

The Philadelphia Inquirer

Upping the ante for City Hall

By Will Bunch

March 24, 2015

It started exactly 40 years ago in cramped dorm rooms at the State University of New York-Binghamton, a half-dozen guys staying up late to play poker on a drab, rain-soaked campus that didn't even have fraternities.

But what started as a poker game morphed into a wider obsession for the card-dealing buddies that included the future Philadelphia suburbanites Joel Greenberg, Jeff Yass and Arthur Dantchik. Its wide, colorful playing field grew to include timeworn horse tracks, the gaming tables of Las Vegas, jai-alai frontons in Florida and finally, improbably, the floor of the Philadelphia Stock Exchange.

They lost many more nights than they won - 110 times out of 140, according to a 1980s lawsuit, as later reported by Philadelphia magazine - but their system meant that when they did win, they won big, even in the high-stakes world of trading options in the financial markets.

Today, as multimillionaire founders of the Susquehanna International Group in their adopted home of Montgomery County, Greenberg, Yass and Dantchik are hoping to parlay one large losing political bet - more than \$6 million plunked down on the failed 2010 gubernatorial bid of state Sen. Anthony Hardy Williams - into a big win. And the stakes couldn't be higher: the mayor's office in America's fifth-largest city for the next four years.

Greenberg, an affable attorney who speaks for the group with traces of his native Queens, N.Y., in his accent, said the Montco threesome will do what it takes to help elect Williams mayor in 2015. He says that's because of their broad agreement on the one issue that matters most to them: school choice. They want to allow more parents and their kids to opt out of struggling neighborhood public schools and into charter, parochial or private schools.

"Every parent should have the right to give their kid a solid education - how else do you get ahead in this country except for that?" asked Greenberg.

The three financial gurus made a \$250,000 down payment late last year on a new political-action committee called American Cities that will support Williams against five Democratic rivals in the May primary, and they've signaled there's a lot more dough where that came from.

The millionaire move to raise the political ante on Williams has, not surprisingly, also raised the ire of unionized teachers and other backers of traditional public schools who say school choice is just a thinly disguised plot to close neighborhood schools, undermine organized labor and reward charter operators. But the trio's unprecedented level of involvement also raises a thorny political question that the city has never before confronted.

This is Philadelphia, after all - the place that 20th-century muckraker Lincoln Steffens famously called "corrupt and contented" as citizens endured a soap opera of scandals from Election Day murder-and-mayhem to Abscam to Fumogate, all united by the idea that politicians can and will peddle their influence to make their friends rich.

But what are we to think when - in a new Gilded Age of wealth and with the Supreme Court's endorsement of limitless political spending - three icons of the "1 Percent," from the suburbs no less, are willing to draw down their fortune, in pursuit not of a city contract but an idea . . . and a highly divisive one, at that?

"We're one of 11 states with no limits on campaign contributions, so anything goes," shrugged Barry Kaufmann, the longtime executive director of the Pennsylvania chapter of the good-government group Common Cause. He said he's given up for now on the notion of limiting the size of donations and working instead on better disclosure rules so that at least voters can see where the flood of political cash is coming from.

In this case, it's coming from across the city line - City Avenue, to be exact - where Susquehanna International Group has its offices in Bala Cynwyd. The firm now employs an estimated 1,500 people worldwide, specializing in the somewhat arcane world of trading equity options - a kind of financial bet on whether a stock will go up or go down; indeed, its road to success began in 1987 with a wager that the market would go down, right before that year's big crash. It's a long way from the days when Yass and his friends brought suitcases of cash to the track, but learning and playing poker is still a big part of Susquehanna's culture and lore.

Greenberg, a Fordham Law School graduate who found he prefers the trading floor to a courtroom, said the Susquehanna principals are proud of their working-class roots in 1970s Queens, and with success they've become involved in an array of philanthropic causes. Three years ago, Greenberg and his wife, Marcy Gringlas, launched a charity called the Seed the Dream Foundation that made headlines with a \$1 million gift to keep alive a classical-music program in West Philadelphia.

"He's a major employer in the region and he's wonderfully philanthropic - for Jewish causes, educational causes and other community organizations," said Josh Shapiro, the Democratic chairman of the Montgomery County commissioners, who knows Greenberg well and is familiar with some of the other Susquehanna players.

When it comes to politics, Greenberg - a registered independent - notes that the firm's principals have supported both Democrats and Republicans, but there is one common thread that binds many of their activities, and it's an unusual one for Philadelphia. That is the philosophy of libertarianism - the notion of a minimalist role for government, with an emphasis on the rights of the individual and the power of free-market capitalism.

Yass, in particular, is active as a director in the nation's best-known libertarian think tank, the Cato Institute, which has long been critical of the dominant role that traditional public schools play in educating America's kids.

"Rather than throw even more money at the problem, states should institute school choice on a broad scale, moving toward a competitive education market," the Cato Institute declares on its website. "The only way to transform the system is to break up the longstanding government monopoly and use the dynamics of the market to create innovations, better methods, and new schools."

Dantchik is a director of the Institute for Justice, a libertarian-based law firm that represents parents in school-choice cases; both the Institute for Justice and the Cato Institute have received sizable contributions from the financial firm's philanthropic arm, the Susquehanna Foundation, which also supports a number of local charter schools. Greenberg once was a director and major donor to the American Federation for Children, a pro-school-choice group headed by Amway billionaire Betsy DeVos.

"We are for making sure that parents have choice - that the school your child goes to should not be based on your economic status or your ZIP code," Greenberg said, in explaining their philosophy.

He said that he first met Anthony Hardy Williams in the late 2000s at an event for Steppingstone Scholars, which sends city kids to prep schools, after an introduction by then-Montgomery County state Sen. Connie Williams. Bankrolling Anthony Williams' campaign was an endorsement of the senator's stand on school choice and a realization that scholarships were only a partial solution to systemic failure.

"There had to be some political solution that would result in giving parents choice," Greenberg said, characterizing the status quo as pouring money into failing schools. Indeed, he describes that fight as a matter of "civil rights."

The \$6 million-plus from the Susquehanna partners in 2010 was only enough to elevate Williams to third place with 18 percent of the vote, far behind gubernatorial primary winner Dan Onorato. But the political giving didn't stop. In fact, the three have pumped at least \$2.14 million more into Pennsylvania politics since the 2011 election - much of it money that was funneled through a political-action committee called Students First, to lawmakers who support school choice. (One

candidate who did get direct aid was then-City Council member and now School Reform Commission member Bill Green, recipient of \$7,200 from Yass and Dantchik.)

Their system can make it hard to "follow the money," as the saying goes. In 2012, a political-action committee called Fighting Chance PA, with links to the Philadelphia Archdiocese, backed legislators who wanted to expand tax credits for school scholarships - but when its finances were reported, the bulk of its money was actually \$300,000 from Greenberg, Yass and Dantchik.

Greenberg said all of their 2015 donations will come through the recently registered American Cities PAC, and will be transparent. Because of Philadelphia's strict limit of just \$2,900 for individual donations, this funding will be "independent expenditures" that can't be coordinated with the Williams campaign. One of Williams' election rivals, former Councilman Jim Kenney, is already benefiting from ads paid for by an independent committee linked to organized labor.

Nothing offends Greenberg and his partners more than a suggestion that they profit from corporate education reform. But critics of the role their money is playing say that's not even the issue, that they've tilted the playing field in Philadelphia toward charter schools as loss of money and enrollment is killing off neighborhood public schools that are accessible to all.

"There is a part of corporate education reform that is making schools into a marketplace," said former Philadelphia teacher-turned-activist Lisa Haver, who said that testing and test-prep firms as well as some charter operators are making handsome profits from the school-choice movement, even if the Susquehanna partners are not.

Greenberg said the group is unfazed by complaints that their wealth gives them undue political clout in a city where they can't even vote. He cites the counterbalancing influence of groups like the Philadelphia Federation of Teachers and its parent unions, which were major donors in 2014 to Gov. Wolf and which has endorsed Kenney for mayor.

"Many of the other independent interests that are in the race have vested economic interests, right? - looking out for the interest of adults," he said. "We're all about the kids."