



THE GREATER EAST HIGH FOUNDATION

BUILDING ON A PROUD TRADITION

THE PRIVATIZATION OF POPULISM

**Policy Enhanced Philanthropic Activity
as a proposed
New Channel for National Income Flows**

**With Special Emphasis Upon Solutions to the
Current Crisis in U.S. Public Education**

November 22, 2005

THE EAST HIGH ENRICHMENT ACADEMY
• The 20/20 Vision Tutorial Program •
• Teaching Power • Discipline • Accountability •
• A Work In Progress •

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The Privatization of Populism

- Traditionally, we look at the U.S. economy as being comprised of four major sectors:
a) business b) government c) household and d) foreign.
- Over the last fifteen years or so, we have a) restructured the business sector to greatly improve its efficiency b) relatively downsized government to eliminate some of its inefficiency c) experienced the implosion of a meaningful percentage of our lower income family units and d) seen an alarming increase in our foreign trade deficit.
- We are left with some large gaps in our national agenda. These problems are partially listed above, or direct or unintended consequences of the above, and partially simply results of lapses in our collective good judgment. Failures in the area of public education are noteworthy examples of these concerns. In an increasingly knowledge based and globalized economy, the quality of our public education becomes ever more critical to our nation's macroeconomic and geopolitical well-being. **The United States must act now to improve its public schools or it will inevitably jeopardize its future as a great nation.**
- Another aspect of an increasingly knowledge based and globalized economy is a natural and inevitable process of income polarization. Better educated individuals will obviously tend, on average, to earn higher incomes. Less obvious, however, is an important macroeconomic consequence of this income polarization process. All else being equal, income polarization tends to increase both the supply of and the demand for credit. In the upper income echelons, pools of savings increasingly accumulate as incomes surpass planned levels of expenditure. Simultaneously, at the middle and lower end of the spectrum, demand for credit tends to increase as incomes fail to support lifestyle expectations. Under these conditions, massive extensions of credit

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channel concentrations of capital into consumer spending. However, excessive consumer credit creation ultimately spawns secondary disequilibria, which are neither desirable nor sustainable. Examples of such problems are our collapsed personal savings rate and the correlated foreign trade deficit. Increasing the role of government in the intermediation of funds process has also proven inefficient and often even counterproductive. The long-term relationship between the relative size of government spending and the level of inflation is well documented. Over time, more government spending means higher inflation, and consequently lower real growth. Philanthropy offers a third, often more productive, way of putting savings to work. Arguably, from macroeconomic and domestic policy perspectives, philanthropy deserves greater consideration. Important avenues of capital allocation are either tired (overextended credit) or outmoded (big government). Policy enhanced philanthropic activity could rejuvenate our system by bringing private sector energy to bear on pressing public sector problems.

- The launch of Sputnik I, in 1957, was a historic wake up call. According to its tradition, the United States immediately responded to the Russian challenge in a massive, and ultimately decisive, fashion. Now the shocking image out of New Orleans, of a large dysfunctional society, growing in our very midst, raises straightforward questions. Does the current generation of Americans, nearly fifty years after Sputnik, still have the right stuff to recognize and deal with an impending national calamity, while time still allows? Or, are we simply consumed by the unprecedented prosperity of this same past fifty years?
- Unfortunately, time is not on our side. The malignancy destroying the societal structure of our large impoverished urban areas is nearing metastasis. The terminal phase of this affliction is easily recognized when a high failure rate sets in among the few remaining functional family units in an area. As we approach this critical point, wholesale interdiction is our only viable option. We must implement programs, across the board, to develop underprivileged youth as responsible and productive members of our society. Only our large public schools could possibly accommodate operations on the scale required by such a mission.
- As an example of **The Privatization of Populism**, we will now outline a hybrid public/private approach to restructuring our large, troubled public schools. Our program emphasizes a methodical, modular approach. We will view each school, conceptually, as a collection of processes, and then rebuild each school one process at a time. We will also recognize that a primary constraint to our progress is the shortage of exceptional teachers devoted to inner city education. Therefore, we should always emphasize programs to maximize the systemic impact of our few excellent teachers. Putting it all together, we should leverage the effectiveness of our better teachers, through creative processes, in our larger public schools.

- Philanthropic successes in primary and secondary education are extensive, and in instances exceptional. For example, consider the exemplary story of Providence-St. Mel School in Chicago, Illinois. In a downtrodden neighborhood, Providence-St. Mel last year sent 100% of its graduates to four-year colleges or universities with 59% to top-tier and Ivy League institutions (www.psm.k12.il.us). Certain characteristics of this school, such as its excellent faculty, are unique and non-transferable. Many of its disciplines, however, like insistence on teacher accountability, provide important lessons for application elsewhere. We, at East High, attempt to integrate such methodologies, through healthy doses of trial and error, into what we term **Productivity Enhancing Educational Processes**.¹ Philanthropic organizations could then implement **Productivity Enhancing Educational Processes** in individual public schools much like franchise operations proliferate in our business community. Sophisticated measurement techniques could then determine which systems were most "profitable" for our society.²
- In partnership with the Memphis City School System, our Foundation has a promising example of a **Productivity Enhancing Educational Process** under development. We named this concept, **The 20/20 Vision Tutorial Program**. Our program employs, for pay, outstanding junior and senior students to tutor in the middle school. With a strong teacher at the helm, this system will enormously increase his/her effective **Teaching Power**, in a very cost efficient fashion. Furthermore, the **20/20 Vision Program** is modular and scalable. In other words, once proven and documented, this system could be replicated in any public school in the United States (for further information visit our website www.EastHighFoundation.org).
- To summarize, from both macro and micro perspectives, we see important ways in which increased philanthropic activity might contribute favorably to our national well-being. Specifically, we have discussed a new means of improving our aggregate allocation of capital, and of solving problems in public education. Therefore, to facilitate the accomplishment of these and other vital national objectives, we propose a process whereby our nation's philanthropic activities are taken to a whole new level. Indeed, we propose the effective establishment of a fifth primary sector of the U.S. economy, **The Philanthropic Enterprise Sector**. A five sector approach to domestic policy promises to be immediately more comprehensive and coherent, and ultimately more efficient, than the traditional four.

¹ In most cases, although not exclusively, a P.E.E.P. should emphasize the leveraging of the effectiveness of exceptional teachers.

² Great care must be exercised in the design and administration of evaluation procedures. Our Foundation is in consultation with Providence-St. Mel School for guidance on this subject.

- Now, what role or roles should government play in this new **Philanthropic Enterprise Sector**? First of all, please recognize that in essence, we propose a broadening of the private sector relative to government (**The Privatization of Populism**). This theme derives from our overarching view that the private sector is vastly more efficient than government. Accordingly, government should restrict itself to establishing priorities and providing incentives. Government should always be restrained from involvement in actual operations of **The Philanthropic Enterprise Sector**. Furthermore, in **The Philanthropic Enterprise Sector**, many key decisions would be made by, or under, the direction of governing boards comprised of seasoned business and professional leaders. Also, decentralization would tend to reduce bureaucratic inertia. But perhaps most importantly, entrepreneurial creativity could be expected to flourish in this essentially private environment.
- A platform for rapid acceleration in philanthropic activity might be a new breed of agreements between government and philanthropic organizations:

The New Social Contracts For Philanthropic Accomplishment

- Performance Based
- Tax Advantaged
- Contractual Commitments

- As an example of a **New Social Contract**, we might consider our operations at East High School in Memphis, Tennessee. We have been approached by another foundation, which generously offered supplemental funding for our efforts. For the time being, we declined this offer pending statistical proof that we can indeed substantially raise our students' standardized test scores. We are determined to document and quantify our accomplishments prior to accepting other people's money. Implicitly, we have proposed a private sector, **New Social Contract**, where payment is based on performance, not intentions.
- A next step might be formal government contracts with businesses, foundations and individuals to award tax advantages in exchange for school-by-school improvements in standardized test scores, achieved over specified periods of time. These tax benefits should not be intended to fully fund philanthropic efforts. The pot just needs to be sweetened enough to cause a meaningful increase in philanthropic activity, above that which would otherwise occur.

- The United States stands apart as a free and open society, dispersed across a vast continent and empowered by a dynamic market based economy. This combination of conditions encourages ongoing innovation of a magnitude unseen before in history. **The Philanthropic Enterprise Sector** is conceived to allow key predominately public areas, such as primary and secondary education, full participation in this uniquely American process of perpetual reinvention. Our **East High** approach could be the catalyst for just such dynamic improvement in our large public schools. In this system, private interests could identify new and powerful concepts, and implement them, in sufficient scale and scope, to turn the tide of our nation's great struggle to improve public education.
- Our **20/20 Vision Tutorial Program** is up and running at East High School, 3206 Poplar Avenue, Memphis, Tennessee 38111. We now have forty outstanding juniors and seniors tutoring eighty middle school students in mathematics. If you would like to see a **Productivity Enhancing Educational Process** at work, please call our Director, William Sehnert (901-761-8463), our Director Emeritus, Margaret Taylor (901-761-8463), or East High School Principal, Frederick Curry (901-416-6160).
- **The Greater East High Foundation** is pleased to make the following announcements:
 - Our friends, Mr. Paul Adams, the founder of Providence-St. Mel School of Chicago and Ms. Jeanette DiBella, its principal, will observe operations at East High on January 10, 2006. A public reception in their honor will be held at 3:30 p.m., in the school library. Providence-St. Mel is among the finest, if not the finest, schools serving underprivileged youth in our nation.
 - Mr. Yuri Branch of Chicago and Mr. Jon Housholder of Memphis have been appointed to our Foundation faculty as **Distinguished Teachers in Mathematics**. Yuri is a graduate of Xavier University, and Jon of Vanderbilt University and the University of Memphis. Both will teach along with the student tutors at East High School.
 - Our six most outstanding tutors have been named as captains of their respective twenty-one student mathematics teams. They are Mr. Robert Buggs (EHS 06), Miss Alyssa Carter (EHS 06), Mr. Mario Fortney (EHS 06), Mr. Cortney Richardson (EHS 07), Miss Elizabeth Ross (EHS 07), and Miss Deidra Sanders (EHS 07).

Thank you,
Charles D. McVean, Chairman

