

Uncovering the Culture of Corruption

How Investigative Journalism Complements the Work of a Think Tank

By John Hood

It all started in the supermarket checkout line. It was the day after Christmas, 1996, and the place was packed. I knew I'd have quite a wait, so I picked up a copy of a community newspaper. To my surprise, I was greeted with a glowing story about two local politicians, elected to the state senate the previous month, who had given out \$100,000 in "discretionary funds" to several nonprofits in minority neighborhoods. "That's my Merry Christmas present," said one of the senators-elect. "[We] are already having a positive effect."

The notion of passing out taxpayer money like Christmas candy was bad enough. But then I started to wonder how someone who had not yet taken office could get his hands on "discretionary funds." I decided to ask one of my writers at *Carolina Journal*, the John Locke Foundation's then-policy magazine, to look into the matter. After a great deal of digging, the writer, Don Carrington, discovered that the money had come from a \$21 million slush fund known only to legislative leaders and the governor. The more Carrington asked questions and obtained documents, the more revolting the story became. Legislative insiders and their political consultants doled out the funds with abandon. Several grants were timed to help embattled incumbents cut ribbons a few weeks before an election. In other

cases, the money appeared to be payback for favors done by rank-and-file lawmakers or wealthy contributors.

The grants were hard to justify on policy grounds. Wealthy Pinehurst, home to some of the world's ritziest golf resorts, got money for a new fire truck. Several senators and representatives steered money to local nonprofits where they served as board members. One state senator attached a state check to a football and threw it across the room to a recipient during a benefit roast. It seems that dispensing taxpayer money had become a game.

Founded in 1989, the John Locke Foundation began operations in early 1990 as a typical state-based think tank. We were small, opinionated, and cerebral. We published studies, hosted conferences, distributed newsletters and op-eds, and placed our staffers and affiliated scholars on radio and television. Because I was trained as a journalist and had worked at local newspapers and *The New Republic* in Washington, D.C., before coming to John Locke, I argued for a regular journalistic product as one of the organization's main offerings. I envisioned a state version of *TNR* or *National Review*, a journal of opinion devoted to North Carolina politics and issues. I didn't expect to get into the investigative journalism business. But not everything goes according to



plan (a lesson that, alas, too many government policymakers have yet to learn).

Carolina Journal's 1997 expose of the slush fund scandal in the North Carolina General Assembly turned into a series. The more we wrote, the more knowledgeable sources came to us with stories of malfeasance, misappropriation, petty graft, featherbedding, and violations of ethics and campaign finance rules. Another 1997 scoop involved a controversial \$100,000 settlement to a former Division of Motor Vehicles employee who had alleged employment discrimination. We obtained an exclusive interview with him and discovered that the real story involved illegal pressure on DMV employees to make political contributions to state politicians. After we published a blockbuster cover package on the scandal, we received additional leads on corruption within the Department of Transportation—politicians leaning on engineers to move low-priority road projects into the queue, DOT board members scratching the backs of their business partners, etc. By this time, other news organizations had gotten into the act, and eventually DOT officials were forced to resign and stripped of their professional licenses. The secretary of transportation ended up in prison on separate corruption charges.

In the conservative movement, we've all read our Acton. We know intellectually that government funding and regulations distort market decisions and invite rent-seeking, that bright ethical lines and constitutional checks and balances are necessary to constrain political power, and that, human nature being what it is, public office will always tempt politicians with the tantalizing prospect of getting their hands on other people's money. Policy organizations can and should continue to explain the economics and political science of government corruption, decry wasteful spending in federal and state budgets, and spread the freedom message through opinion pieces and

media appearances. But they should consider adding another arrow to the quiver—investigative journalism. I'm all for persuading misguided politicians to adopt better public policy. There's something to be said, however, for simply exposing the crooked ones through solid, well-researched investigations and letting them be shamed, removed, or incarcerated as appropriate.

Over the years, I've beefed up my *Carolina Journal* reporting team substantially, hiring another full-time reporter, Paul Chesser, and two editors with more than a half-century of combined newspaper experience, Richard Wagner and Jon Ham. *CJ* itself went from a bimonthly magazine with a few thousand readers to a monthly tabloid distributed directly and as a *Parade*-like newspaper insert to some 160,000 readers statewide. We've broken many big stories and made a substantial contribution, unapologetically, to the prison-overcrowding problem:

- *CJ* exposed the financial shenanigans of a former North Carolina congressman, Frank Ballance, who as a state senator had steered millions of tax dollars into a foundation he controlled and from which he paid himself, his son, his mother, and donors to his political campaigns. He is currently completing his sentence in a federal correctional facility.

- After a comprehensive *CJ* series on a dubious project to start state ferry service across the Pamlico Sound—a service that would have few riders but benefit a politically connected business—one of our sources, a former Ferry Division employee, was found asphyxiated in his home with a bag over his head and his hands tied behind his back. Local authorities claimed it was a suicide. Eventually, federal and state agencies raided the division and its former director was prosecuted for violating environmental-protection laws. The mysterious death remains controversial.

- Thanks to tips from appalled parents, *CJ*



described radical propaganda being conveyed to participants of a state-run summer program for academically gifted students.

- One of our investigations of how North Carolina had misspent the state's share of the national tobacco settlement revealed that some of the funds had gone to subsidize a tobacco warehouse.

- Economic development boondoggles have been particularly juicy targets. We have documented every embarrassing twist and turn in the saga of the Global TransPark, an air cargo facility in Eastern North Carolina that soaked up tens of millions of state and federal tax dollars. Originally sold as an investment in just-in-time manufacturing to create 50,000 jobs by 1998, the TransPark has created no net new jobs as of 2007 and has resorted to pitching its largely unused airstrip as a movie set or anti-terrorism training site.

- In 2004, politicians used misleading ballot language to persuade voters to amend the constitution to allow North Carolina localities to use a special kind of economic-development bond that doesn't require a referendum. The first municipality to use the new authority got state approval to issue \$21 million in bonds to build a theater named after Dolly Parton's ever-so-slightly-less-famous brother Randy. His \$1.5 million annual "artist fee" will in part be financed with the debt.

- Corporate welfare packages are journalistic gold mines. We've followed up on numerous job announcements from politicians only to discover that the jobs never materialized or that promises of state assistance came after the company had made its relocation decision. In one case, we disproved the claim that government had induced a wireless firm to a North Carolina city by going to the site and snapping a picture of one of those workplace safety signs touting that it had been an "accident-free construction site" since a date long before the state's involvement began. We

also delved deeply into a state-funded economic development group whose leader was demanding equity stakes from the private firms he was simultaneously paid tax dollars to recruit. This same man had set up the aforementioned deal with Randy Parton, for which the two had formed a company called—I kid you not—Moonlight Bandit.

- Most recently, *CJ* had a hand in exposing a wide-ranging conspiracy of bribery, misappropriation, and conflicts of interest led by former Speaker Jim Black—once of the state house, soon to be in the Big House. While dogged reporters at the mainstream dailies deserve a lot of credit for uncovering Black's crimes—including a bribe to a conservative Republican lawmaker to switch parties to keep Black's then-minority Democrats in power—*CJ* got one of the early scoops. We discovered, while investigating another state-funded nonprofit, that one of the contractors was also Black's closest political aide and appeared to be doing her campaign and lobbying work out of his state office.

Staking out possible crime scenes, cultivating sources among government employees and law enforcement agencies, and obtaining secret documents containing evidence of ethical or legal transgressions may not be common activities at the average think tank, but we believe that investigative journalism is an essential element of the John Locke Foundation's effectiveness. We seek to expand the scope of freedom in North Carolina, and to curb the abuse of government power and limit its fiscal and moral costs. We do lots of traditional policy research. We convene dozens of events a year. We make our case in all the standard ways. But we also ferret out corruption and name names. It works for us.

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