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## Education

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# Privatizer Whittle going down the tubes

by Suzanne Rose

Media mogul Chris Whittle is one step ahead of the bankruptcy judge, as well as the law enforcement agencies of many states, even as he negotiates to run public schools and so-called "charter" schools around the country. Whittle's crowning achievement was to be the building of 1,000 private schools, to be based on the latest "educational" technology and which would be run for profit. But the defeat of the controversial voucher program in California, which would have allowed the state to fund such schools, and the slowness of other states to pass laws permitting the funding of charter schools, which are under semi-government control, have put his projects at risk. Whittle has now lowered his goal to taking over and running 200 existing public and charter schools.

Whittle's \$200 million media empire began to go sour in 1992. Whittle Communications, which owned Channel One educational television for schools (until a forced sale earlier this year) and various specialty media, has depended upon bringing ever more profitable ventures on line. Whittle's Edison Project, a subsidiary of Whittle Communications, is a "for profit" education company which has already contracted to run schools in Massachusetts; Wichita, Kansas; and Detroit, Michigan, and is negotiating to run schools in many other cities, including Chicago. The Edison design relies on computers and television technologies to replace teachers, as well as a heavy dose of "New Age" teaching methods. Like his Minneapolis-based counterpart John Golle, the chief executive officer (CEO) of Education Alternatives, Inc., Whittle has been plagued by a string of scandals and allegations of fraud and wrongdoing. A recent piece in *New Yorker* magazine profiled Whittle's penchant for high living off his companies.

Most of the Edison Project has been liquidated in the past year amidst charges of financial malfeasance directed against Whittle. It remains to be seen, however, whether the financial setbacks and allegations of wrongdoing will affect Whittle's attempts to contract to run more schools; they have not affected the ability of the scandal-ridden Golle to acquire a contract to run the public schools in Hartford, Connecticut in October.

Golle won the Hartford contract because of his connections to the Hartford Insurance Group, through the Midwest brokerage firm Piper Jaffray, whose investment portfolio

Golle helps to manage. The Hartford Insurance Groups' Edward Bennett is on the board of Piper Jaffray. Both Golle and Whittle represent the speculative interests which are desperate to raid city school budgets to prop up the collapsing global derivatives financial bubble. Piper Jaffray lost \$700 million in failed derivatives investments over the past year. Both Golle and Whittle have been given political support from "free enterprise" political fixers in the Republican Party, who are organizing an enraged population to demand the cutting of education costs, and Democratic Party mayors who are looking for an easy way out of their budget crises.

Over the last two years, Whittle has had to prune back an empire that once included Channel One, which provided television sets and satellite technologies to schools in return for the right to program two hours of school time which included commercials, and a Medical News Network. Whittle's major investors include the organized crime-linked Time Warner, the British company Associated Newspaper Holdings, and the Dutch electronics firm Phillips. He has liquidated all but the Edison Project.

### The Bush connection

Whittle's success in attracting investors was phenomenal until 1992, when the Bush administration was defeated along with the California voucher initiative. Tennessee-based Whittle's political mentor was former Gov. Lamar Alexander, George Bush's education secretary. Alexander's undersecretary of education was Chester Finn, a prime backer of the California initiative.

Up until that point, his plans to build and operate private schools were based on seeking funding through vouchers, school choice plans, or legislation permitting state funding for charter schools. Whittle opted for a more modest plan of taking over existing schools when the voucher system failed. His empire began to unravel as the political setbacks discouraged new investors, and his revenue projections and accounting methods were exposed to have been based on pure hype. By August 1994, Whittle was \$100 million in the red.

Over the past year, allegations have been made that the company has not been making personal property tax payments on the equipment it owns in the schools which have contracted for Channel One. There are also allegations that Whittle made vastly overblown revenue projections, particularly of advertising revenues from Channel One, and that he forced his employees to cook the figures in order to attract investors. His chief revenue officer resigned over Whittle's use of questionable accounting methods.

A similar pattern has plagued Golle. The Minneapolis *Star Tribune*, the American Federation of Teachers, and others have exposed Golle for producing phony test results, and lying about future contracts. He is also accused of breaking the law with respect to the education of disabled children in order to improve his bottom line. The company also lost \$20 million in derivatives speculation.