

## #65 Avenue to the Stars: What an Elite Private School Teaches about the Future of For-Profit Education

High-end for-profit private schools are a growing segment of the education 'marketplace.' In this episode, we're joined by Mike Levy, former curriculum director at Avenues World School in New York City who gives us an inside look at what \$60,000 + in tuition buys. Hint: a top-flight private school education along with with a healthy dose of free-market ideology.

**Jennifer Berkshire:** Welcome to Have You Heard, I'm Jennifer Berkshire

**Jack Schneider:** And I'm Jack Schneider.

**Berkshire:** And our topic today is something that I will admit I know very little about

**Schneider:** That doesn't narrow the list of topics, Jennifer. Zing.

**Berkshire:** We're going to be talking about high end—did you notice I'm just continuing on. It's as though my cohost never hurt my feelings at all. We're going to be talking about high end for-profit private schools.

**Schneider:** Specifically we are going to be talking about Avenues World School and talking to a former curriculum director there and an educator. His name is Mike Levy. He happens to be a former colleague of mine from teaching days long ago. And Mike has a lot to say about Avenues.

**Berkshire:** Well, I thought before we get Mike on the phone or its high tech equivalent, I'm going to play a little clip from a film that was on HBO. And it's not a coincidence that the film happens to be about gaping income inequality in New York, and Avenues was featured in the film. So just take a little listen.

[Audio clip]

**Berkshire:** So Jack, the reason that I think that that is just so relevant is that this phenomenon of very high end private for profit schools is, not dissimilar from other things that we're seeing in our country, which is that people who have the means pull away from public systems and they take their resources with them, right? Like who really needs a subway system? Who needs public schools, right? I'm going to go to Avenues.

**Schneider:** There's something even more troubling about it given the fact that it is education we're talking about, because we've seen the takeover by for-profit companies in other sectors. So for instance, prisons are increasingly operated on a for-profit basis and there are some really troubling implications to that. But prisons have never served all Americans. In fact, one of the, you know, major civil rights pushes of the present era is to get fewer people in prisons, right? To

eventually render prisons unnecessary. Education is the opposite, where, you know, one of the pushes across the past two centuries in American political life has been to move all young people into the public education system and to expand that system to what it is today, and increasingly making a case for a K-16 pipeline. And so the idea that the people who are most well-positioned to advocate for young people in schools would then create yet another kind of alternative for themselves just is one that has big implications I think for democracy.

**Berkshire:** Well, I should let our listeners know that Jack actually did the interviewing for this episode on his own and I think he did a pretty good job.

**Schneider:** I was channeling you, Jennifer. So I had open toed shoes on and a sunny disposition.

**Berkshire:** Will you have certainly raised expectations for our listeners. Let's meet our guest and see how you did.

**Mike Levy:** I'm Mike Levy. I'm currently the head of the middle school at Presidio Knolls school in San Francisco. And before moving to San Francisco, I was part of the team that helped open the first Avenues campus in New York City. I designed the curriculum for what they call the World Course and then I moved over to Beijing to try to help Avenues open a campus there, which did not work out. But in total I was a part of the organization for almost eight years.

Avenues is one part of a bigger company called Avenues World Holdings. And you have to start actually with the umbrella organization because any for profit school the real story is what else is going on within the organization. And I'm sure we'll talk later about how these for profit schools are trying to make their money, but it is only one arm of this bigger idea of how to generate profits.

The school itself is a series of campuses, the first in New York City, the second opened in Sao Paulo two years ago, and there are more ideas for campuses in Silicon Valley and Shenzhen, and Miami. Shenzhen is in China, by the way, Shenzhen China. And the idea is that there are a series of schools all around the, for sort of the 0.01% who can afford something like a \$60,000 a year tuition for a day school. And the school's educational mission is to help this global elite understand the 21st century and what is necessary to succeed in it.

**Berkshire:** We'll be hearing more from Mike in just a minute, but I am already ablaze with questions and I want to put one of them to our resident education historian. One of the things that I find so astonishing about the business of education is that you see the same names popping up decade after decade. They're almost like the patient zero's of education reform. And one of those names is Chris Whittle. We heard him intoning about Avenues in that little film clip that I played at the beginning. So who is Chris Whittle? Where did he come from?

**Schneider:** So Chris Whittle made his money by bringing television into classrooms and paying for it with advertising, so essentially selling advertisements to children. So we've got an entrepreneur on our hands here and he really made...

**Berkshire:** An edupreneur.

**Schneider:** An edupreneur, excuse me, excuse me. He realized that the entire enterprise of public education could be cracked open, or at least he believed that it could be. And so in 1992, he launched what was then called the Edison project ambitiously named after Thomas Edison. And the original vision for Edison was a private schools in a voucher system. But he had miscalculated the results of the 1992 presidential election and things didn't go his way. Bill Clinton was certainly market favoring in that new Democrat, neo liberal sort of way, but was not pro voucher. And so Whittle then had to pivot.

And rather than starting private for profit schools that would operate on a voucher basis, uh, he became an outsourcer, a contractor for public school districts. That's an idea that came from, you know, the 1960s and 1970s. And we've discussed it a little bit. There were some Rand studies in the 1970s, for instance, Westinghouse had been hired on a contract basis to run a school. And not surprisingly, they cut teachers and hired less expensive instructional aides and produced the lackluster results, but Whittle then revived that model and promised that he would, for the per pupil a district was already spending, return profit to his shareholders and produce better academic outcomes for young people. And neither of those turned out to be the case.

**Berkshire:** So then, okay, so I want you to fast forward us to the present because widdle ends up basically abandoning this idea of ringing profit out of the public K-12 system and instead moves onto the complete other end of the market, which are these private for profit schools like Avenues.

**Schneider:** This was something that I talked about with Mike, because you know, it seems very telling that somebody who had spent so much time trying to find profit sources in K 12 public education would have moved into private education. And so I talked with him, you know, about what this reveals if it really does show that trying to make a buck in public education is trying to wring blood from a stone.

**Levy:** Yeah, that's a great and important question. And you're right. Chris Whittle, who is the original vision for Avenues was the original vision for Edison Schools. And he ran into a pretty basic conundrum at Edison, which is that if you're taking the, let's say, \$10,000 a year that is spent per student in the public sector and try to pile a bunch of students on top of each other and figure out a way to generate profit, it's, it's impossible. Even cutting corners, it's impossible. And so Edison essentially failed.

But what if you charged 60,000 a year? What if that's the margin you're working with? It turns out it's still basically impossible. Every private school in the United States, I mean, every private

school runs at a deficit and they make that money up by raising money, money each year. They call it the annual fund. So even though they're charging, let's say, \$30,000, like my school does in San Francisco, we're still spending more than that. It's just very expensive to educate kids.

So how has avenues going to do it? That's the question. And that's where the side businesses come in. And what's interesting about Avenues is Chris Whittle has moved on. He's now opening another series of for-profit schools called Whittle School and Studios. And the new head of Avenues came right out of Betsy DeVos' backyard. They in fact grew up in the same town and they're part of the new newest movement in education. So Jeff Clark, who's the new CEO replaced Chris Whittle. And I think that there's a reason that at the forefront of for-profit private education, you're getting things out of the charter school movement.

**Berkshire:** So I was joking about Patient Zeros and how you hear the same names over and over again, but there are definitely some new names that people won't be familiar with. And the guy that Mike just mentioned, Jeff Clark is one of them. He comes out of Michigan, which is, you know, kind of the dream come true for the profit charter experiment. And he headed up an outfit, they're called National Heritage Academies, very close to, to Betsy DeVos.

**Schneider:** He was close with Betsy DeVos as was and is JC Huizinga who established National Heritage Academies, which now operates close to a hundred schools in about 10 states. So this is a major operator that serves, you know, tens of thousands of students nationwide.

**Berkshire:** Now you asked Mike why he thinks that we're starting to see this migration of folks from the charter movement into the high-end for profit school sector in his answer is really revealing.

**Levy:** A lot of people right now, and I think you've been looking into this, as has Jennifer... A lot of people who are calling themselves educational entrepreneurs in an effort to combine what we know about educating kids with what we know about running businesses. But what I have felt, having worked in both traditional non for profit schools and for profit schools is that they can't be combined. Educating kids is fundamentally about having inclusive, diverse, caring communities. And while the profit motive can do many things and do many things well, it is not compatible with inclusive, caring communities.

I think Jack, you've actually talked a lot about the danger, like how the profit motive squeezes other things out because it's such, it's such an easy thing to measure. And if you've got one thing that's easy to measure, dollars and cents, you may end up sacrificing things that are hard to measure, like happiness or wholeness or, literacy. The really powerful parts of education that draw wonderful, caring individual teachers into teaching are much more difficult to put a number on than a profit margin.

**Schneider:** One of the things that concerns me as I think about schools like this and I think about a future in which maybe more schools, all schools operate on a for profit basis is the possibility that there are particular kinds of people who are really attracted to a school because it's expensive, because it is exclusive, because it operates on a for-profit basis. And I wanted to talk with Mike a little bit about that because I don't know who these parents are. I can make guesses about the kinds of folks who aren't troubled by the tax status of a school, who aren't troubled by the price tag associated with it. But I wanted to talk a little bit more about who the people are who are choosing Avenues and sending their kids there.

**Levy:** Yeah, I mean, I think we can talk about the parents who, who choose to send their kids there or you could talk about people like me who chose to work there. And I think the first thing you have to say is that it's hard to criticize people who are making decisions that they think are best for their families or their kids. And there are a lot of people who have discomfort with the idea of the profit motive and education, but for one reason or another, still make the choice. So there's a group of people who are deeply uncomfortable with it. And I've spoken to many parents whose kids are at Avenues and I had many colleagues who—it was not a good feeling. They didn't like the idea that they were sort of supporting this movement and they still made the choice.

But there's another faction of, of parents at Avenues, and I spoke to many of them as well, who are actually very, I mean I don't know what the word is, giddy about the opportunity to get their kids into this like explicitly 0.01% of families. And they are people who—I mean the Avenues campus in New York is near Wall Street and the other campuses are in these financial bubble centers—where a lot of the parents are like, 'I just want to win and I want my kids to win. And the way to win is to get them away from the losers who are in the public schools, 'and with that like really positive sense of the benefit of a sort of walling yourself off from the democratic republic, and from the larger community.

**Berkshire:** We should probably give our listeners a chance to recover a bit at this point. But Jack, I think it's important to acknowledge that this mindset, that the profit motive and education is desirable is not limited to schools like Avenues. You brought in a visual aid for us today. It's a book called *Market Education: the Unknown History* by Andrew Colson. I can't wait to read it. He headed up the Libertarian Cato Institute Center for Educational Freedom From 2005 to 2015. And you have a quote from Colson that you want to share with us? Proceed please.

**Schneider:** “The spark that can jumpstart educational entrepreneurs out of this natural rut is the chance to earn a profit from their efforts.” Right? So this is, this is a kind of standard claim about the beneficence of the market with regard to education. “The absence of the profit motive has discouraged efforts to deliver existing educational services more cheaply and efficiently.”

**Berkshire:** So we heard Mike talk about how hard it is to ring profit out of education even in high end schools like the one that he taught at. So one thing I'm really curious about is how the

profit motive at a school like Avenues shapes the experience of students and their teachers. Mike's answer as you will not be surprised to learn was pretty blunt.

**Levy:** I think there are two sides to that question about how decisions get made. And the first is that there were and are some truly dedicated, you know, child focused educators involved in Avenues and to the extent that they could, they they did and they still do everything in their power to make it a place that is best for each individual child. But that does come within sort of a box. And the box is the profit motive. The current CEO Jeff Clark described the organization as—this is in quotes—a double bottom line organization. That's a phrase that comes right at a business school. And when I asked him what that meant, he said to me, every employee in this school should pay attention to the educational bottom line, but they should also pay attention to the profit bottom line.

And you need to make every decision with both of those ideas in mind. So what does that do? Well it means that when I was managing part of the middle school at the New York campus, it meant that I sort of felt that constant pressure to second guess my instincts as an educator. And I had never been taught in graduate school—I went to Teacher's College—I'd never been taught to put profit and money on the same level as kids. And, you know, the parents that I would deal with would never have wanted me to. Private schools, public schools, of course there's a budget, and of course you have to be responsible to that budget. But to have that always in your mind, I think, is a cognitive load that that does ultimately affect your ability to make good decisions for kids.

**Berkshire:** I mentioned at the top of the episode that this is a sector of schools that I know almost nothing about. I'm, you know, purely the product of not just public schools, but I would say it's sort of, you know...

**Schneider:** Schools in the heartland

**Berkshire:** I'm a proud graduate of Eastern Illinois University. So when I hear about schools like this, I'm really like, I'm so curious to know what does that amount of money by in terms of an education? What are these kids actually getting?

**Schneider:** That's a really great question. And it's something that talked about with Mike because the private schools in New York City charge upwards of \$50,000 a year in tuition and Avenues is competing with those schools. But Avenues also is trying to return value to investors. And so in order to make a profit, it has to charge even more than those schools. And that's going to raise a question. And that is what exactly are people getting for their money?

**Levy:** Well, yeah, so a long time ago I actually worked at a boarding school in Concord, New Hampshire. It's called Saint Paul's school and it's one of the oldest and, I don't know, most elite boarding schools in the country. I use that word carefully, but Saint Paul spends \$80,000 a year per pupil. And their tuition is significantly less than that. They make the rest up on their \$700

million endowment and then an annual fund. \$80,000 a year per pupil. So you know what, what do the kids get out of that? Let's talk about that. But before that, I just want to say that's what education should cost per pupil. I mean, that's an extraordinary demand to ask for from a country. But I would love to see us try to get there.

What do they get? Well, they get an observatory to look up the stars. They get a class, a teacher to student ratio that gives the teachers a chance to deeply get to know each student's work so they can give feedback specific to each kid on each piece of work. They get beautiful sports fields. They get the social emotional coaching that they need from specialists, psychologists and people who understand the learning differences so they get everything that they need. And that's a rare gift. That's a gift that every child should have. But it's expensive if you want to do it.

**Berkshire:** I can imagine that public school teachers who are listening to that just turned a vivid shade of green. But I'm curious about whether students at a high end for profit school like Avenues get anything else for their quote unquote investment.

**Levy:** Yeah. At a place like Avenues or at any—there's a long series of for profit chains, you know, there's Whittle's new school, there's Basis, there's Alt School, which made a lot of news before it basically, the school started going out of business. And what do those kids get? They get much of the same thing that you would get at a traditional not for profit and expensive private school. And they get something else as well. And this is what I've learned as I've talked to graduates of Avenues. They get inculcated into a belief system that the profit motive and the private sector not only can solve all problems, but are better at solving problems.

And some of the kids who I've talked to who have graduated from, they graduate with a bit of a sick feeling in their stomach and they come back and talk to me about, you know, they're in college now and they're talking to other kids who've gone to other schools and they're like, 'I didn't realize how ideological my education was.' And others remained sort of oblivious to it but do go to college with that. You know, that has deeply sunk into them after years and years and years at Avenues. So at a for profit school, you'd get this stuff you get at the other private schools, observatories and other extraordinary benefits. And you also get along for the ride a new ideology.

**Berkshire:** That was Mike Levy. He's currently the head of the middle school at Presidio Knolls, a private school in San Francisco. Before that he worked for Avenues, an international system of for profit private schools for eight years. And he's the author of *Kosher Chinese: Living, Teaching and Eating with China's Other Billion*, which I am adding to my must read book list. Jack and I will be right back to wrap things up.

[Music]

**Berkshire:** I'm so glad that Mike made that point about schools like Avenues being places where kids are inculcated with free market values because I think so often we focus on the for profit sector as a place where edupreneurs go to make money, but we're not thinking so much about this whole idea that, you know, they also eager to sort of gin up faith in the free market. And I want to share with you just a little anecdote. This is such click bait for me.

I don't know if you saw that a couple weeks ago Betsy DeVos got an award from the Manhattan Institute, a conservative think tank in Manhattan that we've talked about before. She was being recognized for, get this, revitalizing America's cities, and one of the people who was in the audience was a hedge funder named Paul Singer. He's actually what's called a vulture capitalist, which is a real thing.

**Schneider:** He buys up distressed debt and any eats it

**Berkshire:** He pecks it till it can't move any more.

**Schneider:** Is he bald? I hope he is.

**Berkshire:** So he delivered one of these sort of scathing warnings that you hear a lot from very wealthy conservatives these days that the kids are all wrong. Right? That the kids have gone crazy for socialism, that they're, you know, it's because they don't know their history. And if you keep an eye on why the big conservative money is moving into education, it's not just because they see it as an edupreneurial investment. It's because they have their, you know, they're eager to shape the content in order to shape young minds.

**Schneider:** I think equally important to that is thinking about the kinds of roles we play in schools when we are paying for it and when somebody is providing a service for payment versus when it is something that comes at no direct cost to us because we're all paying for it, because we all have a stake in it. Of course, what I'm outlining there is the difference between being a customer and being a citizen. And I think it's really interesting in the context of what you were just talking about, Jennifer, to think about the ways the young people and their families operate with regard to their mindsets in school. For, you know, the 13 years of K12 schooling, the customer is always right and to think about how that shapes the mindsets of young people and their families as they are potentially being challenged and being asked to do things that they don't want to do, or being asked to consider perspectives that are not their own perspectives.

These are the sorts of things that people can consciously opt out of in a market. And that if profit is the motive that schools will more willingly do in order to please their customers. And by contrast, when we think about schools as places run by citizens and responsive to citizens, the customer is not always right. There is in fact a compelling reason to make young people do things that they may find unpleasant because it is good for democracy. It is good for all of us. And that oftentimes parents may not like the fact that their children are being exposed to idea,

that, you know, in the end make us all stronger, make us better, even ideas that you know, may be anathema to us by, but by encountering them and by challenging them, you know, we all benefit.

These are the sorts of things that happen even in private schools which are non profit because they are not as beholden to the customer as they would be if their mission were more about the bottom line than about educating young people.

**Berkshire:** Well I should point out to our listeners that while Jack was delivering that stirring, stirring address on behalf of democracy in schools he was getting ready to eat some raw broccoli because that's how he rolls.

**Schneider:** Better than eating debt.

**Berkshire:** Yeah, that's a good point. Well, Jack, I so enjoyed our tour through the sort of upper echelon of private for profit schools. This is a sector that I know almost nothing about and I thought you pick just a fantastic tour guide.

**Schneider:** Yeah. Mike and I actually taught together for a few years and he is a great educator. And I think that's worth mentioning because some of the things that he talks about in the, uh, in the interview come from a real passion for educating young people in any sort of school. And so it's even more powerful to hear some of the criticism of a school that is run like a business.

**Berkshire:** Well, speaking of being run like a business, we rely on the support of listeners like you to keep this show going. If you go to Patreon.com and search for Have You Heard, you'll see that for just a small donation every month, you can get all sorts of cool extras like reading lists and a backstage pass to a venue that we like to call In the Weeds. That's where Jack and I hold forth on some topic of interest. And I thought that for this edition we could hit the opposite end of the for profit spectrum. I'm talking of course, about bottom feeder for profit virtual schools K-12 inc.

**Schneider:** And for those of you who are not vulture podcasters, there are other ways to support the show. Telling your friends, acquaintances, and colleagues about us helps us expand our reach as does going on wherever you get your podcasts and giving us a rating, preferably a friendly one.

**Berkshire:** And Jack, I wanted to let you know that, you know, you are always in charge of encouraging people to do that and there are people who actually listen to you and I want to share with you a review that somebody recently left on Apple as a result of your encouragement.

**Schneider:** You have no idea how excited I am right now.

**Berkshire:** You are really excited. It's an educator and her name is Kiki Rickson. Hi Kiki. And I'm going to read it to you. "As an educator, I am thrilled to have this podcast to help me understand educational policy and history. As a citizen. I urge every human to listen to every episode.

**Schneider:** Oh my gosh, Kiki, you just entered the circle of trust. That is really great. Uh, I encourage others to emulate Kiki. I myself have reviewed the podcast. Go on and check out my review of it

**Berkshire:** On behalf of the entire Have You Heard production crew, thanks for listening. And we will be back in two weeks with even more high quality content.