# Business Leadership and Education Reform: The Next Frontier

By Patrick J. Keleher, Jr.

In November of 1987, Dr. William J. Bennett fired a shot heard 'round the world of education. It was not a warning shot across the bow. No, it was a full Bennett broadside at the Chicago public school system, which the then-U.S. Secretary of Education branded the "worst in America."

I was about ten feet away from Secretary Bennett when he made that since much-quoted remark, later to become the title for the *Chicago Tribune*'s stunning investigative report on Chicago public education. The Education Secretary released his broadside at a press conference after a visit I had helped arrange with the executives of Chicago United, a business-civic organization for which I was public policy director. Chicago United was to become the spearhead of our business community's deep and abiding involvement in the most radical school reform experiment in United States history.

Some things just cannot be sugarcoated, or should not be even if they can, and the public education disaster in this city was one of those things. Anyhow, Dr. Bennett's many talents do not extend, thank heavens, to sugarcoating.

From results that had just been released, he knew that 35 of the 54 high schools scoring in the bottom percentile nationwide on the ACT exam were Chicago schools. Over half of our 64 high schools were in the lowest percentile on a national test taken by our "best and brightest," our college-bound youngsters. He knew that between 43 and 53 percent of our entering freshmen drop out of high school, and that dropout rates reach 67 percent in the inner city. He knew that only one out of three of those who do graduate can read at the twelfth-grade level. One out of three.

**Illiterate Graduates.** Perhaps Secretary Bennett knew that one of our large employers, Citicorp Savings of Illinois, each week rejects 840 out of every 1,000 applicants for its entry-level teller and clerical positions, because the job seekers cannot complete the forms. And perhaps he knew that almost half of the students in one of our neighborhood adult literacy programs are Chicago public high school graduates – graduates, not dropouts. They are considered "functionally illiterate," that is, they cannot read above the sixth grade level. Yet they have been awarded high school diplomas.

Doesn't this make you wonder about truth in labeling, about material misrepresentation, about false certification, and about "product" liability? Less cynically, what does this say about the institutional ethics, about the integrity, about the fundamental honesty of an

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Patrick J. Keleher, Jr. is President of TEACH America in Chicago, Illinois, and Vice President of The City Club of Chicago.

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urban educational system that would so misrepresent to its students their readiness for participation as self-sustaining members of our democracy?

Last year, at The Heritage Foundation's excellent conference, "Can Business Save Education?" I talked about how the Chicago business community teamed up with parent and community leaders to form a new political force to counter that of the education establishment.

**Coalition Building.** My position was that, by itself alone, business could not "save" education, but that by closing ranks in coalition with parent and community leaders, which is precisely what we did, business could help bring about meaningful school reform. We formed a new political counterweight that the legislators in Springfield simply had to deal with. We worked at the grassroots level, we bypassed the establishment, we stuck together, we worked the media, and we came up with the most sweeping reform legislation in the land.

As its most revolutionary feature, the Chicago Public School Reform Act establishes a local school council at each of our 540 elementary and secondary schools. Each eleven-member council is composed of six parents, two community representatives, two teachers and the principal. The council has three major responsibilities: to adopt a School Improvement Plan, to adopt a budget to implement that plan based upon a lump sum allocation, and to decide whether to terminate the incumbent principal and select a new one or to retain the incumbent – in either case to sign the selected principal to a four-year performance contract.

We were called "romantics" for our belief that indigenous leaders would emerge in each community to fill the 5,400 slots for parent, community and teacher representatives. Our harshest critics very often were some middle-class minority leaders, who confidently predicted that parents and community members in our poorest neighborhoods were too apathetic and uninformed to get involved with governing their local schools.

**"Romantics" Vindicated.** How wrong they were. Last October we held our first local school council elections. Some 313,000 persons turned out to chose from more than 17,000 candidates for the 5,400 council seats. Our turnout rate was three times the average rate for suburban school board elections. How romantic, indeed.

Another sign that reform has arrived was the Interim Board of Education's elimination of 544 jobs from the central administration and its reallocation of the resulting resources – $40 million – as discretionary funds for the new councils. Also, almost one-third of all principals have already left the system, either because of voluntary early retirements or due to terminations by the local school councils. I believe that the Chicago "meltdown" has been arrested. Whether it has been reversed – whether it can be reversed – is yet another question.

Last December, when the City Club of Chicago held its annual forum on critical municipal issues, I voiced some early worries about the direction school reform seems to be taking, worries about a new and limiting orthodoxy that seems to be settling in on yesterday's reformers, many of whom are today's education bureaucrats. Some have, in the very first year of the reform, developed striking family resemblances to the bureaucrats they replaced.

The most telling resemblance, a veritable *deja vu*, is their reductionist approach to improving public education. Yes, we're back to money, back to more and more tax dollars, as the cure-all for the system's many ailments. When you blow the leaves away from the new bureaucrats' bear trap, everything reduces to a single concept: money.

Besides my worry about the reformers' money fixation, I have another worry: business executives' strangely aberrant behavior in the presence of leaders of the education establishment. Chester Finn has described this phenomenon in his *National Review* article (February 24, 1989) titled with the double entendre "Education as Funny Business."

**Soft Standards.** For some reason, business people seem to abandon their critical instincts when dealing with educators. For some strange reason, business leaders seem to be mesmerized by the titles, by the jargon, and perhaps by the flag-waving that comes out of the incredibly powerful education establishment. For whatever reason, business tends not to evaluate the establishment by the tough bottom-line standards of performance and accountability with which it evaluates all other goal-oriented operations. In its strange metamorphosis, business appears almost schizophrenic as it exempts the education establishment from the values, from the principles and from the disciplines by which business relentlessly judges itself.

By not being as critical as it should be, by not applying its skills, performance expectations and standards where appropriate to education, by permitting education to operate as an artificial social construct without genuine market or market-like constraints (that is, as a monopoly), by not insisting on a return on its massive education investment with payback in the form of increased academic achievement, by waiving cost/benefit justifications where education is concerned, by relying too often on education advisors hand-picked by the establishment, then accepting without challenge their carefully selected and strained statistics, by all these practices business is failing to provide the economic reality-check that education in this country so desperately needs. This reality-check is something the business community, as a deeply invested education stakeholder, is uniquely qualified to provide — and something that no other powerful institutional player, most certainly not government, will provide if business fails to do so.

When I was an operations reviewer in the Bell System, we had a maxim "Don't expect what you don't inspect." Time after time I wonder whether business, particularly big business, is really inspecting the education financials and raising the questions that would be raised internally were so many bucks yielding such a little bang.

**Economic Reality-Check.** Education in this country — public and private, elementary, secondary, and postsecondary — is a mammoth $331 billion per year enterprise employing 7 million persons, of whom 3.4 million are teachers. $269 billion is spent each year on public education. Public elementary and secondary education costs the taxpayers $183 billion, or more than a billion dollars each day of the average 180-day school year. Perhaps, like some of our dismal education results, these numbers are of a magnitude too difficult to grasp readily. But business must make the effort, and make it independently, with its own experts, if it is to provide the economic reality-check.

The current public K-12 per-pupil expenditure is estimated to be $4,806, an amount that has increased 31 percent in the past decade after adjustment for inflation. Our per capita expense for precollegiate public education is second only to Switzerland among the world's industrialized nations.

In contrast to our $4,806 per student spent in the public schools, American private schools spend a median amount of $900 per student at the elementary level, and $1,500 at the secondary level, a most important point to which I shall be returning, and one that must certainly pique the curiosity of any business person with the slightest interest in benchmarking for quality and cost-effectiveness.

**Competition Absent.** I think you would agree that the business value most conspicuous by its absence in business dealings with the education establishment is the value of free market competition, to my thinking the most "American" of all business values. Why is this? Why this abandonment of principle? – especially when we know the dangers of monopoly arrangements, such as the artificial (and limitless) pricing levels that result when you have, as we do in public education, a captive demand side (glaringly so in an urban center like Chicago, with 70 percent of its public schoolers coming from poverty-level households), a captive demand side coupled with a supply side artificially restricted by labor contracts and state teacher credential requirements.

Under these conditions the sky is the limit for spending or, judging from the spending plans now on the establishment's drawing board, perhaps the limit is outer space, which is another way of saying monopolies know no limits.

Why isn't business out in front, insisting that market and market-like constraints be built into public education as a condition for fiscal support? Why isn't business out on the point in every state capital, leading the advocacy effort for alternative teacher certification, for privatization, for deregulation, for genuine accountability legislation, and for the ultimate form of accountability – parental choice of public or private education underwritten by vouchers, tuition tax credits or tax rebates?

That is the kind of public policy leadership, of systemic intervention, where business should be taking the lead as the one and only institutional player with the clout and the self-interest to provide the economic reality-check I've been talking about, without which we may as well resign ourselves to an economic hemophilia that's only just begun.

Is American business, big business especially, on the verge of succumbing to what Milton Friedman and others have been warning us about for some time now, that is, the acceptance of the socialist view that political mechanisms, not market mechanisms, are the appropriate way to determine the allocation of scarce resources to alternative uses? It seems to me that is where business, wittingly or not, is heading, and not just on the education issue – ironically, at a time when the socialist non-solution is being rejected *en masse* around the globe.

**Gray World.** If any public policy area demonstrates the bankruptcy of an unprincipled "pragmatism" as a guiding philosophy, that area is education. I have heard top business lobbyists explain away their capitulation to education-establishment lobbyists as "what happens when you live in a world of gray." Those business lobbyists are dead wrong. Their world may seem gray to them, but it is very much a black-and-white (or perhaps, green) world to their counterparts in the establishment. If I've learned anything working with the Illinois General Assembly and studying what passes for school reform in this country, it is that the establishment, especially the unions, never lose. They never lose, certainly not here in Illinois where – our landmark school-reform act notwithstanding – after receiving $480 million new tax dollars statewide for public elementary and secondary education in the current 1990 fiscal year, a 15 percent increase over last year, the establishment is back, targeting our wallets for new tax revenues of anywhere from $500 million to $2 billion.

In the face of these escalating demands, the business community – in Illinois as elsewhere – doesn't say a word. It just keeps signing up its chief executives for one blue ribbon committee after another, where all too often their cooperation shades imperceptibly but predictably into co-option.

Why doesn't business confront the establishment with the research findings of Walberg, Hanushek, Hood, Coleman and others who tell us, for example, that "the available evidence suggests that there is no relationship between expenditures and achievement of students, and that such traditional remedies as reducing class size or hiring better trained teachers are unlikely to improve matters"?

**Dangerous Metaphor.** As someone who has been developing business-education partnerships since before they became fashionable in the early eighties (I ran the college relations operation at Illinois Bell), I have reluctantly – very reluctantly – concluded that the once useful "partnership" metaphor has seen its day and may in fact be dangerous if taken literally, especially when applied to public education. The partnership metaphor, with its implied equality, pretentiously blurs an important distinction in the relationship between educators and the public that employs them, namely, that public education is an agent of the general public. Its leaders are answerable to the taxpayers for the human and financial resources entrusted to them.

Our democracy gets into trouble when this role relationship is muddled or reversed. When educational leadership becomes a closed society – as education seems to have become, at least in some quarters – when educational leadership becomes an exclusive, politicized society whose dominant values too often appear to be power, position, and perks, it is time for *glasnost*, time for openness, time for inclusion, time – to the extent that this is necessary – to reclaim and reconceptualize the largely failed monopoly that is American public education. As a business person and as a teacher of teachers, I have no doubt whatsoever that this realignment of the terms of the relationship between education and the general taxpaying public can be accomplished amicably, without sacrificing either collegiality or cooperation.

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Earlier I mentioned alternative teacher certification, accountability, privatization, and other market-related education policy areas where, in my considered judgment, American business leadership can and must provide an economic reality-check. But the most important area, one where we have an exciting confluence of the values of equity and sound economics, an area where we are seeing a sea change in public attitudes, is choice – parental choice in education. What business does with the choice issue will be the litmus test of its commitment to the market principles it professes.

We know from the August 1989 Gallup poll that, nationally, 60 percent of all respondents and 67 percent of nonwhite respondents favor allowing students and their parents to choose which public schools the students attend, regardless of where they live. Similar results are reported in recent surveys by the Minnesota Education Association and by the Minnesota Business Partnership.

A 1985 study by the Chicago Panel on Public School Policy and Finance told us that 69 percent of parents with children attending the city's public schools would enroll their children in private schools, if they could afford it. We know from recent newspaper reports that numerous Chicago political, civic, and educational leaders – minority and majority leaders alike – send their children to private schools of choice. And, what is perhaps the best-informed of all endorsements, 46 percent of the children of Chicago public school teachers who live in the city attend private schools, as compared with only 22 percent of all school-age children in Chicago.

**Double Standard.** Obviously, many of those with the purchasing power, those with the ability to pay both taxes and private school tuition, exercise their choice option with no residual guilt about having abandoned the public school system, though some of them will not hesitate to use this self-serving "abandonment" argument to deny the same choice option to the 70 percent of poverty-level parents whose children constitute a $2.3 billion captive market for Chicago public education.

Many of those who would deny choice to the poor are the most vocal proponents of "parental empowerment" and "equity." Excuse me for thinking that this whole situation, this double standard, just reeks with inconsistency, with cynicism, with contemptuous condescension, and with an insulting and ultimately disabling paternalism.

Some business leaders, particularly those affiliated with the City Club of Chicago, understand the dimensions of equity and economics surrounding the parental choice issue. They have taken note of the fact that we have been overlooking a success story right under our noses: the 448 private elementary and secondary schools (religious, independent, and proprietary) serving 125,237 youngsters, nearly one out of four students in Chicago. In our inner city areas meeting federal poverty guidelines, for example, 135 Catholic schools serve – quietly and effectively, year in and year out – more than 42,000 students, of whom 80 percent are minorities and 40 percent are non-Catholics. Their modest tuition costs average $700 per elementary and $1,700 per high school student, compared with $4,800 per student (K-12 combined) in the public schools.

For business leaders concerned with "what works," with benchmarks for quality and cost-effectiveness, the models are right here under our noses.

**Studying Success.** Equity and economic responsibility demand that we no longer pretend these exemplary, cost-effective schools do not exist. It is time for business leadership to start studying the inner city success models, the benchmarks right in their own backyards, rather than the deficit models to which they have been misdirecting way too much of their attention.

Not long ago even William Bennett referred *sotto voce* to vouchers, preferring not to use the sometimes inflammatory "v word," as he termed it. Without pausing to consider why voucher talk has suddenly become respectable, why there is an unprecedented openness on the part of former voucher opponents to at least consider the merits of vouchers, tuition tax credits, and tax rebate proposals, let me talk about how business can capitalize on the present opportunity for discussing these alternatives publicly, at room temperature.

When we started the school reform movement, we opened a Pandora's Box. Some of yesterday's reformers, now into a new orthodoxy, seem closed to those of us who would keep extending the frontiers, especially by pursuing the implications of contextual reform, that is, reform of the fiscal environment in which education functions.

We want to challenge some bedrock ideological assumptions, such as the conventional wisdom that "public education" forever means subsidizing the producers of education, and that it could never mean empowering (with vouchers or their equivalents) the consumers of education, thus enabling them to choose whatever education – public or private – they, the consumers, want.

**Empowering Families.** Starting with poverty-level families in urban school districts, we would redistribute the redistribution, bypassing the education producers altogether, and empowering families directly. We would expand upon the new and unprecedented Milwaukee voucher plan of our respected colleague, State Representative Annette "Polly" Williams.

Where approaches such as tax credits or rebates are more appropriate, we would champion such approaches. All this would be done primarily in the name of equity, parental empowerment, and economic cost-effectiveness, not in the name of public school improvement, though that is a likely secondary consequence, given the competitive energies that would be released.

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Can the public schools be reformed? Our answer is an extremely cautious "yes," provided we continue the reforms already under way, and – most important – provided we bring about a "paradigm shift" in how we conceptualize "public education," a shift from subsidizing education producers to empowering education consumers, in open and competitive markets. It is absolutely incomprehensible that this essential reform ingredient – parental choice in competitive markets – was omitted as a national goal coming out of the President's and Governors' Education Summit.

To remedy this omission, the City Club of Chicago, one of Chicago's oldest business-civic organizations, has formed a new stand-alone division to focus on the equity and economic issues I have been discussing, a division that will help to ensure that business disciplines and values are factored into education policy decisions.

The new City Club division is called TEACH America, the "TEACH" being an acronym for Taxpayers for Educational Accountability and Choice. TEACH America will be a coalition, a broad-based, nationally-networked, action-oriented, bipartisan, multi-ethnic, grassroots coalition of business, parent, community, taxpayer, private education, and other groups and individuals committed to bringing about, among other important reform measures, the paradigm shift toward direct subsidy of education consumers that I've been describing.

As president of TEACH America, I hope that you will get behind TEACH America as we translate principle into public policy in the name of liberty and justice. For all.

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