



P O L I C Y R E P O R T

Unsteady Ground
*A Survey of North Carolina
Business Leaders on Competitiveness,
Taxes, and Reform*

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NOVEMBER 2005



THE CENTER FOR LOCAL INNOVATION

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Executive Summary

A new survey of North Carolina's most politically active business executives suggests that they disagree with the current direction of public policy in the state. A sample of over 600 respondents from every region of North Carolina answered questions about fiscal policy, education, transportation, tax rates, regulation, and ways to improve economic competitiveness. This report provides data not only from the state-wide sample, but also from six regional subgroups: the Research Triangle (RTP), the Piedmont Triad (WNC), the Charlotte area, Northeastern North Carolina, Southeastern North Carolina, and Western North Carolina.

Among the major findings in the “Unsteady Ground” survey were:

- More than half of business executives see North Carolina's prospects for economic growth in the coming years to be “excellent” or “good.” However, leaders from the eastern parts of the state through the Piedmont were far more optimistic about the economy than those from the Charlotte and Western regions. Charlotte leaders were almost evenly divided on the state's growth prospects, while fewer than half of the WNC respondents expressed optimism.
- Asked which factors were most harmful to the state's competitive position, respondents picked North Carolina's high state and local tax burden as the number-one impediment to economic growth, as they did in both the 2002 and 2004 surveys. The other significant impediments they cited were a high regulatory burden, a lack of skilled workers, and inadequate education – also cited in 2004. Business leaders considered the state's airports, port and rail service, and recreational and leisure amenities as the least harmful, again mirroring last year's results.
- More than two-thirds of responding executives continued to say that elected officials should close state and local budget deficits without raising taxes by reducing government spending.

Asked to gauge the “rate of return” on existing government programs, respondents gave a strong positive rating to higher education and law enforcement but indicated less confidence in other major categories. Over 70 percent said that there was only a “fair” or “poor” return from taxpayer dollars spent on elementary and secondary education, Medicaid and welfare programs, and state business recruitment and development programs.

- When business leaders were asked whether expanding the highway system or building rail-transit programs was a better option, a solid majority of 71 percent favored expanding highways. This finding represents an even greater reticence to build rail than was found in last year's survey. Interestingly, respondents in the two regions of the state where rail transit systems are currently being planned or built – the Triangle and Charlotte areas – were even less supportive of rail transit than the average respondent.
- More generally, business executives in North Carolina were strongly in favor of dedicating all taxes collected on motor fuels and automobile sales to highway needs (83 percent) rather than continuing the current approach of spending some of those tax dollars on general state government or non-highway programs in the transportation budget. This strongly correlates with last year's numbers.
- Given a choice of tax-cut options to boost North Carolina's economy, most survey respondents (68 percent – a stronger majority than last year's 61 percent) preferred to reduce marginal tax rates across the board rather than offer targeted tax credits or incentives to induce specific companies to expand in or move to the state.

The survey was conducted by mail during the months of July and August. The Charlotte region had the largest representation among respondents, at 38 percent, followed by the West (20 percent), RTP (16 percent), the Triad (8 percent), Northeastern NC (7 percent), and Southeastern NC (4 percent). Finally, 7 percent of respondents could not be assigned a region.

BUSINESSES ADJUSTING TO ADVERSE FISCAL, ECONOMIC CONDITIONS

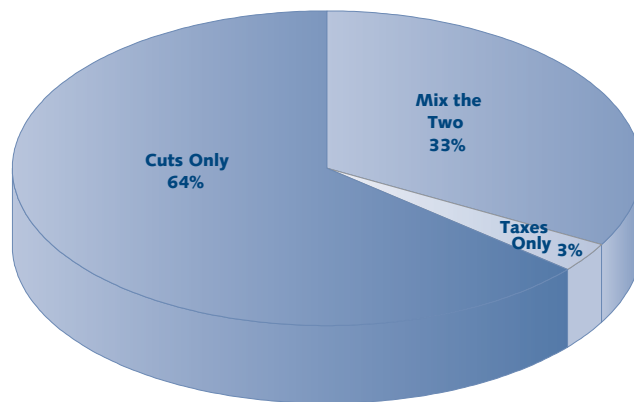
North Carolina has continued to recover from a painful economic downturn that began in 2000, earlier than in the nation as a whole. During the 1990s, the state had led much of the South and the nation in job creation and income growth, but a combination of factors had arrested this growth by the end of the decade, with dislocations and job losses extending across many regions and industries. During this period of economic change, state and local officials were struggling with budget deficits generated by recessionary declines in revenue growth, spending obligations taken on during the healthier fiscal years of the 1990s, and an upswing in annual cost increases for health-care programs such as Medicaid and the state employee health plan. On that front the legislature decided not to excuse counties from funding part of the Medicaid program, thus making North Carolina the only state in the union to continue such a practice. Local government budgets took additional hits during the period because state leaders decided to withhold hundreds of millions of dollars in tax-sharing and tax-reimbursement dollars to help balance the state budget.

The withholding of local tax revenues proved to be a controversial decision, as did proposals from Gov. Mike Easley and key legislative leaders to increase state income, sales, and consumer taxes in 2001, 2002, 2003, and 2005. Many localities raised

their tax rates as well, in part responding to state legislation authorizing a new half-cent “local option” sales tax. Many counties are currently seeking an additional half-cent tax for school construction in addition to expecting revenues from the new “education lottery,” narrowly approved during the 2005 legislative session.

Critics argued that these state and local tax increases have hampered North Carolina’s already weak recovery from its deeper-than-average reces-

Best Strategy to Close Budget Deficits



Source: JLF Business Executive Survey, July 2005

sion. But Easley and other state and local officials continued to blame free-trade agreements and other trends affecting the state’s crucial manufacturing sector for North Carolina’s economic woes, and argued that the tax increases were justified to provide continuous funding for programs they said would help build the state’s economic capacity over time, such as teacher-pay hikes and class-size reductions in the public schools. Controversial incentives at the state and local level – especially those for the Dell plant in Forsyth County, worth over \$300 million – continued to exacerbate these debates.

Methodology

BRIEF SURVEY MAILED TO STATEWIDE SAMPLE OF NORTH CAROLINA BUSINESS LEADERS

In July 2005, John Locke Foundation research staff assembled a mailing list of some 10,000 business executives across North Carolina. The list included the entire business membership of North Carolina Citizens for Business and Industry (non-business members of the organization, such as public schools or colleges, were excluded) as well as large employers who were members of local chambers of commerce in the following cities: Raleigh, Charlotte, Greensboro, Winston-Salem, Asheville, and Wilmington.

In addition, we added chief executives from companies listed in the 2004 “Book of Lists” publications for the Charlotte area, the Triangle, and the Triad as well as adding the 2005 major employer’s and county/region manufacturer’s list from the Charlotte Area Chamber of Commerce. The mailing list was similar to that mailed in 2002 and 2004 for the Locke Foundation’s previous statewide survey of business executives, which was published in April 2002 as “Warning Signs” and May 2004 as “Climate Change.”

In choosing these sources for the list while eschewing others, we consciously decided to weight our sample with business executives who had shown an interest in public policy issues, by joining either the functional equivalent of a state chamber of commerce or local chambers in the largest metropolitan areas. We also chose to ensure that North Carolina’s largest businesses were well represented in the survey (even though many smaller firms were also included) because of their historical importance in affecting the legislative process in the state legislature and in local governments.

We also sought to ensure representation in the sample from each of six regions: the Charlotte area, the Triangle, the Triad, Western North Carolina, Northeastern North Carolina, and Southeastern North Carolina. Admittedly, however, the first three regions together represent a large share of the state’s population, the state’s business community, and, therefore, the list of executives surveyed.

To encourage participation and keep data collection simple we designed a brief, two-page questionnaire with a limited number of questions. Most of the items were straightforward, close-ended questions allowing one answer among two to four options. Four questions allowed for more complexity; two asked respondents to rank options in ascending order of importance, while two more asked respondents to rate major areas of state and local spending on their perceived rate of return, allowing a response of either “good,” “fair,” or “poor.” Some, but not all, of the questions on the 2005 survey had been included in both the 2004 and 2002 survey, allowing for comparisons over time.

Finally, the questionnaire left space after the prepared questions for “additional comments . . . on North Carolina’s business climate.” As expected, most respondents left this section blank, but many did give additional comments and suggestions.

PROS AND CONS OF THE SURVEY DESIGN

As with any mailed survey, the methodology chosen here had some important drawbacks. First, unlike a telephone survey, it is difficult to guarantee that a respondent in a mail survey is who he or she claims to be. Second, response rates tend to be lower for mail surveys than for personal interviews or telephone surveys because mail surveys ask more of respondents (they must fill out the form and return it rather than simply answer a few questions verbally). Third, approximately 7 percent of respondents did not provide a regional verification and thus were included in the final tally but not the regional results. Finally, because the brief length of the survey was deemed to be important in maximizing participation, the design did not allow for in-depth probing of issues or responses.

On the other hand, as will be demonstrated, the mail survey did yield a rich and informative body of results. This kind of survey design is relatively inexpensive and can therefore be replicated easily in the future to see if opinions evolve along with changing economic or political conditions.

Findings

EXECUTIVES DIFFER ON FUTURE, QUESTION SPENDING PROGRAMS

More than 600 business executives in North Carolina returned a completed “Unsteady Ground” survey. They were located in every region of the state, with Charlotte (38 percent) and the West (20 percent) providing the largest share of responses, followed by the Triangle area (16 percent), the Triad area (8 percent), Northeastern North Carolina (7 percent), and Southeastern North Carolina (4 percent). Some 7 percent of respondents could not be assigned a region.

The initial question on the survey examined the prospects for economic growth in North Carolina. Respondents were somewhat optimistic, with 56 percent labeling the state’s economic prospects as “excellent” or “good” and 44 percent terming them “fair” or “poor.” But this somewhat positive view masked some important regional differences. Charlotte was almost evenly divided – keep in mind that the Charlotte region includes not just Mecklenburg County but also several neighboring counties recently hit with manufacturing-job losses – while fewer than half of the WNC respondents expressed optimism. Four regions of the state (Triangle, Southeast, Northeast, and Triad) expressed a positive viewpoint close to or above 60 percent (see nearby chart).

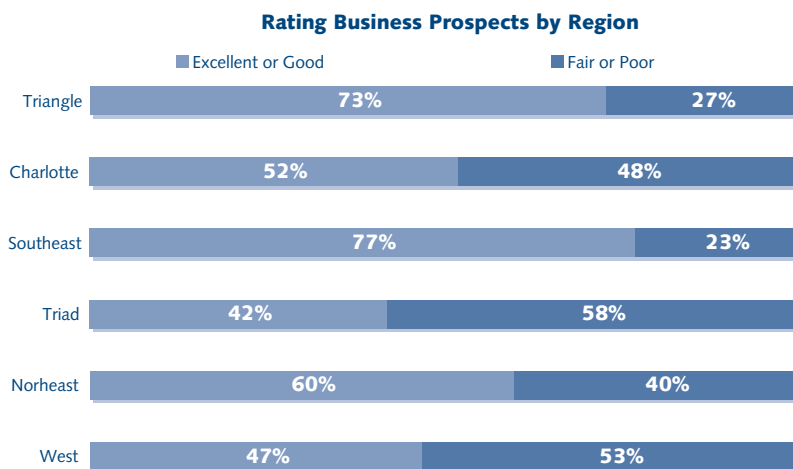
Much of North Carolina has seen unemployment rates drop somewhat as the economy transitions into the service sectors and entrepreneurship continues. In the mountains and Piedmont counties adjacent to Mecklenburg, the transition is taking longer. As such, it is understandable that respondents in different regions may perceive North Carolina’s economic prospects differently.

STATE BUDGET AND TAXES

While slackening income growth and shifting unemployment were directly affecting the economic fortunes of households and businesses in North Carolina, they were also helping to translate

longstanding problems in public finance in the state into major state and local budget deficits. State leaders have had to grapple with budget gaps at the beginning or end of each fiscal year since 1999-2000. Many city and county officials also found themselves faced with deficits. In response, many localities raised fee and property taxes – 45 counties increased their property-tax rates in 2005 alone.

At both levels of government, elected policy-makers chose to address deficits with a combination



Source: JLF Business Executive Survey, July 2005

of spending restraint (occasionally constituting real cuts, but not often) along with tax hikes. In Raleigh, the General Assembly enacted higher taxes on personal income, retail sales, telecommunications, cigarettes, health insurance, estates, and consumer goods. Some of these increases were enacted as “temporary” measures to address the deficit and were set to expire. Lawmaker extended them in 2003 and again in 2005. In addition, part of state government’s response to its deficits involved the redirection of hundreds of millions of dollars in tax sharing and tax reimbursements from city and county coffers to the state.

In exchange, localities were allowed the “option” of adding an additional half-cent to the sales tax. North Carolina’s once-low combined

rate is now 7 percent in most counties, higher than in all neighboring states except Tennessee (which has no income tax).

In the “Unsteady Ground” survey, we asked business leaders across the state what they thought the best response would be to state or local budget

respondents were asked to put a “1” beside the factor considered most harmful to North Carolina’s competitive position, a “2” beside the next-most harmful factor, and so on.

By computing average ranks for each factor, we were able to summarize the results on this question in the adjacent chart. State and local taxes were ranked as the factor most reducing North Carolina’s competitiveness, followed by the regulatory burden, the availability of skilled labor, and the quality of the state’s education system.

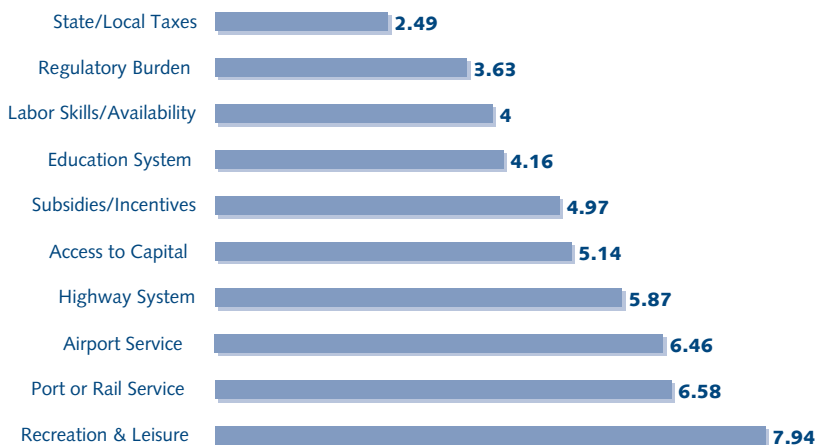
Interestingly, the quality of the state’s highways, which has been cited by many business and policy analysts as a significant issue of concern in North Carolina, did not rank particularly high in our survey. Nor did most business executives seem to worry much about access to port or rail service or the availability of recreational or leisure amenities, even though both issues have received legislative attention in recent years as well as significant state and local government appropriations

The same question was asked in our 2002 and 2004 survey of business executives, with similar results. State and local taxes ranked as the biggest problem then, followed by labor skills and education. The regulatory issue seems to be looming larger now than it did in 2002, when it ranked fourth on the list.

This year business leaders were even more unified than in the past in viewing tax and regulatory issues as the most harmful to the state’s competitiveness. Access to government subsidies and economic-development programs ranked somewhere in the middle on both the 2002 and 2004 surveys. On that point, a separate question in the surveys asked which single change in North Carolina’s tax code would best promote economic growth in the state: general tax-rate reductions for all or targeted tax incentives to encourage specific businesses to move to or expand in the state. Respondents picked the across-the-board option over the incentive option by a margin of 68 percent to 32 percent. This result represents a growing preference among

Which Factors Most Reduce NC's Competitiveness?

(Average Rank)



Source: JLF Business Executive Survey, July 2005

deficits. There was little ambiguity in the response. About two-thirds of our respondents said that policymakers should rely on budget savings alone to address fiscal deficits, compared with only 3 percent who favored tax increases alone and 33 percent who favored mixing some budget savings with some tax hikes. These results were similar to those in the 2002 and 2004 survey to the same question: in the 2004 survey, 68 percent endorsed the no-tax-increase option compared with 3 percent for the tax-only option and 29 percent endorsed mixing the two approaches.

Business executives’ strong aversion to tax increases in North Carolina tracks with their responses to another question in the “Unsteady Ground” survey. We asked respondents to rank 10 factors commonly associated with a state’s business climate. They were to rank the factors in descending order according to how much each one reduced the state’s economic competitiveness. In other words,

business executives for broad-based policies over selective incentives. Support for across-the-board tax cuts stood at 61 percent in our 2004 survey (incentives received 39 percent).

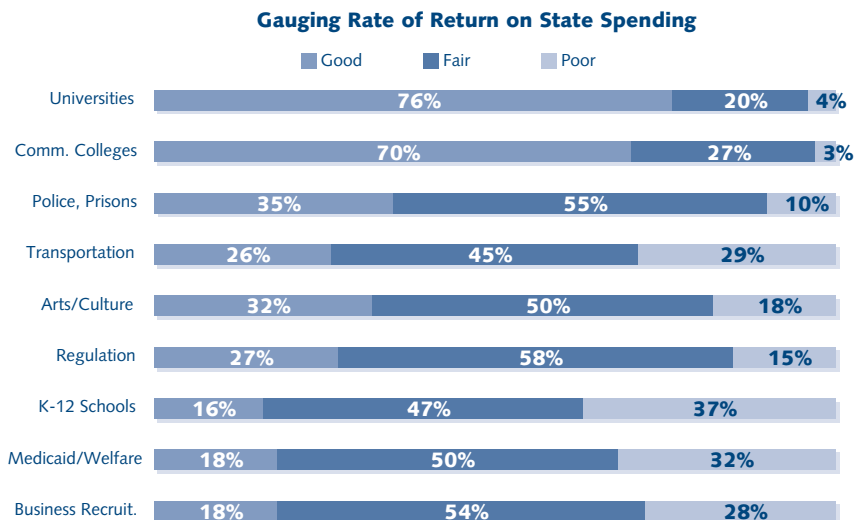
Regionally, concern about the negative impact of tax rates on the economic climate was greatest in and around the Charlotte area and the West, where nearly half of respondents gave a number-one ranking to state and local taxes. Charlotte has the highest tax burden among the state's major metropolitan areas, according to a recent Center for Local Innovation report called "By the Numbers 2005." Respondents from the Triangle, the Southeast and the Triad were also frustrated with the tax burden, ranking it number one with only slightly less enthusiasm. On the question of whether across-the-board tax cuts or targeted tax incentives would be best, the majority opinion in all regions was for general tax reduction. However, support for incentives was higher in the Western and Northeastern regions – a result that could well be related to the fact that these regional economies have been underperforming the rest of the state, and thus business leaders there believe that more controversial steps may need to be taken. In any case, support for incentives still ran below 45 percent in both areas.

RATE OF RETURN ON GOVERNMENT SPENDING

Because the respondents to the survey were business executives, we fashioned a question for the 2002 survey on the effectiveness of government expenditures and chose to include it in the 2004 survey and again in the 2005 survey. Rather than simply asking whether respondents agreed or disagreed with what state and local programs were trying to accomplish, we asked whether respondents thought that they and other taxpayers got a "good," "fair," or "poor" rate of return on dollars invested in the major activities of government. In this way, we hope to gauge the cost-effectiveness of programs as seen by key leaders of the communities they are intended to serve.

The results were striking. The only function of state government described by most respondents as providing a "good rate of return" was higher education – 76 percent said so for public universities and 70 percent for the community college system. Both of these results were slightly higher than in last year's survey. As the above chart demonstrates, the ratings fell off dramatically for the other functions, including law enforcement and prisons, transportation, arts and cultural programs, and state regulatory agencies.

No doubt distressing to many state officials must be what ranked low on the list in 2005, as it also did in 2004: elementary and secondary education. This



Source: JLF Business Executive Survey, July 2005

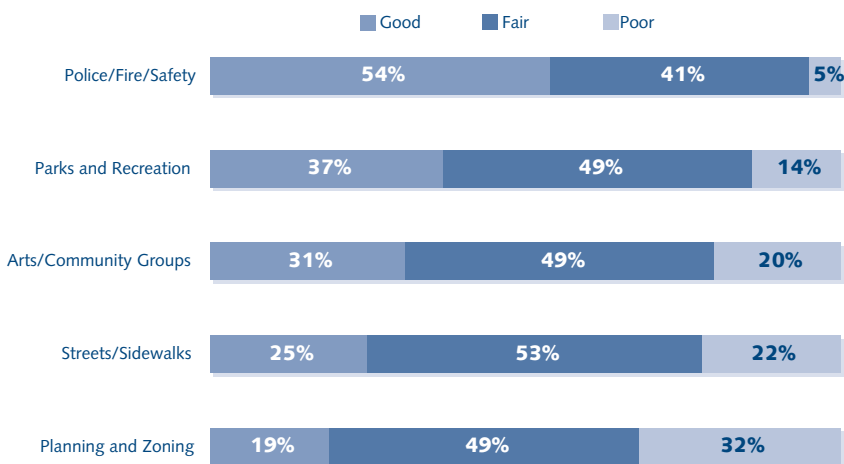
function hardly received the vote of confidence that higher education did, with only 16 percent calling the rate of return on tax dollars invested "good" and over a third rating it as "poor." In 2005 this category fell to the very bottom on the ranking for the first time, with 84 percent ranking this a fair or poor investment. For Medicaid and other public assistance programs, the perception was nearly as negative.

Finally, the state's business-recruitment and economic-development programs ranked second-

lowest among all state programs on the list, with 82 percent of respondents ranking their return as fair or poor. Given that business executives are themselves the target or client for many of those services, this finding is distinctly unflattering. Furthermore, keep in mind that the combined expenditures for K-12 education, Medicaid and other welfare programs, and activities related to commerce and economic development comprise a substantial majority of the dollars expended by state government every year.

There was also some bad news in our survey for local governments in North Carolina. As we did for the state government, we listed major local governmental functions and asked survey respondents to offer an opinion on their rate of return. Only police, fire, and public safety functions were rated as good investments by a majority of survey

Gauging Rate of Return on Local Spending



Source: JLF Business Executive Survey, July 2005

respondents. Most respondents rated current efforts to provide and maintain streets and sidewalks – which is a basic municipal function – as only “fair.” And at the bottom of the ratings were local planning and zoning departments. These ratings correlate to findings from the 2004 survey.

While on some level it shouldn’t be surprising that businesses don’t like to deal with regulatory

and permitting agencies, the argument advanced for local planning is that it facilitates orderly and attractive business growth. If local planners were accomplishing their mission at a reasonable cost, one would expect more business leaders in communities across North Carolina to have a higher regard for their cost-effectiveness. These low ratings could also reflect some of the systemic problems dealing with performance management of those entities as well.

TRANSPORTATION AND CONGESTION ISSUES

Most survey respondents did not rate the state’s highways as among the top problems facing the state’s economy – perhaps surprisingly, given the vehemence with which some business leaders and motorists have denounced what they have seen as a deteriorating road system. But they did offer some interesting responses to specific questions on transportation issues.

For example, when asked whether state taxes collected on the sale of motor fuels and automobiles should be dedicated only to highway expenditures or, as is currently done, spent on both highway and non-highway programs, business leaders were strongly in favor of the idea of earmarking the funds for highway construction and maintenance. Only 17 percent of respondents agreed with the current use of revenues to the Highway Fund and Highway Trust Fund, which includes hundreds of millions of dollars transferred each year to the state’s General Fund budget and to non-highway transportation spending on such items as state-run ferry boats, pedestrian and bicycle paths, and transit programs in and around the state’s major cities.

In urban areas such as Charlotte and the Triangle, proposals to construct rail-transit systems with a combination of federal, state, and local dollars have elicited a great deal of public discussion over the past decade. A key argument advanced for spending tax dollars on new transit systems is that North Carolina can’t afford to “pave the state,” that policymakers should respond to escalating

traffic congestion not simply by adding additional highway capacity but by offering an attractive alternative in the form of mass transit. Opponents argue that North Carolina's longstanding tendency toward low-density development patterns will not likely generate the kind of ridership that would justify the expenditure of billions of tax dollars in new rail systems.

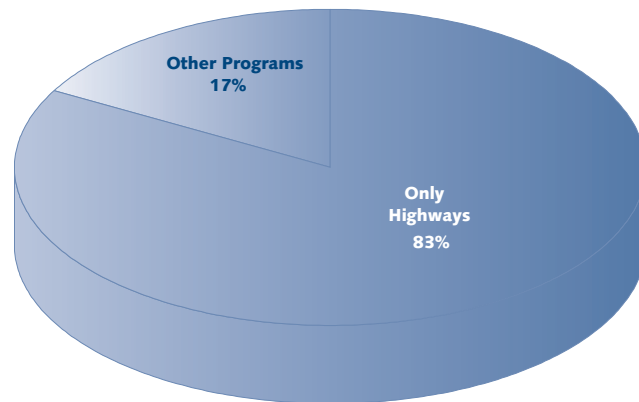
We decided to test sentiment among business executives about this debate by asking them which was the best use of limited tax dollars for reducing urban traffic congestion: building more highways or building rail-transit systems. A sizable majority, 71 percent, picked the highway alternative over the transit alternative. The gap was almost 10 points larger than in last year's response to the same question. Still, transit advocates might argue that one explanation for this finding was that because the survey was statewide, it captured the opinions of many business executives who don't live in areas that would be affected by the construction of rail transit and thus would see no reason to prefer it to highway expansion. So we examined the results of this question by region, and discovered that respondents from the Triangle and Charlotte areas were actually *less* supportive of the rail-transit alternative than respondents statewide were: 78 percent of respondents from the Triangle and Charlotte opted for the highway alternative to address urban traffic congestion, even though those are the only two regions in which rail-transit systems are currently being constructed.

VIEWS ON REGULATORY POLICY

For the 2005 survey, we decided to delve more deeply than before into the issue of regulatory policy in North Carolina. Regulation had been highly ranked before as an impediment to the state's economic competitiveness, and indeed it nearly topped the list of problems in this year's survey. But few business leaders believe that the state and localities shouldn't regulate at all. As a public-policy

matter, the relevant questions are the extent of regulatory authority, the perceived costs and benefits, and the extent to which regulators use stiff civil or even criminal penalties rather than information and consultative services to ensure compliance with

How Should Highway Taxes Be Used?



Source: JLF Business Executive Survey, July 2005

needed government rules.

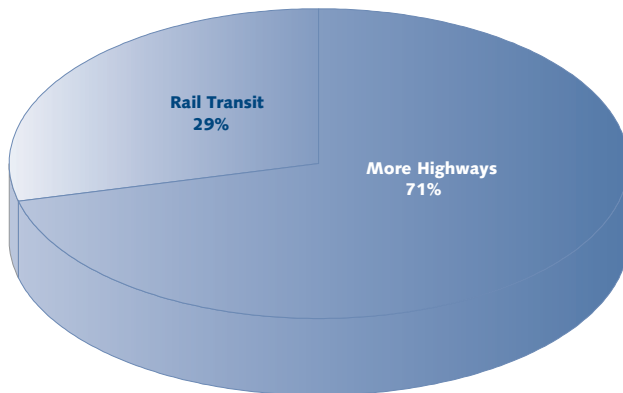
As *The Washington Post* reported earlier this year, many state governments appear to be making increasing use of criminal investigations and sanctions to enforce their economic, health, safety, or environmental regulations. While supporters of the practice argue that states must fill in the gap created by inadequate federal regulation, critics point to the proliferation of lawsuits and prosecutions by state attorneys general since the mid-1990s as a worrisome trend. They argue that criminalizing what are often civil torts or even just misunderstandings or disagreements about technical issues within copious and complex regulations results in unfair treatment, more rather than less corporate avoidance of necessary rules (so as to avoid criminal prosecution), and economic consequences such as lost investments and jobs.

Small businesses seem particularly vulnerable to the threat of criminalized regulations, given that they typically have fewer resources and less experience to deal with legal challenges. "It's almost like

small businesses have a bull's-eye on their storefront windows,” a legal counsel for the National Federation of Independent Businesses recently told *Forbes*. “The government knows they don’t have the same resources larger companies have to fight overly aggressive charges.”

While regulatory over-reaching and over-criminalization may be easier to spot in the form of individual, egregious cases, we did seek to gather what quantitative data we could about business perceptions of the regulatory process in North Carolina. In one question, we asked respondents whether they thought the environmental, health, and safety benefits of current state and local regulations in North Carolina exceeded the costs they imposed

Best Use of Taxes to Reduce Congestion



Source: JLF Business Executive Survey, July 2005

on businesses and consumers. Since simply asking regulated industries if they liked having to comply with regulations would likely have generated a strongly negative (but not very meaningful) response, we thought that urging respondents to

consider both the costs and benefits of government rules might generate a more balanced response from our sample.

We were wrong. Nearly 81 percent of business executives across the state viewed current regulations as not being justified on a cost-benefit basis. This critical conclusion was present in roughly similar proportions in all regions of the state and obviously represents a clear message for public officials to consider. We also asked respondents whether their costs of regulatory compliance had risen, fallen, or stayed the same over the past 10 years. A similar percentage, nearly 82 percent, indicated that regulations had been more costly over the decade, with 18 percent reporting a level trend and virtually no one reporting a decline.

As to the matter of criminalization, we asked business leaders to assess the balance between criminal and civil penalties in North Carolina’s regulatory process. A plurality, 41 percent, agreed with this statement: “Regulators make too much use of criminal penalties. It would be better to work cooperatively to encourage compliance while using civil penalties for major violations.” About 31 percent preferred this position: “Regulators make too little use of criminal penalties for violators, which can serve to get the attention of business executives and thus help to deter future violations.” The remainder said that North Carolina regulators struck “the proper balance between criminal and civil penalties.” Obviously, while there is substantial agreement among state business leaders that regulations are too costly and are becoming more so over time, there is less agreement about the proper approach to enforcement.

Conclusion

NORTH CAROLINA EXECUTIVES EXPRESS CLEAR POLICY PREFERENCES

In general, the results of our 2005 survey of business executives across North Carolina did not differ dramatically from what was found in the 2002 or the 2004 survey. Moreover, other than the examples already noted, there were few regional differences in how business leaders responded to the various economic and public-policy questions. It seems likely that state business executives from different parts of North Carolina find more areas of agreement than they do areas of disagreement.

It would also be fair to conclude that for the most part our survey respondents offer clear preferences on public-policy issues facing North Carolina. They were strongly opposed to state or local tax increases to close budget deficits, and saw the state's current tax rates as the single biggest impediment to economic growth and development, followed closely by the impact of state and local government regulations. It is also important to note that business executives are becoming more vehement in their opposition to taxation and regulatory burdens. Respondents saw most government services provided at the state and local level as *not* providing a good rate of return on taxpayer dollars invested, though the state's higher education programs and local government's law enforcement and public safety activities were exceptions to the rule. And when asked which kind of tax reduction would best improve the state's business climate and growth prospects, business leaders chose across-the-board tax cuts over targeted tax credits or incentives by more than two to one.

On other policy matters, business executives offered clear support for earmarking all highway-related tax revenues to highway construction and maintenance, rather than transferring some of the revenues to other uses, and exhibited little enthusiasm for addressing the state's urban-congestion problems with transit alternatives instead of highway expansion. A huge majority thought the state's regulations failed a cost-benefit test.

These results should not be viewed as the last word on what North Carolina business executives

believe or what they want their state or local policymakers to do. Additional research should be conducted to probe some of these issues in greater depth and to see if other survey samples offer substantially different results. But it is useful to consider how the policy positions of some lobbyists or organizations claiming to represent the state's business community differ from the stated opinions of key members of that community.

Of course, just because state business leaders believe something to be true, or that a certain policy is justified or unjustified, does not necessarily mean that it is so. Public-policy analysis and debate should center on demonstrated results – how government programs deliver or fail to deliver on their promises,

Use of Criminal Penalties to Enforce Regulation



Source: JLF Business Executive Survey, July 2005

and the effects on economic and social indicators of government action to tax, spend, or regulate. But to the extent that some important questions in public policy resist easy reduction to quantifiable measures of output, it is valuable to seek the option of those who are supposed to be benefiting from government programs, either directly or indirectly.

This survey supplies useful answers to such questions. We plan to conduct similar surveys in the coming months and years to seek additional answers and use them to inform the public-policy debate in North Carolina.

About the Author

John Hood is chairman and president of the John Locke Foundation, overseeing the research, publications, and administration of the organization. In addition to his duties at JLF, Hood is a syndicated columnist on state politics and public policy for more than 40 North Carolina newspapers. He is a regular radio commentator and a weekly panelist on “N.C. Spin,” a discussion program on state issues that is broadcast on television and radio stations in Charlotte, the Triangle, the Triad, Asheville, Wilmington, Greenville, New Bern, and many other communities across the state. His books include *The Heroic Enterprise: Business and the Common Good* (Free Press, 1996), *Investor Politics* (Templeton Foundation Press, 2001), and *Selling the Dream: Why Advertising Is Good Business* (Praeger, 2005). He is a graduate of the UNC-Chapel Hill School of Journalism and a former fellow at the Heritage Foundation in Washington, D.C.

Chad Adams joined the John Locke Foundation as the director for the Center for Local Innovation in January of 2004. Adams currently serves as the Vice-Chairman of the Lee County Commission. He was first elected in 1998 and is now serving in his second term. He is a graduate of UNC-Wilmington, attended graduate school at North Carolina State University, and is a Fellow at the NC Institute of Political Leadership. In 2002 Chad was recognized by the NC Junior Chamber of Commerce as one of five Outstanding Young North Carolinians for his political and community work and was recognized by the National Junior Chamber of Commerce with the Charles Kulp Memorial Award in 1998.

About The Center for Local Innovation

Created in 1999, the Center for Local Innovation is a special project of the John Locke Foundation. Through conferences, workshops, newsletters and research papers, called *Innovation Guides*, CLI engages local government leaders in discussions about critical issues facing North Carolina’s municipalities and counties including issues such as privatization, fiscal restraint, and growth management. Its Steering Committee includes elected city and county officials from across the state. For more information, visit the CLI web site at www.localinnovation.org.



*“To prejudge other men’s notions
before we have looked into them
is not to show their darkness
but to put out our own eyes.”*

JOHN LOCKE (1632–1704)

Author, *Two Treatises of Government* and
Fundamental Constitutions of Carolina