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### Organizing the MLF Strategy: a coalition of applicants

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# Organizing the MLF Strategy

a coalition of applicants

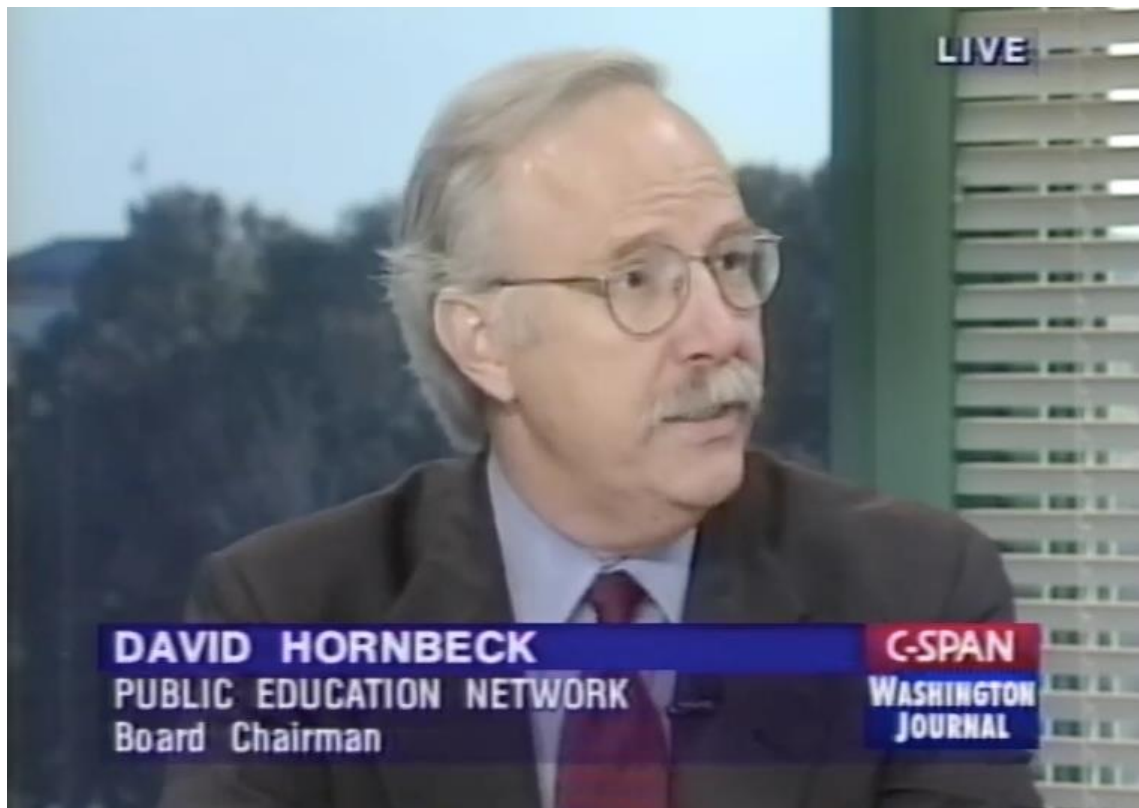


David I. Backer

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*This is Part 4 of a series on school funding in the covid crisis. Part 1 is an overview of a policy proposal for the School District of Philadelphia to take out an MLF loan. Part 2 crunched some numbers for that proposal. Part 3 detailed criteria for eligibility. This part will lay out politics and strategy.*

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Remember David Hornbeck.

In 1998, Hornbeck was the superintendent of the School District of Philadelphia. And he was fed up.

He was tired of the school funding inequality in Pennsylvania. His district didn't have enough money for basics. Republican Tom Ridge was governor. Republicans were trying to push vouchers at the time, the pure form of neoliberal policy for undoing social democracy in public education.

Hornbeck had gone back and forth with Ridge, whose rigidity on the issue was stifling. Then Hornbeck made a radical move. He decided to fully fund the district.

Instead of succumbing to Republican and Democrat austerity measures (giving into what Stephanie Kelton calls the deficit myth), that is, instead of cutting budgets, he decided to cover the district's every cost until the budget ran out, at which point the schools would close.

He did it.

Philly schools closed before the end of the year because there wasn't enough money to keep them open. (It was in this crucible that Dwight Evans, centrist Democrat chair of the appropriations committee, decided to find a 'middle ground' and open the door to charterize Philly schools. Thanks Rep. Evans!)

At the same time, Hornbeck filed a class action lawsuit against Ridge along with a coalition of families, churches, and movement groups. Their claim was that Pennsylvania's school funding inequality violated the Civil Rights Act.

I mention Hornbeck's strategy because its bravery, creativity, and persistence provides a precedent for the kind of strategy organizers need in provisioning school districts during the covid crisis and beyond.

This post about one possible campaign for organizing the MLF strategy, where school districts take radical advantage of the radical opportunity the Federal Reserve has presented.

*Terrain*

What are the balance of forces involved in such a campaign? Institutions and context form the terrain we have to fight on. You more or less know the context: an economic depression, pandemic, enervated public programs, rapacious ruling class, creeping ethnonationalism. Etc.

In terms of institutions, at its simplest, the MLF strategy pits two key capitalist ruling class holdouts against one another.

One of those holdouts is the Federal Reserve. My understanding of the Fed is that it represents the capitalist ruling class's evolution into a class for itself. This is James Livingston's thesis in his excellent book *Origins of the Federal Reserve System: Money, Class, and Corporate Capitalism, 1890–1913*. (Check out this good roundup as well.)

I'm pretty sure Marx didn't think capitalists could get together and agree on a monetary institution that would—at their beck and call— increase or decrease the price of loans (big and small); and that the institution would use a network of regional reserve banks into the remotest areas of the territory to leverage the repressive force the Federal Government, without any democratic accountability, and prevent runs on banks. But, well, that's what they did.

The Fed is capitalists' thermostat, basically. They control the social structure's temperature with it, preventing it from getting too hot or cold and therefore preventing it from going into shock, which, dialectically speaking, means revolution.

And not just for US capital, but global capital. Not only do countries have their own central banks doing more or less what the Fed does, but these countries do their borrowing and lending in dollars. When the covid crisis hit, the Fed sent out currency swaps to protect against an international run on the dollar. It can set the whole global temperature (except not really because climate change).

The Fed is one institution forming our terrain. The other is the school district. In my research on the history, law, and politics of the school district I've found I agree with Kevin Carey: it's a fortress for racial capitalism. The school district

may be the second most powerful institution through which the ruling class operates.

Weirdly, the school district is its own government separate from municipal governments. Unlike fire, police, and water—which are departments of local government—the school district is its own entity, usually governed by an elected school board.

Through a practice as old as Rome and 18th century western colonial expansion, the schools are funded through local property taxes and, sometimes, state taxes. Very little federal money goes to schools.

School districts thus fold several potent social forces into one: the instruction of children, the price of real estate, and local control-style governance.

District boundaries are the third-rail lines of localized racial capitalism. They are the settlements ‘communities’ have agreed upon for who is in and who is out when it comes to children and real estate.

The HBO film *Bad Education* is a great depiction of how school districts work with and for the ruling class to maintain wealth, exclusions, and social reproduction.

But the history of desegregation tells the story vividly. When school district lines change, ‘white’ people get violent. They blow up houses. They spit on kids. They move away, scorching the earth.

And whenever the federal government wants to do anything redistributive, ‘communities’ use the sanctity of local control to deploy claims of tyranny, totalitarianism, and since 1917, communism. Since most recent Civil Rights movement, which made some inroads via Supreme Court rulings and national legislation, this dynamic has only gotten worse.

School district’s are like US racial capitalism’s cell structure. They maintain the microboundaries that keeps the larger structure going.

So we are dealing with some hot terrain in this campaign: the Fed and the school district. Progressive congresspeople like Rashida Tlaib and others are taking aim at the Fed side of things. But any organizing at the national level will need local support from the bottom. Here's a proposal for doing that.

### *Coalition of Applicants*

When it comes to strategy, MLF education applicants should form a coalition. Depending on what entities are eligible (or make most sense for eligibility), these entities should form a network to help one another with the application process, talk about the process for applying, and keep each other posted about the results of each application.

We can't help each other if we don't know what everyone is going through. And we can't hold the Fed accountable if each entity has its own individual experience.

This coalition would be pretty exciting since school districts and their attendant institutions are so siloed. They're siloed from one another within states but they're also siloed nationally. But we're all trying to do the same thing, which is provide the best education possible under difficult circumstances.

How to form this coalition?

One of the biggest hurdles to get over is the sheer intimidation factor of the Federal Reserve, finance language, and the specific process for applying to the MLF.

So a group of organizers provide mutual aid for potential applicants by removing these barriers to entry, making the application criteria and how the loans work easy to understand.

Putting all the information on one well-designed website is a start.

On this website there would be a checklist where applicants can see whether or not their chosen entity is eligible. The website provides the criteria for eligibility with a series of easy-to-read checkboxes.

Next there should be a MLF loan calculator to tell potential applicants how much they can get and how much it'll cost. Applicants can enter the amount of their entities' gross revenues, with which they can then calculate the maximum amount of the loan, interest rate, and origination fee.

Organizers target district leaders in urban and rural areas where need is greatest and work with them to use the website. When there's a satisfactory regional diversity in who has filled out the calculator (maybe 150 districts representing each major region of the US), organizers hold a conference call with applicants to go over information and coordinate applications.

Imagine a coalition of school districts representing urban and rural areas coming together to seek relief in an economic depression. Imagine the Fed receiving their applications at a steady rate, or even all at once.

There's no telling what this coalition could be. It could even make demands regarding terms, amounts, and rates. I imagine the Fed isn't used to dealing with organized citizens. It's not accustomed to democracy.

Here's what makes the MLF strategy exciting. Even if the loans don't come through, the very process of organizing applicants could be very powerful. I think it's worth it just for the organizing, and of course the loans (on much better terms) would be great.

But maybe there's an opportunity to push for bigger and better policies than just oppressively hard-to-get-and-pay-for loans.

### *Postscript: Eligibility Politics*

A brief note on the politics of determining eligibility. It might be too easy, or even a red herring, to say that the district should be the applicant. But that doesn't mean school districts shouldn't do the organizing.

In conversation with a state representative's policy analyst (whom I'm not naming just in case they wouldn't want me to), I learned much more about the eligibility criteria for entities applying for MLF loans.

This is really important because it establishes whether or not the MLF will consider an application, but it also furnishes the most important number when calculating how much you would apply for.

First, it's not clear if school districts can apply. As Mike Glass told me, districts don't issue revenue bonds. They issue general obligation bonds. The MLF requires revenue bonds.

Second, even if districts could apply, it's not clear that big urban districts and small rural ones *should* apply. It could be that school infrastructure projects go through conduits unique to each state and region.

And it could be that the politics of each region prohibit putting these districts front and center. (The Pennsylvania state government, conservative and white, loathes predominantly nonwhite Philadelphia.)

Of course the school district is the one that ultimately receives the infrastructure improvements. The question is how to get that improvement to the districts. It might be that another entity's budget is the best way, rather than the school district's.

School officials and organizers must determine the best and most sensible way to get this relief. In Pennsylvania's case, it may mean going through the Department of Education and school infrastructure reimbursement programs combined with an already existing coalition of teacher unions looking to fund facilities. In that case, it's not the districts but rather the Department or other institution that applies for the loans.