PRIVATIZING MASSACHUSETTS: THE RIGHT-WING'S BLUE STATE GAME PLAN

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In October, the Fiscal and Management Control Board overseeing MBTA, Boston's public transit system, took quick action after determining[1] the hardware and software used to track fare collections was faulty. The governor-appointed body decided to fire all the employees who count the money and outsource their work[2] to a private company instead. The move had some people scratching their heads—why not fix the technology if that was the source of the problem?

"It's as if a supermarket chain decided to replace its cashiers and supervisors because their cash registers aren't working properly," said Rafael Mares, Vice President and Program Director of the Conservation Law Foundation's Healthy Communities and Environmental Justice program who regularly attends the fiscal control board's meetings.

But what if shrinking government itself is a major goal, perhaps even bigger than fixing public transit? Your confusion ends. And that is the stated goal of The Pioneer Institute for Public Policy Research, the right-leaning think tank that seems to be everywhere these days—including on the MBTA control board. You find Pioneer people, past and present, as regulars on Boston public radio's *RadioBoston*, writing op-eds for struggling newspapers, and even leading the state as governor.

Massachusetts Governor Charlie Baker, Jr. is a former executive director of Pioneer, as is his Education Secretary James Peyser. They are privatizers in search of opportunities.

Unless you are a policy insider, you may not know much about Pioneer. It is sometimes hard to know why it is even "right-leaning" and why some of the most influential right-wing funders in the country give it money. With a growing, $1.8 million[3] annual budget, Pioneer hosts liberal historians, honors abolitionist hero Frederick Douglass with a high school essay contest, and hires Democratic politicians who cowrite opeds with other Democratic politicians. Former Gov. Michael Dukakis did just that[4] this spring with Pioneer "senior fellow" Thomas Birmingham, the Democratic former leader of the state Senate, to promote a statewide history test for high schoolers. Another Democrat, the former undersecretary of the Office of Consumer Affairs and Business Regulation Barbara Anthony, is now a Pioneer senior fellow looking at healthcare.

The MBTA Fiscal Control Board's vice chairman is an affable fellow named Steve Poftak, executive director of Harvard's Rappaport Institute for Greater Boston at the Kennedy School. At one time Pioneer's Director of Research and Director of its Center for Better Government, Poftak is a far cry from a conservative ideologue. To the contrary, Poftak even expressed support for low-income transit fares.

Why attack Pioneer as right wing, *Boston Globe* columnist Joan Vennochi asked[5] the Carmen's Union last fall,when all it does is present "data"?

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1 http://www.bostonglobe.com/metro/2016/06/06/mbta-urged-reconsider-outsourcing-money-room-fare-counting-jobs/GGVOIZHpExQvKaDHgbpVbK/story.html?event=event12

2 http://news.wgbh.org/2016/10/06/local-news/after-7-union-members-arrested-picket-protest-mbta-approves-privatization-cash

3 http://pioneerinstitute.org/wp-content/uploads/Pioneer-Institutes-FY2015-Form-990.pdf

4 https://www.bostonglobe.com/opinion/letters/2016/03/17/push-social-studies-but-not-with-another-standardized-test/Im876TSDF2NkcvNN1NmIiO/story.html

5 https://www.bostonglobe.com/opinion/editorials/2015/09/10/labor-hot-rhetoric-grows-cool-without-facts/VCRa1dCh9tWvPVATqBzveM/story.html

WINNING HEARTS TO A FREE MARKET AGENDA

Pioneer's mix of politics is confusing for those who assume the right wing is always openly racist or homophobic or engaged in a frontal assault against unions akin to that of Wisconsin Governor Scott Walker.

Indeed, Pioneer has positioned itself much differently from the polarizing politics of fellow conservative think tanks in the State Policy Network, like Michigan's Mackinac Center,[6] which boasted of its role in passing that state's 2012 right-to-work law undermining unions. But its special mix of bipartisan players promoting privatized government is influential in the administration of Massachusett's Republican Governor Charlie Baker, Jr., a former executive director of the think tank. And it may prove influential as the Republican Party seeks to rebuild after Trumpism.

Pioneer was founded by conservative businessman Lovett "Pete" Peters in 1988 and for years was kept afloat by donations from far right funder David Koch (more recently Koch failed to make the public donor list). But in pursuing relevance in a blue state, Pioneer deliberately sought a formula that wins hearts to a free market agenda even as the Republican Party is roiled in Trumped confusion. Because underneath Pioneer's support for "best practices" and good government is a conservative pursuit of shrinking and privatizing government functions, in alignment with its mission supporting "limited government" and policy based on "free market principles."

In pursuit of this mission, Pioneer participates in the State Policy Network, the Koch-funded association of 65 regional right-wing think tanks that opposes climate change policy and promotes sharp tax cuts for the wealthy, antiunion "right-to-work" laws, restricting voting rights, privatizing public education, and cutting the minimum wage. Pioneer gave up an embarrassing membership in the secretive corporate bill-mill American Legislative Exchange Council (ALEC), which links state legislators with company lobbyists who write legislation for them to pass; the think tank left this climate-denying rightwing network in 2013 but reportedly not because of climate politics.[7] Pioneer opposes the federal Common Core education standards initiated in the George W. Bush Administration that ALEC continues to support.

Still we need to take Pioneer's own mission statement seriously. For Pioneer, you create limited government—what it claims is good government—by privatizing services and letting businesses make money off the state's taxpayers. That is just what Brinks will now do with its new MBTA contract, presumably by paying workers in the newly privatized counting room less than $15 an hour as it does[8] elsewhere. This is the core mission that wins it steady support from such conservative heavyweights as the Lynde & Harry Bradley Foundation. In Pioneer's model, privatization, not public institutions, will serve our communities best because it brings the sanctified "competition" to bear in providing public services including education. Shawni Littlehale, the tea-partying director of Pioneer's Good Government Competition, once handled privatization in the administration of Governor William Weld in the 1990s and until recently boasted of her affiliation with the Tea Party group Smart Girl Politics in her official Pioneer bio. The cronyism and abuse of power that can come with public contracts is not high on Pioneer's radar screen—even as some red states pull back from unregulated privatization.

"SELLING OUR IDEAS"

This bipartisan playbook is not entirely new for Pioneer. Democrats have been part of its effort to "sell" the idea of limited government since its first decade, as documented in *Pioneer Institute:*

6 http://www.mackinac.org/

7 https://s3.amazonaws.com/s3.documentcloud.org/documents/841593/alec-docs.pdf

8 http://www.labornotes.org/blogs/2015/04/brinks-armored-car-workers-join-fight-15-and-union

Privatizing the Commonwealth, a 2002 report[9] by the progressive think tank Political Research Associates. Pioneer founder Lovett "Pete" Peters shared his thinking at a State Policy Network workshop in July 2003. Conservatives haven't been "selling our ideas half as well as we know how," he told the SPN audience. For a model, he looked to Britain's Institute for Economic Affairs, which set out "to change the British intellectual climate toward much more limited government." His lessons? "Take one brick away at a time" instead of trying to knock everything down all at once with a bulldozer. And, "Keep free market principles—individual liberty and responsibility—clearly in mind, but also recognize that what we are talking about is changing the intellectual climate." Academics might say Pioneer is about fostering a new governing rationality or shaping a new policy culture. It set out to change how people see the role of government and what they can and should expect from it. Investing in communications and working with the media was key in winning this shift, said Peters.

The result? Now the nation has charter schools, Peters told his audience, "and they are raising hell with the teachers union" and even vouchers have a foothold in some cities, "putting teachers' unions on the defensive." Peters also advised conservatives to think long term. "Pick something that you can do, and do it well. You need the success…So don't tackle getting vouchers in your school system as the first order of business."

BLUE STATE STRATEGY

You don't have to dig very deep to confirm how Pioneer pursues its conservative goals today.

Outsourcing is one of Pioneer's prime tactics for saving money in impoverished "middle cities." Outsourcing education to privately run charters is its solution for weak schools and inequality. Pioneer leans right, not just because of the Republican Party affiliation of its core staff, or board member ties to the conservative American Enterprise Institute. It leans right because it believes the public good will emerge from market competition, including the privatization of government services. This is part of what it calls "modernization."

Pioneer is right-leaning in other ways of course. It supports using government money to pay for private religious schools (even though the Massachusetts Constitution currently bans it). It opposes the state Pacheco Law, which safeguards privatization so that savings from outsourcing is not made on the back of those doing the actual work. (At Gov. Baker's request, the legislature suspended the law for transit allowing the MBTA board to more easily outsource jobs.) And it has supported cutting government subsidies to transit and other services, arguing users should pay more of the actual cost in higher ticket prices. This strategy undercuts the power of government to support social goals like getting cars off the road to reduce pollution and congestion, or even economic welfare, by making travel to work more affordable.

Like some other blue-state think tanks in SPN, Pioneer just takes a different path to achieving conservative goals, mixing moderate proposals with rightwing ones, while staying relatively silent about unions and taxes. This builds up good vibes and means that its more conservative proposals get a hearing in blue Massachusetts.

The parallel with the way Pioneer's former executive director Charlie Baker Jr. is running the state is notable. A socially liberal Republican, Baker invited prominent Democrats to serve in his administration. At the same time, there is no evidence that the governor has abandoned core Republican goals such as privatizing and deregulating government—or that he has abandoned his party. As the *Boston Globe* reported, in early March he rubbed shoulders with Republican strategist Karl Rove, House Speaker Paul Ryan and other top GOP leaders on a secret junket to the American Enterprise Institute's "World Forum"[10]

9 http://www.politicalresearch.org/2002/07/13/the-pioneer-institute-privatizing-the-commonwealth/#sthash.sZio4jWg.dpbs

10 https://www.bostonglobe.com/metro/2016/03/16/charlie-baker-made-secret-trip-conservative-confab/8UWLadgZXHnbFIwUue2taO/story.html

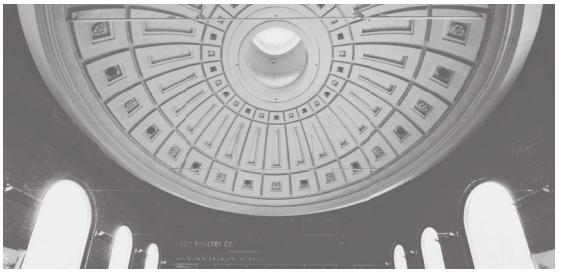
on a private resort island off the coast of Georgia. As mentioned, his MBTA Fiscal and Management Control Board is aggressively pursuing privatization. He opposes having the wealthiest carry more of the tax burden through the proposed "millionaire's tax,"[11] which, if passed by a ballot initiative in 2018, would raise taxes on those making at least $1 million (adjusted regularly), generating over $1 billion more for public schools and transportation.

"They were outsiders shaping their views through the media," said one Democratic state staffer who witnessed Pioneer's launch in 1988. "They are moving from the outside to being policymakers now," similar to their role during the administration of Gov. William Weld, when Charlie Baker, Jr. and Education Secretary James Peyser both had government roles. Mr. Peyser, like Charlie Baker, Jr., was once Pioneer's executive director.

GOOD GOVERNMENT, THEN AND NOW

Pioneer has built up its moderate image by embracing the call of "good government," but that was not part of the original strategy, as founder "Pete" Peters revealed in his 2003 talk to the State Policy Network. In fact he says he had to convince then-executive director Charlie Baker Jr. to go along with it. But he told SPN how pleased he was with how successful the appeal to "good government" has proven to be for the Pioneer brand. Who, after all, can be against "good government"? Let's take a closer look.

Historically good government campaigns won civil service rules requiring that public employees meet basic standards and stopped party regulars from flowing in and out of government jobs as patronage when the party in charge changed power. When he was a Boston lawyer early in the 20th century, Louis



D. Brandeis, along with other Progressives, promoted good government as a way to temper the antisocial consequences of unimpeded wealth concentration and undue business influence over public policy. As part of the good government movement in later decades, Republican and Democratic women in the League of Women Voters and American Association of University Women embraced their ability to study and debate issues before embarking on bipartisan campaigns for government solutions.

These bipartisan good government initiatives created a new establishment across party lines. In those women's groups after World War II (as my own research showed), that meant requiring southern chapters to desegregate—and in the League's case, for southern states-rights chapters to accept the federal initiatives of the New Deal as legitimate. The League members were part of a new Republican establishment in accepting Social Security and the federal minimum wage. Those who disagreed (like the late Phyllis Schlafly) left while remaining active in their Republican Party women's clubs, which kept a mix of liberal and conservative women.

Bipartisanship and good government campaigns are a powerful tool for shifting the center, whether to the Left or the Right. So is independent research.

But when Pioneer's research wins a close look, it doesn't always pass muster. This was the case when the *Boston Globe* engaged in a rare review of Pioneer's work[12] comparing Boston's with other transit system. As Mares of the Conservation Law Foundation

11 http://www.bostonmagazine.com/news/blog/2016/05/17/what-is-millionaire-tax-massachusetts/

12 https://www.bostonglobe.com/metro/2015/03/09/mbta-spending-paradox/rpTmflub694C1IT4cble2H/story.html

summarized the problem, "you often found that the comparisons were not apples-to-apples. For example, different modes tend to be subsidized differently, and the MBTA has more modes (bus, light rail, heavy rail, commuter rail, ferry, paratransit, and trolley) than any other transit agency. A fair comparison often revealed that the MBTA was average or actually best in class."

It took a recent University of Massachusetts, Amherst grad, Zac Bears, to point out[13] that a May 2016 Pioneer report criticizing growing out-of-state enrollment in the state system used a budget projection not actual spending to make its argument. Plus, Bears wrote, Pioneer failed to discuss the drastic drop in state support for UMASS, leading it to seek higher paying nonresidents. So Pioneer's "data"-filled reports deserve a closer look than they often get from an overworked media.

Pioneer deservedly wins praise for promoting important "modernizing" good government reforms that are now commonplace in other cities. These include 311 as a single number to call for city offices and services; updating and consolidating archaic information systems that make it hard to know what is going on (CitiStat); and instituting standard financial procedures, all implemented in New York City years ago under then-Mayor Michael Bloomberg. Pioneer also showed independence in leading a range of people with various political orientations in a national campaign opposing Common Core education standards that emerged from the George W. Bush administration; these were less demanding than Massachusetts own, Pioneer argued.

Pioneer can respectably claim the banner of "good government" in all these rather technocratic areas. The controversy lies in its assumption that privatization produces good government. This through-line courses through its various proposals, whether for charter schools, transit, or municipal development. Pioneer can draw on census data to paint a portrait of struggling cities that even a blue blogger can recommend (as happened in February). But its solutions are ideological, and even counter to recent research.

Columbia University economist Elliot Sclar, author of *You Don't Always Get What You Pay For: The Economics of Privatization*, explained what discussions free marketers try to push off the table. "We can't make ethical decisions about distribution of wealth. All we can talk about is the efficient use of resources and that comes from the free market." But even in its own terms, privatization is challenging to pull off, he says. When Gov. Weld privatized highway cleanup, Sclar remembered, the state wrote contracts that only big companies could afford to bid on. Then the state auditor found they did little more than move litter, following the letter but not the spirit of the contract. Oher states contracted paratransit services where competition won such low bids drivers were forced to live in a homeless shelter because the pay was so low. "But that's 'good' because it's efficient," Sclar said.

"They set up this mythical inefficient government against this mythical efficient private sector as though they are very separate spheres," he continued. Yet insider bids, corrupt campaign contributions and cronyism are rife, as seen in scandals nationwide, from New York, where the former head of the state Assembly is now in jail, to Virginia, where the former Governor lost his political career because he took gifts of luxury goods from a vendor

Pioneer Fellow Charlie Chieppo, former Massachusetts Governor Mitt Romney's policy director, told *RadioBoston* on April 1 that research shows "having competition (from charters) has produced better results for the kids left in those (public schools)." But that is simply not born out in the research, for instance by a University of Chicago research consortium, which found its city's improving graduation rate came from regular neighborhood high schools for a range of reasons including tougher courses, keeping better track of students, and reweaving trust[14] among staff and with students. But it sounds right—doesn't competition force companies to shape up? This is what Pioneer means

13 http://commonwealthmagazine.org/education/pioneer-institute-report-misses-real-problem/

14 http://blogs.edweek.org/edweek/leadership_360/2016/06/trust_is_the_linchpin_for_strengthening_schools.html

by bringing "free market principles" to government. And so they support not only individual charters, but charter networks that provide an alternative governance structure to the public school district—supposedly competing with the public sector so it either shapes up or is supplanted. The problem is charter networks are overseen by private boards filled with businesspeople,[15] not by elected school boards, shortchanging public accountability. A Brown University study found 31 percent of the board members of Massachusett's charters were from the financial or corporate sectors, and few were parents or students. It is a trend that diminishes democratic oversight. In Pioneer's world, oversight is supposed to happen using market logic: parents-as-consumers will drop out of schools if they are bad or abusive.

But even Margaret Raymond, head of the charter-oriented Center for Research on Education Outcomes at Stanford University, says competition and parents voting with their feet failed to make schools better. "I've studied competitive markets for much of my career," she told the City Club of Cleveland[16] after her center found charter students in Ohio fell far behind public school students on math and reading tests. "And [education] is the only industry/sector where the market mechanism just doesn't work. I think it's not helpful to expect parents to be the agents of quality assurance throughout the state."

There is an additional issue at play. Wealthy venture philanthropists leverage hundreds of thousands of dollars into charters over and above the budgets of public schools. Channeling their money as charity, they receive tax breaks, reducing the tax revenues that support all public schools.

Ensuring that any privatization does not extract savings by cutting the wages of the workers is a core part of the state's Pacheco Law, passed in 1993 as "Taxpayer Protection" during the big wave of privatization during the Weld Administration (when Baker, Peyser, Littlehale, and other Pioneer staffers took on the gears of government). Since the 1930s, Keynesians have documented that employers paying workers a living wage is important for the broad health of the economy since the better paid workers support businesses as consumers by spending the money. When governments can stabilize wage levels, communities prosper by not impoverishing their own workers. This is especially important during downturns in the economy. But Pioneer has consistently opposed this liberal approach since Pacheco passed. Even one of its Democrats, former state inspector general Gregory Sullivan, told WBUR last year, "Let's put the truth to this: This is the most extreme union protectionist legislation in the United States."

More recently, Chieppo told *RadioBoston*, "The law is insane" making it "harder to privatize anything than any other state." Ironically, he said this after the state auditor approved the privatization of emergency mental health care in southeastern Massachusetts. It turns out 80 percent of privatization proposals reviewed under Pacheco end up being approved, not all that uncommon. And Massachusetts is a prime example of the tragic failure of the privatized mental health system, according to a recent Spotlight investigation[17] by the *Boston Globe*.

In fact, when we look across the nation other states—red states—are discovering the dangers of uncontrolled privatization. Massachusetts lifted Pacheco's protections in the case of MBTA contracts even as red states are realizing that handing the keys over to businesses to run essential government functions doesn't always work out too well. The Republican dominated legislatures in both Texas and Louisiana passed contracting laws last year after scandals involving expensive sweetheart contracts with private vendors. Only Texas's law was enacted;[18] Louisiana Governor Bobby Jindal vetoed his state's bill.

15 http://annenberginstitute.org/sites/default/files/product/859/files/WhoseSchools.pdf

16 http://www.emailmenot.com/emails/morning-education/1847707/politico-s-morning-education-nail-biter-budget-passes-look-dems-losing-edge-education-common-core-communications

17 https://apps.bostonglobe.com/spotlight/the-desperate-and-the-dead/series/families/

18 http://www.star-telegram.com/news/politics-government/state-politics/article22768848.html

When we look at the states that have widely privatized services, they faced a wakeup call: The results are often good for private contractors but bad for the public. A few years before the state bills, a *Bloomberg Businessweek* headline read "Why Private Contractors are Lousy at Public Services," noting "when it comes to education, good contracting and regulation in the private sector is as difficult as good public sector management. That's why the results of outsourcing or privatization are often disappointing." Not only does it make government vulnerable to corruption, citizens are discovering that they have to fight for government transparency to apply to outsourced services, since corporations holding the contracts claim their records on business practices are proprietary secrets. This is also true with charter networks, privately run overseers of publicly funded schools.

When evidence suggests being skeptical about privatization, Pioneer turns the other way, despite its good government branding.

Take its 2011 white paper,"A Practitioner's Guide to Outsourcing: An Opportunity to Improve Cost and Service Quality." Part of Pioneer's "Middle Cities" initiative, the guide aims to help struggling municipalities "provide better services for less." Its author is Stephen Lisauskas, who led the Springfield (MA) Financial Control Board from 2007 to 2010. He argues outsourcing not only saves a city money but that competition over contracts enhances accountability. Yet studies have suggested that many smaller municipalities have only a restricted number of businesses that can compete for local contracts, reducing real competition. Nor does competition necessarily produce better work, as Lisauskas must know from his Springfield experience. While he led the Springfield Financial Control Board, the city laid off 89 unionized workers to outsource their duties. Springfield's public schools outsourced its custodial services (to a company using unionized workers), but brought its custodians back in-house in May 2011 after the 5-year-contract ended saying it would save money and improve cleanliness.

Lisaukas should know about the cronyism that can come from a city's contracts because in 2010 he paid $3000 for violating the state's conflict of interest law while at the Financial Control Board for promoting a friend to handle millions in city investments and lying about the relationship. Merrill Lynch repaid $13 million lost when the broker steered city money into high risk funds barred by law. Lisaukas' championing of transparency was also tarnished when he signed a secret "side letter" while at the Financial Control Board giving a $30,000 bonus to an incoming schools superintendent, only revealed years later. Political Research Associates tracked similar problems with cronyism in Pioneer's earlier years. For instance, former Pioneer codirector Steven Wilson drafted the Weld-era law allowing for-profit charter schools before leading Advantage Schools, a for-profit charter company that could benefit from his handiwork.

Now Pioneer is advocating for the state to create a new infrastructure investment fund to serve as an incentive for Middle Cities mayors to embrace both the technocratic innovations we've seen in New York and the privatizing policy logic of Pioneer to "ensure high-quality, affordable essential services such as education and public safety." The whole initiative would be overseen by the Governor's own Executive Office for Administration and Finance, not MassDevelopment.

As Pioneer Executive Director Jim Stergios writes in the March 2016 proposal, "Such a strategic overlay would require establishment of a grant 'czar' for the Middle Cities, with strong ties to the governor."

And those strong ties to the governor, as the MBTA fiscal control board shows, will almost certainly pursue privatization as the solution.

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