Teacher Unions and Social Justice

Session 4
Using Internal and External Structures to Fight Systems of Injustice

Online Resource Package

This is a four-part series focuses on strategies used by a growing number of affiliate staff supporting the creation of multiracial alliances with communities and the importance of centering social justice in their unions. Social Justice Unionizing seeks to expand how we think about issue identification, power building, bargaining, partnerships, and the wins we achieve. Content and resources from the book, “Teacher Unions and Social Justice,” will be highlighted through a variety of media and discussion formats. The series will provide an in-depth study of the full text, and full attendance is strongly encouraged, but not required.

January 21, 22, 28, and 29
2:30-4:00 PM ET

Lead Contact:
Ellen Holmes
NEA Center for Organizing
eholmes@nea.org

Mapping the Movement to Dismantle Public Education

BY
MOLLY GOTT / DEREK SEIDMAN

It's not just the Koch brothers: a state by state look at the forces driving school privatization.

The following was originally published by LittleSis.

The ongoing wave of teacher strikes across the US is changing the conversation about public education in this country. From West Virginia to Arizona, Kentucky to Oklahoma, Colorado to North Carolina, tens of thousands of teachers have taken to the streets and filled state capitals, garnering public support and racking up victories in some of the nation's most hostile political terrain.

Even though the teachers who have gone on strike are paid well below the national average, their demands have gone beyond better salary and benefits for themselves. They have also struck for their students' needs — to improve classroom quality and to increase classroom resources. Teachers are calling for greater investment in children and the country's public education system as a whole. They are also demanding that corporations, banks, and billionaires pay their fair share to invest in schools.

The teachers' strikes also represent a major pushback by public sector workers against the right-wing agenda of austerity and privatization. The austerity and privatization agenda for education goes something like this: impose big tax cuts for corporations and the .01 percent and then use declining tax revenue as a rationale to cut funding for state-funded services like public schools. Because they are underfunded, public schools cannot provide the quality education kids deserve. Then, the right wing criticizes public schools and teachers, saying there is a crisis in education. Finally, the right wing uses this as an opportunity to make changes to the education system that benefit them — including offering privatization as a solution that solves the crisis of underfunding.

While this cycle has put students, parents, and teachers in crisis, many corporations, banks, and billionaires are driving and profiting from it. The key forces driving the austerity and privatization agenda are similar across all the states that have seen strikes:

- **Billionaire school privatizers.** A small web of billionaires — dominated by the Koch brothers and their donor network, as well as the Waltons — have given millions to state politicians who will push their pro-austerity, pro-school privatization agenda. These billionaires lead a coordinated, nationwide movement to apply business principles to education, including: promoting CEO-like superintendents, who have business experience but little or no education experience; closing "failing" schools, just as companies close unprofitable stores or factories; aggressively cutting costs, such as by recruiting less experienced teachers; instituting a market-based system in which public schools compete with privately managed charter schools, religious schools, for-profit schools, and virtual schools; and making standardized-test scores the ultimate measure of student success.
- **Regional corporate forces.** Major corporations in each state, often from the fossil fuel industry, are key drivers and beneficiaries of the pro-austerity, tax-cutting policies that have gutted school funding — and now they are opposing the teachers trying to fix the mess these corporations created. Many of these corporations also fund and lead charter schools (which can drainfunding from traditional public schools), donate to pro-austerity/pro-education privatization school-board candidates, and advocate for policies like increased standardized testing, using inexperienced teachers to cut costs, and outsourcing school functions to private companies.
- **Koch-backed think tanks.** A slew of state-level front groups — many tied to the State Policy Network, a national network of think tanks funded by the Kochs, Mercers, Waltons, and other billionaires — serve as a key PR wing for the anti-teacher privatization agenda.

We put together the following list to begin identifying which corporate actors are driving and profiting from austerity in the states where teachers have gone on strike. For each state we asked: Who are the main power players? What banks or corporations are taking money out of the public budget? Who are the major donors to politicians who are slashing public education budgets while doling out big tax breaks to corporations? Which one-percenters are bankrolling education privatization?

This article lays out some information about the corporations, banks, and billionaires that teachers in Arizona, Colorado, Kentucky, Oklahoma, and West Virginia are up against. (We also include a table at the end that shows the biggest corporate beneficiaries of public subsidies).

Arizona's Koch-funded Gov. Ducey and corporate-backed Arizona Education Project

In Arizona, top individual tax rates have plummeted from 7 percent to 4.54 percent since 1990, and revenue from corporate income taxes have been more than halved in the past decade, dropping from $986 million in 2007 to $368 million in 2017. This austerity agenda has cut funding per student by nearly a fifth over the past decade — from $4,949 in 2008 to $4,157 in 2018.

Arizona governor Doug Ducey is a longtime Koch ally and a big proponent of school privatization. The Koch brothers poured $1.4 million into Ducey's 2014 gubernatorial run, and he recently headlined a Koch donor retreat. Ducey's chief of staff used to be president of the Koch-funded Americans for Responsible Leadership. Last year, ALEC hosted a luncheon for a third of Arizona's GOP state legislators, and Rep. Debbie Lesko is an ALEC member.

The Koch donor network also funds the Goldwater Institute, Arizona's anti-teacher SPN affiliate. Trump backer Rebekah Mercer is on the Goldwater board, and a former Ducey official now heads up the Institute. Today, Arizona has proportionally more charter school students than any other state, and ALEC puts Arizona at the top of its Report Card on American Education. Furthermore, the Walton Foundation has funneled a whopping $4,294,000 (and possibly more) to pro-charter forces in Arizona since 2009 (more on the Waltons below).

Arizona corporations fund the Arizona Education Project, which spent more than $1 million on pro-Ducey education ads before the teachers' strike. AEP is backed by the Arizona Chamber of Commerce, the Service Group of America (a private food-service company), and Pinnacle West Capital, the parent company of Arizona Public Service, the state's largest electric utility. Pinnacle West has poured big money into Arizona politics — top executives have already given Ducey over $130,000 for his 2018 run, not to mention millions of dollars in dark money that APS has put in play in other elections. Pinnacle supported Ducey during his 2014 campaign — its CEO even chaired Ducey's inauguration committee. Both Pinnacle and Service Group of America have ties to the Koch network.

Oklahoma's pro-austerity fossil fuel industry and Koch-backed Gov. Mary Fallin

Since 2004, Oklahoma has cut the top personal income tax rate from 6.65 percent to 5 percent, abolished the estate tax, and exempted capital-gains income from being taxed — all while the state faced a billion-dollar budget shortfall.

The fossil fuel industry drives the state's austerity agenda. Three companies — Devon Energy, Chesapeake Energy, and Continental Resources, whose CEO Harold Hamm is worth $18.8 billion — succeeded in getting an ultra-low tax rate of just 2 percent on new drilling wells for the first three years of operations. In 2015 alone this amounted to a $470 million subsidy for the industry. All told, general funds are down 35 percent in Oklahoma since 2006. Meanwhile, spending on students has dropped 28 percent per pupil since 2008, and teacher salaries are ranked forty-eighth in the nation.

Oklahoma governor Mary Fallin has close ties to the Koch network. She received an award from ALEC in 2013, spoke at an ALEC summit in 2008, and has been an ALEC "Legislator of the Year." The Koch-backed SPN has three affiliates and associates in Oklahoma — the Oklahoma Council of Public Affairs, the 1889 Institute, and the EFoundation. The EFoundation's advisory council includes Todd Lamb, the current Lieutenant Governor, and oil and gas industry billionaires like T. Boone Pickens. The head of the 1889 Institute used to be at the Goldwater Institute, and many staff from the OCPA have ties to the Koch donor network-backed web of think tanks.

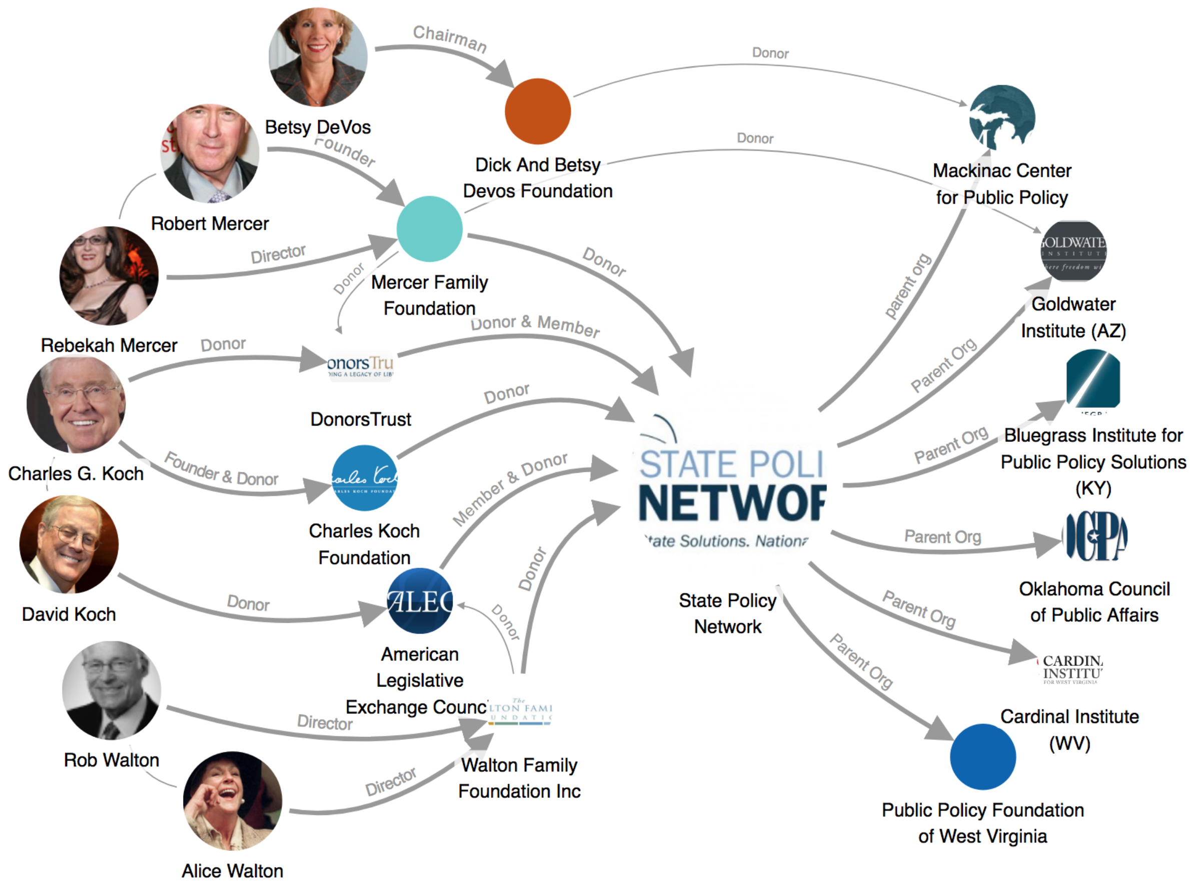
Nor is it just SPN affiliates pushing the privatization agenda in Oklahoma — billionaire charter school pusher Eli Broad has been a key backer of school privatization there.

West Virginia's coal barons push tax cuts that gut school funding

West Virginia has steadily slashed corporate taxes since 2006. It cut its corporate net income tax rate from 9 percent to 6.5 percent and phased out its business franchise tax. The West Virginia Center on Budget and Policy estimates that these and other cuts have gutted state revenue by more than $425 million a year. Because of this, funding per student has dropped 11 percent in West Virginia since 2008, and teacher salaries are ranked forty-ninth in the nation.

Oil, gas, and coal dominate West Virginia and are key pushers of austerity. For example, Bob Murray — CEO of Murray Energy, the state's largest coal company — pushed hard for cuts to the state's severance tax on oil, gas and coal companies (the state legislature passed a 40 percent cut to the severance tax in 2016). Murray has been a major GOP donor — in 2014 alone, he spent $250,000 trying to get Republican lawmakers elected. Current Governor Jim Justice is a coal baron — and the state's only billionaire — who owes $15 million on taxes even though he's received $379,799 in public subsidies.

The Koch-backed SPN has two affiliates in West Virginia — the Cardinal Institute and the Public Policy Foundation of West Virginia. The Cardinal Institute's leaders have ties to other billionaire-backed groups likeAmericans for Tax Reform and the Center for Individual Freedom. Its social media profile steadily pushes school privatization and it has made the rounds in the Virginia media, writing op-eds with titles like "Teacher pay system institutionalizes mediocrity."



In Kentucky, the Koch brothers and coal industry have systematically defunded public education

In Kentucky, Governor Matt Bevin has pushed tax cuts for corporations and the ultra-wealthy and cuts to public services since he took office in 2015. A *Lexington Herald-Leader* investigation found that Kentucky gives away $13 billion in tax expenditures (a mix of accumulated tax breaks, tax credits, and incentive payments involving tax money) every year — more than the state collects. In the early 2000s, subsidiaries of the now-bankrupt coal giant Peabody Energy received $266 million in tax subsidies from Kentucky. Amazon has received $111 million in tax subsidies from the state.

Who has helped drive these cuts to education and corporate tax giveaways? The Koch brothers and the coal industry.

Even though Governor Bevin wasn't the Koch's first choice for Kentucky governor, he has loyally pushed the billionaire donor network's agenda. Bevin recently spoke at a Koch donor retreat, and the Koch-backed American for Prosperity praised his new work requirements for Medicaid recipients. Americans for Prosperity has orchestrated the systematic defunding of Kentucky's public education system — it has played an integral role in bringing charter schools to Kentucky and advocated for tax cuts for the ultra-wealthy that rob Kentucky's schools of desperately needed revenue.

In Kentucky, the coal industry has extracted natural resources and community wealth from the state for decades. One of the most powerful men in Kentucky is billionaire coal magnate Joe Craft, CEO of Alliance Resources. Craft and his wife Kelly Knight Craft are two of Bevin's biggest supporters. While Bevin was running for governor, they hosted a private event to introduce him to the biggest Republican donors in the state. Once Bevin won, the couple chaired his inauguration fundraising committee.

Craft also chairs the Kentucky Chamber of Commerce, which has again and again advocated for tax cuts for corporations and the wealthy that have left Kentucky's schools underfunded. Craft has also emerged as an outspoken Trump supporter. He gave $1 million to the Trump inauguration committee and "sat front and center as the president signed an executive order and declared the 'war on coal' over."

In Colorado, billionaires Philip Anschutz and Charles Ergen, oil and gas companies, and Wells Fargo avoid taxes to keep schools underfunded, while advocating for privatized education

Out of the forty-four states that levy a corporate income tax, Colorado ranks the third lowest. The state has doled out at least $732 million in tax subsidies to corporations over the past ten years. The single largest subsidy, worth $300 million, went to Starwood Property Trust, the largest commercial mortgage Real Estate Investment Trust in the United States. Starwood is run by billionaire Barry Sternlicht, whose investment empire includes single-family rental homes and Westin Hotels.

Teachers in the state are supporting a ballot initiative that would fund public education by raising taxes on corporations and people earning more than $150,000. The ballot initiative would certainly ensure that Colorado's eleven billionaires and other wealthiest residents pay their fair share to fund the state's public education system. These billionaires include Philip Anschutz, the fossil fuel and real estate billionaire who is worth $13 billion; Charles Ergen, the DISH Network Chairman who is worth $13.4 billion; and Kent Thiry, the politically active CEO of DaVita Healthcare.

Anschutz and his family have spent hundreds of thousands in campaign contributions to elect state legislators and school-board members, while also financing charter schools in the region, including KIPP:Colorado. Thiry has spent over $75,500 in school board elections, while DaVita executives have influential positions at organizations including KIPP:Colorado and Colorado Succeeds, an organization for businesses aiming to transform Colorado's education system.

Similarly to other states on this list, Colorado's oil and gas industry has played a central role in defunding education. It has successfully campaigned for deregulation and low tax rates, spending more than $80 million over the past four years to influence ballot initiatives, elections, and public opinion. In 2016, BP won a court ruling that amounted to an estimated $100 million tax refund to oil and gas companies across the state.

Anadarko Petroleum and Noble Energy, the top energy producers in the state, have been major donors to the pro-corporate agenda in Colorado. The two companies have spent over $22 million combined in campaign contributions — primarily to various pro-business ballot initiatives and Republican candidates — at the state level. Anadarko and Noble are also leaders in several corporate trade organizations, including the Colorado Association of Commerce and Industry, the Metro Denver Chamber of Commerce, and Colorado Concern. These corporate trade groups have advocated for keeping taxes low for corporations and the ultra-wealthy, as well as leaving corporate-tax loopholes intact, while simultaneously promoting education privatization and charter school expansion.

Wells Fargo, Colorado's biggest bank, Xcel Energy, the state's largest utility, and Molson Coors are also driving forces behind the Colorado Association of Commerce and Industry and the Metro Denver Chamber of Commerce. Wells Fargo saved $3.35 billion in taxes last year due to the federal tax-reform bill — even as it avoided paying taxes in Colorado that could help fund public services.

The Walton Family also has Colorado ties. Nationally, the Walton Family Foundation has been one of the biggest funders of charter schools and education privatization. The foundation estimates that it has provided startup funds to one out of every four charters in the country. The foundation also funds the State Policy Network (mentioned above). In 2016, it announced a $1 billion initiative to expand charter school and other choice initiatives even more over five years. In 2016 alone, the Walmart Family Foundation provided $60,000 to the Colorado League of Charter Schools, $250,000 to education privatization organization Colorado Succeeds, and at least $100,000 to KIPP:Colorado.

While many of the Waltons live in California and Arkansas, Denver has its very own Walton family heir — Ben Walton, a board member at the Walton Family Foundation. Of course, Walmart is also a major beneficiary of the decades-long strategy to cut corporate taxes.

North Carolina's billionaires collaborate to push privatization

North Carolina has implemented some of the most aggressive tax cuts for corporations and the wealthy in the entire US, and it's home to some of the most aggressive right-wing and school privatization forces in the country as well.

Similar to teachers in other states, North Carolina teachers are making demands to reverse the crisis created by these corporate forces and their austerity agenda. These demands include a rise in per-pupil spending, $1.9 billion to fix crumbling schools and large class sizes, an end to corporate tax cuts until per-pupil spending and teacher pay reach the national average, and hundreds of new nurses, social workers, and counselors.

North Carolina teacher pay ranks thirty-ninth in the nation, and teachers have experienced a 9.4 percent decline in real income since 2009. Whereas the national average of per-pupil spending is $11,642, it is significantly less in North Carolina at only $9,329. Moreover, as we discuss below, corporate school-privatization advocates have succeeded to reallocating public education funds into the coffers of private and charter schools.

This defunding of public education is the product of one of the deepest waves of tax cuts for corporations and the wealthy in the entire US. These tax cuts have benefited big businesses and the super-rich tremendously — the top 1 percent of North Carolinians have received more than a one-third of the money from the tax cuts — but gutted state revenues for public services like schools.

In 2013, the GOP-dominated North Carolina state legislature approved a plan that cut corporate taxes from 6.9 percent to just 3 percent by 2017. According to the *Denver Post*, this is the lowest corporate tax rate in the nation — though still not low enough for North Carolina plutocrats and conservatives, who are lowering it even more next year to 2.5 percent. In addition to this, the personal tax rate, which taxed the wealthiest at 7.75 percent, was turned into a 5.75 percent flat tax, which was lowered again to 5.49 percent in 2017 and it set to fall to 5.25 percent in 2019. On top of all this, North Carolina abolished its estate tax while boosting sales taxes on things that would disproportionately hit working people, like car repairs.

These tax cuts have devastated state revenues that go into funding services like public schools. In 2017, the North Carolina Justice Center wrote that tax cuts from 2013 to 2017 would result in $3.5 billion less revenue than before the tax cuts were implemented (at most, economic growth in the state made up for only about one-third of these losses). Meanwhile, the North Carolina Legislature's Fiscal Research Division projects a budget shortfall of at least $1.2 billion in 2019, which is 5 percent of the total state budget.

As a result of all this, real spending on per-pupil spending is down, and there are 10,000 fewer public teachers in the state. According to the Institute on Taxation and Economic Policy, since 2009–2010 state funding for textbooks has declined 45 percent, funding for supplies and materials has declined 55 percent, and funding for technology in schools has declined 59 percent. Earlier this month, the State Board of Education pleaded with state leaders to hold off on a $5 million cut to the school budget planned for July, which comes on top of another $3 million cut last year.

As mentioned, this damaging agenda of tax cuts and public school defunding has been driven by powerful corporate forces and their far-right allies. A key player has been Art Pope, a multimillionaire who is the founder and CEO of Variety Wholesalers, a chain of hundreds of discount stores based in North Carolina. Pope's net worth is unclear — he denies that he's a billionaire, though he has spent tens of millions on state politics and a 2011 story said his family foundation may have $150 million in assets.

Pope has bankrolled the conservative austerity agenda in North Carolina as well as reactionary causes like HB2, the so-called "Bathroom Bills" that discriminated against transgender people. He has spent at least $55 million on conservative think tanks and advocacy groups — and this number is from 2014. After throwing millions into pushing a far-right agenda in North Carolina, then-Governor Pat McCrory even made Pope his budget director — quite literally letting this big donor become a major architect of the state's austerity agenda (Pope's political donations stopped when he was in government, but they shot back up when he left the position in late 2014).

Pope is a key player in the same donor network as the Koch brothers. He is a funder of American for Prosperity (which he gave $215,000 to in 2015–2016) and dozens of other far-right, billionaire-backed groups that push the austerity and privatization agenda. In particular, Pope bankrolls a slew of State Policy Network (SPN) affiliates and associates. The SPN is an astroturf network of thinks tanks that pushes school privatization and has issued guidelines — that were leaked to the media — on how to discredit striking teachers. North Carolina SPN affiliates and associates include the John Locke Foundation, the Civitas Institute, and the Jesse Helms Center. Pope gave these three groups a combined $3,836,0000 in 2015–2016, and the John Locke Foundation and Civitas Institute in particular have been big opponents of teachers, publishing a stream of anti-teacher, pro-school privatization articles in the lead up to North Carolina teachers' actions. (The Civitas Institute also created a repugnant database of those arrested in Moral Monday protests that included their mugshots).

While Pope has been a big driver of North Carolina's far-right austerity and privatization agenda, other corporate forces have pushed and benefited from that same agenda. One big player is Duke Energy, a major fossil fuel and utilities corporation based in North Carolina. The board chair of the North Carolina Chamber of Commerce, David Foundation, is the North Carolina president of Duke Energy, and Duke is one of the Chamber's foundation investors. Pat McCrory, who was governor when the state legislature passed its huge tax cuts, and who appointed Art Pope as his budget director, worked at Duke Energy for twenty-eight years prior to entering politics. McCrory hosted a private dinner with Duke CEO Lynn Good and other Duke executives at the Governor's mansion in 2015. Good is widely seen as one of the most powerful people in the state. In the past, Duke has been tied to the state's school privatization movement.

Two of North Carolina's four billionaires, Jim Goodnight and John Sall, co-founded and are top executives of SAS, a business analytics software vendor based in the state. Goodnight and Sall together are worth almost $15 billion. Goodnight and former Governor McCrory are friends, and Goodnight is a big political big donor and is viewed as influential in North Carolina politics.

Other major corporations with their headquarters in North Carolina include Bank of America and Nucor. Corporations in North Carolina have also benefited from close to $5.5 billion in subsidies, most of it since 2008, according to Good Jobs First. The biggest beneficiaries of corporate tax subsidies include Apple (which has received over $360 million in subsidies), Dell (which has received over $303 million in subsidies), and Fidelity Investments (which has received over $105 million in tax subsidies).

These corporate forces that have benefited from North Carolina's huge tax cuts have also created conditions for the state to become a laboratory for school privatization. A leader of Parents for Educational Freedom in North Carolina, or PEFNC — a big beneficiary of Walmart money with ties to Betsy DeVos, which we discuss below — remarked that "you'd be hard-pressed to find another state that has done so much in education reform." One big thing that has paved the way for this school privatization has been the rise of vouchers — with different titles like Disabilities Grant, Opportunity Scholarship, Education Savings Account — that have channeled public revenue away from public schools and into the private and charter school system.

The Waltons — heirs to the Walmart fortune — have intervened in North Carolina to push school privatization (Walmart is also the biggest private employer in North Carolina). Since 2009 the Walton Foundation has channelled a whopping $4,635,000 to PEFNC. In February, PEFNC's president left the organization to become national director for state teams and political strategy for the American Federation for Children (AFC) — the school-privatization advocacy group that was founded by Betsy DeVos. The AFC funded the PEFNC while DeVos was in charge of it.

As the Waltons' actions show, the school privatization push in North Carolina gets a lot of money from out of state. Another example of this is Oregon multimillionaire John D. Bryan, who runs a charter school network with thirteen schools in North Carolina. Bryan threw $600,000 into North Carolina politics to ultimately help pass a law allowing for the takeover of low-performing schools in the state. Now, Bryan's charter network, TeamCFA, is being recommended to partner on the takeover of several schools.

Strike Against Austerity and Privatization

As all this shows, striking teachers across the US are taking on some powerful forces — the billionaires and corporations that are driving austerity, propping up far-right politicians, and pushing school privatization. The strikes may be occurring in different states, but they all face similar corporate forces and a similar agenda that is the source of the chronic underfunding of public education. Teachers get this — and it's part of the reason their demands have gone well beyond things like (well-deserved) pay raises and protection of benefits. As the teachers' fight continues, it will be important to continue to identify and map out the key corporate players behind austerity and school privatization — so as to better challenge their damaging agenda.

ABOUT THE AUTHOR

Molly Gott is a researcher with the Public Accountability Initiative & LittleSis.org.

Derek Seidman is a researcher with Public Accountability Initiative and its flagship site LittleSis, based in Buffalo, New York.

FILED UNDER

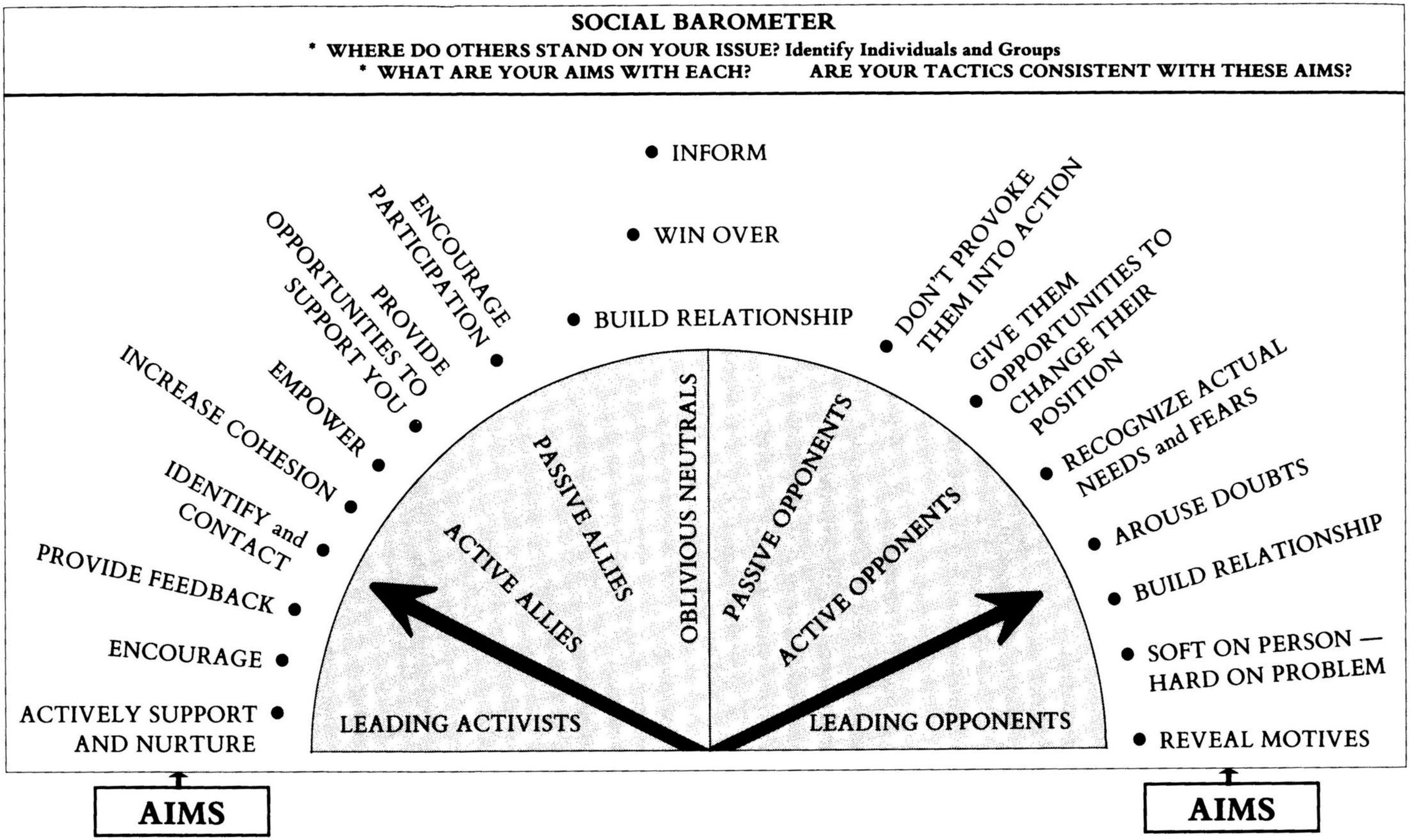
UNITED STATES

EDUCATION / RICH PEOPLE / CONSERVATISM

PRIVATIZATION / 2018 TEACHERS' STRIKES

Club or Union?

	Unorganized	Club	Union	Fighting Union
Budgeting	Little or no local funding	Funding used to recognize activists -- stipends, meals	Funding use to recognize activists and also to reach out to members: stickers, buttons, tee shirts, picket signs	Funding used to release activists to do work, to communicate with members, and to open opportunities to the newly active
Roles	A few officers, risk of vacancy	Proliferation of titles and stipends to Presidential allies	Tiles and roles generally tied to actual activities; if there's a treasurer, there is a budget; if there's a newsletter chair, there's actually a newsletter	Titles rotate regularly, or are even dropped when no longer needed
Bargaining	No bargaining, or done by a single expert (UD, President)	Small group of the usual folks on the bargaining team that the president trusts	Team represents all major job categories. Criteria is whether or not the president trusts them and they are recognized by members	Team represents all major job categories; criteria is whether they are trusted by the members
Leaders	Volunteers if any	Tends to be the same small group of folks that populate other teams.	Elections are regularly held and there are sometimes contested positions. Leaders can move others to act. However, their focus is on activism and mobilizing instead of term organizing.	Are trusted and respected by members, and there is a healthy election process with a number of good candidates. Leaders routinely deliver on persuading large groups to take public collective action; the and actively seeks other trusted and respected leaders
Advocacy	None, or done by staff and/or local president Used as one of the few justifications to pay dues	Few members may help with advocacy with much support from staff. It is viewed solely as a service to single members.	Intentional identification and training of member advocates. Most low level meetings are conducted entirely by member advocates with support from local president. Most advocacy is still viewed as a service to individuals with some understanding that protecting the work standards are in everyone's interest.	Intentional identification and training of member advocates. Most low level meetings are conducted entirely by member advocates with support from local president. Advocacy is primarily viewed as way to build worker solidarity and ways to exercise collective action in response to poor work standards. Issues to organize around.
Activity	None led by the union, the staff, or by union members. No ownership.	Programs for individual interest with little risk in participating. Led by one person, and focus of change is on personal practice.	Works to have leaders design and lead the program. Focus is on change of relationship with the union.	Organizing the focus is on the solidarity of the group and the work is to apply pressure on a system.



I wish to acknowledge inspiration from David H. Albert: "People Power — Applying Non Violence Theory" New Society Publishers, Philadelphia, PA, 1985.

Thinking About Systems of Injustice

System of School Funding
Who are the powerholders?
What are the unjust policies and systems being used?
Who is being oppressed?
What is the overall impact on society?
System of Student Testing
Who are the powerholders?
What are the unjust policies and systems being used?
Who is being oppressed?
What is the overall impact on society?
How are these injustices linked to the work of your Union?

Pillars of Support

Summary Definition: Power stems not just from a ruler's ability to use force, but from the consent and cooperation of the ruled, which can be voluntarily and nonviolently withdrawn by identifying, targeting and undermining the ruler's "pillars of support" — the institutions and organizations that sustain its power.

Origins: Gandhi, Gene Sharp, Robert Helvey

Conventional wisdom tells us that power resides in the hands of those at the top, and that when push comes to shove, "power grows out of the barrel of a gun," as Mao famously said. If so, then the only way to defeat a violent opponent is through the use of even greater violence.

At the root of all nonviolent action, however, is a different understanding of the nature of power — one that flips this conventional wisdom on its head. This understanding posits that power is ultimately dependent on the cooperation and obedience of large numbers of people acting through the institutions that constitute the state. These are its pillars of support.

Some of these pillars, such as the military, the police and the courts, are coercive in nature, compelling obedience through force or the threat thereof, while other pillars, like the media, education system and religious institutions, support the system through their influence over culture and popular opinion. Hence, the power of even the most charismatic or ruthless leader is contingent upon the support of key institutions, themselves vulnerable to popular action or withdrawal of consent from the general population.

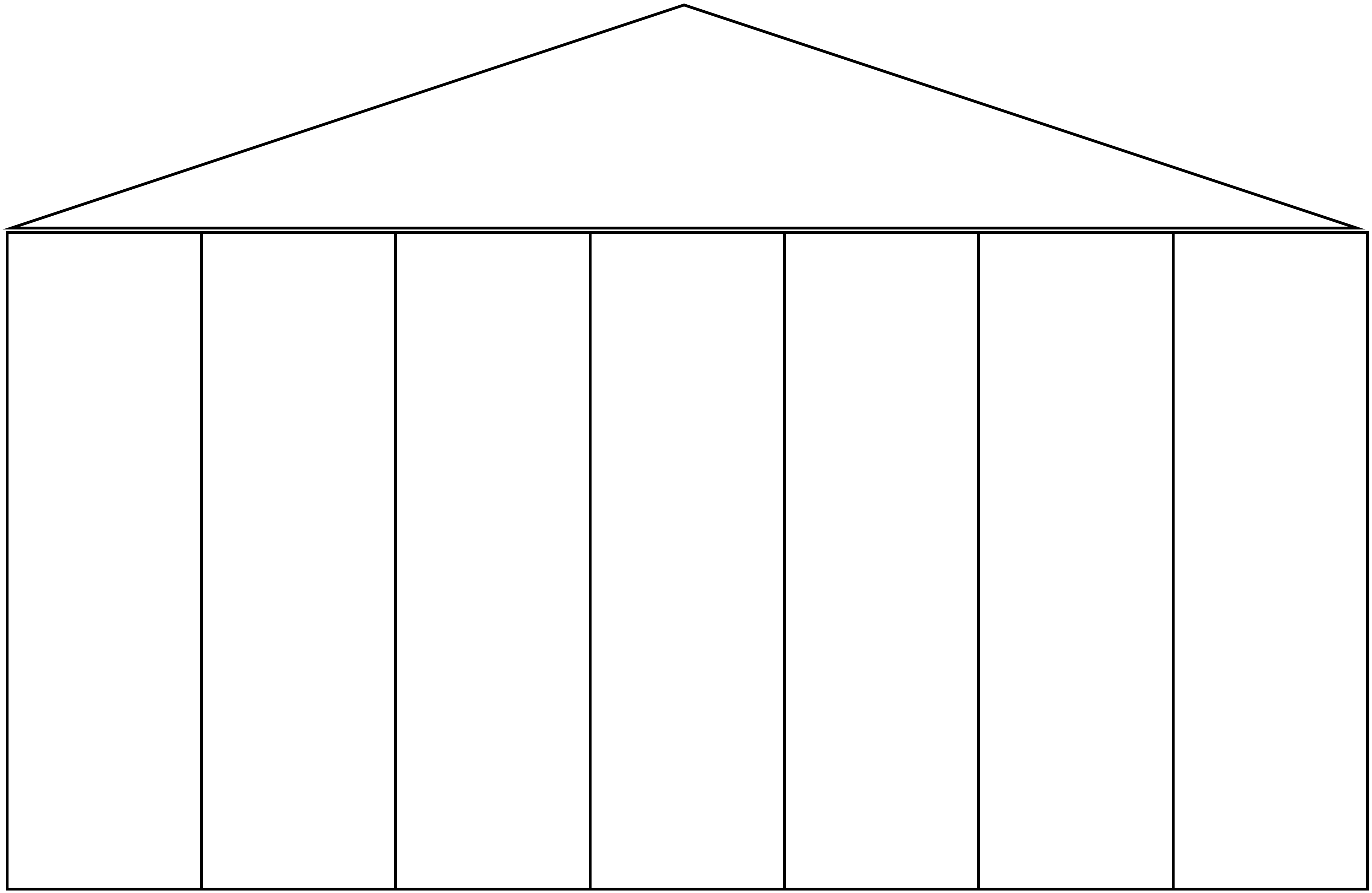
Once people decide they no longer accept the status quo and begin to resist, the balance of power shifts. For example, when millions of Americans participated in the successful five-year national boycott of grapes led by Cesar Chavez to improve the pay and workers conditions of exploited farm workers; when tens of thousands of activists effectively shut down the World Trade Organization gathering in Seattle in 1999 by blocking the streets and entrances to the convention center; when thousands of U.S. soldiers refuse to deploy or redeploy to the wars in Iraq or Afghanistan, the power of the powerful is constrained, and can, in extreme situations, disintegrate entirely.

For activists, the key takeaway lesson of the pillars of support concept is to identify a ruling target's pillars of support, determine which can be won over and how, and then set about working to win over, or at least neutralize, those pillars of support, so that the foundation that sustains the target begins to crumble.

Power ultimately rests not in the grip of presidents, generals and billionaires, but in the hands of millions of ordinary people who keep society running smoothly on a day-to-day basis, and who can shut it down should they so choose. This is the meaning of the slogan people power. One of the principle reasons that so many injustices persist is not that the powerful can simply do whatever they want with impunity, but because most people are ignorant of the power they can wield by withdrawing their consent.

https://beautifultrouble.org/theory/pillars-of-support/

The House of Injustice Stands on Pillars of Support



For the issue that you select – Who are the powerholders? Write the name(s) in the “roof” of the House of Injustice. Now, name each of the “pillars of support” - the institutions and organizations that help the powerholders to sustain power. Within each pillar, identify if you think it can be won over or at least neutralized. If possible, add some thinking about HOW you might do that.

Financialization Created Chicago Public Schools' Fiscal Crisis

BY
STEPHANIE FARMER

Chicago Public Schools has constantly found itself in fiscal crises in recent years, crises that then justify brutal austerity. But those crises didn't come from nowhere: they were the logical outcome of turning to Wall Street for funding on credit instead of taxing the rich.

Chicago Public Schools (CPS) is in a deep and enduring fiscal crisis. After decades of budget cuts, Chicago's public K–12 schools have been hollowed out, magnifying the hardships of stagnant wages, rising housing prices, and more faced by the city's working class. Pundits have predictably blamed CPS's fiscal crisis on either the greedy teachers' union (Republicans' and a few austerity-minded Democrats' scapegoat) or on conservative suburban and rural "downstate" politicians in Illinois hostile to urban children's plight (most Democrats' scapegoat).

But Chicago is a one-party city, controlled by the Democrats, in a solidly blue state, where Democrats usually control the state government. In reality, CPS's endless fiscal crises and austerity are consequences of a ruling-class project to chip away at Chicago public education. This has involved a two-pronged strategy of school-choice policies and education financialization carried out by successive Democratic mayors with the backing and active encouragement of key elements of Chicago capital. School-choice policies seek to remake public education in the image of a competitive market, where schools compete for education consumers (children and their parents). Education financialization expanded the role of financial instruments, actors, and markets in public education's operations.

Together, these policies have reconfigured Chicago Public Schools. The district's funding streams now function as a rent extraction machine, channeling revenue out of the CPS classrooms that serve black, brown, and immigrant working-class neighborhoods and into the pockets of Wall Street.

A Marketplace of Schools

Public K–12 education has many uses. It provides hard and soft skills in preparation for the labor force; socialization in civic, cultural, and political norms; and acts as de facto childcare centers for younger children, reducing the cost of living for parents. Radicals and reformers have demanded tuition-free public education since the late eighteenth century. Universally accessible, tuition-free, public, K–12 education contributes to the social wage, the mix of publicly provided goods and services that add to the normative standard of living. Universal access to tuition-free public K–12 education was rolled out alongside other New Deal reforms of the 1930s and '40s — taxing the rich, the expansion of unions, and regulation of finance and industry — associated with the Keynesian period in the development of US capitalism.

By the 1970s, the Keynesian phase of US capitalism was in crisis as competitor economies in Europe and the Pacific Rim rebuilt following World War II, and high wages and high fixed costs cut into the corporate profit rate. In the 1980s and 1990s, an ideologically committed and organized capitalist class rolled back Keynesian capitalism and rolled out a more cutthroat neoliberal capitalism.

By the 1990s, an anti-tax, anti-union, anti-regulation, and anti-public-sector ideological conventional wisdom had taken root among Republicans and Democrats alike. Taxation was characterized as rent-seeking by the "parasitic state" with its inherently "inefficient" public sector. In contrast, free enterprise capitalism with open markets and light regulation was held up as the ideal institutional arrangement for organizing the production and distribution of nearly all goods and services.

In this context, the meaning of public education shifted. Public education became less about cultural enrichment and civic engagement. Under neoliberalism, the emphasis in public education was placed, first and foremost, on providing individuals with the skills and habits appropriate for the marketplace. Anyone could overcome the hardship of their circumstances so long as they were willing to work hard, first in school and later in the labor force.

Public schools were expected to operate akin to businesses and adapt to the new era of iterative austerity, doing more with less. Public education was expected to reflect and advance the same norms and practices as the prevailing neoliberal capitalism it was embedded in.

In Chicago, Mayor Richard M. Daley and his business-elite organization backers (like the Civic Committee of the Commercial Club) were ahead of the national trend in implementing neoliberal reforms of the school system. In order to make schools function more like businesses, CPS adopted school-choice reform policies (like the 1996 Illinois Charter School Law and the Renaissance 2010 plan of 2004) that would create a simulated "marketplace" of schools. Parents were encouraged to approach education like consumers and choose the best school product for their children, comparing metrics of success like shopping for toothpaste in the grocery store.

Chicago mayor Richard M. Daley in May 2010 (Chris Eaves / Wikimedia Commons)

To create this school marketplace, CPS closed putatively low-performing public schools and rolled out a portfolio of high-performing public schools (like gifted elementary, magnet, and selective enrollment high schools) with competitive admission criteria, primarily in high-value real estate markets.

CPS also privatized the school system through charter schools, schools that are privately operated but still publicly funded. These less transparent, less democratically accountable, and initially nonunionized charter schools were overwhelmingly placed in black and Latino working-class communities.

According to the Chicago Public Schools Comprehensive Annual Financial Report from 1995 to 2018 (our data source throughout), between those years, CPS opened 230 new schools, while closing 123 schools, for a net gain of 107 schools. Over half of CPS’s 230 new schools were charter schools. Charter school expansion privileged the interests of charter operators, seeking a foothold for their business enterprises in the city, over what was best for the public school system as a whole. As the CPS system was growing dramatically with a wave of charter expansion, Chicago's population of school-aged children actually declined from over 435,000 students in 2005 to 371,000 students (64,000 fewer kids) in the CPS system in 2018.

Despite this pattern of population decline, nearly 85 percent of the new charter schools were opened after 2005. By 2018, charter school proliferation consumed 11 percent of CPS's budget, up from just 3 percent in 2006.

The Financialization of Chicago Public Schools

Due to the prevailing neoliberal anti-tax conventional wisdom, the state and city governments were unwilling to raise taxes to fund CPS. So, in order to carry out these school choice reforms, CPS turned to credit markets, paving the way for education financialization. Local education administrators, financiers, and politicians partnered up to devise frameworks and investment instruments that insinuated finance capital into the funding and operation of public education as the needs and well-being of children were monetized for rent-seeking investors.

Finance capital was attracted to public education because it provided new sites for capturing profits. By the 1990s, due to overaccumulation in other markets and government deregulation of finance, capital flooded into US finance and real estate markets. Moreover, dollar-denominated US municipal bonds were comparatively safer and provided steadier returns (albeit at a lower rate of return) than other, more traditional private-sector investment instruments.

With this new, expanded access to credit markets, CPS leveraged $8.5 billion in debt to finance its oversupply of choice schools. By 2018, CPS was dedicating $651 million of its budget (or 10 percent of its operations budget) to make payments on its debt, up from $133 million, or 3.5 percent of its operations budget in 1998 (adjusted for 2018 inflation).

Predictably, charter schools carved out their own niche in the financialization game. Since their finances are considered proprietary, researchers could only find data for 27 percent of all CPS charter schools in 2015 through audits filed with the Illinois State Board of Education. The combined outstanding debt from bond issuances for these Chicago charter schools totaled $225 million. Ultimately, charter school debt becomes taxpayer debt, since charter schools receive a per-pupil stipend from CPS to cover their facility and operations expenses.

The Chicago Public Schools logo. (WBEZ)

As the debt obligations of CPS grew, the district pursued financial fixes to address debt-driven budget shortfalls. CPS leadership contracted with banks to develop new, higher-risk speculative instruments around CPS debt, including variable rate bonds, auction rate bonds, credit swaps, and options. CPS officials were hoping to deliver a financial windfall for the public sector via these high-risk, high-reward instruments.

CPS made an unprecedented $1.5 billion bet on bonds with high-risk floating interest rates. Traditional municipal bonds have a fixed interest rate for the term of the bond. In contrast, bonds with floating interest rates have rates of interest that rise or fall in relation to some agreed reference rate (frequently the LIBOR rate at which banks lend to one another). If interest rates fell below the traditional fixed interest rate bonds, CPS would capture significant savings. Yet if interest rates rose above that fixed interest rate, CPS would be obligated to pay more for their bonds than traditional bonds.

Then, in a gambit to protect CPS from the impact of interest rates falling, the district "hedged" their risk by buying $1 billion worth of interest-rate swap derivatives from Bank of America, Goldman Sachs, Merrill Lynch, and Lehman Brothers.

When the 2007 financial crisis hit, the Federal Reserve reduced interest rates to 0.5 percent. CPS's interest-rate swap agreements mandated the school district pay a higher fixed interest rate on their variable rate bonds to the investment banks holding the swaps, which only had to pay a little over 0.5 percent interest rate on the variable bond. The investment banks pocketed the difference between what CPS paid them and what they owed on the bond. The *Chicago Tribune* has shown that the variable rate bonds may have cost Chicago taxpayers $100 million more than if the schools had borrowed the debt with more traditional fixed interest rate bonds.

Meanwhile, the same banks that were reaping windfall profits from CPS's interest-rate swap disaster were also receiving federal bailout dollars. There was no bailout for CPS. The district had to pay a total of $254 million in penalties to terminate all their associated swap contracts in order to refinance their underlying debt at the lower interest rates now on offer. Since CPS revenues nose-dived during the crisis, they had to turn once again to the credit markets, to borrow money (at interest) from banks awash in government bailout dollars to pay those penalties.

CPS also sold option derivatives to the Royal Bank of Canada and Bank of America on its bonds, where the contract compelled CPS to issue debt if certain conditions occurred, like credit rating devaluations. In the wake of the financial crisis, CPS's bond rating fell below the rating needed to be in good standing for those options. In turn, the banks exercised their rights to make CPS issue another $263 million in new debt in order to protect their investments.

Altogether, CPS's fling with exotic debt instruments cost the school system at least $617 million. Since these payments were themselves largely debt financed, the people of Chicago, via the taxes paid to CPS, will end up paying Wall Street nearly $1 billion on these losses.

Public Education Dispossession

Chicago Public Schools' school choice reform and financializing strategies have entrenched the public schools in a cycle of austerity. Tax cuts for the rich and retrenchment of federal and state government forced local governments into footing the bill for public goods and services under conditions of fiscal austerity. CPS overbuilt public schools through a high debt leverage funding strategy. This debt-driven oversupply of schools in an era of austerity pushed CPS to use risky financial instruments that then increased the debt burden of CPS.

The rising costs associated with building and operating redundant schools, growing debt service obligations, and the fling with high-risk exotic financial instruments produced recurrent fiscal crises. The response from the mayor and CPS leaders has been to embrace more austerity for the public schools, dispossessing Chicago residents of essential public education services.

"Chicago Public Schools' school choice reform and financializing strategies have entrenched the public schools in a cycle of austerity."

By the mid-2010s, the school system was anticipating annual half-billion-dollar deficits. With raising taxes off the table, CPS again cut its expenditures to close budget gaps. Since 10 percent of the district's general operations budget is locked into servicing debt, this portion of the budget is off-limits to cuts, requiring CPS to make even deeper cuts to the parts of the budget associated with frontline teaching and learning.

The district cut teaching and other student-facing education professional positions. Between 2010 and 2018, CPS reduced spending on teachers' salaries by $421 million. In that same period, CPS's debt service payments increased by $264 million, from $387 million in 2010 to $651 million in 2018. Ballooning debt service payments consumed the "savings" from downsizing the teaching labor force, effectively transferring revenue from Chicago's teachers to the investor class.

CPS starved school budgets, forcing individual schools to make repeated $1 million cuts from their budgets. Things got so bad that schools held toilet paper drives to supply their schools. Other schools have packed forty kindergarteners into single classrooms and slashed arts, language, and other enriching but noncore curriculum. The most vulnerable students with learning disabilities were not spared, as $40 million in supports was pulled out from under them.

Dispossession was largely racialized. In 2013, under the directive of Mayor Rahm Emanuel, CPS closed forty-nine schools with low enrollments, nearly 90 percent of which were in mostly black communities.

Protesters march in the Loop on March 27, 2013 during a rally to protest the proposed closing of 54 Chicago public schools. (WBEZ / Robin Amer via Flickr)

In contrast, the affluent (and mostly white) families who sent their kids to CPS were largely insulated from dispossession, thanks to activist parents' fundraising activities. According to CPS's Internal Accounts data, CPS schools raised a combined $33 million from parent groups and "friends of" committees that hosted whimsical holiday craft markets, teacher bartender nights, and school spirit stores in 2018.

You can't blame wealthier parents for plugging the holes in their kids' budgets. But schools in poorer communities could not equally tap into parents' or charitable community members' pockets.

When cuts and closures proved insufficient to fill in the holes in the budget, CPS doubled down on its financialization strategy and issued another $725 million bond to pay off one year's worth of debt service and short-term operation expenses in 2016. The district was forced to borrow at an onerous 8.5 percent interest rate, since its debt burden drove down its credit rating. The dependence on debt to pay for operating expenses sealed the conversion of CPS into a rent extraction machine for finance capital.

A New Era of Education Inequality

The two-prong strategy of market-based school choice reforms and education financialization pursued by CPS has created a new era of education inequality. Compelling public education to mimic a marketplace of competition has privileged the interests of elites and the affluent over and against the interests of the working-class majority, hollowing out mostly black and Latino communities' schools so that the district could roll out exclusive enrollment schools (disproportionately serving white professional-class families) and a wave of privately operated charter schools.

Education financialization is transforming the distributive role of public schools, from taxing the rich to fund public education, to borrowing money from the rich to pay for schools. CPS's strategy of education financialization turns schools into income streams for rent-seeking finance capital, which siphons public dollars out of classrooms and communities. Those dollars are then channeled into investors' portfolios. As the burden of debt grows, debt overhang is used by austerians as an alibi to further shrink the public sector by inflicting cuts on frontline teaching and learning.

Political leaders can continue to debt finance and grind public education into dust. Or they can change course and tax the rich to raise the revenue necessary to fund public K–12 education. Clearly, taxing the asset-owning rich is the better option than borrowing money from them (through the bond market) and paying them back with interest.

Taxing the rich to spend on universal, tuition-free, public K–12 education funds quality education for all children; reduces economic inequality, channeling revenue away from the rich and raising the social wage for the working class; and demonstrates the efficacy of providing goods and services via the more transparent, more accountable, and democratically planned public sector. If we don't tax the rich to pay for public goods and services, we'll be stuck in endless waves of austerity — and working-class students, parents, and educators will pay the price.

The author thanks Rachel Weber for her contributions to this piece.

ABOUT THE AUTHOR

Stephanie Farmer is a professor of sociology at Roosevelt University.

FILED UNDER