

When Public Goes Private, as Trump Wants: What Happens?

Diane Ravitch

Education and the Commercial Mindset
by Samuel E. Abrams.
Harvard University Press,
417 pp., \$39.95

School Choice: The End of Public Education?
by Mercedes K. Schneider.
Teachers College Press,
204 pp., \$35.95 (paper)

The New York Times recently published a series of articles about the dangers of privatizing public services, the first of which was called “When You Dial 911 and Wall Street Answers.” Over the years, the *Times* has published other exposés of privatized services, like hospitals, health care, prisons, ambulances, and preschools for children with disabilities. In some cities and states, even libraries and water have been privatized. No public service is immune from takeover by corporations that say they can provide comparable or better quality at a lower cost. *The New York Times* said that since the 2008 financial crisis, private equity firms “have increasingly taken over a wide array of civic and financial services that are central to American life.”

Privatization means that a public service is taken over by a for-profit business, whose highest goal is profit. Investors expect a profit when a business moves into a new venture. The new corporation operating the hospital or the prison or the fire department cuts costs by every means to increase profits. When possible it eliminates unions, raises prices to consumers (even charging homeowners for putting out fires), cuts workers’ benefits, expands working hours, and lays off veteran employees who earn the most. The consequences can be dangerous to ordinary citizens. Doctors in privatized hospitals may perform unnecessary surgeries to increase revenues or avoid treating patients whose care may be too expensive.

The Federal Bureau of Prisons recently concluded that privatized prisons were not as safe as those run by the bureau itself and were less likely to provide effective programs for education and job training to reduce recidivism. Consequently, the federal government has begun phasing out privately managed prisons, which hold about 15 percent of federal prisoners. That decision was based on an investigation by the Justice Department’s inspector general, who cited a May 2012 riot at a Mississippi correctional center in which a score of people were injured and a correctional officer was killed. Two hundred and fifty inmates participated in the riot to protest the poor quality of the food and medical care. Since the election, the stock price of for-profit prisons has soared.

There is an ongoing debate about whether the Veterans Administration should privatize health care for military veterans. Republicans have proposed privatizing Social Security and Medicare. President George W. Bush

used to point to Chile as a model nation that had successfully privatized Social Security, but *The New York Times* recently reported that privatization of pensions in Chile was a disaster, leaving many older people impoverished.

For the past fifteen years, the nation’s public schools have been a prime target for privatization. Unbeknownst to the public, those who would privatize

ers have an ideological commitment to free-market capitalism; they decry public schools as “government schools,” hobbled by unions and bureaucracy. Some are certain that schools need to be run like businesses, and that people with business experience can manage schools far better than educators. Others have a profit motive, and they hope to make money in the burgeoning “education industry.” The adherents of the business approach oppose unions and

wisdom of privatizing the nation’s public schools. But the Obama administration has been just as enthusiastic about privately managed charter schools as the Republicans. In 2009, its own education reform program, *Race to the Top*, offered a prize of \$4.35 billion that states could compete for. In order to be eligible, states had to change their laws to allow or increase the number of charter schools, and they had to agree to close public schools that had persistently low test scores.

In response to the prodding of the Obama administration, forty-two states and the District of Columbia currently permit charter schools. As thousands of neighborhood public schools were closed, charter schools opened to take their place. Today, there are about seven thousand publicly funded, privately managed charter schools, enrolling nearly three million students. Some are run for profit. Some are online schools, where students sit at home and get their lessons on a computer. Some operate in shopping malls. Some are run by fly-by-night characters hoping to make money. Charters open and close with disturbing frequency; from 2010 to 2015, more than 1,200 charters closed due to academic or financial difficulties, while others opened.

Charters have several advantages over regular public schools: they can admit the students they want, exclude those they do not want, and push out the ones who do not meet their academic or behavioral standards. Even though some public schools have selective admissions, the public school system must enroll every student, at every point in the school year. Typically, charter schools have smaller numbers of students whose native language is not English and smaller numbers of students with serious disabilities as compared to neighborhood public schools. Both charters and vouchers drain away resources from the public schools, even as they leave the neediest, most expensive students to the public schools to educate. Competition from charters and vouchers does not improve public schools, which still enroll 94 percent of all students; it weakens them.

Charter schools often call themselves “public charter schools,” but when they have been challenged in federal or state court or before the National Labor Relations Board, charter corporations insist that they are private contractors, not “state actors” like public schools, and therefore are not bound to follow state laws. As private corporations, they are exempt from state labor laws and from state laws that govern disciplinary policies. About 93 percent of charter schools are nonunion, as are virtually all voucher schools. In most charter schools, young teachers work fifty, sixty, or seventy hours a week. Teacher turnover is high, given the hours and intensity of the work.

Over the past twenty years, under Presidents Clinton, Bush, and Obama, the federal government has spent billions of dollars to increase the number



William Eggleston: *Untitled, circa 1983–1986*; from the exhibition ‘The Democratic Forest,’ on view at the David Zwirner Gallery, New York City, until December 17, 2016. The catalog is published by David Zwirner Books. For more on Eggleston’s work, see Alexander Nemerov’s essay on the *NYR Daily* at www.nybooks.com/eggleston.

the public schools call themselves “reformers” to disguise their goal. Who could be opposed to “reform”? These days, those who call themselves “education reformers” are likely to be hedge fund managers, entrepreneurs, and billionaires, not educators. The “reform” movement loudly proclaims the failure of American public education and seeks to turn public dollars over to entrepreneurs, corporate chains, mom-and-pop operations, religious organizations, and almost anyone else who wants to open a school.

In early September, Donald Trump declared his commitment to privatization of the nation’s public schools. He held a press conference at a low-performing charter school in Cleveland run by a for-profit entrepreneur. He announced that if elected president, he would turn \$20 billion in existing federal education expenditures into a block grant to states, which they could use for vouchers for religious schools, charter schools, private schools, or public schools. These are funds that currently subsidize public schools that enroll large numbers of poor students. Like most Republicans, Trump believes that “school choice” and competition produce better education, even though there is no evidence for this belief. As president, Trump will encourage competition among public and private providers of education, which will reduce funding for public schools. No high-performing nation in the world has privatized its schools.

The motives for the privatization movement are various. Some privatiz-

ers, preferring employees without any adequate job protection and merit pay tied to test scores. They never say, “We want to privatize public schools.” They say, “We want to save poor children from failing schools.” Therefore, “We must open privately managed charter schools to give children a choice,” and “We must provide vouchers so that poor families can escape the public schools.”

The privatization movement has a powerful lobby to advance its cause. Most of those who support privatization are political conservatives. Right-wing think tanks regularly produce glowing accounts of charter schools and vouchers along with glowing reports about their success. The American Legislative Exchange Council (ALEC), a right-wing organization funded by major corporations and composed of two thousand or so state legislators, drafts model charter school legislation, which its members introduce in their state legislatures. Every Republican governor and legislature have passed legislation for charters and vouchers. About half the states have enacted voucher legislation or tax credits for nonpublic schools, even though in some of those states, like Indiana and Nevada, the state constitution explicitly forbids spending state funds on religious schools or anything other than public schools.

If the privatization movement were confined to Republicans, there might be a vigorous political debate about the

William Eggleston/David Zwirner Books

of privately managed charter schools. Charter schools have been embraced by hedge fund managers; very wealthy financiers have created numerous organizations—such as Democrats for Education Reform, Education Reform Now, and Families for Excellent Schools—to supply many millions of dollars to support the expansion of charter schools. The elites who support charters also finance political campaigns for sympathetic candidates and for state referenda increasing charters. In the recent election, out-of-state donors, including the Waltons of Arkansas, spent \$26 million in Massachusetts in hopes of expanding the number of charter schools; the ballot question was defeated by a resounding margin of 62–38 percent. In Georgia, the Republican governor sought a change in the state constitution to allow him to take over low-scoring public schools and convert them to charters; it too was defeated, by a vote of 60–40 percent.

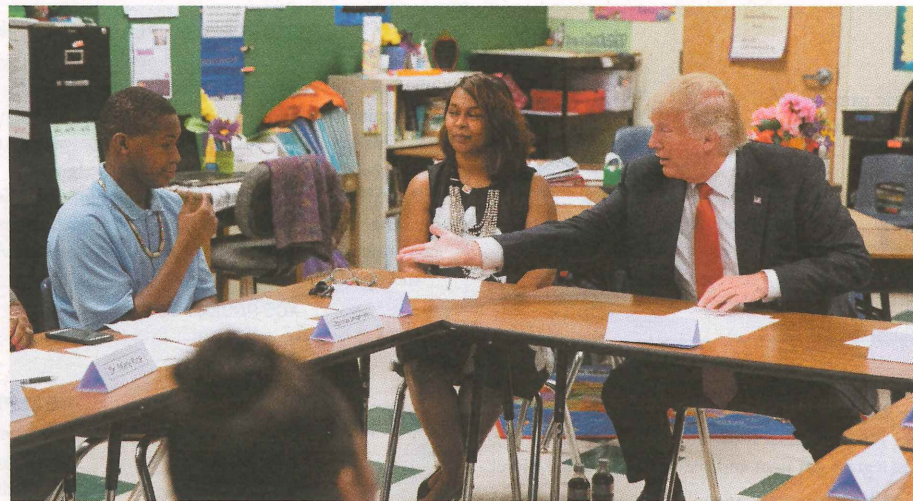
In addition to spending on political campaigns, some of the same billionaires have used their philanthropies to increase the number of charter schools. Three of the nation's biggest foundations subsidize their growth: the Bill and Melinda Gates Foundation, the Walton Family Foundation, and the Edythe and Eli Broad Foundation. In addition to these three, charters have also received donations from the Bloomberg Family Foundation, the Susan and Michael Dell Foundation, the Laura and John Arnold Foundation (ex-Enron), the Fisher Family Foundation (The Gap stores), Reed Hastings (Netflix), Jonathan Sackler (Purdue Pharmaceutical, manufacturer of Oxycontin), the DeVos family of Michigan (Amway), and many more of the nation's wealthiest citizens. Eli Broad is financing a program to put half the students in Los Angeles (the nation's second-biggest school district) into privately managed charters.

The Walton Family Foundation alone spends \$200 million annually for charters, and claims credit for launching one of every four charter schools in the nation. The Walton family of Arkansas is worth about \$130 billion, thanks to the Walmart stores, and they are vehemently antiunion. For them, charters are a convenient way to undermine teachers' unions, one of the last and largest remaining pillars of the organized labor movement. Bill Gates has personally spent money to pass charter legislation in his home state of Washington. Three state referenda on charters failed in Washington, and the fourth passed by less than 1.5 percent of the vote in 2012. Gates's goal was stymied, however, when the state's highest court ruled that charter schools are not public schools because their boards are not elected. In the recent election, Gates and his allies supported opponents who ran against justices of the state Supreme Court who ruled against public funding of privately managed charter schools, but the voters reelected them.

Given the near-complete absence of public information and debate about the stealth effort to privatize public schools, this is the right time for the appearance of two new books on the subject. Samuel E. Abrams, a veteran teacher and administrator, has written an elegant analysis of the workings

of market forces in education in his book *Education and the Commercial Mindset*. Abrams is now director of the National Center for the Study of Privatization in Education at Teachers College, Columbia University. The other book, *School Choice: The End of Public Education*, was written by Mercedes K. Schneider, a high school teacher in Louisiana with a doctorate in research methods and statistics who left college teaching to teach adolescents.

Education and the Commercial Mindset looks deeply into the history of the Edison Project, an ambitious business plan created by the entrepreneur Chris Whittle. Whittle announced his program in 1991 at the National Press Club in Washington, D.C. He said he intended to revolutionize public education by opening a chain of private schools across the



Donald Trump with students and educators at the Cleveland Arts and Social Sciences Academy, a for-profit charter school, before giving a speech on school choice, September 2016

nation in which tuition would be less than the government's cost of public schools but student performance would be superior. The schools would contain costs by putting students to work as tutors, office aides, and cafeteria workers. The schools would have the latest technology and would be open eight hours a day, eleven months a year. "Whittle forecasted dramatic growth: 200 schools with 150,000 students by 1996 and 1,000 schools with 2 million students by 2010." The Edison Project was supposed to be the leading edge of a booming new education industry. Whittle turned to private investors to raise the \$2.5 to \$3 billion that he said he needed for startup funds.

The unspoken premise of the Edison Project was that Congress would authorize vouchers for student tuition. Without vouchers, the plan wouldn't work. Why would parents pay \$8,000 to send their child to an Edison school when they could go to the local public school for free? Whittle pledged to turn education into a business and to measure student learning with precision just as Federal Express tracks its packages. He wooed Benno Schmidt, who was the president of Yale University, to be the CEO of the Edison Project, and he gathered a "design team" of seven people to plan the curriculum and program of the prototype school, only one of whom had ever been a K–12 educator, Abrams points out.

Whittle immediately encountered two roadblocks. President George H.W. Bush was defeated by Bill Clinton in 1992, and there would be no vouchers for students to pay for Edison schools. When Whittle began to raise money from investors, his expectations of billions were dashed. Time Warner

invested \$22.5 million; Phillips Electronics of Holland invested \$15 million; a British newspaper group added \$14.4 million; and Whittle and his friends added \$8.1 million. This was less than 10 percent of what he had hoped for.

Whittle dropped the original plan of opening private schools and switched to subcontracting with local school districts to run troubled schools and charter schools. For a time, this looked promising. By 1999, Edison operated sixty-one schools with 37,500 students in seventeen states. That year, it received nearly \$250 million from investors, and it went public. Its stock opened at \$18 a share; two years later, it traded at \$38.75 a share. Merrill Lynch was bullish on the future of educational privatization, predicting a booming, profitable industry. Independent analysts predicted that Edison would be

the McDonald's of education.

But as it expanded, Edison faced two nagging problems: it didn't achieve the predicted profits, and it didn't achieve the predicted test score gains. Whittle continued to promise that results were just a few years off. Profit margins were so slim that Edison turned to philanthropists friendly to privatization to subsidize its operations. Being a publicly traded company created other problems for Edison. When financial analysts revealed that Edison was overstating its revenues, its stock plummeted to \$1.01 a share in late June 2002.

Edison had a rocky run in Baltimore, where it eventually lost its contract to manage schools. And it had an even harder time in Philadelphia. The governor of Pennsylvania, Tom Ridge, gave Edison a contract of \$2.7 million to study the needs of the district. Its biggest need was money; the largely black and poor district was dramatically underfunded by the state (and still is). Edison expected that it would be hired to manage the district as well as to control forty-five schools. Instead, the privatization experiment ran into a wall of opposition by local civil rights groups, clergy, and the teachers' union. Edison did not win the contract to run the district, and it took charge of only twenty schools.

While Edison was battling protesters in Philadelphia, school officials in Georgia, Texas, Massachusetts, and Michigan terminated Edison contracts early because of lackluster performance. With each setback, Edison's stock price plunged. In October 2002, it dropped to fourteen cents a share and was nearly delisted by NASDAQ. The following July the company went private, buying back its stock. It turned its attention to making profits from

after-school and summer programs, as well as services like professional development and computer software.

Whittle's dream of revolutionizing American public education by applying market discipline was over. In 2012 the Edison team raised \$75 million in private financing to open elite for-profit private schools around the world, with a goal of twenty campuses. Its first school, Avenues, opened in the Chelsea neighborhood of New York City in a large space renovated at a cost of \$60 million, with the latest technology and a staff hired from some of the nation's best private schools. For unexplained reasons, Chris Whittle exited this venture in the spring of 2015.

Abrams also looks at the Knowledge Is Power Program (KIPP), a major charter chain that operates as a nonprofit. It has two hundred schools across the nation, which mostly get high marks on standardized tests. Thanks to President George W. Bush's No Child Left Behind law, standardized testing is considered the only measure of education, although such tests are poor proxies for genuine education. KIPP schools impose strict behavioral standards and teach unquestioning compliance. They are called "no excuses" schools, since there can be "no excuse" for failure. Many other charters try to replicate KIPP's methods and test scores. The drawback of schools like KIPP, Abrams points out, is that they have high turnover as teachers burn out, and high rates of attrition as students leave who can't meet their expectations.

KIPP also has a large financial advantage. In 2011, Abrams shows, KIPP raised nearly \$130 million to supplement federal, state, and local funding. This amounts to an additional \$3,800 per student, as compared to public schools. KIPP continues to be the recipient of large grants from foundations sympathetic to privatization. The philanthropists apparently believe that strict discipline will enable poor children to gain the attitudes and values to lift themselves out of poverty. However, a recent study of graduates of Texas charter schools by the economists Will Dobbie and Roland Fryer—both friendly to "choice"—found that these youth gained no advantage in post-school earnings.

Abrams reviews the experience of Sweden and Chile, which embraced school privatization under conservative leadership. In both countries school performance declined, and segregation by race, class, religion, and income grew. The result of school choice was not increased school quality but increased social inequity.

In his final chapters, Abrams offers Finland as a nation that has chosen a different path and avoided school choice. It performs well on international tests, even though its students seldom encounter standardized tests. Its national goal is to make every school a good school. Teaching is a highly respected profession, requiring five years of education and preparation. While many American schools have abandoned recess to make more time for testing, Finnish schools offer recess after every class. While American students begin learning their letters and numbers in kindergarten or even in pre-kindergarten, Finnish students do not begin formal instruction in reading

and mathematics until they reach the age of seven. Until then, the focus in school is on play. The schools emphasize creativity, joy in learning, the arts, and physical education. Child poverty is low, and children get free medical care. Teachers are trusted to write their own tests. Critics say that American society is too diverse to copy a nation that is homogeneous, but it is hard to see why racial and social diversity cancels out the value of anything done in Finnish schools to make children healthier, happier, and more engaged in learning.

Mercedes Schneider's book examines the contradictions of school choice, which is now the rallying cry for those who call themselves reformers. She documents the history of this idea, beginning with economist Milton Friedman's 1955 essay advocating school vouchers. It appeared by happenstance in the immediate aftermath of the US Supreme Court's *Brown v. Board of Education* decision declaring legally sanctioned racial segregation unconstitutional. Whether or not southern white politicians read Friedman, they became the leading proponents of school choice. After a period of insisting that they would never comply with the *Brown* decision, they became outspoken advocates of school choice, expecting that white children would stay in all-white schools and black children would be fearful to seek admission to white schools. School choice was their strategy for evading desegregation.

Schneider recounts the original idea of charter schools, as it was first developed in 1988 by Albert Shanker, president of the American Federation of Teachers, and Ray Budde, a professor at the University of Massachusetts. They hoped to enable greater teacher participation in decision-making and less bureaucracy. Shanker used his national platform to propose charters as schools-within-schools, staffed by union teachers, free to try new methods to educate reluctant and unwilling students, and encouraged to share what they learned with the host public school. By 1993, Shanker realized that his idea had been adapted by businesses that thought they could manage public schools and make a profit. At that point, Shanker renounced charters and declared they were a threat to public schools, like vouchers.

The first state to pass charter legislation was Minnesota in 1991. What began as a bipartisan measure soon became a favorite of conservative politicians, who realized that they could replace "government schools" with private management and at the same time, get rid of teachers' unions. As a result of the financial inducement of President Obama's Race to the Top program, almost every state now authorizes privately managed charter schools. In some states, like Nevada and Ohio, charter schools are among the lowest-performing schools in the state. Few of these states established any process for oversight or accountability, so thousands of charters sprang up, deregulated and unaccountable to public authorities. In Michigan, about 80 percent of charters operate for-profit. They perform on average no better than public schools, and according to a yearlong investigation by the *Detroit Free Press*, they make up a publicly subsidized \$1 billion per year

industry with no accountability.

Schneider documents the encouragement provided by the administrations of George W. Bush and Barack Obama for the growth of the charter industry. And she follows the money trail, showing the millions poured into charter proliferation by the Waltons and other billionaires. Charter advocates say that they support charters because they want to "rescue" poor and minority students from "failing" public schools. Walmart employs an astonishing 1.4 million people in the United States alone, many of whom are paid less than the minimum wage. The Waltons would have a more dramatic impact on the well-being of children by paying their workers a minimum wage of \$15 an hour than they do by opening charter schools and enfeebling community public schools.

Why is Wall Street willing to spend millions of dollars to promote charter schools? As Schneider shows, charters can be a very profitable business. Unlike the Edison Project, which first banked on vouchers, then entered into contracts with school districts to run low-performing public schools, the charters get public money, and they start fresh, free to exclude the students they don't want. These are huge advantages.

The profits come in many forms. First, there are federal tax credits for those who invest in charter schools. Under the New Markets Tax Credit, investors in charter school construction can receive a 39 percent federal tax credit over seven years. That's a good return. Foreign investors in charter schools can win Eb-5 visas for themselves and their families by investing in charter schools. Charter operators have developed a neat trick in which they buy a building, lease it to themselves at high rentals, and get rich from their real estate. Other charter operators, businessmen and lawyers, open charter schools and supply all the needed goods and services to the schools, collecting millions of dollars in profits. Former tennis star Andre Agassi entered into a profitable partnership with an equity investor to build and open charter schools across the country, even though the Las Vegas charter school that bears his name is one of the lowest-performing schools in the state of Nevada.

With so much incentive to make money and so little regulation or oversight, fraud and graft are inevitable. Just this past summer, the founder of the Pennsylvania Cyber Charter School admitted that he had stolen \$8 million from the company for his own use. Cyber charters are amazingly lucrative and unpoliced. The largest of them, K12 Inc., was founded by financier Michael Milken and is listed on the New York Stock Exchange. Its academic results are poor, but it is very profitable. Each student gets a computer and an online teacher. The company collects full state tuition, even though it has none of the expenses of a real school, like custodians, transportation, a library, a social worker, groundskeepers, heat, or other utilities.

A for-profit cyber charter in Ohio—the Electronic Classroom of Tomorrow (ECOT)—is known for very poor performance. It has the lowest graduation rate of any high school in the nation (20 percent), and it recently fought in court and lost, trying to prevent the

state from auditing its attendance rates, which were grossly inflated. The state is now trying to recoup at least \$60 million from the school for students who never logged on to their home computers. The owner of ECOT is one of the state's biggest donors to elected officials who control state government, and until now, has never been held accountable for either attendance or the quality of education it provides.

Schneider writes that the greatest threat posed by school choice is the "systematic defunding of the local-board-run public school in favor of underregulated charter schools." Even though most charter schools are technically nonprofit, she believes that the profit motive is the main engine behind the charter movement. She offers a simple proposal for those who want to stop "charter school churn" and resist the "parasitic squandering of taxpayer money in the name of charter choice."

Whenever a charter school fails because of a financial scandal, she proposes, the school should lose its charter and be restored to the local school district. If the charter fails to meet its academic promises, or if it is found to have selected a student population that was not typical for its neighborhood, it should get one more chance, then lose its charter and be returned to the local school board if it fails again. One do-over only.

At present, proponents of school choice have the upper hand because they are backed by some of the nation's richest people, whose campaign donations give them an outside voice in shaping public policy. The issue that the American public must resolve in local and state as well as national elections is whether voters will preserve and protect the public school system, or allow it to be raided and controlled by the one percent and financial elites.

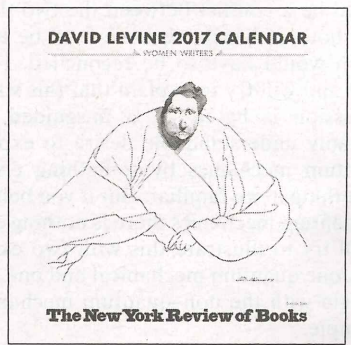
As these two fine books demonstrate, there is no evidence for the superiority of privatization in education. Privatization divides communities and diminishes commitment to that which we call the common good. When there is a public school system, citizens are obligated to pay taxes to support the education of all children in the community, even if they have no children in the schools themselves. We invest in public education because it is an investment in the future of society.

As the recent state election returns in Massachusetts, Georgia, and Washington State suggest, the tide may be turning against privatization as the public recognizes what is at stake. This shift of public opinion was surely advanced by the national NAACP in October, which called for a moratorium on new charter schools until they are held to the same standards of transparency and accountability as public schools, until they stop expelling the students that public schools are required to educate, until they stop segregating the highest-performing students from others, and until "public funds are not diverted to charter schools at the expense of the public school system."

Whatever its faults, the public school system is a hallmark of democracy, doors open to all. It is an essential part of the common good. It must be improved for all who attend and paid for by all. Privatizing portions of it, as Trump wants, will undermine public support and will provide neither equity nor better education. □

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