Taxation for extra-constitutional government is theft. And making all sort of tax-financed goodies available to the right special interest and the right time is an invitation to bribery and fraud. But add this one to the list: Individual freedom will be imperiled over time in rough proportion to the degree of individual dependency on the state. *cr*

## Bush's Good Start On Immigration

**C**onservatives and liberals, Republican and Democrats, business and labor — they all have something to say, mostly negative, about President Bush's immigration-reform plan. This should serve to rebut one allegation: that the president's motivation was political pandering. If Bush wanted to pander, he would have pitched a punitive policy. And if he wanted to be safe, he wouldn't have waded into the issue at all.

Instead, Bush wants to increase legal immigration, toughen border control, and allow currently undocumented aliens to apply for three-year work visas. I don't agree with everything in the plan, but it does strive for the appropriate, nuanced position about a topic often suffused with demagoguery.

One reason for all the sniping is that the immigration debate has spawned two distinct, vocal, and mutually antagonistic camps, neither of which will ever be mollified by nuance or middle courses. First you have the drawbridge-cranks. This group comprises such different elements as unions, cultural elitists, nativists, a few out-and-out racists, and anti-growth environmental extremists, though I should add that just because they have come to the same conclusion does not mean that they all share base motives.

Their position is that the country simply has too many immigrants. For some, the issue is protecting jobs. For others, it is protecting the nation's culture or politics from "invasion." They want the drawbridge into the American castle to be cranked up — typically favoring much more spending on border control, aggressively punishing employers who hire illegals, and generally trying to ratchet down the rate of immigration. Their economic rationale is incoherent. If immigrants are willing to take jobs at lower wages, the economy *benefits*. Savings on labor will accrue either to the benefit of consumers paying lower prices or to business owners and investors receiving higher returns. Consumers armed with additional purchasing power will buy other goods and services, thus boosting the demand for domestic labor in other sectors.

There is nothing conservative about interfering with free enterprise or trying to "prove" whether the economy "needs" to import workers, a question that markets will answer on their own. Nor do I find the enforcement measures many of them espouse to be consistent with freedom or economy.

But the other pole in the debate, held up by the open-borderers, is characterized by myopia. Immigrants aren't just potential workers or entrepreneurs. They are also potential consumers of public services, welfare recipients, even criminals and terrorists. In a perfect world, government shouldn't care who enters the country, but then again in Neverland fairy-dusted emigres could simply fly over the border. Here in the real world, states and localities must deal with the cost of schools, prisons, hospitals, clinics, and other institutions. They must grapple with political demands for bilingual education, politically correct curriculum, and discriminatory quotas. They have a duty to keep criminals or terrorists out while welcoming those immigrants truly pursuing the American Dream.

Bush's proposal is a laudable attempt to pursue these goals simultaneously — to increase the flow of legal immigrants seeking opportunity while decreasing the flow of illegal immigrants seeking handouts, crime victims, or terrorist targets. Let's get real. We aren't going to deport 10 million illegal immigrants and we cannot simply ignore our borders. Bush's opening offer deserves careful and rational debate. *cr*

**John Hood**

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

## Editorial Briefs

**Endangered Species Act doesn't work**

The main purpose of the 1973 Endangered Species Act is to protect species on the verge of extinction and to aid in their recovery. Yet some observers consider the law a failure, perhaps one of the worst environmental laws passed by the government. Over the past 30 years, only 30 species have been removed from the "endangered" list of more than 1,000 species. The primary reason for the removal of the species is their extinction and not their recovery through government efforts.

Although the law has actually prevented some federal projects that would have destroyed habitat, the majority of endangered species live on private land. Private initiatives by such groups as Ducks Unlimited have successfully encouraged waterfowl conservation.

However, the ESA creates a perverse incentive for private landowners by substantially reducing the economic value of their land. For example, North Carolina timber owners log young trees before they grow large enough to entice endangered critters. And a recent study found that landowners would not allow experts on their land to assess the Preble's meadow mouse population, fearing that ESA regulations would restrict use of their property.

An attempt by the Fish and Wildlife Service to revise the ESA to include "safe harbor" and "no surprises" protections for landowners was recently invalidated by a federal judge. There has been no major revision of the ESA since 1982, but the ESA must be fixed so that the federal government works with landowners, not against them.

Reported in the *Wall Street Journal*.

**Hillary's program caused vaccine shortage**

If Democrats, and a few Republicans, get their way, flu vaccine shortages will soon spread to medicines for other diseases, said Robert Goldberg, director of the Manhattan Institute's Center for Medical Progress. That's because Democrats want to apply the policies that produced the shortages — federal bulk purchase and distribution of old vaccines at government-controlled prices, combined with a refusal to pay for new technology in the name of cost containment — to every drug used for every disease, no matter how fatal.

The current mismatch of immediate demand and available supply can be blamed on the federal Vaccines For Children Program, Hillary Clinton's dry run for national health care.

The vaccine program buys up nearly 70 percent of all childhood vaccines at government-set prices and distributes them to states according to a federally set formula. The result is vaccines have gone to where the outbreaks aren't, and price controls have discouraged vaccine makers from producing more than what the government orders.

Reported in the *Washington Times*.

**The costs of unemployment benefits**

Economists have isolated the effects of extended unemployment benefits. Since many workers wait until their benefits are almost exhausted before taking a new job, the effect of extending benefits beyond 26 weeks extends the date when they have to take a job. One estimate concluded that for each week benefits are extended, the average duration of unemployment increases by about a day.

Forcing a worker to take a job that he may not want may seem cruel, but the alternative can be worse. In Europe, every country has unemployment benefits more generous than they are here. It is not uncommon for benefits to replace 80 percent to 90 percent of gross wages, compared to 50 percent to 70 percent in the United States. Unemployment benefits in Europe typically last for a year; some allow people to receive them for up to five years.

But the cost of compassion is high. Taxes are vastly higher and so is the unemployment rate. In Belgium the unemployment rate is 11.6 percent. Italy, Germany, and France have rates over 9 percent. Europe as a whole has an unemployment rate of 8.5 percent, compared with 5.9 percent here.

Reported by the National Center for Policy Analysis. *CJ*

By MICHAEL L. WALDEN

Contributing Editor

As the country moves into a new year, most of the economic indicators are looking up. Indeed, 2004 is expected to be the best year, thus far, of the '00' decade, with substantial gains being registered in economic growth, jobs, income, and stock market returns.

But there's one nagging economic issue that doesn't seem to be getting better — the trade deficit. As a country, we continue to import more products than we export. The United States has run a trade deficit annually for more than 20 years. In 2002, the deficit was \$483 billion, and in 2003 it was likely just as large or larger.

Analogies are often made between national economic situations and family personal finance. So most families know if they continually spend more than they earn, they will ultimately face financial trouble.

Some like to make the same statement for the nation regarding the trade deficit. If the United States continually buys more products from other countries than it sells to those countries, then won't this eventually mean monetary trouble for our country? Just like a person running up large credit card debts, doesn't a trade deficit mean the country is living beyond its collective means?

**Different ways of looking at the deficit**

However, two adjustments must be made to put the trade deficit in perspective. First, there is also world trade in services. For example, when U.S. legal firms or construction companies have contracts in foreign countries, this is counted as *exports* of services from the United States to those countries.

Or, when foreign tourists come to Disney World or to our North Carolina beaches, mountains, and golf courses, these are also exports of services from the United States to the home countries of the tourists.

The United States actually runs a trade surplus in services, amounting to \$65 billion in 2002. So when world trade in both products and services is considered, the U.S. trade deficit in 2002 was \$418 billion.

Second, it's important to keep the trade deficit in perspective. Certainly \$418 billion is an incomprehensible number to any person. But the entire U.S. economy generates almost \$11 trillion of income each year. The trade deficit was therefore less than 4 percent of the U.S. economy in 2002.

Yet, the broader question is whether a trade deficit

causes damage to the economy. Certainly a trade deficit represents sales that go to foreign companies and workers rather than to U.S. companies and workers, and so, on this basis alone, a trade deficit costs the United States both jobs and income.

But there are several responses to this fundamental concern about a trade deficit. If a trade deficit results because some U.S. buyers are finding better bargains from foreign producers, then the U.S. economy is actually made better-off from the foreign purchases.

For example, the main reason the United States buys so much foreign oil is that the oil is cheaper and of better quality than much of the oil that could be pumped in the United States. Using foreign oil allows all of us to pay less for gasoline, and therefore we have more money remaining to spend on other things.

A trade deficit can also be a sign a country is growing faster than foreign countries. In this case, the country's appetite for products and services is so great that it must be partially supplied by foreign producers.

**Dollars and foreign investment**

But perhaps the biggest misconception about a trade deficit is what happens to the dollars that are paid to foreign companies. There's a sense among some people these dollars are lost or hoarded.

Actually, the dollars come back to the United States in the form of foreign investments. Foreign owners invest the dollars in U.S. stocks, bonds, land, companies, farms, and factories. And these foreign investments create jobs and income in the United States.

In fact, in any year, the dollars lost through the trade deficit to foreign countries are virtually counterbalanced by the dollars invested in the United States by foreign countries. So, essentially we pay for our greater purchase of foreign products by giving up ownership of some U.S. assets to foreign owners.

Does this mean we're gradually selling off America? Recent trends would suggest not. The share of U.S. land and financial assets owned by foreigners hasn't changed much in 20 years, and stands at less than 10 percent. So although there are many economic issues in our country that may concern you, the trade deficit probably shouldn't be one of them. *CJ*



Michael L. Walden

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

# Has the GOP Become the Party of Big Government?

By **MARC ROTTERMAN**

Contributing Editor

**H**as the GOP become the party of big government? President Ronald Reagan said it best: "government is not the solution to our problem; government is the problem." As one who worked on Reagan's 1980 presidential campaign and subsequently in his administration, I always thought that philosophy, at least domestically, along with across-the-board tax cuts, really defined the differences between the Republican and the Democrat parties, or more succinctly, between conservatives and liberals.

## Reagan's reformation cut short

After the debacle of President Lyndon Johnson's Great Society programs, and frankly, Presidents Richard Nixon and Jimmy Carter's expansion of the federal government, Reagan was swept into office defeating an incumbent. He almost immediately made good on his promise of across-the-board tax cuts for the working families of America. The cuts stimulated an economic recovery, which continued well into the 1990s.

However, a Democratic Congress that refused to cooperate when it became time to cut the size of bureaucracy hamstrung Reagan's administration. Reagan once quipped, "We have long since discovered that nothing lasts longer than a temporary government program." Perhaps no truer statement was ever uttered. Even allies such as then-Secretary of Education Bill Bennett did little, if anything, to reduce the size of their respective departments. In fact, history affirms that Bennett increased the budget in the Education Department.

Now, fast forward to President Bill Clinton's State of the Union speech Jan. 23, 1996. Taking a page out of Reagan's playbook, Clinton said in that speech, "We know big government does not have all the answers. We know there's not a program for every problem. We have worked to give the American people a smaller, less-bureaucratic government in Washington. And we have to give the American people one that lives within its means. The era of big government is over."

Not for a moment do I believe that Clinton was com-

mitted to reducing the size and scope of government, but politically his rhetoric was a winner for Clinton in 1996. To give the Devil his due, Clinton understood what would sell with the public. No administration in the history of the Republic polled the electorate more than Clinton's team.

## Government on steroids since 1998

Since 1998 there has been, by any measure, a colossal expansion of the federal government. During that year, a temporary boon in tax collections brought the first budget surplus in more than 25 years. With the abolition of the budget deficit, the argument for budget restraint quickly lost its relevance among lawmakers and the Clinton administration. The big spenders and purveyors of pork were back in business.

By the first year of George W. Bush's administration in 2001, the budget surplus was quickly evaporating. This happened in large part because tax revenues could no longer keep pace with runaway spending. Then, the

terrorist attacks of September 11 necessitated increased spending on national security. Lawmakers in Congress, with the exception of a minority of conservatives, steadfastly refused to balance these new top priority costs with cuts elsewhere in the budget.

According to the Heritage Foundation, education spending surged by 78 percent from \$34 billion to \$58 billion. Most of the growth transpired between 2001 and 2003 as the No Child Left Behind Act was being implemented.

## Medicare prescription benefit was final straw

Before the congressional break for the holidays, a major fight erupted between conservatives in Congress and congressional leaders and the Bush administration. The fight was over the Medicare prescription benefit, which would expand the size of government. Essentially what the legislation did was to create a new unfunded entitlement.

Many conservatives argued that the Republican Party turned its back on limited government, and the absolute monopoly on the claim that the Democratic Party was the champion of big government. Rep. Mike Pence, R-Ind.,

warned his House colleagues that their vote for the Medicare prescription drug benefit would label the GOP as the party of new entitlements.

Some economists argue that the bill's colossal new spending will hasten the bankruptcy of Medicare, or that the increased spending will cause massive inflation. Further, retired employees are now the obligation of taxpayers, and the new plan will force senior citizens who have employee drug benefits into lower coverage and a more expensive government plan.

Consider these statistics that highlight the cost of government, according to the Heritage Foundation:

- In 2003, federal spending exceeded \$20,000 per household for the first time since World War II.
- The federal budget has expanded by \$353 billion over its 1998 level, led by sharp increases in defense, education, health, farm subsidies, unemployment benefits, and dozens of small, lower-priority programs.
- Defense and the attacks of Sept. 11 accounted for just 45 percent of all new spending since 2001.
- Mandatory spending has reached the highest level in U.S. history.
- These total-spending increases occurred despite net interest costs that plummeted by \$110 billion.

## Conservatives must call for restraint

Recently, President Bush released the outline for his 2004 budget, which includes accelerating income-tax reductions and numerous other tax cuts. Let's be clear, the president deserves much credit for the tax cuts that were passed in 2003. Those tax cuts have stimulated the economy, and because of the president and his allies in Congress, families are keeping more of what they earn.

The administration's fiscal 2004 budget calls for a 4.2 percent increase over 2003 spending levels. That is a good start, but conservatives must insist that Congress and the Bush administration do better. The national debt is inching toward \$7 trillion. Belt tightening is required, and priorities must be set. To not do so would be irresponsible of the GOP, which, after all, controls both houses of Congress and the White House. *CR*

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# Cooper Wages Environmental Imperialism Against Other States

By **DR. ROY C. CORDATO**

Contributing Editor

**I**n 2002 the North Carolina General Assembly passed the "clean smokestacks" bill. The legislation mandates dramatic reductions in emissions from coal-fired power plants run by Duke Power Co. and Progress Energy and will cost North Carolina electric customers more than \$2 billion over the next eight years. In spite of the high price tag, the law was enacted with no cost-benefit analysis or serious scientific investigation of its health effects. Now that these costs are a permanent part of living and doing business in North Carolina, Attorney General Roy Cooper has decided to use a little-known aspect of the law in an attempt to impose these hardships on our neighbors. The smokestacks bill authorizes the state to "use all available resources and means," including lawsuits, "to induce other states...to achieve reductions in emissions...comparable to those required [in NC]..."

## North Carolina bows to propagandists

North Carolina's smokestacks regulations are much more stringent than those enacted by other states or the federal EPA. Ever since the bill was passed, Cooper has been using the presumed moral authority that it gives North Carolina on air quality issues to pursue what might best be called "environmental imperialism" with respect to our neighbors.

Last year, shortly after passage of the bill, he sent a threatening letter to seven Southeastern states, stating "...North Carolinians do not want the benefits created by this new law to be lost because of emissions from other states. We will look at all options available to us to ensure

that that does not happen." It should be noted that this is an analytically vacuous threat, since there is no serious scientific analysis identifying what those benefits are.

Governor Mike Easley and the Republicans and Democrats in the Assembly relied almost completely on propaganda from left-wing environmental pressure groups as justification for the bill.

Now it appears that the administration, through its attorney general's office, is continuing to carry the water for these same groups. The point is to have the courts force an ideological agenda onto states whose legislatures are not the water boys found in Raleigh. Cooper's latest assault on the sover-

eignty of our neighbors comes in the form of a threat to pursue action through the EPA against Georgia, Kentucky, Ohio, South Carolina, Tennessee, Virginia, and West Virginia.

While providing no evidence, Cooper strongly suggests that emissions from these states are responsible for possible compliance problems with EPA pollution standards in Charlotte, Hickory, and Lexington.

The N.C. Division of Air Quality has determined that these areas are in danger of not meeting new EPA regulations on what is called particulate matter, or "soot."

First, it is not clear yet whether these areas will indeed fail the EPA test. A determination is not due until next year. But more importantly, there is no reason to believe that the problems that these three locations may be experiencing have anything to do with emissions coming from other states.

## Monitors placed near polluters

According to a report in the *Lexington Dispatch*, problems in these locations could be due to where the DAQ has placed the monitors that measure the amount of soot in the air. Fine particles are the result of burning fuels such as coal, gasoline, diesel, oil, and wood. The monitor in Lexington is located next to a wood-burning barbecue restaurant, railroad tracks carrying diesel locomotives, and a furniture factory. Guy Cornman, Davidson County planning director, is quoted as saying that Sheila Holman from the DAQ "almost guaranteed us we could get lower readings" from a monitor in a different location. In addition, *The Dispatch* revealed that the monitor in Hickory is near a railroad and furniture plant, and a monitor in Charlotte that consistently gets above-normal readings is also next to a barbecue restaurant.

This suggests that Cooper's office has either not done its homework or it is deliberately harassing the citizens of other states. In either case its actions are inconsistent with the best interests of North Carolina and good relations with our neighbors.

It is clear that when it comes to environmental policy, North Carolina's policy makers have been motivated primarily by ideology and environmentalist propaganda, with little attention paid to sound scientific analysis. This was clearly the case with the Easley administration's dogged pursuit of the clean smokestacks bill and it appears to be equally true for Cooper's crusade of environmental imperialism. *CR*

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



Marc Rotterman



Dr. Roy Cordato

*The monitor in Lexington is located next to a wood-burning barbecue restaurant, railroad tracks... and a furniture factory.*

# It's Not Laziness; It's a Neurological Disorder

A UNC-Chapel Hill researcher's discovery of 'Output Failure' could save a generation from abusive language, work

"He's so lazy!" It's an epithet frequently flung at children who don't do their homework or apply themselves in school. But in his new book, *The Myth of Laziness*, Mel Levine, M.D., a professor of pediatrics at the University of North Carolina at Chapel Hill, argues that very few children (or adults) are actually lazy. Instead, he believes that subtle, undiagnosed neurodevelopmental breakdowns cause memory, language, motor-function, and organizational weaknesses, which lead to what he calls "output failure."

— *Child Magazine*, February 2003



One way a sufferer of OF may try to alleviate his condition.

**N**OTE: The following is excerpted from the most recent edition of *The Public Schoolteacher's Manual for Diagnosing Mental Disorders That Can Be Treated by Ritalin™*, updated quarterly and published by Novartis Pharmaceuticals Press with a grant from the U.S. Dept. of Education:

...The physical lethargy often derisively termed "laziness" is usually undiagnosed **output failure (OF)**, a debilitating neurological disorder that often leaves its victims confined to beds or couches, showing little interest in any mental or physical stimulus except activities (including sports, video games, hobbies, and other recreation) that bring immediate pleasure.

An individual afflicted with OF is often also accused of being a "procrastinator" because many sufferers of the ailment share the same mental delusion (known as Rountuit's Deficiency) that they will be healed of output failure tomorrow. Granted, most people that inflict hurtful labels (e.g., lazybones, layabout, slacker, sluggard, deadbeat, slugabed) on OF victims are merely doing so out of a misguided belief that so doing would promote the impetus necessary to stimulate the individual to produce and therefore transcend their illness. This disease is beyond

their abilities to defeat, however, and such labeling brings about only unhealthy shame, which leads to self-loathing and in some cases, suicidal thoughts, although happily the latter are prevented from being carried to fruition by the very presence of the disorder.

The application of derisive labels is not, however, the only injustice done to OF sufferers. In their own homes, most are tasked, sometimes at an early age, with the completion of sundry "chores," and when they subsequently retreat to their output comfort zones (bed, couch, outdoor playtime, etc.) and leave the chores unfinished, their actions are unfortunately viewed as proof of laziness, procrastination, etc. Tragically, in many households where children with OF reside, such manifestations of their disorder are met not with compassion and understanding, but with greater insistence that the chores be completed, many times accompanied with threats to the physical comfort of the OF sufferer — a loss of privileges, including comfort-zone privileges; a withholding of promised or expected access to snacks or desserts; or even corporal punishment.

For such individuals, the public school system, which

usually serves as a protective bosom against the manifold cruelties of the American family, this time provides no respite. Indeed, assigned "homework" is a regular activity of this antiquarian mode of education delivery. Homework compounds the OF victim's unhappiness, and the schools often replicate the errors of the parents by insisting that the work be completed at the risk of losing privileges. At least in the schools, corporal punishment is no longer threatened, but this modest advantage is compromised by the fact that in schools, the OF sufferer faces usually many peers who are quick to deliver epithets based upon his condition. Ironically, as this neurological disorder has only recently been discovered, few victims know of their victimhood, and therefore it is not unusual for a person afflicted with OF to be insulted for the outcroppings of his ailment by peers who are unbeknownst fellow sufferers.

Left untreated, a person with OF can grow into adulthood and appear functionally normal. He will face, however, a frightening array of "responsibilities" that society in its collective ignorance places upon all apparently functionally normal adults. Chief among them is, of course, getting a job, but it is also expected of him that he will find his own domicile and perform the necessary upkeep upon it. The encouraging news is that, as knowledge of this disorder has spread, many adults with OF have been allowed to remain living with their parents (those in the most fortunate of circumstances do so "rent-free" even in their 30s), but others, either out of manifest ignorance or denial of their ailment or out of the baseless optimism that it is simply a "lack of discipline" on their part that can be overcome through meeting personal responsibilities, not only burden themselves with jobs but even homes *with lawns*.

A touching portrayal of a victim of OF can be found in John Kennedy Toole's prescient *A Confederacy of Dunces*, in which obvious OF sufferer Ignatius J. Reilly tries to meet the demands of society and his oppressive mother... *CV*



Host Tom Campbell Chris Fitzsimon Barry Saunders John Hood

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