

CAROLINA JOURNAL

Volume 11, Number 5
May 2004

www.CarolinaJournal.com

A Monthly Journal of News,
Analysis, and Opinion from
the John Locke Foundation

www.JohnLocke.org

Protection Act Holds Promise for North Carolina's Taxpayers

Limits are ineffective in most states, but Colorado has restrained spending

By PAUL CHESSER
Associate Editor

RALEIGH

"If we can prevent the government from wasting the labors of the people, under the pretence of taking care of them, the (people) must (be) happy. We say the (government) raised not only enough (money), but too much; and that after giving back the surplus we do more with a part than they did with the whole."

— Thomas Jefferson, in a letter to Thomas Cooper on Nov. 29, 1802

When Gov. Mike Easley introduced his proposed biennial budget last year, he asked the legislature to implement spending limits tied to the average growth in personal income during the previous 10 years.

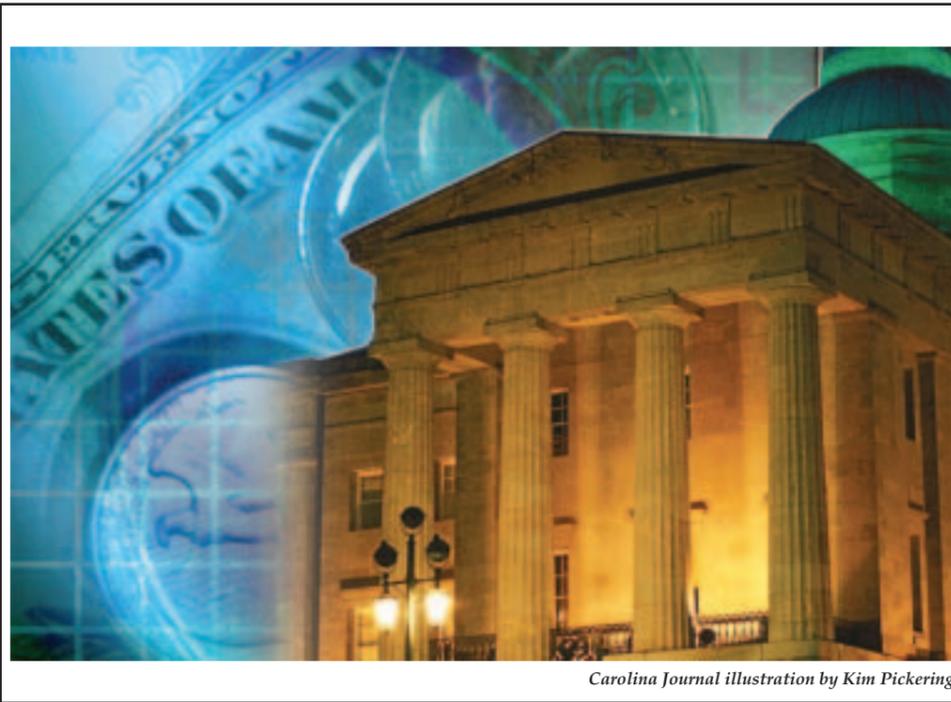
"The current budget model needs to be reformed," Easley said in February 2003. "Last year, we have reduced the state operating budget for the first time in over 30 years and brought spending under control, but now it is time to take the next step. We must stop the practices of letting spending run away when the economy is strong."

The request was the first significant effort in North Carolina since 1991, by an elected official with power, to create an outside force to protect taxpayers from excessive state spending. At the time even the John Locke Foundation, publisher of *Carolina Journal*, offered limited praise for Easley because he at least started a debate over government spending limits. The John Locke Foundation has long supported a Taxpayer Protection Act for the state, which some legislative sponsors have proposed in recent years.

But many conservatives, including officers of the John Locke Foundation, thought Easley's gesture did not go far enough. Besides, the legislature failed to adopt the idea into state law anyway.

Weaknesses in Easley's model

Critics, citing failures in other states that implemented similar measures, say Easley's measure contained several flaws.



Carolina Journal illustration by Kim Pickering

First, they thought a cap tied to personal income, rather than to population and inflation, would allow government to increase too rapidly even if strictly adhered to.

"Because personal income typically grows faster than the combined rate of inflation and population growth... the governor's proposal would essentially freeze the tax burden at its current level, which is the second-highest tax burden in the region and about twice what it was 20 years ago in real terms," wrote Locke Foundation President John Hood in a March 2003 Spotlight Report, "Follow Easley's Lead: Spending Cap Should Be Tightened, Constitutional." "(A) Taxpayer Protection Act [tied to population growth inflation] would allow North Carolina's tax burden to shrink over time."

Another perceived shortcoming of Easley's proposal was that it would have been written in statute, rather than into the state constitution. Tax and expenditure limits in other states have shown that legislatures can, and often do, suspend statutory caps, which they cannot do when mandated by their constitutions.

Also, states where limits require the government to rebate unspent revenues to taxpayers, rather than to accumulate in off-budget accounts, have proven to be more effective restraints on spending. Easley's proposal did not include such a provision.

And while not an option in North Carolina, limits hold elected officials more ac-

countable when passed by citizen initiative instead of through the state legislature.

Taxpayer's Bill of Rights

Probably the most well-known tax expenditure limit in the country, and the one most admired by taxpayer organizations, is the Taxpayer's Bill of Rights, passed in 1992 by the voters of Colorado.

TABOR became a constitutional amendment expressly for the purpose of restraining the growth of government. Increases in tax rates may be approved only by voters, and spending may grow only according to increases of state population and inflation as measured in the previous year.

Passage of a Colorado taxpayer-protection initiative required several attempts. Fred Holden, a senior fellow in budget policy for the Golden, Colo.-based Independence Institute, said tax-limitation propositions appeared on the ballot four times between 1966 and 1978. In 1986 a proposed amendment to require voter approval for tax increases failed again, gaining only 37 percent support.

However, every two years afterward tax limitation initiatives gained increasing voter approval. Colorado Springs anti-tax activist Douglas Bruce led efforts that produced 43 percent support in 1988, and 49.5

N.C., other states project better revenues in 2004 but 2005 is a problem

By PAUL CHESSER
Associate Editor

RALEIGH

Officials in most states expect a temporary breather in 2004 from the budget problems of the last three years, but many anticipate shortages again for fiscal 2005.

According to the National Conference of State Legislatures, states have a \$2.5 billion budget shortfall for the current fiscal year, compared to the total \$25.7 billion gap they had to overcome at this time last year. The information, collected from the legislative fiscal directors of all states, was reported in the NCSL's "State Budget Update: February 2004" report.

North Carolina reported that it didn't project a budget shortfall for the remainder of 2004, but Gov. Mike Easley is holding back "2 percent of agency allotments as an uncertainty reserve against April income tax collections," NCSL reported. The fiscal year ends June 30.

The state reported in mid-April that after the first nine months of the fiscal year, revenues were \$112.5 million ahead of projections. Legislative fiscal staff credited larger-than-expected corporate tax payments.

Through February, North Carolina's tax revenues were running \$24 million ahead of projections for this year.

Thirty states expect to end fiscal 2004 with a budget surplus. Officials in 23 states reported that revenues were surpassing their estimates. Officials of 13 states said their financial projections were on target.

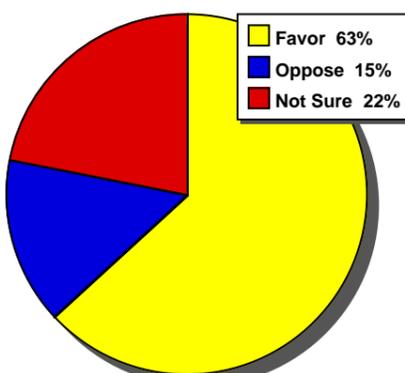
Predictions for 2005 aren't so rosy. NCSL reported that 31 states expect budget gaps, albeit of a lesser magnitude than in recent years. "Sixteen predict shortfalls above 5 percent," NCSL said, "compared to 33 last year." A collective deficit of \$35.6 billion is expected by states for 2005, but the widely reported \$15 billion shortfall in California makes up 42 percent of the overall number.

NCSL said 15 states will consider tax

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Put Annual Cap on NC Budget Growth



% of N.C. Respondents in Oct. 2002 JLF Poll

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200 W. Morgan St., # 200
Raleigh, NC 27601

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Carolina Journal is a monthly journal of news, analysis, and commentary on state and local government and public policy issues in North Carolina.

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Calendar

Elon Poll Director to Speak at Shaftesbury Luncheon June 21

Elon College is consistently rated as one of the nation's top liberal arts colleges. It is also home to one of the nation's leading state-based opinion polling operations.

On Monday, June 21, the director of the Elon Poll, Dr. Tim Vercellotti, will provide the John Locke Foundation's Shaftesbury Society luncheon group with an inside look into the world of public opinion polling.

The nonpartisan Elon Poll conducts frequent statewide scientific telephone polls on issues of importance to North Carolinians. The poll results are shared with media, citizens, and researchers to facilitate representative democracy and public-policy making through the better understanding of the opinions and needs of North Carolina citizens.

Poll topics have included the economy, candidate recognition by citizens, job approval ratings, the death penalty, a state lottery, the war in Iraq, and national health care coverage. The most recent poll, taken April 26-29, measured North Carolinians approval rating of President Bush. That poll found Bush's overall job approval rating in North Carolina has dropped 5.6 percentage points since February, and a larger percentage of North Carolinians are expressing unease about the war in Iraq.

Poll results have been carried by major media outlets, including *The New York Times*, *The Los Angeles Times*, NBC's "Meet the Press," *The Associated Press*, *The News & Observer* of Raleigh, and *The Charlotte Observer*.

Dr. Vercellotti oversees research design, survey development, training of interviewers, and analysis of poll data. His research interests include media and poli-



Dr. Tim Vercellotti

tics, political psychology, and race and politics. He earned a bachelor's degree from the University of Notre Dame, a master's degree from Columbia University, and a doctorate in political science from the University of North Carolina at Chapel Hill.

The Elon Poll is conducted by students who work under the direction of faculty members in the political science department at Elon College. A computerized polling center located on campus is equipped with sophisticated statistical software and 27 telephone polling stations.

The Elon University Poll uses random

computer generated telephone numbers from across North Carolina. Random generation of telephone numbers allows for dialing both listed and unlisted numbers. The sample of possible numbers is weighted proportionally to reflect the distribution of phone numbers in each telephone exchange in the state, as well as each county.

During each poll, phone numbers are released by computer to phone interviewers in groups of 100 numbers. This enhances the reliability of surveys by controlling how many numbers are available to the interviewers at any one time. Three attempts to complete an interview are made for each number released to an interviewer, with second and third attempts to reach respondents staggered throughout the survey.

Nonresidents of households are not surveyed and no interviews are taken from businesses. Survey data reflect only interviews with North Carolina residents age 18 and older.

Polls are normally conducted from 5:30 to 9 p.m., Monday through Thursday. Each poll typically has a margin of error of plus or minus 4.5 percent, and samples about 600 citizens.

Vercellotti oversees research design, survey development, training of interviewers, and analysis of poll data. His research interests include media and politics, political psychology, and race and politics.

The Shaftesbury Society meets every Monday at noon at the John Locke Foundation offices in downtown Raleigh to discuss public policy issues. For more information on the Shaftesbury Society, go to the John Locke Foundation web site at www.johnlocke.org.

Poorly Designed Tax, Spending Limits Ineffective in Most States

Continued From Page 1

percent in 1990.

Colorado lawmakers began to see where voter sentiment was going, and passed the Bird-Arveschoug 6 percent spending limit. Holden said it was often referred to as "the Swiss cheese" limit because "it was so full of holes," Holden said.

After the narrow loss in 1990, Bruce removed a requirement to limit state fees in the proposed 1992 bill of rights amendment.

"Like an English bulldog that never lets go," Holden wrote in an Independence Institute paper called "A Decade of TABOR: Analysis of the Taxpayers' Bill of Rights," "Bruce in 1992 brought out what was to be the third and last Amendment 1, finally passed by 54 percent of Colorado voters."

TABOR limits spending

The Taxpayer Bill of Rights, fortified with the taxpayer-rebate condition, has slowed, not stopped, the growth of state government ever since.

"Polls show that strong majorities of taxpayers and small-business owners, leaders, and managers love TABOR," Holden wrote. "Those who like to control and expand state spending or are its recipients hate it."

"With TABOR, taxpayers need not regularly, continuously, relentlessly, and exhaustively monitor and react to the fiscal foibles of the political process. The people have their own quite demanding personal, professional, and family lives, and prefer a systematic, 'always on' solution. What they chose in TABOR was to use the authority and power of the Constitution to do the important work of limiting government growth."

Holden reported that in the 10 years before the passage of the taxpayer bill of rights, inflation grew at 29.7 percent and population grew by 10.4 percent, for a total of 40.1 percent. During the same time state revenues increased by 104.7 percent and state spending grew by 89.8 percent.

The premise for the bill of rights is that for every percentage point that inflation grows, the same increase in purchasing power is required to buy the same amount of goods and services for the same number of people. For every percentage increase in the population, the same percent increase in revenue is needed to provide government services for the additional people.

In the 10 years since its passage, the bill of rights accomplished what Colorado voters intended. Population and inflation together grew by 62.6 percent, in line with state revenue growth of 61.3 percent and state spending growth of 63.8 percent.

But the bill of rights has not exempted Colorado from recent years' fiscal troubles.

"Because fees are not covered by the Colorado limit, they have shouldered a greater burden for generating revenue in the Centennial State..." reported the National Conference of State Legislatures.

Critics, such as the Washington, D.C.-based Center on Budget and Policy Priorities, say the bill of rights exacerbated Colorado's financial problems during the economic downturn.

"In some years," the liberal group CBPP said, "revenues decline or grow more slowly than the sum of population growth and inflation. In such years, the TABOR formula uses the new, reduced level of revenues as the base for computing the next year's limit."

This is known as the "ratchet effect." CBPP argued that "TABOR is causing state revenues to fall further and further below what they would be if they had grown at the pace of population and inflation since

States' Tax and Expenditure Limits				
Most of the 27 States With Tax Expenditure Limits Are in the West and South				
State	Year Adopted	Constitution or Statute?	Type of Limit	Main Features of Limit
Alaska	1982	Constitution	Spending	Appropriations cap grows with population and inflation
Arizona	1978	Constitution	Spending	Approps. not more than 7.41% of total personal income
California	1979	Constitution	Spending	Approps. linked to population and personal income growth
Colorado	1992	Constitution	Both	Revenues limited to population growth plus inflation. Voters approve spending limit or tax increases
Connecticut	1991	Statute	Spending	Ltd. to avg.growth in personal income for previous 5 years or prior year increase in inflation, whichever is greater
Delaware	1978	Constitution	Spending	Appropriations limited to 98% of revenue estimate
Florida	1994	Constitution	Revenue	Ltd. to avg.growth in personal income for previous 5 years
Hawaii	1978	Constitution	Spending	Ltd. to avg. growth in personal income in prior 3 years
Idaho	1980	Statute	Spending	Approps. cannot exceed 5.33% of total personal income
Iowa	1992	Statute	Spending	Approps. limited to 99% of the adjusted revenue estimate
Louisiana	1993	Constitution	Spending	1992 approps plus annl. grwth. in state personal income
Massachusetts	1986	Statute	Revenue	Cannot exceed the 3-yr. avg. grwth in wages and salaries
Michigan	1978	Constitution	Revenue	Ltd. to 1% over 9.49% of the prior yr's personal income
Mississippi	1982	Statute	Spending	Appropriations limited to 98% of projected revenue
Missouri	1980 1996	Constitution Constitution	Revenue Revenue	Ltd. to 5.64% of prior yr's total state personal income Voter approval req'd for tax hikes over \$70 million or 1% of state revenues-whichever is less
Montana	1981	Statute	Spending	Ltd. to a growth index based on state personal income
Nevada	1979	Statute	Spending	Ltd. to the biennial % grwth in state pop. & inflation
New Jersey	1990	Statute	Spending	Ltd. to the growth in state personal income
North Carolina	1991	Statute	Spending	Ltd. to 7% or less of total state personal income
Oklahoma	1985 1985	Constitution Constitution	Spending Spending	Ltd. to 12% annual growth adjusted for inflation Appropriations are limited to 95% of certified revenue
Oregon	2000 2001	Constitution Statute	Revenue Spending	All \$ in excess of 2% of the revenue estimate must be refunded to taxpayers Grwth ltd. to 8% of projctd. personal income for biennium
Rhode Island	1992	Constitution	Spending	Appropriations limited to 98% of projected revenue
South Carolina	1980 1984	Constitution	Spending	Grwth ltd by avg.grwth in personal income or 9.5% of total personal income for the prev. yr—whichever is greater. No. of state employees is ltd to a ratio of state population
Tennessee	1978	Constitution	Spending	Appropriations ltd. to the growth in state personal income
Texas	1978	Constitution	Spending	Appropriations ltd. to the growth in state personal income
Utah	1989	Statute	Spending	Growth ltd. by formula that includes pop., inflation and personal income
Washington	1993	Statute	Spending	Ltd. to avg of inflation for prev. 3 yrs plus pop. growth

Source: National Conference of State Legislatures

TABOR's enactment."

Still, Colorado residents maintain the power to allow government to increase taxes and spending, and polls show that voters would like to keep it that way.

According to the National Conference of State Legislatures, other state taxpayer bills of rights "ha(ve) not been very effective in slowing government growth as desired by proponents," chiefly because of their design. After most states' fiscal suffering the last few years, NCSL says the coming years may see renewed efforts to create or tighten limits.

Budget OK for 2004, But Not 2005

Continued From Page 1

increases—mostly cigarette taxes "or other narrow taxes." The organization also reported that 19 states will consider gaming proposals. "A dozen states are considering other revenue-raising measures such as higher-education tuition increases, changing tax due dates, imposing surcharges or raising fees," NCSL reported. Despite

Easley's long-standing desire for a state-run lottery, North Carolina was not expected to be among the states to consider tax hikes or gambling to increase revenues.

NCSL reported that North Carolina anticipated a \$500 million budget gap for fiscal 2005, including expansion items such as enrollment growth. This would represent 3.5 percent of the general fund. Some estimates go as high as \$800 million.

Around the State

• How optimistic are business leaders that North Carolina's economic climate will improve in the coming months and years? And what do they believe state and local policymakers should do to change that climate for the better? These and other critical questions were answered in a statewide survey of business executives.

"Climate Change 2004: Economic Readings and Forecasts from North Carolina Business Leaders" is the name of the research project, conducted by John Locke Foundation analysts John Hood and Chad Adams. Between them, Hood and Adams visited nearly 20 cities across North Carolina in late March, April, and early May to present the findings and invite public discussion at events hosted by JLF, local taxpayer organizations, chambers of commerce, and other civic organizations.

Respondents to the "Climate Change" survey included leaders of large and small businesses in every corner of North Carolina. The findings explored such issues as expectations for growth, how taxes and other public policies affect the states' competitiveness, transportation priorities, education, economic incentives, immigration, and the cost-effectiveness of state and local services.

According to the survey, 52 percent of respondents thought North Carolina held "excellent" or "good" prospects for economic growth, while 48 percent believe growth prospects for the state were "fair" or "poor."

Business leaders overwhelmingly thought state and local officials should balance their budgets without raising taxes. Sixty-eight percent thought lawmakers should cut the budget without raising taxes, while 29 percent thought a mixture of cuts and tax increases was acceptable.

For more information on "Climate Change 2004," contact the Locke Foundation at (919) 828-3876.

• State and federal programs directed at the disabled are costly and ineffective because they apply an "entitlement mentality" to problems that would be better addressed by promoting investment in job skills and self-reliance, according to a new report released by the John Locke Foundation. John Hood, president of the Raleigh think tank and author of "From Entitlement to Investment: Rethinking U.S. Disability Policy for the 21st Century," observed that while most people living with disabilities today have "an unprecedented quality of life," largely as a product of medical and technological advances, they are also experiencing some "surprisingly negative" trends.

A key problem is employment. Hood reported that a smaller share of disabled Americans have jobs today than was true before the passage of the Americans with Disabilities Act, which was supposed to pry open the doors of economic opportunity.

Hood's study is available on the Locke Foundation's website at www.johnlocke.org/policy_reports/2004030944.html. c7

Critics question N.C. rules and enforcement at a legislative hearing

State Environmental Regulators on the Hot Seat

By RICHARD WAGNER
Editor

RALEIGH

The air turned foul in a General Assembly committee meeting April 6 when representatives of various industries in North Carolina assailed the state Department of the Environment and Natural Resources.

Robin Smith, DENR assistant secretary of planning and policy, testified before the Joint Select Committee on Small Business and Economic Development that North Carolina's environmental laws sometimes are stricter than federal laws, and other times they are less stringent. "It's a tradeoff," she said.

One example of a stringent state law is the Clean Smokestacks legislation that the state legislature recently approved, Smith said. Then again, she said, North Carolina provides financial assistance for owners of underground fuel tanks to clean up leakage and contamination of surrounding soil and water. Federal laws don't provide any assistance, she said.

But Rep. Connie Wilson, R-Charlotte said she was concerned about DENR's excessive regulations that thwart economic development in the state. "The complaint I hear is that North Carolina is business unfriendly because of DENR," Wilson said.

Smith countered Wilson's assessment of her department. "Our standards are not out of line with programs in the Southeast," she said.

John Yarboro, Jr., director of government relations for the Employers Coalition of North Carolina, testified that environmental laws in the United States harm business. "Many businesses, including small businesses in North Carolina, compete globally. But other countries don't have the stringent laws we have in the United States," he said. "We can't compete with these outside firms because of the strict rules in the United States."

"As we look at DENR and other agencies how do we compensate for the costs we incur?" he said. Government officials need to reconsider how they enforce environmental policies, Yarboro said. Small businesses, in particular, are affected by costs



Rep. Alex Warner, D-Hope Mills

driven by environmental regulations. Some of them will go out of business, he said. "We want answers from these regulatory agencies."

Bob Slocum, executive vice president of the N.C. Forestry Association, said members of his organization also were upset with DENR. "The universal comment we got was not so much the rules themselves, it was the attitude of the people enforcing the rules. It's an antibusiness attitude," he said.

Paul Wilms, director of governmental affairs for the National Homebuilders Association, testified, "It's not so much the standards that are the problem, it's how they're administered." Permits required by the DENR can be used to delay, or kill, a project, he said.

Often the agency, whose permit must be granted within 60 days of the start of construction, will wait until the 50th day that a project has been under way before making a ruling. The agency should be able "to stop the clock," on permit applications, to speed up the development approval process, Wilms said.

Smith said, however, that DENR has grandfather provisions in laws that allow leniency in certain cases. Applicants do not have to reapply for permits in those situations.



Rep. Connie Wilson, R-Mecklenburg

Many applications for permits filled out by developers are incomplete and slow down the regulatory process, Smith said. The department, she said, trains applicants on how to fill out the required paperwork.

Sen. A. B. Swindell IV, D-Nashville, expressed outrage at DENR's intransigence. Many legislators have heard complaints about lengthy delays in the department's permitting process, he told Smith. "It's a shame we come to meetings like this and we hear about problems, and they're not solved," he said.

Sen. David Hoyle, D-Dallas, chairman of the committee, asked Smith whether DENR was understaffed.

"It's hard to say at this point whether we need more people," she said. DENR has lost employees during the state's economic downturn and budget restrictions the past couple of years, Smith said, and staff turnover has contributed to the slowness of the department's work.

Expressing the general sentiment of those who spoke to the committee was Rep. Alex Warner, D-Hope Mills.

"I don't know of any other agencies that I've had to investigate and answer for than DENR and DOT," he said. "We need to provide customer service, especially to business." c7

N.C. Among the Lesser Pork-Laden in Federal Budget

By PAUL CHESSE
Associate Editor

RALEIGH

Citizens Against Government Waste, a Washington, D.C.-based organization that identifies and publicizes frivolous spending by the federal government, released its annual "Pig Book" on April 7.

The report is CAGW's "exposé of the most glaring and irresponsible pork-barrel projects in the 13 annual appropriations bills and their sponsors."

According to the nonprofit organization's press release, "the total number of pork-projects hidden in the 13 appropriations bills — seven of which were lumped together into one omnibus spending bill and passed in January — is a record 10,656, 13 percent over last year's eye-popping total of 9,362."

CAGW reported that the total is an increase of 384 percent over six years. Total pork spending also increased to a record \$22.9 billion, 1.6 percent higher than last year's high of \$22.5 billion, according to the Pig Book.

"As Americans prepare their taxes, which are due next week, they should look

- Not requested by the president;
- Greatly exceeds the president's budget request or the previous year's funding;
- Not the subject of congressional hearings; or
- Serves only a local or special interest.

North Carolina's pork

CAGW reported that North Carolina, after finishing 51st last year in per-capita pork spending, ranked second-to-last this year. Only New Jersey's congressmen brought home less bacon per person than the Tar Heel state's.

According to the Pig Book, the 2004 federal budget contained \$101.03 million in total pork spending for North Carolina, an average of \$11.70 in pork per capita.

Only a couple of appropriations for North Carolina were rated worthy for specific mention by CAGW. One was for \$6.1 million for "wood utilization research" for 11 states, which included North Carolina.

Another was a \$400,000 Department of Interior allocation by Rep. Charles Taylor, for the Old Henderson County Courthouse. Taylor chairs the Interior Appropriations subcommittee. c7

Company started work in Wilmington and then got state incentives

Jobs Grant for Verizon Wireless Call Center May Have Skirted Law

By DON CARRINGTON
Associate Publisher

RALEIGH
Gov. Mike Easley announced March 15 that North Carolina officials had awarded a \$7 million grant to Verizon Wireless and that the company would build a high-tech call center in Wilmington. He made the announcement at the Wilmington Industrial Development office, at the airport in North Wilmington. Had he chosen to make the announcement at the company's 17-acre building site in South Wilmington, he would have had to wear a hard hat and dodge bulldozers, because the project had already started.

An investigation by *Carolina Journal* revealed that state officials might have violated state laws and guidelines in making the award. The Job Development Investment Grant that the company received is to be awarded only to companies that would not locate in North Carolina without the grant. But, according to evidence found by *CJ*, the company had already committed to the site and had started the project before the state awarded the grant.

On March 24 a *CJ* reporter visited the building site and observed about 50 workers and numerous vehicles, many having out-of-state tags. There also was a sign outside Gilbane Building Company's mobile office that read, "This job has safely worked 27 days & 8117 man hours." Assuming the sign was updated on a daily basis, and workers were on the job Mondays through Saturdays, the project was started Feb. 21.

A press release from Easley's office coinciding with his announcement said the Economic Investment Committee had unanimously approved the Verizon grant that day. "The JDIG program allows us to compete for and win the attention of highly successful companies such as Verizon Wireless," Easley said.

The estimated value of the grant is \$7.2 million over 10 years. The release also said the facility is expected to be completed this year, the company would invest \$29 million, and it would hire up to 1,211 workers. Verizon plans to begin hiring this spring, and about 700 jobs will be created this year. In addition, the press release said specifically that "these grants are to be awarded to projects whose benefits exceed their costs to the state and which would not locate in North Carolina without the grant."

While North Carolina has several business-incentive programs in place, the JDIG program is distinguishable by the fact that it contains a "but-for clause" or "dealbreaker language" — meaning the company will not come without the particular JDIG inducement. The Economic Investment Committee is required to make findings before a grant can be awarded. Among the findings is that "a program grant is necessary for the completion of the project in this state."

In addition to the sign at Gilbane's office, *CJ* uncovered other evidence that the project was well under way before the JDIG grant was approved.

Gilbane applied for a foundation permit for a 160,000-square-foot, three-story facility March 1 and a full building permit March 3. The building permit was granted March 12 and Gilbane paid a \$9,274 permit fee. New Hanover County building inspection officials told *CJ* that site preparation work is allowed without a permit and confirmed that Gilbane had started activity at the site before the permit application was received.

In a March 13 letter to the New Hanover County building inspector, Gilbane Project Executive Roger McFarland said he planned to work a double shift schedule, six days a

week to obtain a partial occupancy certificate by the middle of July. He said Gilbane, as allowed by the counties Third Party Inspections program, had hired S&ME Inc. to perform inspections and to expedite the inspection process.

Verizon Vice President for Finance Operations Joseph Greco made the application on behalf of Verizon. Greco submitted the application to the state Commerce Department on Jan. 13. In the application he declared that the estimated start date of construction was February 2004. Greco also answered "yes" to the question "Is a grant under this program necessary for this project to be undertaken in North Carolina?" Greco's notarized signature follows the statement "The information provided in this application has been gathered based on diligent inquiry and is true and correct to the best of my knowledge and that of the applicant."

Greco did not return several phone messages seeking an explanation as to why construction started before the grant was awarded. He apparently referred the call to Verizon spokeswoman Sheryl Sellaway, who did call *CJ*. Even after repeated questioning, Sellaway would not explain why the project was substantially under way before the grant was awarded. "We believe that is a mutually beneficial opportunity. The citizens will benefit from the jobs we will provide," she said.

Perri Morgan, state director of the National Federation of Independent Business, said that given her understanding of the program, she was not surprised about the Verizon situation. "To me, it bolsters the objections of small business owners across the state who do not receive incentives but continue to create most of the net new jobs. We do not understand why the jobs big business creates are more important than the jobs we create every day. While we are pleased Verizon is coming to Wilmington, we cannot understand why taxpayer dollars are being used to subsidize a company that is coming anyway. The corporate entitlement culture is doing real damage to other taxpayers."

Documents obtained by *CJ* suggest that the Economic Investment committee gave Verizon an initial proposal Jan. 29.

The Economic Investment Committee is a five-member panel consisting of the secretary of commerce, the secretary of revenue, the director of the Office of State Budget and Management, one member appointed by the speaker of the House, and one member appointed by president pro tem of the Senate. Current members, respectively, are Jim Fain, Norris Tolson, and David McCoy. The other two members are the House appointee, Gene Miller of Wilmington, and Senate appointee Harrell Everett of Goldsboro.

Under JDIG, which was pushed by Easley and approved by the General Assembly in 2002, companies may apply for grants that are equivalent to an amount between 10 percent and 75 percent of the personal income tax withholdings of the new employees. The specific 10-year agree-



ment with Verizon calls for the state to retain only 40 percent of the state withholding taxes paid by Verizon employees. The company will get back an amount equal to 45 percent of

the withholdings, and the remaining 15 percent will go into a state rural infrastructure fund. Since the Department of Revenue will retain only about 40 percent of Verizon employees' income taxes, other taxpayers will have to cover the cost of providing revenue for the state government services they consume.

CJ asked Tolson why the committee awarded a grant to Verizon after the project was substantially under way. "What do you mean they have already started?" he asked. "I am not sure I know what you are saying there. You mean they had started building and doing all that stuff? That may be the case, but I am not aware of that."

"I believe the project is a good project for North Carolina. I don't know about the

details. I did not look at the site myself," he said.

The program criteria in use by the committee specifically says that "projects for which a grant is not found to be necessary for their completion in North Carolina will not be awarded grants." Tolson acknowledged the condition is one of the tests. When asked who certified that the condition had been met, he said the committee takes recommendations from the Department of Commerce, which certified that all the conditions had been met.

CJ also asked Tolson whether anyone had promised grants before the committee voted. "Absolutely not, not to my knowledge," he said.

When asked about the timing of the grant after the construction had started, Commerce Department spokeswoman Linda Weiner told *CJ*, "What we are talking about is a company that had a site and chose to make improvements at their own risk. There is no formal approval until the committee makes a public formal offer. The company put their truthfulness on the line. It has to count for something."

But the award still has one more hurdle. According to state law, grants are not binding until a written Community Economic Development Agreement has been prepared by Attorney General Roy Cooper and signed by all required people, including Roy Cooper. At press time, Cooper's office would not comment or confirm the status of the Verizon agreement. *CJ*



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

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.

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NC News In Brief

School shuffles unpopular

Controversy and discontent over reassignment continue in Guilford and Wake counties, even though the official questions have mostly been settled.

Wake County has reassigned 7,738 students for the 2004-05 school year, including a controversial move to reassign a large number of low-income students to year-round schools. Cynthia Matson of Assignment By Choice told *The News & Observer* of Raleigh the group was raising funds to file a lawsuit against the county. The group also supports a movement to vote school board members out of office in the next election.

The *High Point Enterprise* has been following a decision to turn three High Point high schools into magnets, and to shuffle students for socioeconomic diversity. The parent group Working Solutions For Our Schools, emphasized the need for better-organized parents, and a higher profile on school policy.

Greg Hawkins, cofounder of the group, conceded that "this magnet plan is happening." He said he wants parents to act together to ensure "the best possible education" for their children. Parent teams will work to keep up with developments under the new plan.

Paddling OK, within limits

Paddling students is OK in North Carolina, state law says. But school officials can still land in court for practicing corporal punishment, according to *The News & Observer* of Raleigh.

Principal Mickey Noe of Clay County schools is facing a lawsuit over allegations that the paddling doled out to student Joel Smith was "excessive." The boy's mother reported that the 10-year-old's legs were bruised in a paddling.

Immunity from criminal charges is the rule in North Carolina unless there is permanent injury or malicious motive.

The rules require that corporal punishment be administered 1) without other children present, 2) with advance warning about behavior that can lead to paddling, 3) with parental notification, and 4) only by a teacher or appropriate school official, with another teacher or official present.

The outcome of Noe's April hearing will help determine whether Clay County re-examines its paddling policy.

Exit exams vs. competency

Will students in North Carolina face an exit exam from high school as their final official K-12 hurdle? A 2003 start date for such a test was opposed by teachers and scuttled by the legislature.

Under discussion instead are proposals to use the current tests, an 11th grade exit exam, or a senior project. Current standards require a pass on 20 courses in high school, and a pass on the eighth-grade reading and math tests. School officials plan to continue examining the issue, the *The News & Observer* of Raleigh reports. *CJ*

Teachers Question N.C. Science Sequence

Foundation courses are optional but environmental science courses are required

By KAREN PALASEK
Assistant Editor

RALEIGH

Some middle- and high-school science teachers were surprised to learn that neither physics nor chemistry is required course for college-bound students in North Carolina. The North Carolina Standard Course of Study requires three science credits for high school graduation: a physical science — earth science, physical science, or physics — biology, and environmental science.

Educators attending the annual meetings of the North Carolina section of the American Association of Physics Teachers expressed dismay at the selection and sequencing of science courses in the state. The group, founded by physics educator John Hubisz, convened in March at Raleigh's Meredith College. Participants came to immerse themselves in the theory, practice, and education of physics in North Carolina.

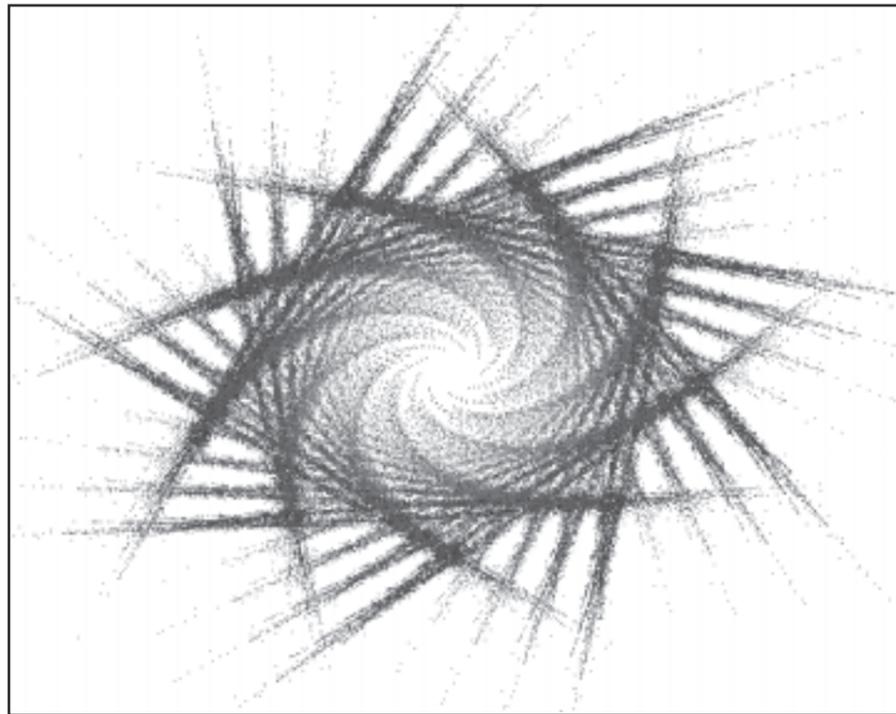
The John Locke Foundation participated with an overview of the N.C. science curriculum for grades K-12. The foundation's presentation included a review of student scores on the 2003 high school science end-of-course tests, and the state's science scale scores from the Third International Mathematics and Science Study of 1999.

Science and education policy

The North Carolina science curriculum identifies four "strands" of inquiry for students from kindergarten through 12th grade. They are the nature of science, science as inquiry, science and technology, and science in social and personal perspective.

Grades one through four repeat science topics in alternate years—a "spiral" approach to the curriculum—culminating in fifth grade. By then, students should understand a wide variety of topics, according to the Department of Public Instruction, including: characteristics of organisms and environments, ecosystems, properties of objects and materials, electricity and magnetism, and sound.

Middle-school science distributes topics from biology, chemistry, environmental science, and physics throughout the middle school years.



Fractals: concepts in science and mathematics

By the end of eighth grade, students are expected to have mastered human body systems, heredity, genetics and population dynamics, diversity and adaptation of organisms, structure and changes of landforms and the earth system over time, the earth in the universe, energy, motion, forces, the general and interacting properties of matter, and basic cellular biology.

High school and beyond

Teachers attending the NC-AAAPT meetings noted that the typical high school sequence, with physics absent or relegated to the senior year, means students don't have the background they need to understand some concepts in biology, chemistry, and environmental science.

A more logical sequence is "physics first," rather than "physics last," according to founder Hubisz, who is also an adjunct faculty member at North Carolina State University.

Will students following the Standard Course of Study in science through high school be well prepared for admission to North Carolina colleges and universities? The UNC-Chapel Hill website for prospec-

tive students advises that the "minimum course requirements for admission" include one unit in a biological or life science, one unit in a physical science, and one unit in a laboratory science.

Environmental science is not required for admission to top UNC system schools, but the high school requirement could preclude students from taking chemistry, physics, or an AP lab course instead. As a result, students could be entering college less prepared than their national or international counterparts.

Countries that consistently produce top science students, like China and India, often delay study of environmental science until graduate school (University of Beijing), or offer it for undergraduates jointly by the departments of chemistry, biochemistry, and biology.

Conference participants want North Carolina to sequence physics and basic sciences before the more complex but politically appealing environmental science course.

Students who go on to environmental science will be better prepared, they say, with the chemistry, physics, and biology needed to tackle those complex issues. *CJ*

Voucher Recipients Face Added Regulations

By CJ STAFF

RALEIGH

Recent events have put the Milwaukee school voucher program back in the news, and may have tarnished the program's image among supporters and foes alike.

The voucher program provides public funding to help send low-income children to private schools. It began operating in 1990, and has grown since. In 2003-04, more than 13,000 children took part in the school voucher program in Wisconsin. According to reports in the *Pioneer Press*, Wisconsin will spend \$75 million among the 106 schools that participate in the plan.

The program began as a way for parents to find alternatives to failing public schools, by providing funds for private school tuition. Until recently, private schools kept their own practices and accountability standards under this arrangement. But scandals in a few schools in Milwaukee have brought legal changes to accountability under the voucher program.

Gov. James Doyle signed legislation in mid-March that will place private schools in Milwaukee's voucher program under state scrutiny. School Superintendent Elizabeth Burmaster called the legislation "a significant step forward in providing real operational accountability in the school choice program." As yet, federal requirements under the No Child Left Behind law haven't been applied to the voucher schools, but statements from Wisconsin school officials suggest that since private schools receive public funds, they should be subject to all the same requirements as public schools.

There is no publicly funded voucher program in place in North Carolina. Some school choice advocates would like to change that, however.

Recent court decisions in Hoke County address the quality of public schools there, in addition to the central issue of adequate state and local funding. At the federal level, the No Child Left Behind law lets parents choose a better public school if their child's school is consistently failing, but it doesn't

provide funds for private tuition. Given events in Milwaukee, a startup voucher program in North Carolina could require private schools to conform to both state and federal accountability standards.

Diocese of Raleigh Schools Superintendent Mike Fedewa was asked by *CJ* how he viewed state regulation of private schools in Milwaukee, and how the Raleigh diocese, which serves more than 6,000 students, would react to vouchers if some NCLB requirements came with them.

"I would oppose any plan that would restrict the freedom that we currently have as private schools," he said. "This runs... from curriculum to teacher qualifications. We currently have the complete flexibility to determine what we teach, how we teach it, and who teaches it. Any plan that would take away this freedom would be too much of a price to pay."

Only if those freedoms are untouched, Fedewa stressed, would a true needs-based voucher "be a legitimate solution to the problem." *CJ*



Carolina Journal Art by Kim Pickering

Federal policy costs state's taxpayers

Immigration Burdens North Carolina Schools

By MAXMILIAN LONGLEY

Contributing Editor

As public schools are looking for new sources of money, one potential source of savings hasn't been much discussed: Why not ask the federal government to stop requiring that illegal alien children get a "free" (taxpayer-financed) education? It turns out that the federal government, which imposes this mandate of a free education for illegals and which stands to reap most of the financial benefits if these aliens remain in the country, is trying to fob off the costs onto states, like North Carolina, that are feeling the impact of federally tolerated illegal immigration.

Three researchers at the Urban Institute, a liberal public-policy organization, say North Carolina, in the 1990s, had the fastest growth in immigrant population (legal and illegal) of any state, with an increase of 274 percent. Two of these same researchers say 40 percent to 49 percent of North Carolina's new immigrants are undocumented.

The total foreign-born population of North Carolina in 2000, according to the U. S. Census, was 430,000, including legal and illegal immigrants. The federal government estimates an illegal immigrant population of 206,000 in North Carolina. Urban Institute demographer Jeffrey Passel and his colleagues put the total illegal figure more in the 250,000 to 350,000 range. The number of illegal aliens in K-12 public schools would be a fraction of this figure, but probably more than 10 percent.

The most comprehensive nationwide study of the impact of immigrants was published in 1997 by the National Research Council, as part of its comprehensive work *The New Americans*. The study, which did not distinguish between legal and illegal immigrants, compared what immigrants obtained from the local, state, and federal governments in services with what they contributed to those governments in taxes. In the short term, the study calculated that immigrants imposed a "negative fiscal impact." In the long term, the study estimated that an average immigrant would have a positive fiscal impact vis-a-vis the federal government, i. e., the average immigrant would be worth \$110,000 to the federal government (federal taxes paid minus federal benefits received) over a lifetime (in 1996 dollars).

That same average immigrant would have a net negative fiscal impact of \$22,000 on the state and local level, i. e., the immigrant would get \$22,000 more in state and local services than he paid in state and local taxes (this estimate is based on an "alternative scenario" which tried to take into account the then-recent federal welfare-reform law of 1996). Thus, immigrants would be beneficial to the federal government in the long term, but harmful to the state governments both in the short term and in the long term.

The application of this to North Carolina requires some caution. The researchers emphasized that the negative fiscal impact of immigration was not evenly distributed among the states and localities. The worst impact would be on those states and localities with high immigrant concentrations — states such as California, Texas, and Florida.

RALEIGH

States with lower immigrant populations would not absorb as many costs. Where the costs of public education for illegal immigrants is concerned, however, North Carolina seems to be incurring costs that aren't being reimbursed by the state's illegal inhabitants, or by the federal government.

The Federation for American Immigration Reform, an advocacy group seeking to restrict American immigration (legal and illegal), estimates that the annual cost of educating illegal immigrant children is \$195,685,286. Passel thinks that FAIR's calculations, using "standard methodology," are not "wildly out of line," although he thinks FAIR is presenting only part of a complex picture.

One factor not included in FAIR's calculations is the cost of English as a Second Language programs, for which illegal immigrants often have a great need. Fran Hoch, a section chief at the N.C. Department of Public Instruction, whose purview includes English as a second language, says North Carolina had gotten \$7.9 million from the federal government for the instruction of Limited English Proficiency students, courtesy of the federal No Child Left Behind law of 2002. North Carolina schools group LEP students together, without distinction based on legal status, but presumably a goodly share of the LEP population is made up of illegal immigrants. The federal NCLB grant "doesn't meet all of the needs" of the LEP students, leading the state to appropriate \$33 million in grants for local school districts addressing the needs of this population.

Anyone who wonders why North Carolina taxpayers are paying for the education of students who aren't legally in this country has to confront the decision of the U. S. Supreme Court in *Plyler v. Doe*. The 5-4 decision, handed down in 1982, says illegal alien children are entitled to attend American public schools for free.

The rationale for this decision was that refusing a free education to illegal alien children denied them "the equal protection of the laws," contrary to the Fourteenth Amendment of the U. S. Constitution. The court held that this sort of discrimination is OK only if it promotes "some substantial state interest." After some analysis, the court concluded that no such substantial interest was promoted by denying free education to illegals.

The majority justices said that "the States do have some authority to act with respect to illegal aliens, at least where such action mirrors federal objectives and furthers a legitimate state goal." However, in this case, the court said "there is no indication that" excluding illegal aliens from the benefits of free public education in this case "corresponds to any identifiable congressional policy." "We are reluctant," the court said, "to impute to Congress the intention to withhold from these children, for so long as they are present in this country through no fault of their own, access to a basic education." Since Congress hadn't endorsed this sort of educational discrimination in the federal immigration laws, the states' legal justification for such discrimination was reduced.

Some of the court's language suggested that Congress might be able to, in effect, overrule the *Plyler* decision by amending federal immigration laws and allowing the states to cut off free public education for illegal immigrants. *CJ*

Officials Warm Up For Budget Battles

It's that time of year again when flowers are budding, the weather is warming, spring is in the air — and contentious debates between school boards and county commissions blossom.

On one side, folks continue to demand more money for school systems. Without additional funding, they say, the sky will fall and students will not be successful. It's perfectly OK to increase whatever taxes are needed. Just fund the budget! The money is "for the children."

On the other side are those who look at budget constraints and try to make ends meet without raising property taxes. These individuals are considered mean-spirited and children haters for even questioning the school system's spending plans. Now, these folks really do care about children, but they wonder how much money is enough. They believe "money is important, but how you spend money is more important."



Lindalyn
Kakadelis

Either way, before a county discusses whether spending should increase, everyone should understand funding of the past several years. I took one county's situation and listed a few more statistics than were found in the local rhetoric.

Citizens in Mecklenburg County all heard how the county commission did not increase the system's spending last year. This is not true. The operating portion stayed the same, while the debt service on the system's bonds for facilities increased by \$7 million. Last year, Mecklenburg spent \$67 million on CMS's debt service.

Counties usually discuss two budgets, one for operations, and one for debt service on bonds. The time has come for the public to see the school system's budget as one — not two. Money, whether for operations or facilities, is still money and comes out of the county budget.

Federal, state, county and other local revenue streams fund the system. Three of these funding streams increased in Mecklenburg County faster than the enrollment did over the last two years. However, look at the funding over a six-year period, 1998-2003. During that time, Charlotte-Mecklenburg Schools' pupil enrollment increased by 19 percent, and spending for operations increased 36 percent. The federal funding increased 105 percent (yes, money did come with No Child Left Behind), state funding increased 27 percent, county funding increased 42 percent, and the other local funding increased 21 percent. There has been a 92 percent increase over the six-year period for CMS's debt-service expense.

This year Mecklenburg's total expenditure for the education system is \$347.8 million, about 35 percent of the total county's budget. However, let's not forget the county's education money comes from discretionary tax money after all government-mandated programs are paid.

We must also remember that the county is to supplement education funding. The N.C. Constitution declares the state is responsible for public education; therefore, the state should fund the system's budget. The problem is state funding has little flexibility. Federal dollars also come with little flexibility through the state's Department of Instruction.

Most school system's legislative priorities call for increased flexibility through revising laws. This issue should be stated *every time* the system asks for money. Without flexibility, the county is the only place where "discretionary" spending comes. Both the county and school system could agree and work together on this issue. Unity? Where is the outcry for block grants at the state level? I have not once heard a legislative agenda discussed while talking about county funding.

The school system has a complex job. It is difficult to catch up on years of neglect of facilities and of growth of the student population. Nevertheless, simply giving more money to schools will not fix systemic problems. It is time to find common areas of agreement and set priorities.

Around the Nation

Official amnesia

Social studies textbooks are creating cultural and historical amnesia in American society by failing to teach facts, according to Emeritus Professor of History Paul Gagnon of the University of Massachusetts. Instead, they pander to multiculturalism and political correctness that "threatens the very basis of American free institutions and liberties," Gagnon said to *The Washington Times*.

The *Times* report cites a Fordham Foundation study of history textbooks, and lists some words that have been banned as unacceptable: man, mankind, manpower, aged, able-bodied, suffragette, waitress, and imbecile, among others. The special-issues focus of current texts fails to teach either "moral progress in history or cause and effect," the Fordham report says. Some school officials want to abandon textbooks altogether.

NEA and 'social welfare'

The National Education Association, under IRS investigation on questions of spending for political lobbying, has formed an advocacy arm called America Learns. The IRS defines the new group as "a social welfare organization under the 501(c)(4) code." This means that unlike the NEA itself, America Learns may actively lobby "as long as it isn't their primary activity." AL still cannot participate directly or indirectly in political campaigns.

The NEA is seeking support for the new group from state affiliates, at a suggested rate of one dollar per member. The dollar contribution is not tax-deductible. Financial help may also come from NEA union dues, PACs, and outside contributions.

Reported by the *Education Intelligence Agency Communique*.

Title I cuts to come

Updated census figures for 2003 indicate a drop in the estimated number of children living in poverty in 11 states in the United States. That's not good news to 21 U.S. senators, who wrote to Education Secretary Rod Paige in protest. Sen. Edward Kennedy, D-Mass., is leading the challenge. Massachusetts stands to lose the largest amount of Title I federal funds because of the drop in the number of children in poverty in Massachusetts.

"We are writing to express our deep concern about the effects of these new estimates on children and schools, and we urge you to reconsider this change," the senators' letter says. The federal No Child Left Behind law requires the government to use annually updated information for Title I money, much of which goes to fund free and reduced-price lunches in schools.

The senators are raising questions about the reliability of the newest income data. Education Department officials say there is no reason to believe that a problem with the data exists.

Reported by *Education Week*. CJ

Teachers' Quality Mediocre, Research Shows

Top female job seekers go into other fields where gender barriers removed

By KAREN PALASEK
Assistant Editor

RALEIGH

The quality of American teachers is changing. They aren't getting dramatically worse, as some analysts have assumed, but they're not getting better, either. New research by the National Science Foundation finds "some evidence of a slight but detectable decline in the relative ability of the average new female teacher" from 1964 to 2000. Standardized scores alone show a more dramatic decline.

Top ranking women don't teach

Average aptitude tells only part of the story. A student in 2000 was far less likely to have a teacher of top academic ability than a K-12 student in 1964, according to "Women, the Labor Market, and the Declining Quality of Teachers" by economists Sean Corcoran, William Evans, and Robert Schwab.

The study compares the decile rankings of high school students from 1964 and from 2000 who chose teaching as a career. The authors also examined standardized test results from students in the earlier group, picking surveys that "are all quite similar in content to standardized tests like the SAT and ACT." Based on several measures, they were able to gauge the aptitude of both groups of students.

Corcoran, Evans, and Schwab found that compared to 1964, fewer women from the top 10 percent of the class of 2000 chose to enter teaching.

Several things may explain this. They suggest that "many highly skilled professions became considerably less gender segregated over this period," and offer examples from law and medicine. "Whereas close to 20 percent of females in the top decile in 1964 chose teaching as a profession (teaching was the most frequently reported occupation among this group in 1964), only 3.7 percent of top decile females were teaching in 1992," the NSF study reports. The best female students, those whose scores put them in the top 10 percent of their high school classes, are also less likely to become teachers today.

"The apparent consequence," the authors state, "has been a much lower representation of women of very high academic ability in the pool of elementary and secondary teachers." In a contrary trend, high-aptitude men are entering the profession in greater percentages than ever before.

Women greatly outnumbered men in the teaching force in the 1960s, and continue to do so. The National Center for Education Statistics documents 3,002,258 public and private K-12 teachers in 1961, with a 31-69 percent split in favor of female teachers. By 2000, NCES reported that females made up 75 percent of the teacher workforce. "While teaching remains a predominantly female occupation, the profession itself has significantly diminished in importance as a career path for female college graduates," the NSF report says.

A more disturbing outcome appears when we consider who does enter teaching. According to estimates, 32 percent to 35 percent of women who entered teaching in 1964 scored in the lowest six deciles of their class. The NSF study shows this percentage growing steadily after 1971-74. "By 2000, nearly 42 percent of the teachers in our



Photo by Nick Lammers, National Science Foundation

Students work with their teacher on a gardening project in Oakland, Calif.

sample fell in the lowest six deciles of the test score distribution." It seems teacher aptitude is declining, according to authors Corcoran, Evans, and Schwab, because fewer of the highest-quality candidates are attracted to the job.

Pay equity vs. wage compression

Caroline Hoxby and Andrew Leigh pick up where Schwab, Evans, and Corcoran leave off. In their National Bureau of Economic Research study "Pulled Away or Pushed Out?" Hoxby and Leigh propose two reasons why top women would avoid teaching: 1) wage compression (pay scales that eliminate the pay premium to high-quality teachers), and/or 2) better opportunities elsewhere.

Hoxby and Leigh say their prior expectation was that male-female pay equality outside teaching was driving women away from the classroom. High-aptitude women migrated out of teaching because they could now earn as much, or nearly as much as men, in high-paying, high-status professions. But even if that hypothesis explained women's choices, it wouldn't explain why top-quality men have moved into teaching over the past 40 years.

When Hoxby and Leigh examined the evidence, the results surprised them.

It just doesn't pay

The decade of the 1960s marked a turning point in employment trends for women. In a break from earlier decades, record numbers of women began to seek full-time out-of-home careers. Many of them sought work as teachers.

Higher-paying career opportunities for women — in fields such as computer specialist, engineering, medicine, and business — also grew tremendously during the decades between 1960 and 2000.

Hoxby and Leigh consider whether wage compression in teaching might have caused high-aptitude teachers to leave for other professions. They found that making teacher pay equal across all aptitude groups — pay compression — was a significant change that occurred between 1964 and 2000.

Teacher earnings in one aptitude group, relative to average teacher earnings, are a good predictor of whether a person in that

group is likely to stay in teaching. If earnings relative to the average are rising, they stay. If earnings relative to the average fall, they are likely to seek work elsewhere.

Hoxby and Leigh report that between 1964 and 2000, wages for the lowest-aptitude group rose significantly in comparison to the average. Earnings for the highest-quality teachers, however, dropped relative to the average.

"Therefore, pay compression increased the share of the lowest aptitude female college graduates... by about nine percentage points, and decreased the share of the highest aptitude female college graduates who became teachers by about 12 percentage points." In comparison, pay in other professions accounted for only 3.2 percent of the drop in high-quality teachers over the study period.

Before 1964, about 5 percent of the highest-aptitude candidates became teachers. By 2000, only 1 percent chose that career. "Of this change, pay compression explains about 80 percent, pay parity explains about 9 percent, and the change in mean teacher earnings explains about 1 percent."

The earnings of the average female teacher rose by 8 percent in real terms from 1963 to 2000, the NBER study finds. But high-aptitude women "experienced substantial relative losses."

More consistently mediocre

"All sorts of jobs, including those that require only average abilities, have narrowed the gender pay gap over the last generation," says author Virginia Postrel in a *New York Times* commentary on the reports. Unions have negotiated wages based on degrees or certifications earned, and on longevity. Student performance and classroom expertise don't figure in the teacher wage any more, she says. That creates a huge disincentive for the most talented and highly skilled people to remain in teaching.

Andrew Leigh notes that "[w]omen who went to a top 5 percent college earned about a 50 percent pay premium in the 1960s and earn about the same as other teachers today. By comparison, somebody who went to a bottom 25 percent college earned about 28 percent below the average teacher in the 1960s, and they have the earnings of about the average teacher today."

"[T]eachers aren't exactly getting worse. They're getting more consistently mediocre... If women from top colleges still earned a premium as teachers, a lot more would go into teaching," Postrel said. CJ

Proponents, opponents debate social aspects of symbols

Opposition Ambushes Indian Mascots in North Carolina Schools

By **BOB FLISS**

Guest Contributor

KERNERSVILLE

As a culture wars issue, there's no way American Indian school mascots can compete with abortion or gay marriage.

Still, the occasional public flareups over the use or misuse of Native American imagery on the football field and basketball court provide insight on what happens when tradition collides with political correctness.

In the case of two Guilford County high schools, political correctness recently scored a slam dunk. By a 7-3 vote of the Guilford County Board of Education, Southern Guilford High School will have to give up its name, the Indians, while High Point Andrews High School will be allowed to retain the name Red Raiders but must retire an American Indian mascot.

Although the new regulation passed in March is worded to prohibit the use of any existing ethnic group as a mascot, there never was any question over the intent of the regulation — although a few critics asked, not entirely in jest, whether one high school might have to give up its Viking mascot, lest any residents of Scandinavian extraction take offense.

The activist argument that Indians are the only extant group of people who are given stereotyped treatment as sports mascots is only partly correct. Granted, American Indian mascots have been uniquely popular all over the country. But if there are any complaints from Baptists over Wake Forest's snarling deacon, or Irish-Americans over Notre Dame's pugnacious leprechaun, they are getting little attention.

Still, both the Department of Education and the State Advisory Council on Indian Education have made it clear they want Indian mascots gone as soon as possible. So, it seems likely that many other county school boards will soon have to deal with an issue that's guaranteed to alienate parents and students alike. About 60 public schools statewide have American Indian mascots.

The state authorities have no power to force county school boards to ban American Indian imagery. But recent events in Guilford County demonstrate that their expressed wishes are often treated as a mandate. "We figured it was pretty much a done deal," said Jay Terrell, a 30-year agriculture teacher at Southern Guilford High School. Terrell helped organize a rear-guard effort to retain the name Indians, a tradition dating to 1926. But he said school boosters

sensed from the start that few members of the Guilford County School Board would have any sympathy for their cause. In effect, their fate was written from the time the mascot issue was put on the agenda.

Ironically, Terrell noted that his school has gone out of its way to research the American Indian heritage of its community. They learned that the first Quaker settlers who came south from Pennsylvania beginning about 1755 owed a lot to the help of the Saura, Keyauwee, and Catawba tribesmen who inhabited the area. While other frontier areas were torn by conflict by Indians and whites, southern Guilford was a model of the peaceful cooperation — an 18th century example of multiculturalism.

Terrell, himself partly of Indian heritage, said that, based on these facts, it's hard to think of a better image for the community than that of the Indians. He said the school also invested in an authentic costume, including getting advice from the Eastern Band of Cherokee.

Meanwhile, Southern Guilford's principal, Steve Hodgkin, said retiring a school mascot costs money. He estimates it will cost about \$125,000 to replace items ranging from stationery to signage. He said he has yet to get clear guidance from the school board on where the money will come from or how much time the school will have.

Public debate on American Indian school mascots has been slow gathering momentum in North Carolina, compared to some other parts of the country. Significantly, the North Carolina Cherokee have so far stayed neutral on the mascot issue.

The state's other large tribe, the Lumbees of Robeson and adjoining counties, also hasn't made any strong public statements on the issue. Usually when the mascot issue has come before a school board, it has been at the instigation of a few activists.

In the case of Guilford County, some boosters were upset because a perceived outsider, Monroe Gilmour, was called in by the school board to provide expert testimony on the bad effects of Indian mascots on the self-esteem of American Indian stu-

dents. Gilmour is a self-described "community organizer" who resides in Black Mountain and heads an activist organization called the N.C. Mascot Education & Action Group. He was involved in the first major campaign against a North Carolina high school Indian mascot, at Erwin High School in Buncombe County in 1999.

National precedents have been all over the map, although they suggest that schools wishing to continue using Indian mascots should be prepared to defend themselves against activists.

In California, Stanford University retired its Indian name and mascot several years ago to become the Cardinal, a reference to the color of its uniforms and presumably the most neutral logo that anyone on campus could think up.

But Florida State University stole a march on critics by striking an agreement with the Seminole tribe to continue using its name. So, in one of the more striking bits of

college football pageantry, Chief Osceola continues to throw a flaming spear at the start of every FSU home game.

Traditionalists advance the common-sense argument that mascots are symbols of strength, pride, and teamwork. They are therefore inherently positive

and should be accepted as such. In the case of Native American mascots, they also argue that the imagery is a tribute to the Indian heritage of whatever part of the country they appear.

Critics flatly state that this is no tribute at all. They object that Native American sports imagery owes more to Hollywood than any historically accurate depiction of Indians. Also, they note that most Indian mascots were adopted during an age when ethnic stereotyping was routine. Therefore, the mascots that today are supposed to be symbols of Native American dignity probably owed more to "wild Indian" stereotypes than anything else.

Louise Maynor, chairman of the State Advisory Council on Indian Education, said her group has been cautious about raising the mascot issue, but at last felt compelled to take a position in its 2003 report.

Historically, the council's focus has been on the high achievement gap and dropout rate of the state's roughly 19,000 American Indian public school students. So, the mascot issue was discussed in last year's report mainly as a point in passing.

"Much too often American Indian children are placed in the position of refuting negative and false stereotypes perpetuated by biased and inaccurate depictions of themselves and their American Indian community," the report stated.

Maynor, who is herself of Lumbee heritage, said the council's 2004 report will have more to say on the mascot issue. She said the feeling on the council is that Indian mascots should be removed from North Carolina public schools by 2005.

Maynor said she recognizes that many schools are trying to maintain their Indian identity in a dignified way. But she said that having an Indian mascot opens the door for opposing schools to weigh in with offensive stereotypes. She noted that when Buncombe County decided to make Erwin High School give up its Indian mascot, one of the factors that swung the school board's vote were photos showing opposing teams' banners bearing slogans such as "scalp the Warriors," along with plentiful fake blood. Another issue was the use of the word "squaw" for female student athletes.

Anita Sharpe, a Guilford County school board member, said schools shouldn't be forced to give up their identities because of the boorish behavior of their opponents. Initially, Sharpe was the only Guilford school board member to favor retaining Indian mascots. Ultimately, she was joined by two others, not nearly enough to mount any serious challenge to the ban.

After the final vote, Sharpe said she still thinks that the way to attack the problem is to be stricter about how fans support their teams. Her rule: "You can say anything you want to about your own team, but not the other team." Sharpe said she hopes the N.C. High School Athletic Association will take a look at this approach and crack down on taunting of opponents.

Rick Strunk, NCHSAA associate director, said his organization has avoided weighing in on the issue. He said it's perhaps significant that he knows of no new schools that are adopting American Indian mascots. As for the sportsman issue, Strunk said he doesn't foresee any crackdown on banners, partly because NCHSAA is more concerned with curbing taunting and showboating by the athletes themselves. *cf*



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Bats in the Belltower**We're not making these up**

Don't get me wrong: I'm an advocate of free speech. Encourage Carolina Students for Life to link their glossy, state-of-the-art site off the student organizations' page; provide space and time for students to host their own panels and speakers. Let free speech reign. What News & Observer columnist Ruth] Sheehan seems to have forgotten in her haste to promote [CSFL president] Stephanie Evans, who "had worked so hard" on this issue, is that antiabortion groups fight against the clearly stated mission of the women's center: women's equality. Reproductive choice has been at the core of the fight for women's equality worldwide. Should the Freeman Center for Jewish Life at Duke be forced to allow a group of Holocaust deniers to link off their Web site? Using Sheehan's framework, of course it should. After all, who isn't for free speech?

— North Carolina State University journalism professor Cat Warren, *Independent*, March 31

What [conservatives] are trying to do is take back the last institution in this country that doesn't have a complete right-wing agenda because it's founded on the notion of free inquiry, knowledge, and research — and has protections in place for those reasons.

— Former UNC-Chapel Hill Professor of Anthropology Catherine Lutz, *Independent*, March 31

I mean really as a woman, who hasn't wanted to yell, "My vagina is angry and I don't care who knows it," some days?

— N.C. State student and "The Vagina Monologues" cast member Megan Cole, *Technician*, April 12

Hi everyone,

I just wanted to apologize if the email I sent about the talk on the book *How to Get Stupid White Men Out of Office* offended anyone. For the record, I don't think white men are stupid, and the book's author, whom I met recently, told me that she was stopping by Chapel Hill and asked if I could get together a group of people who would be interested in her book.

Thanks, Margaux

www.unc.edu/student/orgs/seac

— from the UNC-CH "Progressive" listserv

The un-elected denizens of the White House are willfully, even gleefully, overseeing the wholesale destruction of the United States' governments ability to ensure the general welfare of all citizens, and threatening long-term ecological disaster. Despite the awful detritus of United States' foreign policy to which I have borne witness for 20 years in my ethnographic work in Central America; despite the racism, sexism, homophobia and other ills this country bears; despite the face (sic) we invented Baywatch; I believe in what Ralph Ellison calls the principle of this place and these people... No, the US in (sic) not Berlin 1941, but it bears striking similarities to 1933, and to Santiago, Chile 1973, and Buenos Aires, Argentina 1976, just before those countries descended into dirty wars.

— Duke professor of cultural anthropology Diane Nelson, *Duke Chronicle*, April 12 CJ

UNC-Chapel Hill Administration Aborts Women Center's Exclusion of Pro-Life Group

By JON SANDERS

Assistant Editor

RALEIGH

They were rebuffed for the second straight year for inclusion in Women's Week at the University of North Carolina at Chapel Hill by the Carolina Women's Center. Nevertheless, the pro-life student group Carolina Students for Life prevailed in ending the center's ideological exclusion of them from its web site and programming. While those developments left pro-abortionists on campus hopping mad, the university leadership says they are consistent with UNC-CH's commitment to openness and valuing of all perspectives.

Last year, the CSFL applied too late to sponsor a pro-life speaker for Women's Week 2003 events — a mistake CSFL President Stephanie Evans determined not to repeat this year. She started in November 2003 to sponsor two pro-life feminists during Women's Week 2004. The center seemed open to the idea as well as to linking to the CSFL on its web site — but it abruptly reversed itself two weeks before Women's Week, announcing it was dropping abortion as a topic and reviewing CSFL's mission statement before making a decision.

Director Diane Kjervik told *The Herald-Sun* of Durham the decision was made because Merle Hoffman of the CHOICES Women's Medical Center, the UNC-CH center's choice of a pro-abortion speaker to bring "a full range of discussion" of abortion, had decided not to come. Evans said the center had brought in pro-abortion speakers before.

Evans responded to the Women's Center's decision in a detailed letter copied to UNC-CH officials, media, and others. Toward the end of the letter, Evans wrote that "what concerns CSFL the most about the Carolina Women's Center is the fact that they admitted to our leadership in our March 5, 2004 meeting that 'Choice USA is more compatible with CWC because their mission statement promotes the right for women to choose abortion.'"

"As a public institution, it is your duty to offer both sides of the debate equal time and opportunity in the name of academic freedom if you discuss the issue at all," Evans said.

'Anti-choice is anti-woman'

Thanks to Evans's stand, the Carolina Women's Center will organize for next fall a forum on abortion to include a pro-life speaker, and it has also met Evans' other concerns: opening its mailing list server to anyone seeking membership, placing links to the CSFL and other conservative groups on its web site, and officially remaining neutral on the question of abortion.

In doing so, however, the Women's Center outraged the pro-abortion faction on campus, who argued that the CSFL's opposition to abortion was "anti-woman" and therefore had no business being affiliated with the center. UNC-CH feminist students Carrie Goodman and Blair Winslow wrote in *The Daily Tar Heel* April 1 that the CSFL's position "is to take away women's reproductive choices, denying women and girls the right to safe, accessible, affordable (and legal) abortions. This endangers women and girls and is thus anti-women," they wrote. "We would not expect any women's center to sponsor such a group."

"While the term 'for life' sounds positive, the group's title obscures the fact that the group is not really supportive of women's lives, but instead calls for women

Excerpts from Stephanie Evan's March 15 letter to the Women's Center

... First, as traditionally done in past years, on the official CWC website, you asked for proposals regarding Women's Week 2004. When CSFL responded to this request, offering two speakers, CWC encouraged us for three months to submit applications and information and to pursue plans to bring in national speakers. We met all your requests, in a very timely manner (your responses, however, were not so timely) and secured two highly regarded, prominent speakers to address the campus on health issues related to women's reproductive rights that would be tied into the official Women's Week theme of "Oppression." Despite full compliance with your requests, in late February you informed us that you WOULD NOT be seeking proposals from outside groups...

After your promise to us that you would not be seeking outside proposals for Women's Week, you can understand why we were very surprised to learn that other campus organizations would be co-sponsoring Women's Week events this year. Your list of Women's Week 2004 events show that student organizations such as the Campus Y, the Carolina Union Activities Board, The Lambda Pi Chi Sorority, the Ebony Readers Onyx sub-group of the Black Student Movement, the UNC chapter of the NAACP, the Mu Zeta Chapter of the Alpha Phi Alpha Fraternity, the Women Affairs Committee of Student Government, the Celebration of Black Womanhood Committee of the Black Student Movement, and the Advocates for the Empowerment of Women of Color of the Campus Y are all co-sponsoring events with the Women's Center this year for Women's Week 2004...

When asked to be included on planning meetings at the Carolina Women's Center, CSFL was told on March 5, 2004 that we were not allowed to attend and that open meeting laws do not apply to the CWC... Another troubling issue concerning the CWC is that you maintain a closed listserv. Why would an organization with the goal of reaching out to the women of the University want to monitor and control who received information about the events it is hosting? ...

An incident that CSFL learned of that is even more distressing is the fact that the organization has actively sought out professors to speak against the recent Partial Birth Abortion Ban. In an email from UNC Law Professor Maxine Eichner, CSFL learned that Chimi Boyd of the Women's Center asked Ms. Eichner to discuss the "Partial Birth Abortion Ban and the pro-choice movement's concerns about it." Not surprisingly, when Ms. Eichner came to speak at the Women's Center on February 18, 2004, there was no other speaker there to defend the Ban, or to give a pro life view of the Ban. This is a blatant example of the Women's Center's attempt to promote ONE pro abortion ideology on this campus, rather than a community of "diverse thought" and "equality."

Next, the Carolina Women's Center has refused to accommodate requests that the link to the CSFL website be posted on their website. Choice USA, the pro abortion group on campus, is linked to the website — but the CWC has put off our request to be added with one excuse after another. First, you claimed in February that our 2003 website was not "updated enough" to be listed as a link... After we restructured our website and updated it completely, we were told in the March 5, 2004 meeting that you now needed to check our mission statement before you provided us with a link on your website and that this could not be done until April at the very earliest...

Our attempts to work with CWC have been met with a pattern of delay, resistance, and rejection. To put it plainly, Carolina Students for Life is tired of being dismissed and discriminated against by the Carolina Women's Center. We ask that the CWC makes a swift and honest effort to include information about CSFL on their website, make their meetings open to student leadership, operate a listserv open to all members of the University community, involve all women's groups on campus in their Women's Week events, and most importantly, refrain from taking any stand at all on the abortion issue, but rather promote both sides of the argument fairly and equally...

(The full text may be viewed online at www.studentsforacademicfreedom.org/archive/March%202004/UNCwomenscenterletter031604.htm).

to refrain from having any power over their own bodies, lives and moral decisions," wrote UNC-CH feminist student Natalia Deeb-Sossa in the *Herald-Sun* March 26. "Being anti-choice is being anti-woman, so why should the Carolina Woman's Center support it?"

'Nothing healthy about this'

North Carolina State University Journalism Professor Cat Warren wrote in the *Independent* March 31 that the CSFL and "anti-abortion groups fight against the clearly stated mission of the women's center: women's equality," as "[r]eproductive choice has been at the core of the fight for women's equality worldwide."

Warren said the inclusion of the CSFL was "not exactly about" a "marketplace of ideas" on campus, but instead was part of a broader "agenda of conservative groups bent on shutting conversation down, quelling dissent and the free exchange of ideas — while they simultaneously and hypo-

critically claim that their moves are based on the twin pillars of free speech and fairness." She complained that UNC-CH was "letting Students for Life run rampant over the mission of the women's center."

Furthermore, she said, "I'd rather we didn't sound as though we'd all been coached by public relations teams, mouthing nonsense about looking forward to 'healthy debate' and 'invigorating discussions. Because there's nothing healthy about this debate."

Despite the opposition this year from the Women's Center, CSFL still was able to feature for Women's Week one of the speakers it had invited. Sally A. Winn, vice president of Feminists for Life of America, spoke on the topic of "Refuse to Choose: Reclaiming Feminism."

"My rights end where my child's begins. There's no way to weigh one person's life over another's," Winn told students. "It's time for both sides to come together and say we refuse to choose between women and children." CJ

UNC-Chapel Hill Introduces a New Minor in 'Mainstream' Topic of Sexuality Studies

By SHANNON BLOSSER

Contributing Writer

CHAPEL HILL

This fall the University of North Carolina at Chapel Hill will offer a new minor program: "sexuality studies." The program will be offered as an interdisciplinary program, similar to nearly 15 others on campus. Students who complete 12 hours' worth of courses can receive a minor in sexuality studies.

According to the program's web site (www.unc.edu/sexuality/courses.htm), the program is "designed for students who want to explore the study of sexual/gender identities — such as gay, lesbian, bisexual, transgender, and heterosexual."

Some of the courses being taught in the fall semester include a history course on "the history of sexuality in America" and a political science course on "the politics of sexuality."

UNC-CH Political Science Professor Pamela Johnston Conover, who will head the sexuality studies program and teach "the politics of sexuality," says the program will not be limited to gay, lesbian, and bisexual students on campus. Instead, she said, the program would be a way to bring about discussion of sexual minorities' issues at UNC-CH and in other locations.

"It would certainly be a mistake that only LGBT students take these courses," Conover said. "They are interested in these courses. Most of these courses have appeal to students who are sexual minorities."

Conover said the program would be important for those wanting to become activists, lawyers, or doctors. "All of these professions deal with sexual minorities," Conover said. "There is a tremendous benefit to students who want to minor in these subjects."

In all, the program comprises 33 courses in sexuality studies. Many are geared specifically to discuss homosexual topics of themes. Others focus on gender issues or women's issues. More than 20 deal with the broader term of "sexuality."

Pornography in its various forms is also a topic of interest. For instance, one of the courses offered is "communications 549: sexuality and visual culture." In that class, taught by Associate Professor of Communications Richard Cante, students will "examine how sexuality has changed through films, video, television, theatre, painting, photography, and other forms of media." Cante's "communications 545: pornography, sexuality, and american culture" promises to examine "the social, cultural, legal, historical, ethical, and aesthetic implications of pornography."

Save for two classes sponsored by the Religion Department, none looks at sexuality issues through a religious perspective. One of those classes, "gender and sexuality in the Western Christian tradition," will focus on contemporary controversies and the teachings and issues involving

gender and sexuality within Christianity. The other course, "gender and sexuality in contemporary Judaism," looks at the development of gender roles in Judaism.

Bill Brooks, president of the North Carolina Family Policy Council, said he was concerned about UNC-CH taking on these courses.

"It is especially troubling that UNC-Chapel Hill seems so intent on affirming and promoting unhealthy, high-risk alternative sexual lifestyle in the wake of investigations, by none other than UNC researchers, exposing what has been referred to as an HIV outbreak among students at North Carolina universities," Brooks said. "Parents of current and future students should be concerned about the quality of education their children will receive as well as the diminishing value of their own degrees as UNC-CH gains a reputation as a university whose curriculum is inconsistent with traditional family values."

Advocates of the new minor laud its educational value. One UNC-CH junior, David Barbour, told *The Daily Tar Heel* that the courses should provide a better understand of homosexual issues on campus.

"In our country, where homosexuality is becoming more visible, I think it is important to find out the struggles (homosexuals) have to go through on a daily basis, like discrimination and what the government is doing," Barbour said. "(The government) is not dealing with issues in the homosexual community such as AIDS."

"These areas of scholarship are looking at interesting questions that are not necessarily looked at by other disciplines," Conover said. "We felt like UNC, because it is a premiere research university, should also have a cause and program that looked at these issues."

'We are simply looking at national trends'

UNC-CH is not alone among universities with a program in sexuality studies. A steadily growing number of universities and colleges across the nation offers some form of sexuality or gender-study programs. Included in that list is Duke University, which has offered a program on sexuality studies since 1994.

Conover said that sexuality programs have been around for much longer than just the last five years.

"If you look around the U.S and universities across the country, for the last 30 years there has been a considerable growth and interest looking at and studying matters of having to do with sexuality," Conover said. "In this regard, we are simply looking at those national trends."

In fact, when this program was proposed in 2002, John Younger of Duke University expressed his "fascinat[ion]" in the *News & Observer* of Raleigh July 29, 2002, that "UNC has languished until now" on the discipline.

"In the last five years, just about every podunk college in the United States has established something" in the field of sexuality studies, Younger said. "It's very mainstream." *CF*

Book Tells Appalling Tales From UNCW

Welcome to the *Ivory Tower of Babble* is the title of Mike Adams' new book about his experiences as a criminal justice professor at the University of North Carolina at Wilmington. The stories Adams recounts are hilarious — but for those with a romantic view of the ivory tower, they're also appalling.

Before I go further, it is my journalistic duty to report that I am listed in the "Thanks" section. Nevertheless, while I was privy to many of the developments at UNCW that Adams discusses, there were many occurrences he described that I had not heard before. Here are the some things I learned about UNCW from Adams' book:



Jon Sanders

- Two feminists in the criminal justice department exhibited horrid professional judgment during a feud that began when one of them "stole" the other's boyfriend. This boyfriend happened to be a candidate for a job in the department, and the two women ran into each other at the hotel where the candidate was staying for his interview. One complained to the director of human resources; one accused the other publicly of cocaine addiction (pp. 12-13).

- UNCW social work professors have been handy with the "racist" label, applying it to people from Texas (p. 9) as well as to people who accidentally sit in a seat only temporarily vacated by a minority and who apologize when they realize their mistake (p. 10).

- Faculty hiring committee members are known for making such astute comments about job candidate as "a little too white male" and "too religious." They were also once hoodwinked by a white woman who listed herself as "African-American" since she was "part African-American, 20 percent approximately" and grew up in a black neighborhood (pp. 3-4).

- During a social-work class discussion on interracial adoption, a student who argued that interracial adoption was necessary owing to the difference between black and white illegitimacy rates was pilloried by classmates as racist and insensitive while the professor "simply sat back and laughed" (pp. 20-21).

- UNCW trustee Katherine Bell Moore believes she is the victim of unprecedented stalking by authorities, which includes (but isn't limited to) people putting lizards in her home, garage and office since she's terrified of them, and someone putting "wet soiled sheets" on her hotel bed in Hawaii (pp. 46-50).

- In 1999, the faculty senate president, Dr. Lynne Snowden of the Dept. of Sociology, Anthropology, and Criminal Justice, publicly accused the department head, Dr. Cecil Willis, of sexual harassment. Calling Willis a "chronic sexual harasser" and a "hate criminal," Snowden alleged a pattern of sexual harassment that ranged from "Use of crude hand gestures with a sexual nature" to "Trying to humiliate me in front of my colleagues." She also threw in other harassment visited upon her by "Persons Unknown," which included repeated "mutilations" of a watchband in her office, destroying tenure documents, a note found in her car, and tampering with her printer and computer, which included "erasing bookmarks," "insertion of derogatory files," "manipulation of margins," and "attempted crashes of computer" (pp. 28-32).

- This same Prof. Snowden also accused Adams of "workplace terrorism" by burglarizing her office and spraying some form of poison in it, possibly tear gas, which she said was cutting off the circulation to her legs even though doctors could find nothing wrong physically with her. She changed her story to blame Willis when he was nominated as a candidate for associate provost and vice president for academic affairs. While teaching a course on terrorism and having written a book on the subject, Snowden believed terrorists were after her. She abandoned her office altogether and started retrieving her mail with a towel and a plastic pouch, afraid to touch in until it was sanitized in a microwave oven (pp. 54-57). *CF*

Sexual studies courses offered at the University of North Carolina at Chapel Hill

CLAS 42/WMST 42 Sex and Gender in Antiquity
 COMM 545 Pornography, Sexuality and American Culture
 COMM 549 Sexuality and Visual Culture
 ENGL 22Q/WMST 22Q Intro to Gay and Lesbian Culture and Literature
 ENGL 91C Another Country: Homoeroticism in British Literature
 ENGL 55/WMST 152 Queer Latina/o: Literature, Performance and Visual Art
 ENGL 180/WMST 180 Queer Latina/o Photography and Literature
 ENGL 190Q The Challenge of Queer Theory to Literary Theory, Cultural Studies and the Humanities
 FREN 199 Gay-Lesbian-Bi-Sexual-Transsexual Readings Prior to 1900
 HIST 79/WMST 79 History of Female Sexualities in the West
 HIST 149 The History of Sexuality in America
 POLI 73/WMST 74 The Politics of Sexuality
 WMST 88/INTS 88 The International Politics of Sexual and Reproductive Health
 MST 102/INTS 102 Comparative Queer Politics
 ANTH 158 Archaeology of Sex and Gender
 ANTH 173/FOLK 173 Anthropology of the Body and the Subject

CMPL 181 Aestheticism
 CMPL 190 Literature and the Arts of Love
 HIST 55 Women and Marriage in Medieval and Renaissance Europe
 HIST 111 Women and Men in the Renaissance
 HIST 127A Society and Family in Early Modern Europe
 HIST 182/AFRI 182 Women and Gender in African History
 LING 72/ANTH 84/WMST 71 Language and Power
 POLI 67/WMST 67 Feminism and Political Theory
 PSYC 183/WMST 183 Contemporary Sex Roles
 RECR 10 Leisure in a Diverse Society
 RELI 81/WMST 83 Gender and Sexuality in the Western Christian Tradition
 RELI 154 Gender and Sexuality in Contemporary Judaism
 RUSS 73 Russian Culture and Society: 1890 to 1917
 SOCI 24/WMST 24 Sex and Gender in Society
 WMST 50 Introduction to Women's Studies
 WMST 85/AFAM 85 African American Women in the Media
 WMST 131 Gender and Popular Culture

Note: The descriptions accompanying these courses are viewable at www.unc.edu/sexuality/courses.htm.

Course of the Month

Puritanical Fanatics Got You Down? Never Fear; UNCG Is Here!

When a lecturer writes, "When I ask my students if topics such as masturbation, homosexuality, and sadomasochism were discussed [in their high-school sex education], they tend to look at me as if I was crazy," as University of North Carolina at Greensboro sociology lecturer Steven Sherman did in the student newspaper, it grabs *CM*'s attention.

But poor Sherman! To judge from his March 25 letter in the *UNCG Carolinian*, he's quite upset at UNCG Chancellor Patricia Sullivan, who is distancing herself from invited UNCG lecturer, porn star, and author of *The Ultimate Guide to Anal Sex for Women*, Tristan Taormino. (Sullivan recently admitted, contrary to earlier backpedaling, that UNCG officials had known of her porn work before they invited her.)

Sherman called Sullivan's response "especially pathetic" and asked, rhetorically, "Could Sullivan BE anymore gutless?" (sic).

Sherman thought the self-proclaimed "queen of anal sex" really could have addressed a sore lack in UNCG's students' public-school educations, whereupon he cited his class queries as to the extent of his students' prior education in matters involving "masturbation, homosexuality, and sadomasochism." Sherman blamed "puritanical fanatics" for this lack, concluding that's why those issues "have to be addressed at the university level." Here is where Her Majesty could have helped: "I think a speaker with Taormino's history is well suited to do so" (*CM* is starting to doubt it's *only* when Sherman seeks to find the extent of his students' sex education that they look at him as if he were crazy).

Spending class time grilling kids about their knowledge of sadomasochism, railing about puritanical fanatics, and harping on the need for universities to make up for that perceived lack is just the thing to earn recognition in *CM*. It is truly going above and beyond the call of Professor Murray Sperber's thesis, advanced in his book *Beer and Circus*, that undergraduate education in the U.S. is more and more about keeping students entertained, less and less about insisting that they learn anything of value. So *CM* is proud to honor Sherman's course:

SOC 222: SOCIOLOGY OF DEVIANT BEHAVIOR

The three central questions regarding deviance (How is it defined? Why do people commit deviant acts? How does society control deviant behavior?) will be explored. Specific issues, such as attempts to control teenage sexuality, the proliferation of surveillance tools, the war on drugs, and the expansion of prisons will provide the context for approaching these questions.

Incidentally, Sherman had one problem with the Taormino lecture — "it was not publicized sufficiently." How strange that it wasn't! After the fact, it was, when Mike Adams spoke (was *that* publicized?) on campus and happened across a copy of the *Carolinian*. When Adams reported it in his TownHall.com column, queenship and all, UNCG officials began to hear about it from the public and immediately went into spin mode. Indeed, one might think the event wasn't publi-

cized precisely because UNCG officials expected such an outcry that followed. Is that evidence of Sherman's puritans? Possibly, *CM* thinks, but not likely.

What's more likely is that news of the lecture exposed UNCG's habit of "'candy' class" pandering to its students' loins rather than their intellects. (The quotation refers to a previous *CM* award to UNCG courses on sex that were gleefully declared "'candy' classes" by the *Carolinian*'s "sex columnist," a student who has also written upon his erotic experience of watching peers use the adjacent urinal.)

The results of UNCG's candy-course mentality are on display weekly in the *Carolinian*, just as it was in the issue that grabbed Adams' attention. For example, in the same issue that carried Sherman's letter on fanatics preventing children from learning about sadomasochism in public schools, one could also read the following:

- A column beginning with the timeless debate over whether guys can actually lose their virginity since "there's nothing to pop" and concluding, "Since two women having sex with each other lack a penis (unless they buy one, which is a separate issue) they are not having penetrative sex, and their act is considered unnatural or even 'not counting.' Two gay men can have penetration, but the normative ideal forces them into masculinized and feminized roles where one is giving and one is receiving."

- A letter that begins "I love sex and, I admit, even love pornography, especially the 'exotic homosexual' kind," which was written to address the propriety of using the word "F—k" in a *Carolinian* headline

- A cartoon about America's sexual "repression leading to oppression" and favoring a "European" approach to the issue

- An article by that candy-class enthusiast on his latest "epiphany," this one being "Imagine how much less fun we would have if we were straight"

- A discussion of the events of "Pride Week," which covered a speaker who spoke on "issues associated with transgendered people, transsexuals and sexual orientation," featured a "drag show," and described some people as "suspiciously heterosexual men"

- Another letter on the Taormino controversy, which split hairs over what constitutes porn stardom — "she has only done two films (last time I checked porn stars usually do more than two)"; forgot to blame puritans for America's sexual "repression," instead shooting randomly at "the Bible Belt," the "Dark Ages," and "narrow-minded nitwits"; and featured the following, stated authoritatively: "If someone enjoys a particular fetish or activity, more than likely she has written a book on it after researching the subject out"

To judge from the last writer, it's evident that these awful puritanical fanatics are also responsible for keeping students from learning the difference between "then" and "than." Gosh, that deficiency surely ought to be addressed at the university level. Too bad it's not happening at UNC-Greensboro, but hey, first things first. *CJ*

After public outcry had prompted the proper response

Thought Police Steal a Free-Speech Victory from UNC-Chapel Hill

By JON SANDERS
Assistant Editor

RALEIGH

This February, when an English instructor at the University of North Carolina at Chapel Hill singled out a student by name in a classwide email to denounce his comments in class as "hate speech," the student complained publicly — and brought harsh criticism upon the university.

When UNC-CH officials, including the head of the English Department and the chancellor, apologized for the incident, made it plain that the instructor's actions were unacceptable, saw to it the instructor apologized, and chose to monitor the instructor and class, the controversy should have died. The principles of academic freedom and students' rights appeared to have carried the day.

Instead, word came to UNC-CH in late March that the U.S. Department of Education's Office of Civil Rights, at the prompting of U.S. Rep. Walter Jones, will investigate the incident for possible harassment and discrimination against the student based on his race or sex. So the thought police — even at the price of one of their own — seize a share of the victory as well. The upshot of this incident is that it *doesn't* signal an end to "hate crime" witch hunts for the farces they are, after all.

It started the day Elyse Crystall asked her English 022 class to discuss the leading question, "Why do heterosexual men feel threatened by homosexuals?" One student, Tim, disagreed with the question's basis, but added, "I have a heterosexual friend, Joe, in California, who was hit on by a homosexual man and he got a love letter from him. He did not feel threatened, he just felt disgusted and dirty because this was the first time this happened to him." He also told the class, "Being a Christian, I would feel uncomfortable having to explain to my son at a baseball game why two homosexual men are kissing" and said he could only imagine the word "threatened" being used "in the context of life in gay marriage because homosexual marriages don't produce life like heterosexual marriages do."



What Crystall wrote afterward was appalling. Writing that she "will not tolerate any racist, sexist, and/or heterosexist comments in my class," Crystall said, in reference to "the comments tim made," that "what we heard thursday at the end of class constitutes 'hate speech' and is completely unacceptable." She furthermore wrote that "what we experienced, as unfortunate as it is, is, however, a perfect example of privilege. that a white, heterosexual, christian male, one who vehemently denied his privilege last week insisting that he earned all he has, can feel entitled to make violent, heterosexist comments and not feel marked or threatened or vulnerable is what privilege makes possible" (all quotations *sic* — perhaps capital letters are thought to denote privilege, too).

Crystall's discussion of Tim's "privilege" was clearly based upon her own prejudice against Tim according to his race, sexual preference, religion, and gender. Thus the investigation. As Jones argued, if Tim's traits had been different, the OCR would surely get involved. Just imagine the outcry if an instructor criticized a student by name for uttering a "perfect example" of what a "black, lesbian atheist" like her would say.

Why 'sunlight' is preferable

But the outcry is exactly the point. There would be plenty, just as there was here. And the outcry, if not the initial knowledge of the incident, proved forceful

Continued as "More Speech," Page 13

More Speech Is the Best Remedy for Orwellian Behavior on Campus

Continued From Page 12

enough to prompt the university to take the right steps to address the matter on its own. The feds simply aren't necessary. They might even be dangerous.

This case involves no small irony. Crystall's email was sent explicitly to counter the "hate speech" uttered in her class, and in her role as instructor she hearkened to the same assumptions about speech that the OCR will use in investigating her class. That is, she equates offensive speech based on race, gender, sexual preference, etc., with *actual violence*, harmful because the speaker holds a position of "privilege" or power. To be sure, Crystall's comments are not at all unusual in the world of academe. Orwellian screech owls like her infest higher education, ever attuned to detecting and swooping on even the slightest trespasses against what North Carolina State University's "Office for Equal Opportunity" calls the "Protected Classes." However difficult it is for someone on the outside understand it, to them Tim's act of relating a friend's feelings of disgust for having been propositioned by another man is a most awful thing, creating "an unsafe environment" and so forth. Sticks and stones may break bones, but words and thoughts are violence.

Crystall, by the way, remains steeped in this delusion. According to *The Chronicle of Higher Education* online March 29, she "noted that while the government could investigate her remarks as racist or sexist, it would not investigate the student's as homophobic." She apparently still desires

Tim to "feel marked or threatened or vulnerable" for daring to address the topic of discussion from the "wrong" point of view.

All this makes it tempting to view this pending OCR investigation as just desserts, a chance to see one of the thought police hoist by her own petard. However satisfying the thought, it's the wrong way to view it. Instead try *two wrongs don't make a right*.

The proper remedy for offensive speech — even where there is a "power" imbalance, such as between a professor and a student — is *more speech*. More speech had already carried the day in Chapel Hill: the student spoke out about his treatment, his story resounded, articles and editorials were written, letters were penned, phone calls were made, and the university was properly chagrined. The correct conclusion to an unfortunate speech incident came about, not with federal involvement, but with public involvement. The people spoke, and they awoke within the university that age-old, internal prompt to corrective action: shame. The feds have no such power. When they speak, what stirs is the same old box-checking, bureaucratic beast already lumbering about. Enough incidents such as Crystall's and folks won't be able to recount anecdotes involving "white, heterosexual, Christian males" either. When the feds speak, speech contracts as the list of Unmentionables grows.

This incident had proven the truth of Justice Brandeis' observation that "Sunlight is the best disinfectant." Nevertheless, one can spot, gathering on the horizon, those all-too-familiar storm clouds. CJ

Claremont Hoax Just Another Faked 'Hate Crime' on Campus

By JON SANDERS
Assistant Editor

A professor speaking at a forum at Claremont McKenna College on hate crimes returned to her car to find the tires slashed, the front window smashed, and the car covered in racial epithets and obscenities. Classes were canceled at all seven Claremont institutions for a day of antihate rallies, and students marched by the hundreds to protest the attacks. The FBI was called in to investigate.

Two people, however, had seen the professor, Kerri F. Dunn, a visiting professor of social psychology, vandalize her own vehicle. They told police, who told the Claremont community. The police had already noted inconsistencies in Dunn's account, including her reversal of alleging her car radio and other items had been stolen. Shock, outrage, and disgust at Dunn greeted the news from police that Dunn staged the vandalism. Dunn has since been placed on paid leave and may face charges.

A growing list of faked crimes

Dunn's hoax joins a growing list of faked attacks on college campuses. Other recent incidents include:

- Northwestern University, November 2003. Jaime Alexander Saide admitted to police that he "made up" racial attacks

against him that included someone writing "Die Spic" next to his dorm room and his being grabbed from behind by someone wielding knife, who held it to his neck and told him "Spic, we didn't run away this time."

- San Francisco State University, September 2003. Two separate incidents of antiblack graffiti defacing students' doors were revealed as hoaxes when the perpetrators confessed.

- The University of Mississippi, November 2002. Three black freshmen confessed to writing racial slurs and drawing a tree with a noose on doors in a residence hall as the university celebrated its 40th year of desegregation.

- Orange Coast College, September 2001. Four Muslim students alleged that Professor Kenneth W. Hearlson had called them "terrorists," "murderers," and "Nazis" during a lecture. Luckily for Hearlson, two students taped the lecture, which proved his innocence.

- Arizona State University, September 2001. Ahmad Saad Nasim confessed that he faked attacks upon himself of students chanting "Die, Muslim, die."

- College of New Jersey, spring 2001. Gay activist and student Edward Drago confessed to sending death threats and anti-gay messages to himself and the gay student group for which he was treasurer. Prior to the confession, College Republicans had been told they were being "watched closely." CJ

CAROLINA JOURNAL Publisher John Hood Garners Praise

Investor Politics

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

"John Hood has produced a timely and informative account of the most significant demographic shift of this century — the rise of a shareholder democracy in America."
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"*Investor Politics* is chock-full of interesting historical anecdotes, clever policy analysis, and surprising musings."
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— Chris Edwards, Cato Institute



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

Recent Articles and Columns Spotlighted on NCAtWar.com Include:

¥ Military historian Victor Davis Hanson discusses why the U.S. prevailed so rapidly in the Iraq War and why this bodes ill for [other terror states](#).

¥ North Carolina's economy lags behind the national recovery, in part because of the impact of [wartime deployments](#) retail sales in military-base communities.

¥ Dr. Andrew Taylor, NCSU political scientist, on the likely impact of the war on [North Carolina politics](#).

¥ 82nd Airborne soldiers from [Fort Bragg](#) play key roles in campaigns against the Ba'athist terrorists in Iraq and elements of the former Taliban in Afghanistan.

¥ Gov. William Yarborough, former head of [Special Warfare Center](#) at Fort Bragg, distinguishes terrorism from legitimate armed resistance.

¥ Locke Foundation President John Hood discusses the [military history](#) of other, more ill-fated incursions up the Tigris and Euphrates rivers to Baghdad.

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

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

Town and Country

Towering infernal eyesore?

Everyone in Fayetteville seems to agree that downtown must rise above its past, the *Fayetteville Observer* reports. The question is, how high?

For some, 400 vertical feet is over the top.

That is the height of a "kaleidoscopic tower" that would rise as the centerpiece of a new downtown park and, if it fulfills its supporters' lofty visions, as a city symbol for generations. Think Eiffel Tower, they say, or the St. Louis Arch.

Think South of the Border, detractors say. They worry that Fayetteville will be stuck with its biggest eyesore yet, a million-dollar spire that people will mistake for a cell-phone tower.

The departing city council unanimously approved the tower in December, during the festive atmosphere of its final meeting. It did so without consulting the five-member Fayetteville Appearance Commission, creating hard feelings within the advisory board and a sense among some residents that members were foisting the project on an unsuspecting city.

The current council has been hearing complaints ever since. As a result, the park project is on hold, giving officials a chance to hold a town meeting April 20, and a public hearing the next week, and consider what to do next.

ElectriCities zaps Rocky Mount

With so many Rocky Mount residents complaining about utility bills, the City Council wants to learn how utilities work to make it easier for them to address the problem, the *Rocky Mount Telegram* reports.

About 45 people, including council members, city officials and residents, packed the City Hall committee room April 19 as representatives from ElectriCities of North Carolina and the N.C. Eastern Municipal Power Agency discussed the history of the utilities.

Rocky Mount gets its electricity from the agency, which is managed by ElectriCities.

The presentation talked about how Rocky Mount joined the power agency in 1976. Thirty-two municipalities, including Rocky Mount, Tarboro, Wilson, and Greenville are a part of it.

In the 1970s, the state passed laws enabling cities to invest in power plants. As a result, the municipal agencies involved incurred a debt of \$5.4 billion, ElectriCities officials say. After a payment in January 2004, the total debt was more than \$4.9 billion.

The city's share of the debt is about \$475 million. Officials expect the debt to be paid off in about 20 years.

Council members asked many questions. Ward 2 Councilman Reuben Blackwell asked why ElectriCities was opposed to deregulation.

ElectriCities Chief Executive Officer Jesse Tilton, who works at the Raleigh office, said California's attempt at deregulation created major problems "It is bad for the consumer," he said.

Ward 4 Councilwoman Angela Bryant said Rocky Mount is facing a major crisis. "We have people that can't afford to maintain residences and keep lights on," she said.

Tilton encouraged the council to do what it could to help its more than 30,000 electric customers. *cj*

'N.C. Moving Ahead!' Increases Road Work

New program doesn't address fundamental problems, some analysts say

By MICHAEL LOWREY

Associate Editor

RALEIGH

Last year, Gov. Mike Easley unveiled a new road-building initiative called N.C. Moving Ahead! By tapping into approved but never issued bonds, the N.C. Department of Transportation could spend an additional \$700 million on transportation projects across the state. A lack of competition in the paving business plus a failure to make fundamental reforms means that the condition of North Carolina roads won't be moving that far ahead.

Spending a pot of gold

Large pots of government money sitting around not being spent tend to attract politicians with ideas of how to put the funds to use. Such was the case last year with Easley's proposal to make use of the bonding authority of the Highway Trust Fund.

In 1989 the General Assembly authorized additional gasoline taxes and higher motor vehicle-related fees to fund a series of specially designated road projects. These included partial or complete loops around then seven (now nine) cities, and upgrades on 32 intrastate road corridors. A special account, the Highway Trust Fund, was created to handle the revenues and expenses for these projects. When all the designated roadwork is completed, the additional taxes will end.

The early years of the trust fund were plagued by unrealistic cost and revenue projections, which, when discovered, caused the projected completion date of many roads to slip. To speed things back up, the N.C. DOT sought and obtained approval from the Assembly and voters to issue \$950 million in bonds for trust fund projects.

Shortly after the bond issue was approved in 1996, a different problem beset the trust fund: It was taking in money faster than it could spend it. Environmental concerns, and in some cases local opposition, slowed work on several of the projects. Actual construction has not started yet on some designated projects even though 15 years have passed since the Highway Trust Fund was created. Indeed, it is entirely possible that some of the roads envisioned in 1989 will never be built. As a result of these delays, the trust fund never had to issue about \$700 million of the bonds.

Moving Ahead!

In February 2003, Easley announced his N.C. Moving Ahead! initiative, which would borrow the remaining \$700 million but for different purposes. Under Moving Ahead!, which the legislature approved last summer, the funds would be used for maintenance, modernization, and public transportation. Maintenance, in this context, means repaving and rehabilitating existing highways. Modernization refers to improvements to existing roads.

In contrast to the large-scale projects of the trust fund, Moving Ahead! focuses on more mundane but still critical upgrades, such as widening lanes and shoulders, building turn lanes, improving intersections, replacing substandard bridges, and upgrading traffic signal systems. The largest of the

Moving Ahead Projects by N.C. DOT Division

Highway Divisions with their Largest Counties by Expenditure	2004 Projects/Funds	2005 Projects/Funds
1. Bertie, Washington, Martin, Camden	27/\$24,215,000	30/\$33,845,000
2. Craven, Pitt, Beaufort, Pamlico	15/\$17,410,000	18/\$24,175,000
3. Onslow, Brunswick, Sampson, Duplin	23/\$17,963,000	34/\$22,260,000
4. Nash, Edgecombe, Halifax, Johnston	81/\$16,778,000	68/\$19,718,000
5. Wake, Granville, Durham, Franklin	19/\$28,151,000	26/\$38,460,000
6. Columbus, Cumberland, Bladen, Harnett	32/\$20,888,000	28/\$28,950,000
7. Guilford, Alamance, Orange, Rockingham	38/\$25,050,000	37/\$32,510,000
8. Randolph, Moore, Scotland, Montgomery	21/\$22,725,000	28/\$30,620,300
9. Rowan, Davidson, Forsyth, Stokes	35/\$17,477,900	54/\$23,980,800
10. Union, Mecklenburg, Cabarrus, Stanly	45/\$26,618,800	39/\$31,772,800
11. Surry, Wilkes, Caldwell, Ashe	17/\$16,075,000	26/\$18,275,000
12. Gaston, Iredell, Catawba, Cleveland	28/\$16,252,000	39/\$21,799,000
13. Buncombe, Burke, McDowell, Yancey	31/\$19,004,600	30/\$24,462,200
14. Jackson, Henderson, Cherokee, Clay	19/\$11,596,600	21/\$15,406,300
Statewide Total	431/\$280,204,900	478/\$366,234,400

Source: North Carolina Department of Transportation

projects is the \$ 5.5 million repaving of 22 miles of N.C. Route 41 in Duplin County. The majority of the projects statewide come in at well under \$1 million a piece. All work is scheduled for this year or 2005.

A list of all the Moving Ahead! road projects can be found online at www.ncdot.org/news/maprojects.html. There are projects in all 100 North Carolina counties.

Public transportation projects, particularly the proposed light-rail systems in Charlotte and the Triangle, get an extra \$70 million from Moving Ahead.

No fundamental reforms

While an extra \$645 million for road projects is useful, it does not address the underlying problems that road maintenance is systematically underfunded and that the state allocates its limited resources poorly.

A 1998 performance review of the DOT by the accounting firm KPMG Peat Marwick highlights the state's inability to adequately

fund resurfacing. Throughout the 1990s, the DOT's own guidelines showed that it should repave about 6,300 miles of road per year. In reality, it could only afford to resurface about 3,900 miles per year.

"The Department has estimated that approximately \$194 million would be needed each year to meet its annual pavement resurfacing goal," the audit said. "However, the average annual funding allocation for pavement resurfacing has remained steady at approximately \$93 million between fiscal years 1990 to 1997."

The situation has not markedly improved since 1998. David Hartgen, a UNC-Charlotte professor of transportation studies, estimates that the state would have to increase spending on resurfacing — never mind other improvements — to \$400 million to \$500 million a year for five to seven years just to catch up.

Also problematic is where and how the DOT spends its money. The condition of roads in North Carolina is not equally good or bad across the state. Most of the counties with a high percentage of their state-maintained roads in poor condition are located west of Guilford County. Unfortunately, no method currently exists to address this imbalance.

"We don't use condition to pass out

most of the dollars," Hartgen said.

A lack of competition?

To further complicate matters, the DOT is concerned about a lack of competition for paving contracts in parts of the state. When fewer firms bid, the state ends up paying more for a job. To address these concerns, the department is changing its approach in an attempt to get more companies to bid.

The DOT has focused its attention on the state's largest repaving contractor, Ashland Paving and Construction. The company won 37 percent of resurfacing contracts, worth a combined value of \$70 million, last year.

This year, the state has rejected bids by APAC on seven projects in southeast North Carolina. APAC offered to do the jobs for a combined \$37 million; the DOT had estimated that \$30 million should have been enough.

As a result of high bids, the DOT has decided to postpone repaving U.S. Route 17 in Onslow County until next year. The department will do patching work as necessary to keep the road serviceable through the winter. The work on U.S. 17 is part of the DOT normal road maintenance efforts and not a Moving Ahead! project.

To encourage competition, the department is changing the scope of a number of projects. Instead of bundling several different tasks into a single contract, the DOT is at times dividing them up in hopes of attracting bids from smaller firms. At other times, it is combining more activities into a single mega-contract in hopes of attracting bids from more distant contractors.

The DOT estimates that when only a single firm bids on a project, the price will exceed its initial projection by 6.5 percent.

In addition, the DOT has asked the U.S. Department of Justice to investigate APAC for possible antitrust violations.

"When you're dealing with the public's money and the public trust, you have an obligation to be sure that you're dealing with a fair playing field," DOT board member Nina Szlosberg told the *News & Observer* of Raleigh. "Even if there is the appearance of a lack of competition, it's important that we investigate it thoroughly and put any concerns that we have to rest."

APAC denies that it is monopoly.

The exact effect of any lack of competition on Moving Ahead! projects is as yet unclear. However, the project mix in southeastern North Carolina leans towards repaving projects, making it likely the issue will come up in the future. *cj*

*Staff shortage at environmental department***Delays on State Permits Plague Builders**

By DONNA MARTINEZ

Associate Editor

The biggest backup most of us are likely to encounter in our bathroom is easily remedied with a 99-cent plunger or a bottle of drain cleaner and five minutes of our time. But imagine being a builder whose new subdivision, school, or store can't open on time, simply because the required paperwork is clogged up in the state's wastewater permit approval process in Raleigh.

It's a scenario Brunswick County Health Department Program Specialist Bruce Withrow understands firsthand. He's been caught in the middle between frustrated developers and state engineers when permitting delays have occurred on some wastewater systems being built in areas of the county not already serviced by existing public systems. In these instances, state-level approval is required before the projects can move forward, and the impact can reach well into the community. According to a story August 2000 in the *Wilmington Morning Star*, a charter school in the area was forced to delay its opening by several months and rent space in a church because of the red tape involved in securing its water permit.

"Yes, there's sometimes a problem," Withrow said. He believes it's a clear case of the state not employing enough engineers to handle the workload in the Raleigh office of the Department of Environment and Natural Resources. Only two engineers are available to handle his projects, he said. "A lot of people don't realize there are other things they do," he said of the delays. "They do the whole state."

Lack of staffing is more rhetoric than reality when it comes to pinning down permit delays, said Lisa Martin, director of regulatory affairs for the North Carolina Homebuilders Association. "There are other state departments that are understaffed and they don't use that excuse," Martin said. "It's more a culture problem. There's no inclination for DENR to be service-oriented."

Martin may have a point. After initially agreeing to address the permit delay complaints and confirm for *CJ* the number of engineers who provide service to Withrow and other county representatives, DENR spokeswoman Johanna Reese did not provide the information and failed to respond to a second request.

Smaller builders may face greater risk when delays occur, Martin said. While she said she believes that some

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wastewater regulation is needed when dealing with human waste, the wait while negotiating the paperwork maze can damage a project's financial support when investor funds and land are forced to sit idle. "Every day land isn't being produced, you're doing nothing with it," she said.

Smaller projects, however, are usually insulated from delays, Withrow said. He has the authority to approve new systems that meet the technical specification of small: less than 3,000 gallons of water flow. That size typically serves seven or eight average-size homes.

The headaches begin when a builder needs approval for a new wastewater system having a flow greater than 3,000 gallons. It's not that the regulations for the larger projects are more complicated, Withrow said, but that there isn't enough engineering expertise in Raleigh — expertise that's required to ensure the larger systems are sound.

"Once you reach that level, you have pumps involved and get into different mathematical calculations. A lot of times you need somebody who really, really knows what they're doing," he said. "It just takes longer to get a review and turnaround."

Even with delays, Withrow said he thinks Brunswick County has received "a lot of bang for our buck" from DENR engineers, particularly since they're also responsible for inspections of existing systems with problems such as sewer spills after heavy rainfall. Getting an engineer from Raleigh can take months unless Withrow has a severe, immediate problem. "If I've got sewage on the ground, I can get them here. Otherwise, it's very difficult," Withrow said.

The waits are equally tough for the builder who's left watching valuable construction days evaporate. But some are figuring out their own solution. Withrow said the 3,000-gallon dilemma has led some builders to design new wastewater systems using 2,999 gallons or less, just to avoid Raleigh involvement altogether. That results in multiple wastewater systems for one project. Since regulations require 20 feet between each system, Withrow explained, the larger separation area eats up valuable space and money, especially in desirable beach areas. Ultimately, a developer's creativity becomes Withrow's burden. Multiple systems must be inspected more frequently, and with their numbers growing, the county is left with more work.

To Withrow, solving both the permitting and inspection delay problems isn't rocket science. "Add more engineers," he advised. *CJ*

State Auditor Cites Conflict at Textile Center

By PAUL CHESSE

Associate Editor

The president of the N.C. Center for Applied Textile Technology created the appearance of a conflict of interest by accepting outside teaching jobs, the State Auditor's Office said in an investigative audit released in mid-April.

The auditor's office was asked to review the secondary employment of the center's president, James L. Lemons, by the president of the State Community College System. While that review was in progress, additional allegations were reported through the state auditor's hotline, but those allegations were not substantiated.

At the time of the review, Lemons was teaching four courses at the University of North Carolina at Charlotte. The center is located in neighboring Gaston County. Three of the classes met during daytime hours on Tuesdays and Thursdays, while the fourth course met on Saturdays. Lemons also had previously taught at Belmont Abbey College while employed by the center.

The chairman of the center's board, and a majority of the trustees, told auditors they were aware of the secondary employment, but some of them were not aware of the classes met during regular working hours. The chairman had signed secondary employment forms for Lemons, but board minutes did not indicate board approval of the outside work.

Auditors said the outside employment during regular business hours of the center created the perception of a conflict of interest, and recommended that Lemons end the practice. Lemons's contract with UNC-Charlotte expired in December and he informed the university he would no longer be teaching.

"In public life, perception often becomes reality," State Auditor Ralph Campbell said. "The president's outside

RALEIGH

teaching work created a perception that he was not performing his primary job, even though trustees and center employees said there was no doubt he worked 40 hours a week for the Center. He did the right thing in ending the appearance of a conflict."

On another matter, the state auditor's office concluded in a recent investigative audit that the president of Blue Ridge Community College, Dr. David W. Sink, Jr., used his state-paid technology staff to provide computer services to private organizations, including some services that were available from private businesses.

Auditors found, for instance, that the college provided about 159 hours of technical support in May 2003 for the Immaculate Baking Company for the baking of the "world's biggest cookie." The promotional event included a live webcast that required the college technical staff to route data through the college computers to the Internet.

The college dean for technology and development signed an agreement in 2002 to develop an Internet website for the Hendersonville Chamber of Commerce; and the college has provided technical support for the National Technical Honor Society.

Auditors also questioned an offer made by Sink at a Rotary Club meeting to provide technical services from the college for a Rotary Club website in exchange for donations to the Blue Ridge Community College Educational Foundation. Equipment purchased for the college by the foundation, a separate legal entity, was not accounted for properly, investigators said.

"State-paid time and state equipment must not be used for private purposes or private benefit. The money to support these technical services at Blue Ridge Community College comes from the taxpayers, who expect that those services will benefit the college and its students, not private organizations or in competition with private business," Campbell said. *CJ*

**School Daze in N.C.:
Bankruptcy Looms**

It's that time of year once again, yes, March Madness has led to April Angst and folks are on the edge of their seats. Statewide, discussions at breakfast and barbershops are predicting what will happen, and newspapers are delighting in the frenzy. Not to mislead you, but school boards and county commissioners are preparing their upcoming budgets. Ultimately they will square off during May Mayhem when both boards will have to start settling their monetary differences or end up in court.

To begin, counties are facing some of the steepest budget hills they've ever faced. Battered and weary, they're trying to keep taxes at current levels, especially during an election cycle, while still recovering from tough times. And they will do this in time to stamp their budgets complete by June 30. But school boards have had their share of wounds as well. The governor wants to decrease class size, and the federal government is pushing "No Child Left Behind" mandates. But both programs are drastically short of the funds necessary to pay for the premise. As such, school boards usually look down the ladder, not up, when addressing their budget shortfalls. Thus they won't be calling Washington or Raleigh, but will instead plead their cases with local newspapers and leave the burden of budget shortfall at the county office.

Local school systems are not known to be miserly with respect to their expenditures. Why should they, they're a monopoly. But these are tough times and school boards should be looking at any possible way to save money. Sadly, early indications are that school board requests will far exceed any possible growth in student population or inflation.

Moore County schools want a 10.6 percent increase plus \$2.7 million for "technology" funding. This would mean a 13.5 percent increase in property taxes. Wake, Transylvania, and Pitt county school boards are requesting more than 7 percent over last year, excluding capital. Interestingly, Transylvania officials also want a 73 percent increase in their capital expense. Wayne County wants 5 percent more than last year, but also wants about \$100 million in bond money. Similar requests are coming in across the state.

Are we seeing this kind of growth in businesses? No! Are we seeing this kind of annual population growth? No, especially not statewide.

Scotland County is also interesting. It has a 1963 state law that forced the county to fund students at the per-pupil statewide average. In 2002-03 that mandate would have required \$9 million go to the schools. This was somewhat unfathomable considering the county has only 36,000 people. So the county was able to get the legislature to amend its mandate. The brilliant result is that the county commissioners must fund the school board for current expenses in line with "low wealth" counties. This is complicated, but the net result is that its 2004-05 budget will force them to give \$9 million to the schools. Is that good? The county's unemployment figures are more than 12 percent, one of the highest in the state. Property taxes also are high and will probably exceed 1 percent this year. This is one of the more bizarre examples of state micro-management.

Continued budget request that exceed both population and inflation will ultimately lead to a fiscal collapse not unlike that which Scotland County may face. This is not an attempt to be cynical, but I do believe that we are dealing with an unsustainable funding system.

If we continue down this path, county tax rates will inevitably increase, causing even more economic distress in rural North Carolina. There is always the hope that some legislative leader will have the courage to accept the accountability for the system they've created. But then again, accountability is an elusive beast up here. Besides, I think most of them are on the way to a ribbon cutting or a free meal at the Department of Public Instruction. *CJ*



Chad Adams

Local Innovation Bulletin Board

Banks Reap Tax Windfall

Since 2001, 16 U.S. companies have bought public transportation assets from cities through 35 leasing agreements that allow the buyer to save millions of dollars on taxes as the assets depreciate, even though they don't operate the equipment.

Washington lawmakers say that this growing practice is an abuse of tax law and that it costs the federal government revenue. Opponents of these leasing arrangements say cash-strapped cities are not enjoying much benefit, with the disproportionate gains going to private companies. The U.S. Department of Transportation has since delayed about 15 leasing transactions worth \$3.1 billion.

The Bush administration says the tax shelter will cost the federal government \$33.5 billion during the next 10 years.

Records on the previous 35 dealings, which involved \$9.5 billion worth of publicly funded transportation assets, show that:

- In part, due to these public transit lease agreements, Wachovia paid no taxes on a \$3.6 billion profit in 2002 and received a \$159 million tax refund.
- The states will lose an estimated \$6 billion in tax revenue because of the shelters.

Overall, the agreements resulted in almost 600 percent return on investment in taxes saved for the biggest investors.

The companies blame the convoluted tax system for creating incentives to shelter profits from taxation that would not exist under a simpler system. Says a Bank of America spokeswoman, the company "followed the letter of the law, and if the government changes the law, we will act accordingly."

Further, defenders of the tax shelters say that the Department of Transportation actually encouraged transit authorities to pursue the contracts as a creative way to secure capital. In fact, the Federal Transit Administration even published a guide for winning approval of the agreements on its web site.

Reported by the *Fort Worth Star-Telegram*.

Water used more efficiently

Despite an increasing population, greater electricity production and higher agricultural output, Americans are using less water than they did 30 years ago, says a new report from the U.S. Geological Survey.

The agency examined 50 years of water use through 2000. Consumption in 2000 is largely unchanged since 1985 and is 25 percent less than its peak in the 1970s.

Americans consume 408 billion gallons a day of fresh and saline water. Eleven percent goes to homes and most businesses, while nearly half (48 percent) goes to power plants, more than a third (34 percent) to agriculture; and 7 percent for such uses as mining, livestock, and individual domestic wells. Power plants account for 96 percent of saline water withdrawals.

How has water been conserved?

Electric utilities, which once needed huge amounts of water to cool electrical generating plants, now conserve water by closed-loop recirculation. Other industries have conserved by using water-saving technology — driven by energy-saving and environmental-protection laws passed in the 1970s.

Irrigation remains the largest use of freshwater, and more of it is groundwater — rising from 23 percent in 1950 to 43 percent in 2000.

And, interestingly, low-flow bathroom fixtures and water-saving appliances ordered by a 1992 federal law — the bane of millions of consumers — have had little impact.

In contrast to the record of industry, Amy Vickers, author of *Handbook of Water Use and Conservation*, says 15 percent to 20 percent of municipal water is lost to leaky pipelines and other unmeasured waste.

Reported in *USA Today*.

Myths of apartment communities

Apartment communities help meet the housing needs of a rapidly growing population in the North Texas county of Tarrant, according to the head of the local apartment association.

As in many cities, however, local policymakers oppose apartments in Tarrant County, because they believe certain myths about multifamily communities, writes Marlene Walker of the *Fort Worth Star-Telegram*. These misconceptions include:

- Concerns about property values. It is a myth that apartments diminish adjacent property values — an Urban Land Institute report found that between 1987 and 1995 the average annual appreciation for single-family houses within 300 feet of an apartment community was 3.12 percent, compared to 3.19 percent for houses not near apartments.

• Apartments are bad for the business climate. It is a myth that apartments are a detriment to attracting business to a city: a 1998 National Association of Home Builders study found that the construction of a 100-unit apartment community results in 122 new jobs, \$579,000 in local taxes and fees, and \$5.2 million in income to local business.

• Apartments stress local schools. It is a myth that apartment populations overwhelm local schools: on a unit-by-unit basis, single-family homes have three times as many school-age children as apartments, Walker says.

• Apartments are the same thing as public housing. Furthermore, contrary to myth, apartments aren't synonymous with "public housing." Participation in federally subsidized housing programs is not mandatory unless developers use government money to acquire or finance multifamily properties, in which case they are typically required to set aside a certain percentage of units for Section 8 low-income housing.

Reported by the *Fort Worth Star-Telegram*. CJ

From Cherokee to Currituck**Winston-Salem Double-Checks Traffic Changes, Improves Safety**

By MICHAEL LOWREY

Associate Editor

CHARLOTTE

Winston-Salem uses an unusual approach for improving the safety of its streets that seems to be paying off. The city's traffic engineers continue to collect data on accident-prone intersections for several years after a fix is made. In most states and localities, traffic engineers merely assume that a change eliminates any problems and do not monitor accident rates to see whether, in fact, changes did help, and if so, by how much.

The Winston-Salem Department of Transportation's approach is statistical in nature. When there are several crashes at an intersection or citizens complain that an area may be unsafe, traffic engineers examine several years' worth of data. If a fix is warranted, the agency will continue to collect data for at least three years afterward to see how effective the changes have been.

"It makes a big difference," Stan Polanis, director of the Winston-Salem DOT, said to the *Winston-Salem Journal*. Polanis said it is critical that engineers are able to make changes immediately, there is no waiting list for improvements. The city has also no minimum accident threshold for upgrades.

State traffic safety statistics back up Polanis' claims. Forsyth County, in which Winston-Salem is located, has the state's fourth-largest population of the state's 100 counties. Forsyth also ranks fourth in the number of registered vehicles and annual miles driven. It places only 12th in the number of accidents, 25th in the number of accidents with injury, and 88th in fatal accidents.

The program also improves decision-making and fosters public accountability.

"If you don't have enough information, it's tougher to make wise choices," Kevin Lacy, an engineer with the N.C. Department of Transportation, said to the newspaper. "Something may look great, but unless it's carefully evaluated, you don't know from a taxpayer's perspective whether it was worth it. It makes sense to be able to show people what kind of return they are getting on their money."

Lawn parking banned in Charlotte

A new ordinance bans parking cars on front lawns in Charlotte. The regulation comes after neighborhood groups complained that cars-on-lawns were an eyesore that depressed house prices.

The ordinance prohibits, with certain exceptions, people from parking on the lawn in front of single-family houses, or buildings with two, three, or four units. The rule does not apply where on-street parking is not allowed, or to homes with especially small yards (less than 25 feet wide or with a house less than 20 feet from the street). Parking on front lawns is also allowed up to once a week for special occasions.

The penalty for a violation is a \$25 fine and possibly having the offending vehicle towed. The ordinance, which went into effect April 1, does not affect parking in back yards.

"If somebody was looking for a house to buy and they see a lot of this, it would cause them to think the people didn't care

how the neighborhood looks," Julian Underwood, president of the Shannon Park neighborhood association, said to *The Charlotte Observer*.

Others were less-inspired by the new law. "It's kind of like legislating all the minutiae of your life," Steve Sweigart, a northwest Charlotte resident, said to the newspaper. "If you want to park a car in your yard... it's your business."

Pier fees adrift

Public protests have forced Duke Power and Carolinas wildlife agencies to suspend a new fee to build piers on Catawba River lakes. Revenue from the fees was to have gone to preserve wildlife habitat.

Duke Power manages the lakes made by its hydroelectric dams along the Catawba River in North Carolina and South Carolina. Last year it imposed a \$500 permit fee for building new or expanding or repair existing piers. The fee is in addition to a separate \$300 application fee.

Opposition to the fee was based in part on a lack of public input. Many residents learned about them only by reading the newspaper.

"We said all along we think the habitat-enhancement program was a great idea," Randy Humphries, of the Lake Wateree Home-owners Association, said to *The Charlotte Observer*. "But we also felt like the homeowners shouldn't be the only ones paying for it."

"We felt like it was probably wise to just drop back and take a fresh look at how to fund it," Cary Chamblee of the S.C. Department of Natural Resources said to the newspaper. "If we're asking the community to pay directly, they should be more directly involved."

Jury rules for company's incentives

A jury has ruled that Bristol Compressors Inc. does not have to repay Alleghany County and others \$6.9 million in incentives that helped lure the company to Sparta. Bristol Compressors closed its manufacturing plant in 2002, several years before the end of a 10-year incentive deal it had signed with the county and the other groups.

"We thought we had a contract that protected the legal interests of the county," Alleghany County Commissioner Patrick Woodie said to the Associated Press. "What we found out was that it was an ambiguous contract."

To help attract the company, the county gave Bristol Compressors a 50-acre parcel and nearly \$5 million. The town of Sparta, Skyline Telephone Co. and the Blue Ridge Electric Membership Corp. kicked in an additional \$600,000. The Region D Development Corp. contributed at least \$200,000. The incentives deal was signed in 1993 and the plant opened in 1995. At one time it was the county's largest employer.

At the core of recently concluded legal dispute was the amount Bristol Compressors would have to repay. The county contended that by leaving early, the company should have to repay all of the incentive money. The company successfully argued, however, that it had to repay only the amounts it got in years that it didn't meet the employment goals in the contract. CJ

Forsyth County has the state's fourth-largest population... It only places 12th in the number of accidents, and 88th in fatal accidents.

Fox Analyst McInerney: Understanding the Web of Terror

By CAROLINA JOURNAL STAFF

RALEIGH

Lt. Gen. Thomas McInerney ended his distinguished career with the U.S. Air Force as assistant vice chief of staff. He now regularly appears on "Fox News Channel" as the cable network's senior military analyst.

Last month he spoke at the Headliner Luncheon Series in Raleigh, hosted by the John Locke Foundation. While in North Carolina he met with foundation President John Hood for an interview.

Hood: We have all been watching, probably with equal parts interest and dismay and concern to operations going on right now in Iraq. The resurgence of violent activity there, the activities of which appear to be both Shiite militias and Sunni extremists in Iraq, and the U.S. and coalition response. How do you see this campaign developing? What implications should we be drawing from it?



McInerney: I think it is a last-gasp effort by the radical Islamists to ensure that we do not get a successful turnover in Iraq, and for Iraq to become a growing democracy.

It is kind of like the Battle of the Bulge or even like the Tet Offensive in Vietnam. It is an extremely important battle to us, but it really just revolves around what our important mission in that region is and why it is so critical.

Hood: Let me ask you about those two historical mountains. They might be helpful in illustrating what we are talking about. In the Battle of the Bulge, the Germans break out, somewhat surprisingly, I think, to the Americans. They showed more strength than probably was expected.

Do you think that the current activity by these extremists in Iraq is surprising to the American military? Is it surprising to you that they've been able to pull this off in multiple cities?

McInerney: It is not surprising to me because I have been saying all along as we lead up to this that we should expect increased fighting.

Now, what is coming out of it is, is that the fighting in the South with al-Sadr is being led and channeled by the Iranians. They are funding al-Sadr. He has admitted it, that they fund him. He talks about Hezbollah, Hamas, and so there is no question about that.

Hood: Hezbollah being the predominant — or the Shiite group that has been doing terrorism in Israel and elsewhere? Is it basically an arm of the Iranians and the Syrians?

McInerney: That is correct. And in Falluja where the fighting is going on, that is being led, and we believe fed by former regime loyalists as well as foreigners and foreigners are Syrians. They captured Syrians yesterday.

We must understand that terrorism thrives, John, if it is being enabled by nation-states.

Hood: This clashes with much of what we hear.

The rhetoric of some of the critics of the Bush administration policy on terrorism argue that it really is a law enforcement problem. It is a problem of apprehending miscreants and criminals and fugitives and bringing them to justice. This is the language that has been used. You are suggesting that that is not really the right way to think about this problem.

McInerney: Exactly. Next week I'm releasing a book called *End Games: A Blueprint for Victory in the War on Terror*. What this lays out is — it says on September 10, 2001, there were eight enabling nations that were providing an umbrella for the terrorists. Those

eight were Afghanistan, Iraq, Iran, Syria, Libya, Saudi Arabia, Pakistan and North Korea. We call them a web of terror. If these web of terror nations do not support terrorism, terrorism withers.

The significance of those eight is they were supporting terrorists, plus they are involved with weapons of mass destruction — either funding, building, or moving them around. That is a very critical web of terror that we must either get the regimes to comply and coordinate with us, or, if they are defiant, then we must change them.

Two of them we have changed: Libya has decided to cooperate. That is extremely important that people realize what the whole threat is and how we intend to handle it.

Hood: As we tick down the list, obviously, Afghanistan and Iraq are in a different place. Libya has, for whatever reason gone to a different place. Pakistan and Saudi Arabia are countries that appear to be, at perhaps varying levels, cooperating with the United States against the terror masters.

Do you think that those countries really come out of the column of the web of terror or are they in sort of a precarious position between the two poles?

McInerney: They are in the gray zone. They have got a lot more to do. They are still part of the web of terror.

But President Musharraf made some major political decisions when he decided to move — let us help in Afghanistan. And then, two weeks ago, when he went into South Waziristan in the Western Territories, that was a major step forward. Saudi Arabia has already started to go after them, but neither one are doing enough.

The Saudis have got to stop funding these — the Madrassas Schools that are doing nothing but teaching hate. The Pakistanis have got to be more aggressive in the Western Territories in helping us go after these terrorists. They know where they are.

Hood: That is an important point to bring up. It kind of takes us back to your other analogy of the Tet Offensive. In the Pakistani case, people may have been led to believe that something different was going to happen due to media reports about the potential for al Qaeda's number two might be captured in that tribal area where Pakistani troops have actually had very little presence or control for a very long time.

McInerney: Never.

Hood: Never. Even the previous Imperial Forces never did. And in fact, I'm also concerned whether the media coverage of the activity in Pakistan, which people may have thought was a failure, but appears to have been a significant beachhead in that region, and what is going on in Iraq with the deaths of American service men and women, or servicemen in this case recently?

The media coverage may clash with what is really going on militarily and strategically and tactically. That could lead us into a situation like the Tet Offensive where the military outcome is one thing, but the political outcome is another.

McInerney: That is what they are trying to do.

Their objectives are clearly, number one, they want to give the appearance that this is a nationwide uprising. Number two, they want to get a lot of American casualties, and number three, they want to play the political part and the media part in the United States and the Western world to give the appearance that they are winning and being more defiant and that we can't be successful there.

Those are their objectives. If you understand those three objectives, then it is easier to understand what is going on over there and what we must do to counter them.

Hood: You predicate your statement on the idea of, "If we understand their objectives." In the Tet Offensive case, it was basically a colossal failure from a military standpoint. The Viet Cong lost a lot of their ability to operate for a long time afterwards. The North Vietnamese were bloodied.

But that is not the way that the event was perceived, portrayed — that is not its impact in American politics in the late '60s. It was a somewhat different message. Are you convinced

that for Americans consuming the media that what is coming out on this are able — that most of them will be able to follow what is going on here and not consider a victory as a defeat?

McInerney: I think a lot of Americans are being challenged. If you don't have a firm foundation and understand what this global web of terror is, and what we have to do, then you are going to take an off ramp.

Let's remember, they are coming after us, they are coming after our cities with weapons of mass destruction. Why are they fighting so hard over there? Again, because if we are successful, democracy will sweep through that region.

Iraq was the center of gravity of that region. If you look at Iran, Syria, Saudi Arabia — all those nations border Iraq. Iraq was defiant daily — firing at us.

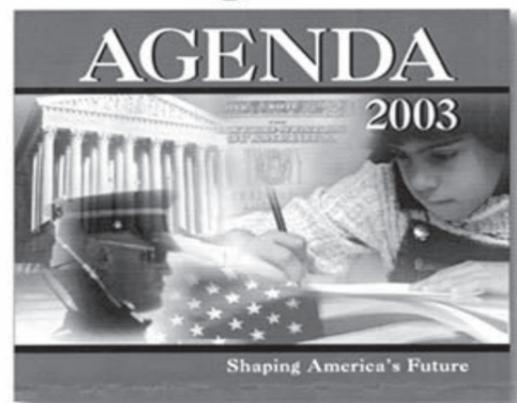
And so when we took them down in 21 days, the strongest nation in the Middle East — Arab nation, all of a sudden Qaddafi says, "Look, if it takes them 21 days to do it there, it is going to be four days to take me down."

And so the presence of those forces over there, for what they are trying to do, again, we are going against Radical Islam. Radical Islam, Americans must understand is just like Nazism and it is like Communism. So they've got to know the fight is better to be over there than in New York City and Washington DC as it was on 9/11.

Hood: Are you confident this is where the American public will go in their thinking about it?

McInerney: That is why I spend so much time talking about it on Fox News and talking to people like you and getting the opportunity. I think education is crucial. CJ

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From the Liberty Library

• After more than 200 years of shared history and interests, the U.S.-France marriage looks as if it's ending in an acrimonious divorce, says Kenneth Timmerman, a longtime journalist in France. In *The French Betrayal of America* he writes that in the wake of French behavior at the United Nations, where Foreign Minister Dominique de Villepin systematically undermined the efforts of Secretary of State Colin Powell to persuade the Security Council to authorize force against Iraq, Americans have at best come to suspect our ally of double dealing, and at worst come to view them as the enemy.

Timmerman raises questions of whether the nuclear cooperation agreements still in force with the French today should be canceled because our security interests no longer converge, and our economic systems increasingly appear to be at loggerheads. Learn more at www.randomhouse.com/crown.

• *Christian Slaves, Muslim Masters: White Slavery in the Mediterranean, the Barbary Coast and Italy, 1500-1800* is a study that digs deeply into the "other" slavery, the bondage of Europeans by north-African Muslims that flourished during the same centuries as the heyday of the trans-Atlantic trade from sub-Saharan Africa to the Americas. Author William C. Triplett explores, perhaps for the first time, the actual extent of Barbary Coast slavery, the dynamic relationship between master and slave, and the effects of this slaving on Italy, one of the slave takers' primary targets and victims. More at www.palgrave-usa.com.

• Veteran national security specialist William C. Triplett II exposes how dangerous the regime of North Korea has become — a rogue state dedicated not just to developing nuclear weapons but to proliferating them.

In *Rogue State: How a Nuclear North Korea Threatens America*, Triplett shows how the North Korean regime sponsors global terrorism, and he dissects the layers of the "cult-based, family-run criminal enterprise" of North Korea's aggressive and secretive communist dictatorship. He also unveils how China, far from being a restraining force on North Korea, is actually the power behind the regime — how North Korea is "China's knife wielded against the United States." More at www.regnery.com.

• Lee Harris, in *Civilization and Its Enemies: The Next Stage of History*, says that America's enemy, for the first time in centuries, refuses to play by any of our rules, or to think in any of our categories. He says Americans are all naturally reluctant to face a true enemy, and most cannot give up the myth that tolerance is the greatest of virtues and that we can somehow convert the enemy to our beliefs. As Harris's tour through the stages of civilization demonstrates, from Sparta to the French Revolution to the present, civilization depends upon brute force, properly wielded by a sovereign. Today, Harris writes, only America can play the role of sovereign on the world stage, by the use of force when necessary. Details at www.simonandschuster.com. CJ

Museum review

Born of Necessity: Homeless But Not Helpless

By DONNA MARTINEZ

Associate Editor

GREENSBORO

After spending two hours perusing the Weatherspoon Art Museum's *Borne of Necessity* exhibition on poverty and homelessness in America, I realized a visitor's perspective on whether life is a challenge or an opportunity — rather than the quality of the individual photographs or exhibits — would dictate reaction to the 55-piece collection displayed recently at the UNC-Greensboro museum.

Regardless of the exhibit's uncomfortable images and inflammatory rhetoric, I'm convinced that those who live a marginalized existence do so largely because of personal choices, not societal oppression or systemic unfairness. Still, I looked to the exhibit for clues to understand why some who live in the freest and richest country in the world believe they have no control over their destiny.

I looked hard, but couldn't find a compelling reason to alter my conclusion. To its credit, *Borne of Necessity* pushed me to think twice, to wonder whether I had missed something. That's why this exhibit, which ended its run in February, was worth the drive from the Triangle, and it's the reason the museum deserves a thumbs-up for organizing its most ambitious project ever.

Dave tells it like it is

The most refreshing and unusual piece of the exhibit is "Dave's stories," an audio collection of humorous musings and words of wisdom from Dave Whitman, a homeless man who has been roaming around Chicago on and off for more than seven years. After being given a tape recorder by the three-man artistic team known as Temporary Services, Whitman compiled more than eight hours of observations about life on the street.

Despite the exhibit's title, Whitman is a mystery. It's clear he's educated, making me wonder what choices led him to a cold street rather than a warm home. He doesn't unlock those personal secrets, but he is eager to introduce us to the real-world characters that populate a life most of us only read about. Whitman doesn't pull his punches. His descriptions of the cons used by scam-mers — people who fake homelessness or exaggerate their circumstances to get free food and cash — are jarring.

Take the case of the guy Whitman says routinely plants himself on a blanket in "strategic places around the city" such as a financial center or outside a church. With a faithful dog on one side, and a bag containing a few coins on the other, the man plays his harmonica. Without fail, he attracts the attention — and cash — of unsuspecting people who stop to sympathize.

"Women really go for this because they say, oh, how old is the dog? Oh, are you and the dog homeless? And he says yes, yes, yes," Whitman explains of the typical exchange. "...he's a good dog, we keep each other warm, yeah, we're homeless. It's too bad."

This dog-and-harmonica show generates "big blobs" of money, Whitman says, especially from women. What they don't know is that it's a charade. The man isn't homeless at all. One day after a performance, Whitman followed him from one of his strategic locations to the hotel where the scammer lives.

'Women really go for this because they say, how old is the dog? Oh, are you and the dog homeless? And he says yes, yes, yes.'



The "girl in a bus" photo at the museum shows a young woman making her home in East London.

Whitman's stories are gripping. I couldn't leave his voice for at least 15 minutes, telling myself I'd listen to just one more clip. Then another vignette would begin and I'd be hooked. When I finally moved on, I wasn't sure whether to shake my head in disgust at the shameless rip-off artists, or chuckle at Whitman's funny, yet sometimes eerily sad monologues, like his description of homelessness as "an excellent preliminary to being dead."

Photos dramatize the exhibit

While the audio exhibit makes a substantial impact, photographic works were prevalent in the gallery. Some depicted the depressing existence Whitman referred to, while others illustrated that some people willingly choose not to be part of the mainstream.

The pre-death existence is captured in "Skid Row, Los Angeles," a series by Camilo Jose Vergara. It chronicles the hard life of a notorious 50-block area that's home to more

than 10,000 people who live in rundown hotels or are without permanent shelter. One photo reveals what appears to be a person covered by a gray blanket, lying on gray cement against a gray utility box. People are walking by, oblivious to the nearly invisible

lump that's either sleeping or dead. All that's missing is the white chalk outline that would reveal the answer to the question no one in the photo cares to ask.

Artists choose to live in poverty

In contrast, the rich, colorful photos showcasing young dancers and performers from East London in artist Tom Hunter's "Travellers" series caught my eye and my heart. Because these people choose to work in a field that's typically low-paid, they live in cheap, unconventional housing that would make most of us cringe. "Girl in the Bus" shows a beautiful young woman with a creamy complexion sitting on a bunk in her makeshift "home" inside a bus, its Emergency Exit sign still in place.

Hunter wanted his work to counteract negative impressions of the artists' lives. "Contrary to what the media would have us believe, many people who opt for this

lifestyle are working people who vote, pay taxes, and are just as integrated in society as anyone," Hunter said in 1997, according to the exhibit catalogue.

It's too bad this appreciation for opportunity and personal responsibility isn't reflected in the exhibit's largest graphic component. "Social Landscape" dramatically spans the entire wall alongside the gallery's entry and the entryway itself. Artists Julie Ault and Martin Beck contend that the government's official poverty line, even though updated regularly for inflation, is too low and should be raised to a "relative" poverty level, which would evolve over time with social and economic factors.

Predictably, the artists' message is that America's poor are entitled to a higher standard of living, which the nonpoor should gladly fund. While life is far from ideal for America's poor, Ault and Beck fail to acknowledge an indisputable fact: The average poor person in this country already has a standard of living that's the envy of the majority of the world's population.

Putting poverty in perspective

According to Heritage Foundation researchers Robert E. Rector and Kirk A. Johnson in "Understanding Poverty in America," published in the February issue of *The Insider*, 73 percent of households considered poor by the government own a car or truck and 46 percent own a home. What's more, 78 percent have a VCR or DVD player, nearly three-fourth have a microwave, while cable or satellite TV is enjoyed by nearly two-thirds. More than half own two or more color TVs, a third have an automatic dishwasher, and a personal computer is available in one-fourth of the households.

While these statistics clarify our intellectual understanding of poverty, an anonymous visitor put a local face on the issue, and put the exhibit in proper context, with a comment posted next to Girl on the Bus.

"When I did my income taxes this year, I fell well under the poverty line," the visitor wrote. "By living simply, like the woman in this photograph, I am choosing poverty. People feel pity for me because I don't have a television, but all I can think about is how incredible it is to have poverty as a choice instead of the only way of life," the note says.

That's well put, and perhaps the most instructive piece of the exhibit. CJ

Book Review

The Rule of Lawyers: A Feeding Frenzy of National Proportions

• Walter K. Olson: *The Rule of Lawyers—How the New Litigation Elite Threatens America's Rule of Law*; St. Martin's Press; 2003; 341pp.; \$25.95

By **GEORGE C. LEEF**

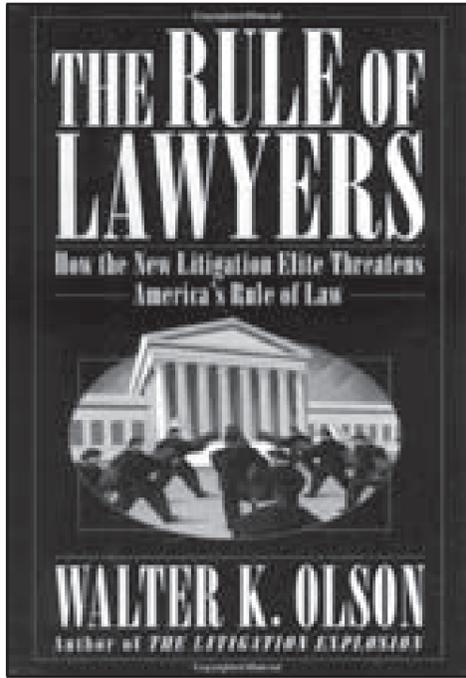
Contributing Editor

RALEIGH

Know any good lawyer jokes? They're quite abundant and often tasteless, reflecting the widespread opinion that the legal profession is composed mostly of unethical rogues who say anything and do anything to squeeze money out of people. It certainly is not true that the entire legal profession consists of scoundrels practicing what amounts to legalized extortion, but those lawyers who do, deserve all the opprobrium of the nasty jokes—and far more.

It is that rogue element of the legal profession that draws Walter Olson's fire in *The Rule of Lawyers*. Olson, a fellow at the Manhattan Institute, has come to specialize in the predations of tort lawyers. He previously authored *The Litigation Explosion* and maintains the website *Overlawyered.com*. Olson writes here about the most egregious and damaging instances of litigation run amok and how the plaintiffs bar uses its enormous political muscle to prevent any sensible change. There is plenty of material here for dozens of lawyer jokes, but reading the book won't bring any smiles, except at the author's sardonic wit.

Consider the shameless attempts (usually successful) at extorting money from companies that had nothing to do with the injuries that the lawyers' clients claim to have suffered. In the frenzy of asbestos



suits, for example, the lawyers went after firms that hadn't had any connection with the production or sale of the asbestos that might have caused illness in workers. How could that be? Because the defendant companies had acquired firms that had at one time sold products containing asbestos. Olson cites the case of Crown Cork and Seal, which in 1963 had acquired a smaller firm that made, among other things, a line of asbestos insulation. Crown sold off that line three months later, but that was enough exposure to trigger a swarm of suits years later. Crown was nearly bankrupted by hundreds of millions in damages as lawyers went almost to the bottom of the firm's

pockets.

If the trial bar does not care about actual fault, it is equally unconcerned with actual injury. In their eagerness to sue on behalf of some class of "victims," lawyers often recruit individuals whose injury or illness is speculative or imaginary. A jarring example is a suit against Toshiba for \$2.1 billion over a minor malfunction that might occur in one of its laptop computers. No Toshiba owner had complained about it, but no matter. Enough people who had purchased that model were recruited to constitute a class and the case proceeded in a friendly Texas court. Toshiba decided to settle; the deal gave the owners of the allegedly defective computers coupons good for some money off their next ones and the lawyer who dreamed the suit up walked away with \$147 million.

Olson gives us many such examples where the shield of the justice system has been turned into a sword for the expropriation of stockholder wealth. In the hands of the trial lawyers, it often becomes an injustice system.

Truth doesn't matter any more than fault or injury. Tort lawyers, the author shows, routinely coach witnesses to lie, pay off "expert witnesses" to give the desired testimony, and use "junk science" evidence.

What we have on the whole is a huge transfer of wealth from corporate stockholders to people who, if they were harmed at all, receive far more than the amounts that would cover their damages, and to lawyers who go from being merely rich to super-rich with the fees they collect. The lawyers have created a new kind of entrepreneurship, but it doesn't entail the pro-

duction of value. Instead, it consumes resources in a great negative-sum game. Besides the unjustified expropriation of stockholder wealth, the lawyers' system often has unanticipated side effects, such as the unavailability of silicone for medical products following the destruction of Dow Corning and other manufacturers in the great stampede of suits over silicone breast implants.

One reason why bogus tort cases do so well is that lawyers can file them almost anywhere. They always choose sympathetic state courts where the judge is anything but impartial and the jurors want to "send a message to the business world" with enormous damage awards. Olson explains that the legal system wasn't supposed to work that way. In suits between parties from different states (the defendant corporation is almost never headquartered in Mississippi), the case should be heard in federal court. The lawyers have cleverly found ways around that restriction, however.

Olson suggests several remedies, but he isn't optimistic that anything will be done to stop the feeding frenzy. That is because the trial lawyers recycle a good portion of their booty into politics, supporting candidates who will protect their operations and often using the dirtiest tactics to oppose any candidate who talks of legal reform.

The Rule of Lawyers is a well researched and deliciously written expose of a serious national problem. CJ

George C. Leef is director of the Pope Center for Higher Education Policy.

Book Review

Wealth and Our Commonwealth: Estate Tax and Grateful Death

• William H. Gates Sr. and Chuck Collins: *Wealth and Our Commonwealth: Why America Should Tax Accumulated Fortunes*; Beacon Press; 2003; 166 pages \$15 paperback

By **MURRAY SABRIN**

Guest Contributor

TRENTON, N.J.

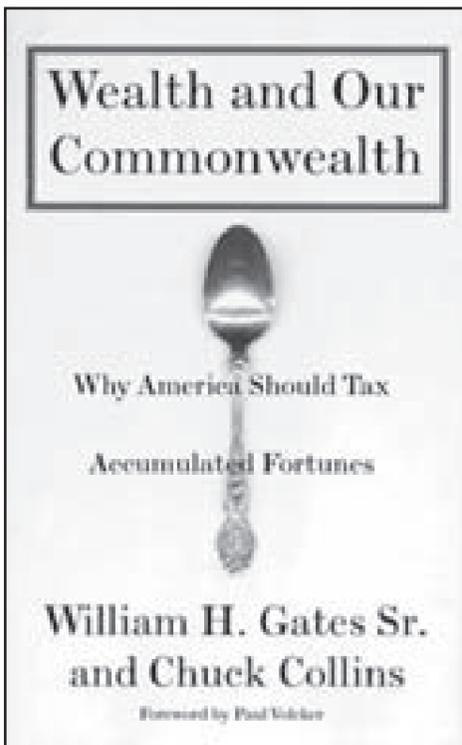
When the father of the world's richest individual and the cofounder of an outfit called United for a Fair Economy get together to write a defense of the estate tax, the result is one of the worst books ever written in American history about a public policy issue.

Although William H. Gates Sr. and Chuck Collins have written a tract that pays lip service to individual achievement, liberty, and free enterprise, the foundation of America's prosperity, they nevertheless embrace egalitarianism, the redistribution of wealth, and the welfare state as indispensable policies and institutions. Moreover, in their passion to maintain the estate tax they assert, "The estate tax helps make America great." This is the first time, to my knowledge, that anyone has gone so far to state that the estate tax has been partly responsible for the American people's prosperity since 1916, when the federal estate tax was instituted.

The authors' defense of the estate tax rests on several dubious, to say the least, assertions.

- The estate tax will reduce the "concentration of wealth and power" in the United States.

- The estate tax forces individuals of great wealth to "pay back society" for the enormous "investment" in our public insti-



tutions.

- The estate tax strengthens "equal opportunity" in our society by putting a "brake on the accumulation of hereditary wealth."

- The estate tax will reduce the disparity in income levels that is so corrosive to democracy.

- The estate tax will "level" the playing field, so that "runners start at the same starting line."

- The estate tax is a good tax, because "for us, the progressivity of the tax system

is a core principle."

- The estate tax provides an incentive to charitable giving. Without the estate tax, wealthy families will reduce their charitable contributions.

- The three great religious traditions, Judaism, Islam, and Christianity, support the estate tax.

- The estate tax must be maintained because after all "taxes are a privilege in a democratic society, a necessary component for sustaining the common good."

Gates and Collins repeat ad nauseam throughout their book that the "concentration of wealth and power" is a grave threat to the Republic. In reality, it is the concentration of political power in Washington, D.C. that is undermining the American people's natural rights and prosperity. Taxes, monetary debasement, regulations, trade restrictions, out-of-control spending, overseas military adventures, and the military-industrial complex have eroded any chance of a sustainable prosperity.

The authors believe that the wealth of the "rich" could not have been created without the "investment" made by governments at all levels, particularly the federal government. In fact, the creators of wealth pay for so-called public services throughout their lifetimes in the form of income, sales, property, excise, and other taxes. Should the federal government also be able to confiscate up to 50 percent or more of their estates when they depart this world? How much is enough for the federal Leviathan? Apparently, for Gates and Collins, an estate tax on the assets of the very wealthy (\$15 million or more) is appropriate.

Moreover, Gates and Collins assume

that property rights, primary, secondary and higher education, libraries, hospitals, roads, and other infrastructure can be provided only by or must be assisted by the state. That is a myth of Titanic proportions.

To argue, as Gates and Collins do, that charitable giving is driven by the estate tax, and that its repeal would be the death knell for many charities, speaks volumes about the givers. If charity does not come from the heart, then it's not charity, but vanity. A tax deduction for charitable giving should be viewed as a "bonus"—less money going to feed the Leviathan State in Washington, D.C.

The authors' true colors are revealed when they say progressive taxes form the core of their beliefs. Marx is smiling in his grave. In the economy, the law of one price governs virtually all market transactions. Only when it comes to taxation do seemingly intelligent individuals parrot the "ability to pay" mantra as if it were a divine decree.

In the final analysis, William Gates Sr., Bill Gates Jr., Warren Buffet, George Soros, and the other wealthy supporters of the estate tax should keep making money and creating wealth, and giving away as much of their fortunes as they see fit. America does not need an estate tax. America needs more economic freedom and the restoration of the liberties that Gates, Collins, and others are all too willing to compromise in the name of the "common good." CJ

Murray Sabrin is executive director of the Center for Business and Public Policy at Ramapo College of New Jersey.

Tired of Losing? Stay the Course

If you ever have a player who's afraid of losing, take him out." A legendary baseball manager in my hometown uttered that advice to a protege about 40 years ago. The statement, seemingly simple, actually embodies a much deeper philosophy of commitment, success, and leadership in everyday life.

That advice can be applied also to the nation's morale and the War on Terrorism, being waged, for now, in Iraq and Afghanistan.

The losers in our society say we can't win in the Mideast. They say President Bush duped Americans into thinking Iraqi dictator Saddam Hussein had weapons of mass destruction. They say we have entered a "quagmire" in Iraq, like we did in Vietnam. They said the same thing before U.S. troops liberated Afghanistan.



Richard Wagner

The losers are the same people who refuse to recognize the simple fact that terrorism is nothing new. Islamic terrorists have been at war with the United States for about 30 years. Observers of recent history remember that the long string of terrorism began with the hijacking of airlines, the taking of hostages, and the slaughter of innocent victims in the 1970s.

Then it progressed, among other events, into the bombing of U.S. military barracks, U.S. embassies, the USS Cole, and the World Trade Center. Then came Sept. 11. All along, our nation wasn't at war with the terrorists.

Americans woke up when Al Qaeda terrorists flew airliners into the World Trade Center towers and the Pentagon. Only a few years later, the losers lulled themselves into a false sense of security, closed their eyes, and went back to sleep. They're still asleep today.

Now, according to some national surveys, the losers are infecting others with their disease. More Americans are beginning to doubt themselves and to lose their will to fight.

Some leaders, however, are slapping the nation with some cold facts. One of them, Lt. Gen. (Ret.) Thomas McInerney, a military analyst for Fox News Channel, spoke at a luncheon sponsored by the John Locke Foundation in early April. Some of his revelations were:

- Syria got \$300 million from Saddam Hussein to hide Iraq's weapons of mass destruction;
- The recent outbreak of hostilities is the "last gasp by the radical Islamists to ensure that we do not get a successful turnover in Iraq and Iraq becoming a growing democracy";
- Iran is sponsoring and funding Muqtada al-Sadr in the recent fighting in Iraq;
- Terrorist organizations, such as Hezbollah and Hamas, are an arm of Iran and Syria;
- Afghanistan, Iraq, Iran, Syria, Libya, Saudi Arabia, Pakistan, and North Korea form a "web of terror" that supports terrorism. "If these web of terror nations did not support terrorism, terrorism withers," he said. Libya and Afghanistan are no longer on the list.
- Al-Sadr, too, remembers Vietnam. One of his objectives is to sow discord in the United States so we will lose our resolve.

I believe Gen. McInerney and the president.

For some Americans, losing is a way of life. To them, America, likewise, is always a loser. They made Vietnam a self-fulfilling prophecy. Now they want to do the same in Iraq.

If the losers are allowed to endure, sure enough, we will allow freedom to be held hostage again. Our nation eventually not only could surrender, it could succumb. The enemy this time has entered our backyard and prepares to torch our home. cj

Wagner is editor of Carolina Journal.

Editorials

FAT GOVERNMENT

High taxes are making Americans sick

It's enough to cause heartburn and nightmares. Every where Americans turn nowadays they're bombarded with bad news about their health, much of it based on hocus-pocus science.

We're fat. No, worse than that. We're obese, they say. We eat too much. We don't eat the right foods. We don't exercise enough. We work too much. Nag, nag, nag.

The national Centers for Disease Control and Prevention and the Center for Science in the Public Interest — which never met a government program it didn't like — lead the assault. The prevalence of obesity has increased substantially in the last two decades, the CDC says. In 1999-2000 an estimated 31 percent of U.S. adults ages 20 years and older — nearly 59 million people — were obese. The CSPI constantly warns consumers about "Franken foods" and all kinds of other menaces in our diets.

The problem is worse in North Carolina. Fifty-seven percent of adults in the state are overweight or obese. The obesity rate among North Carolina adults rose by 82 percent from 1990 to 2002, according to the CDC.

On top of that, the Associated Press reported March 30 that Americans aren't getting enough sleep. The AP's source for a story, The National Sleep Foundation, said children and their parents lose, on average, at least 0.3 to 1.2 hours of sleep every 24 hours.

Since the poll was based on the recall of parents, what kind of validity could it have? How many respondents can tell exactly when they fell asleep or when their children fell asleep?

Another recent development was a campaign by John DeGraf, who makes documentaries, to introduce a Take Back Your Time Day. DeGraf, who lives in Washington, thinks Americans work too much, to the detriment of their health, their families, and the environment. DeGraf says he just wants to arouse public discussion about our workload. In the end, though, what he really wants is for big government to shorten Americans' workweek like some European nations have done.

Society's hand-wringers, usually people who have some personal interest in the cause, always demand that something be done about their findings. And, as usual, they want government to step in to fix things.

For the sake of entertainment value, let's assume the alarmists are correct. If Americans are fat, tired, and overworked, it stands to reason that we determine what got us into such a predicament. Then we must ask what's going to

be done about it.

Let's not beat around the bush. Government itself is the culprit. That's right. Using the same scientific analysis that the hand-wringers employ, we can deduce that the growth of government correlates with the depreciation of Americans' health.

According to the Tax Foundation in Washington, D.C., Americans have to work full-time more than three months a year on average to earn enough to pay their taxes. This year, the foundation's Tax Freedom Day, the day Americans pay off their total taxes, arrived on the 101st day of the year — Sunday, April 11. That day is Easter, fittingly symbolic for taxpayers.

Taxes far exceed any other single cost citizens pay. A taxpayer, for example, works only 31 days a year to pay for his food. He works 66 days for housing; 51 days for health and medical care; 31 days for transportation; 22 days for recreation; and 14 days for clothing and accessories.

North Carolinians work 96 days for taxes

The foundation's state-by-state ranking places North Carolina's tax burden at 32nd. That means North Carolinians work full-time until April 6, or 96 days, to pay their federal, state, and local taxes.

On taxes under the direct control of North Carolina politicians, state and local taxes, North Carolina's ranked 31st. Only Georgia among Southeastern states, at 10 percent of personal income, had a higher burden than did North Carolina, at 9.7 percent. Alabama's state and local tax burden was 9.1 percent, Florida was at 8.8 percent, South Carolina at 9 percent, Tennessee at 8.5 percent, and Virginia at 9.3 percent.

The foundation's records show how Americans' tax burden has grown considerably heavier over the years. Starting in 1900, Americans' total effective tax rate (federal and state taxes) was only 5.7 percent of total income. At that time, citizens worked just 20 days, until Jan. 20, to pay off all their taxes. Since then, Americans' total effective tax rate has soared to 30 percent of total income.

So Americans today have to work about 5 1/2 times harder than workers in 1900 to pay their taxes. Over a lifetime, each American has to dedicate about 13 years to paying his federal and state taxes.

It is any wonder that Americans today are obese and less-rested than they used to be? Instead of slaving at a work station earning enough to pay their taxes, Americans could have used the time to exercise, to cultivate gardens, to cook healthful meals at home, to spend quality time with their families, and to get a full night's sleep.

The hand-wringers will never admit that their idol, big government, has ruined Americans' health. No, they will demand that government create more social programs, requiring more revenue and higher taxes. Americans will be more overworked, more tired, and more obese. cj

GOING TO SCHOOL

Interpreting the Leandro decision on equity

The political class in Raleigh, contrary to their prior protestations, is delighted to see judges impose public-policy solutions on governors and legislators — as long as the result is higher taxes for North Carolinians, not fair and competitive elections.

OK, so this isn't exactly a verbatim quote, but the thrust of the observation is correct. When the news broke that Wake Superior Court Judge Howard Manning, Jr. had sent a letter to state officials demanding that they ensure an adequate flow of funds to Hoke County's public schools, the response verged on ecstatic.

Manning is charged with enforcing the North Carolina Supreme Court's 1997 ruling in a landmark case known as *Leandro*, named for one of the Hoke County plaintiffs who sued the state in the early 1990s to demand greater resources for schools in poor counties.

Because issues involving school-finance equity and the provisions of the state constitution are complex, just about everyone with a direct stake in the outcome — parents, educators, rural school boards, urban schools boards, media commentators, and lawmakers — managed to read into the *Leandro* decision what was desired rather than what was written.

More recently, we have the sorry spectacle of some legislative leaders excoriating the state's judiciary for "intruding" on the redistricting arena to enforce constitutional constraints on gerrymandering — but then praising the judiciary for ordering more appropriations for public schools, even if (make that especially if) it would require a tax increase.

This is hypocrisy. It is also disingenuous. These politicians don't really want to surrender control of the appropriations process in general. But because most of them are convinced that state government doesn't have enough money to discharge its responsibilities as they see them — and they see them far out into the distant horizon — and that the voters of North Carolina won't countenance another round of tax increases, they would welcome the political cover of a judicial command to increase education funding.

Twists, turns, and the constitution

In reality, the *Leandro* case does not provide such cover. Here's a brief summary.

The state constitution contains at least two provisions of interest here. One states that citizens have a "right to the privilege of education" and that it is the state's duty to "guard and maintain that right." The other stipulates that the state must provide sufficient funds to provide "a general and uniform system of free public schools."

Previous litigation winding its way through the appeals courts had resulted in a narrow interpretation of these provisions, but in *Leandro* the Supreme Court concluded that the provisions established an enforceable right to the opportunity for a "sound, basic education" and that the state as a whole, not its local-government creations, was ultimately responsible.

What the Court pointedly did not find, but *Leandro* plaintiffs and their political and media advocates continue to pretend it did, was that local school systems had a right to equal state appropriations, or that judges can and should oversee every aspect of the budget for public education. The decision laid out criteria for judging whether the state was discharging its duty — the availability of qualified teachers is one. But how the state might act to ensure these opportunities was not prescribed.

For example, the state can and probably should satisfy Manning's latest directive first by allowing the local schools in question the ability to use their current flow of state funding to satisfy their highest-priority needs.

Education analysts across the political spectrum agree that the hundreds of millions of dollars North Carolina spends each year funding teacher-assistant positions generate few measurable academic benefits for students. Superintendents and principals ought to be free to convert these positions into additional teachers to reduce class sizes in early grades or to attract and retain higher-quality teachers through supplemental pay, training, and better working conditions.

To argue the overall spending level on public education is unconstitutionally low is both dangerous (who decides?) and improbable. Remember that spending per student has been a moving target during the course of the litigation. A couple of years ago, *Carolina Journal* tracked and compared total expenditures in the 25 richest and 25

poorest districts in the state. After adjusting for inflation and student enrollment, we found that the 25 poorest districts are now better funded in real terms than the wealthiest ones were when this current round litigation began.

As in so many other issues in state government, never accept at face value what you hear from politicians about school funding. They truly believe that you are still keeping too much of your own money, and are looking for the most expedient way to rectify the situation.

SCARY PLUNGE

Incentive policies aren't looking pretty

It looks like North Carolina's headlong plunge into the depths of the economic-incentives pit is about to result in a pretty ugly splat. Last month, Gov. Mike Easley announced the final arrangements in an incentives deal offered to the pharmaceutical company Merck for building a vaccine plant in Durham County. The company promises to create 200 jobs at the site.

The day before Easley's announcement, *Carolina Journal's* own Don Carrington reported that a previous multimillion-dollar incentive grant, for a Verizon call center in the Wilmington area, may have violated a key provision of state legislation authorizing the new incentive program, which is called the Job Development Investment Grant.

The provision is known as the "but-for clause." JDIG funds are to be available only to companies that would not have invested or expanded in North Carolina without the incentives. Carrington found convincing evidence that Verizon had already selected the Wilmington site, indeed that the company had begun work on the project, which is projected to create about 1,200 jobs when fully operational, before the state committee in charge of the JDIG money had even met to consider the incentive offer.

One might argue that Verizon was just responding to an expectation of getting the grant, but in that case the state JDIG committee would seem to lack the real power to consider, and possibly to reject, an incentives package. Either the law means something or it doesn't.

A similar clause applies to a \$24 million pot of state funds to be used by Merck to purchase land in Durham's Treyburn area. While there's no evidence yet that this project was coming to the state, anyway, serious questions continue to swirl around the Merck deal, some having to do with the apparently huge payoff that Terry Sanford, Jr., son of the former governor, is going to make as the owner of the tract the state is preparing to purchase for Merck.

Tax data suggest that Sanford purchased the land for a tiny fraction of the purchase price that the state has already advertised it will finance.

Reporters have as yet been unable to get the tight-lipped Sanford to clarify whether he was violating tax law (by failing to report and pay taxes on the true purchase price of the land) or about to make a killing in a series of what he calls "complex" transactions that, frankly, don't pass the political smell test. One or the other must be true, given the facts now publicly available.

A "Santa Clause"

In an Associated Press article that came out shortly after Carrington's story on Verizon appeared, and was obviously commissioned in response to the *CJ* story to determine its implications, state officials responded to the "but-for" controversy by declaring it unenforceable. Essentially, when faced with persuasive evidence of a violation in the Verizon case, state officials said, "So what?"

In doing so, they transformed the "but-for" clause into a North Carolina version of a "Santa Clause" — an open invitation for large companies to pretend to look elsewhere and jump through some paperwork hoops in order to score large sacks of taxpayer dollars from jolly politicians.

Fair-minded observers can certainly understand the argument advanced by state officials, that proving whether a company would have come to North Carolina without the incentives is difficult if not impossible. But that's an argument against playing this targeted economic-incentives game in the first place, not throwing away all the penalty flags if the game is to be played.

Politicians can hold all the press conferences and mouth all the rhetorical blather they want, but the direction we are going in with economic-development policy is not likely to end well.

In a word, splat.

Choking on Political Smog on Earth Day

I started choking on Earth Day. No doubt I've been suffering a low-yield irritation for a while now, the result of a long-term exposure. Perhaps I just hadn't perceived the damage it was doing to me. But during the days leading up to Earth Day on April 22, I began to feel increasingly sickened. And when the day itself arrived, I found it was no longer possible to suppress my distress.

Of course, I'm not talking about having a physical reaction to North Carolina's increasingly polluted air. That would be impossible. By most measures, the state's air is cleaner now than it was 20 or 30 years ago. What I've been choking on is the political smog emanating from environmental extremists, activist groups, scare-mongering journalists, and regulators who are attempting to justify misguided and wrenching changes in the way we live, work, travel, and play by misrepresenting the facts about our environment.

Did you know that average vehicle emissions are declining by about 10 percent annually due to cleaner-burning engines? That 94 percent of Americans use water systems free from health violations, compared to 79 percent in 1983? That toxic releases from industry are down 55 percent since 1988? Not if your only sources of information are those who believe that, gosh darn it, things must be getting worse because our population, economy, and driving continue to grow! Remarkably allergic to facts, they are misinforming the public, with potentially expensive consequences.

Earlier in April, for example, the Environmental Protection Agency announced that dozens of N.C. counties — including the major metropolitan areas of the Triangle, Triad, and Charlotte as well as outlying communities such as Hickory and Rocky Mount — would likely be in violation of a new federal standard for ground-level ozone. Naturally, this announcement led the news and prompted politicians and Smart Growth activists to trot out familiar nostrums such as the need for higher-density, mixed-use development, and mass transit to reduce automobile use.

Few noticed that these areas were to be moving out of federal attainment not because of escalating levels of ozone — measured accurately, ozone has been essentially flat even though driving has increased — but because the rules themselves were changed by the EPA contrary to the findings of its own scientific-review panel, which saw no significant health benefits from setting the new ozone standard at the new low level vs. a higher one that would not have resulted in such widespread violations.

This is a manufactured "crisis," in other words. There is little evidence that current levels of ozone are generating the magnitude of health consequences cited by alarmists, such as increases in childhood asthma. Instead of nodding their heads thoughtfully and dreaming up new ways to raise taxes and squander billions on transit systems that won't significantly affect urban traffic patterns according to their advocates, our state and local leaders should have been screaming bloody murder about the EPA's unjustified regulations and calling on Congress and the Bush administration to modify or repeal them.

Unfortunately, many environmental extremists see federal regulation, and the prospect of punishments such as losing highway dollars, as a useful threat to hold over the heads of colleagues and voters otherwise unwilling to accept higher taxes or to live how and where the activists demand.

In a rational political world, we would be exceedingly happy about the ever-improving state of our environment. But the actual political world, we are surrounded by junk science and rhetorical smog.

That's why I'm choking. Pardon me while I catch my breath.

CJ

Hood is president of the John Locke Foundation, publisher of Carolina Journal, and a syndicated columnist.

John Hood

Editorial Briefs

Put farm subsidies out to pasture

Government subsidies to farmers cause oversupply and are unnecessary, says Russell Lamb, a professor at the University of North Carolina. While small farms are disappearing, consolidation among farm producers has been increasingly common since 1970, and makes for more efficient per-unit production costs.

The number of hog farms has declined by about 90 percent over the past 30 years, but pork production has increased substantially. Beef producers with more than 1,000 animals have 30 percent lower production costs than the smallest producers.

American agricultural policy is based on the assumption that small-farm producers need subsidies to bring their incomes up to par with the rest of the country, and that commodity markets are so unstable that government intervention is needed. However, the average farm family earned about \$64,000 in 2001, which was 10 percent above the average American family income.

The practice of vertical integration, in which a food processing company owns the components of supply, including commodity production, helps to stabilize food prices and allows farmers to produce what consumers demand. Current agricultural policies fail to take into account vertical integration and contracting with commodity producers.

Reported in *Regulation*.

Common law marriage once common

Couples in earlier centuries often lived together before they were formally married. States had little or no requirements for getting married, and such common law arrangements were not frowned upon.

For example, an 1843 Indiana law required no ceremony or license but required that the couple acknowledge themselves to be husband and wife.

In the early Chesapeake region, one-third of brides were pregnant by the time they got married.

Couples married at earlier ages (as young as 12 for females and 15 for males), and husbands and wives had incentives to stay together since the labor of both was important to their survival.

However, as divorce became more prevalent, states had to establish some legality to prevent "self" divorces that would lead to destitution. By the 19th century, states passed a variety of laws establishing terms for marriage. Thirty states prohibited the mentally disabled from marrying. In Washington and North Dakota, anyone suffering advanced tuberculosis was not permitted to marry.

Marriage laws varied so widely among states, couples often fled to states with the most lenient requirements.

Reported in the *Wall Street Journal*.

Wealth not always found in genes

It is widely understood that parents can pass on human capital and spending habits to their children in order to improve their long-term financial welfare. According to a study by two Michigan economists, it appears there is more to becoming wealthy than simply having affluent parents.

Using extensive survey data, researchers found that parents whose wealth is 50 percent above the average in their generation will have children whose wealth is but 18 percent over the average in their children's generation.

The researchers conclude that there is a significant degree of income mobility among the various classes of wealth. Nineteen percent of the parents in the lowest-wealth quintile have children who are able to break away from this status and reach the first or second highest quintile.

Similarly, 27 percent of parents in the top quintile have children who end up with a level wealth that ranks them in the lowest or second lowest quintile.

The study found that parental income and portfolio composition (such as the buying assets and stocks) are the two most important influences in improving their children's future wealth. However, once income is accounted for, the parents' education level has only a small effect on their children's financial prosperity.

Reported in the *Journal of Political Economy*. CJ

Debunking the 'Reverse Robin Hood' Myth

By MICHAEL L. WALDEN

Contributing Editor

RALEIGH

You've heard the old adage, "the rich get richer and the poor get poorer." Some observers say that adage is still reality today. Some say the statistics show the rich taking a larger and larger share of our total income.

Here's some of the numbers used to support this claim. Over the past 30 years, the share of the total income pie in the country earned by the richest 20 percent of households increased from 43 percent to 50 percent. During the same period, the share earned by the poorest 20 percent of households dropped from 4.5 percent to 3.5 percent.

So the slice of the pie going to the richest households increased, while the slice cut for the poorest households decreased.

But does this automatically mean the rich have gotten richer and the poorer have become poorer? The answer would be "yes" if the income pie didn't change in size. But the answer is not necessarily "yes" if the income pie has changed — in particular, if the income pie has gotten larger.

An increasing pie for all

Indeed, the total income pie has gotten larger over the years. And what this has meant is, that although the poor's slice of the income pie has shrunk, because the pie has grown much larger, the poor's piece of pie is larger today than in years past.

Specifically, the average income of the poorest households, even after adjusting for inflation, increased 30 percent in the past three decades. Yet this was smaller than the 76 percent increase in the inflation-adjusted average of the richest households.

Thus, both the rich and the poor have gotten richer, but the rich have gotten richer faster. This means the gap between the rich and poor has widened. This trend is seen for the nation as well as for the majority of states, including North Carolina. In North Carolina, the incomes of both the rich and the poor have increased in the past 20 years, but the increase for the rich has been eight times faster.

The "culprit" — education

What's at the bottom of the faster income gains for the rich? In a word — education. One of the biggest determinants of income is education. Workers with more education earn more.

But with the "tech revolution" of recent decades, the value of education, skills, and knowledge has become even greater. This means the bump-up in income from education has gotten bigger. Since the richest income group contains the greatest proportion of highly educated workers, the increasing value of education has accelerated income gains for the rich.

There's another factor at work here too in the comparison of income trends of the rich and poor. The statistics are really rigged to show the rich gaining faster than the poor. How so? It's because the top category of income earners — typically labeled the "rich" — has no income ceiling when households are split into income ranges.

In analyzing household income trends, economists and others typically divide households into five categories according to income — the richest fifth, the next-richest fifth, the middle-income fifth, the next fifth of households in terms of households, and the poorest fifth of households. In comparing the "rich" and the "poor," the top fifth is compared to the bottom fifth.

But when household income is generally rising, as it has in recent decades, income in the top 20 percent of households will automatically grow faster than income in the other categories because there's no upper bound to limit the growth. So statisticians are virtually guaranteed to find incomes of the "rich" grow more.

A revised adage

So the old adage has to be revised. The modern version is, "both the rich and the poor have gotten richer, but the rich have gotten richer faster." The biggest driver of this result is the economy's increasing reliance on highly educated and knowledgeable workers.

This is most evident in looking at wage trends for college-educated workers versus high school-dropout workers. In the last 20 years, inflation-adjusted wages of college-educated workers have risen, while those for high school dropouts have fallen.

This is the reality of today's economic world. For decades, both policy-makers and parents have encouraged the acquisition of more education in order to "get ahead" in today's world. We now know what they meant. CJ



Michael Walden

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Forget 'Economic Diversity,' Let's Hit the Books Instead

By **GEORGE C. LEEF**
Contributing Editor

If you follow trends in higher education at all, you know that for quite a few years now, college and university administrators have been on a "diversity" kick. Having convinced themselves that their schools would be somehow better if, instead of just admitting the most scholastically qualified students, they tried to engineer the student body so it would be "more representative of America." That's the euphemistic way of saying that they wanted to have quotas for various preferred ethnic or cultural groups.

Last year's big Supreme Court decision in the University of Michigan case gave administrators the green light to continue playing the preferences game. It was all right, a strongly divided court ruled, for schools to admit some students with poorer academic qualifications over others with much better qualifications as long as it was done to obtain the supposed educational benefits of having a "diverse" student body. Five justices went along with the idea — supported by little more than wishful thinking — that students learn better if the campus is engineered to have more diversity.

The campaign for 'economic diversity'

I'm not going to refight that battle. What I want to focus on is a new front that some people want to open up in the war for the perfectly diverse campus — the insistence that schools now take "economic diversity" into consideration. Most colleges, and especially the most prestigious ones, just don't have enough students who come from poor and "working class" homes. Therefore, they aren't as diverse as they should be. Something must be done!

In a recent book, Richard Kahlenberg of the Century Foundation comes out in favor of "affirmative action" to substantially raise the percentages of students from lower-income households. He calls such students "America's Untapped Resource." (That's the title of the book, by the way.) Kahlenberg laments, "To date, selective colleges have failed to make economic diversity a priority..."

That's correct, but why should they?

Instead of arguing, as the University of Michigan did, that there would be better learning on campus if top schools were to admit a quota of students from poor homes, Kahlenberg sees the benefits as stemming from good old

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George Leef

socialist egalitarianism. "Will we ever squarely face up to the fundamental inequalities rooted in economic class?" he asks plaintively. Kahlenberg's implicit assumption is that economic classes would become less pronounced and America would be a fairer nation if only selective schools would stop fixating just on racial diversity and start paying attention to economic diversity too.

Orwellian type of equality

Regarding race, many colleges and universities insist that, to paraphrase Orwell, "all students are equal, but some are more equal than others." Kahlenberg would have us extend that idea to economic status. If we have two otherwise equally-qualified students, but one is from a lower economic level, then we ought to favor the latter. He writes, "A 3.6 grade-point average and SAT score of 1200 surely means something more for a low-income first-generation college applicant who

attended terrible schools than for a student whose parents have graduate degrees and pay for the finest private schooling." Such students, Kahlenberg says, are "likely to have greater long-run potential."

I doubt that there are any grounds for that generalization, but if a college has two equally capable applicants and prefers to admit the student from the lower-income household, that's fine. The trouble is that, just as is the case with racial preferences, economic diversity wouldn't have much impact if it was confined only to coin-toss admission decisions. To significantly increase the percentage of lower-income students on campus, the admission policy would have to be changed to give those students a preference even when they were markedly less capable academically. To fulfill racial quotas, many high-scoring white and Asian students are rejected to make room for students who claim preferred minority status, even though the latter are much less prepared for college work. Trying to increase "economic diversity" would have the same results.

Money is available for all students

Furthermore, the entire premise of the "economic diversity" idea is nonsense. First of all, hardly any student who is even close to having the intellectual tools to attend college is not kept out these days. Financial aid packages and scholarships now make it possible for virtually every student who graduates from high school to enroll in col-

lege. (They also make it possible for many students who don't have the intellectual tools for college work to attend, but that's another problem.)

It's true that few students from poorer families get into elite institutions, but so what? A student with good grades from a working-class family in North Carolina might not be admitted at Duke or Wake Forest, but he may very well be admitted to Chapel Hill, N.C. State, or any of the many other public and private schools in the state. Following Kahlenberg's idea would only redistribute where students go to college, not whether they go.

Doesn't it matter where a student goes to college? Not much. He can learn calculus, English, physics, history, or any other subject just as well at an "ordinary" school as at an "elite" one. A professor at Duke may be paid twice as much as a professor at a less-prestigious school, but that doesn't mean that a Duke education is twice as good. What the individual makes of himself in life depends hardly at all on the institution that prints his diploma. It depends on his ambition and inner qualities.

Even if the top colleges in America suddenly fervently embraced the call for "economic diversity" and reserved all their places for students from poor families, that would do just about nothing to change Kahlenberg's "fundamental inequalities." The kid who would otherwise have gone to UNC-Charlotte isn't going to have his life trajectory greatly improved just because he goes to Princeton instead.

Particular college doesn't determine success

Success in the United States has little to do with one's college. It also has little to do with the economic status of one's parents. Ours is a nation with great economic mobility, both up and down the income ladder. People often move far above their parents' economic status; others fall well below it. Talking about economic class as if this were feudal Europe is silly.

Higher education in America has already strayed a long way from its educational mission. At many institutions, the curriculum has been watered down and grades inflated as a consequence of admitting large numbers of students who are significantly less well-prepared for college work than others. That would only be exacerbated by the notion that we need to have "economic diversity" in addition to all the other kinds of diversity that are so much in vogue.

Let's hope that colleges and universities in North Carolina ignore this call for yet more social engineering and start getting back to teaching students the things that matter. *CL*

Governor Too Eager to Tout Results of Bogus Business Tax Study

By **DR. ROY C. CORDATO**
Contributing Editor

The Easley administration is touting a study recently released by the accounting firm of Ernst and Young, claiming that North Carolina is among the five most favorable states in the nation for tax burdens on business. In reality, the study ignores entire categories of business taxation and the most basic principles of tax analysis.

The study attempts to determine the amount of state and local taxes in each state paid by the business sector. They base their calculations on "property taxes [paid by businesses], sales and excise taxes paid on business purchases, gross receipts taxes, corporate income and franchise taxes, license taxes, and unemployment and workers compensation payroll taxes. But because of what is left out, the research is useless as an accurate assessment of the taxes businesses actually pay.

What's this thing called income taxes?

First, the study ignores personal income taxes. North Carolina has the highest top marginal income tax rate in the Southeast and one of the highest in the nation. Owners of sole proprietorships, partnerships, limited liability companies, and subchapter-S corporations, making up most of North Carolina's businesses, pay their taxes through the personal income tax. Also, capital gains taxes from the sale of these businesses, paid as part of regular income in North

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Dr. Roy Cordato

Carolina, also are not included by Ernst and Young.

Imagine a small-business owner who builds a successful chain of pizza restaurants. Each year his profits are reported on his personal income tax forms. At retirement he decides to sell the business and live on the net proceeds, i.e., the capital gain. As a result he is required to pay a hefty capital gains tax. Ernst and Young include none of these taxes in its study.

Also, employers share the burden of the income tax paid by their employees. The income tax is an excise tax, i.e. a sales tax, on the sale of labor services. Both sellers and buyers, in this case, employees and employers, share the burden of excise taxes. Part of personal income taxes paid by workers is reflected in higher wages.

Since workers are concerned about their after-tax, take-home pay, employers in higher-income tax states, everything else equal, will have to pay higher wages to attract workers than employers in lower-income tax states.

That additional amount is the part of the personal income tax paid by employers. Clearly this "business share" of the tax also should be included in Ernst and Young's calculations. To ignore it is negligent.

The study also ignores the retail sales tax. It assumes that the entire burden of state and local retail sales taxes is born by consumers. But in reality, sales taxes are always paid in part by the stores selling the products in the form of a lower price received. The higher the sales tax that a customer has to pay the lower the price the seller will be able to charge. No seller can charge more than the total amount a customer is willing to pay, which includes the

price and the tax. This does not mean that the entire retail sales tax will be offset by lower prices. It does mean that to some degree, depending conditions of supply and demand in individual markets, the burden will be shared. North Carolina has a very high, 7 percent retail sales tax. To assume that businesses bear none of the burden of this tax is no less absurd than to assume that they bear all of it.

Since the Ernst and Young study includes property taxes, which are very low in North Carolina, and excludes personal income and sales taxes, which are very high, it is no surprise that the state comes out smelling like a rose. This also explains why New Hampshire, without an income tax or a sales tax, does very poorly.

Better measurements of business taxes

Compare the Ernst and Young report to a similar study by the Tax Foundation, ranking states according to their "business tax climate." In this study, which includes sales and income taxes, North Carolina's performance is an unexceptional 24th in the nation, though worse than average for its region. New Hampshire, ranked so poorly by Ernst and Young, was ranked by the Tax Foundation as having the country's second most favorable climate.

The Ernst and Young study has given North Carolina a free ride by leaving out the state's most oppressive business taxes.

But it is not surprising that in an election year the Easley administration is eager to hang its hat on such a report. In doing so, Gov. Mike Easley is misleading the public and obfuscating the fact that the state's oppressive tax burden is stifling both entrepreneurship and job creation. *CL*

Lawyers Propose Innovative Incentive Program

Tax breaks will create and help retain high-paying jobs for North Carolina, LIABLE says

By SUE YEW
Legal Affairs Correspondent

The Lawyers Improvement Association of Beltline Legal Experts (LIABLE) recently proposed a new economic development tool for the state. The program is guaranteed to boost the economy by creating and retaining high-paying jobs, LIABLE says.

First, a little background: Historically North Carolina has had the fewest lawyers per capita of any state. But a strong and vibrant legal community is absolutely necessary to the 21st century litigious economy. In December 2003 the General Assembly spent \$39 million (or \$195,000 per job) to induce the pharmaceutical company Merck to bring 200 jobs to the distressed areas of Treyburn in Durham and \$82 million for the tobacco giant RJR to bring 800 jobs to distressed areas of Winston-Salem (after RJR had just laid off 2,500 workers). That deal was criticized by some Neanderthals who were unenlightened in modern American business practices.

Here is LIABLE's innovative proposal: State government could provide a onetime targeted tax incentive to law firms of \$100,000 per job. This is less than the per-job cost of the Merck deal. It should be taken at \$10,000/year over 10 years as a credit against the lawyers' income taxes for jobs provided within the North Carolina economy. Since it is easy for a lawyer to move a practice from one town to another, this new credit must not be limited to new jobs created but should apply to retained jobs as well.

The program would not favor only lawyers' jobs. It would also apply to jobs retained for paralegals and secretaries, as well as those lawyers who have taken senior status. But the credits would be strictly limited to those on a full-time payroll of at least 21 hours per week and at least 27 weeks per year.

LIABLE says the proposal should boost employment significantly in the state. It will induce folks who are

inhibited by the cost of attending law school to further their education. New law schools in Charlotte and Greensboro, which have historically been underserved, will spring up and provide permanent employment for faculty and administrators. It will also trigger a construction boom in the two cities, which have been hard-hit by layoffs. The organization envisions a new law school at ECU specializing in medical malpractice defense in a joint collaborative program with the ECU medical school. This will offset the new plaintiff-oriented law firms coming on line from the new Piedmont law school.

The proposal will also have the happy effect of increasing the number of real-estate closing lawyers so that citizens can schedule closings when it is convenient for them instead of having to call two or three weeks in advance in order to schedule a closing. This will create a ripple effect in the housing industry, putting hundreds of highly paid Realtors and developers back to work.

State Sen. Snodgrass has said that he will reluctantly sponsor the proposal, not because he believes in it, but because he has heard that a representative from South Dakota and a senator from Guam have proposed similar incentives, and that North Carolina has to "meet the competition" in order to "stay in the game."

Snodgrass thinks, however, that too many of the tax credits would be wasted on unworthy lawyers and that the credits should be limited to qualifying attorneys. He wants only those who have contributed in the past to the needs of state government to be eligible. He will propose a five-member committee appointed by the governor and by the leadership of each chamber to approve applications for the program.



LIABLE members meet at their annual convention in Raleigh.

Other legislative leaders told *Carolina Journal* that they do not want the proposal to be considered during the short session, but rather in October so that members of the Bar Association would have sufficient time to adequately explain the merits to the members of the House and Senate throughout the summer and fall. A LIABLE spokesman told *CJ* that Gov. Mike Easley has not yet decided whether to support the program but that he would be amenable to a special session the last week in October.

Additional program features include: that each lawyer applying for the credit would have to certify that the law firm would consider moving out of the state unless the credit was given; and if the firm moved out of state it would have to agree to forgo the remaining credits and pay back those received during the prior three years. These features will keep the program from being abused and should silence the theatrical objections of the usual naysayers such as the John Locke Foundation and others of the same ilk. *cj*



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