

Winning the Lottery

There is an overwhelming demand for private scholarships for low-income children.
By Theodore J. Forstmann

(Mr. Forstmann is an active board member and major contributor to a number of organizations and causes, including the International Rescue Committee [providing medical care for Bosnian children], Nelson Mandela's Children's Fund, and the Silver Lining Ranch.)

The 13th-century Italian poet Dante observed, "A great flame follows a little spark." For me, the spark was ignited by my involvement, beginning many years ago, with the Inner City Scholarship Fund, which is run by the Archdiocese of New York.

I was so impressed with their success in educating children at half of what it costs the public schools to fail to educate the same children that I started to think about raising private money to finance independent school tuition for disadvantaged kids.

I got together with John Walton, one of the directors of Wal-Mart, and we offered 1,000 scholarships to low-income students in Washington, DC. After a few months, with virtually no media coverage and no advertising, we received nearly 8,000 applications. This persuaded us to go national.

In June 1998, we donated \$100 million toward funding 40,000 scholarships, and the Children's Scholarship Fund (CSF) was born. Throwing a lifeline to kids trapped in the worst schools seemed like a good idea, but would others be willing to brave the inevitable controversy and support our cause? We soon found out.

Those who stepped forward to join our board included Martin Luther King III, Colin Powell, Barbara Bush, Sammy Sosa, and Will Smith. The board's diversity has been a source of strength and personal pride. One day I remarked, "The way things are going, John and I are going to end up being practically the only Republicans on the board." John replied, "Ted, I think there's something I'd better tell you. I'm not a Republican."

Soon we had raised \$70 million to add to our investment of \$100 million. As telephone calls, faxes, e-mails, and letters poured in, we decided to think big. We worked through the logistics, and in February 1999, we announced on Oprah that we were making scholarships potentially available to every single low-income family in the country.

Will competition "destroy" the public schools?

A system that can command, indeed enforce, a 90% market share is a monopoly. And, as everyone knows, monopolies produce bad products at high prices. Why? Without competition, customers have no alternatives. And with no alternatives, customers have to accept whatever a monopoly decides to produce and pay whatever a monopoly decides to charge.

In the meantime, what happens to the child? Defenders of the status quo want to prevent him from leaving public education, lest in leaving he make a bad situation worse. Does this make sense? Does the child exist to serve the system or does the system exist to serve the child?

Some people believe that if we just keep plugging away at the same old failed solutions — spend more money, hire more teachers, create more government regulations — we will get different results.

Anti-trust legislation was created in recognition of the fact that monopolies stifle innovation and defraud the customer. The solution has never been to increase the power of the monopoly. The only remedy, one that has worked time and time again, is to encourage competition.

Nothing, not even our earlier experience in Washington, DC, could have prepared us for the explosive demand for scholarships. By the

March 31, 1999 deadline, we had applicants from 22,000 cities and towns in all 50 states. In many cities, huge blocs of the eligible population applied: 25% in Chicago; 29% in New York; 33% in Washington, DC; and a whopping 44% in Baltimore.

In total, over a six-month period, the CSF received 1.25 million private scholarship applications. Such an overwhelming response was almost inconceivable, especially since it came only from the relatively small segment of the population that had heard of our program.

Please bear in mind that this was no free lunch. We were offering partial scholarships for low-income students. Their parents earned an average annual income of less than \$22,000 and had to contribute, on average, \$1,000 per year toward tuition. If all 1.25 million families who applied for our private scholarships contributed \$1,000 every year for four years, it would add up to \$5 billion. Five billion dollars from families who had very little but were willing to make great sacrifices in order to escape the system to which their children had been relegated.

In anybody's book this has to be an amazing demonstration of widespread dissatisfaction with the present education system — and of widespread demand for alternatives. That is why April 21, 1999, CSF's "National Lottery Day" will long be remembered as a turning point in the history of American education. The parents of 1.25 million children put an end to the debate over whether low-income families want choice in education. They passionately, desperately, unequivocally do.

Now it is up to the defenders of the status quo to tell them, and the millions they represent, why they cannot have it.

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