

Education Life

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ENTREPRENEURSHIP • By Paul Wisenthal

Out of Trouble, Into Business

A program helps enterprising young offenders. But the straight and narrow has its curves.

MARCUS OLIVER and Marcus Gallegos, both 20, run "garage sales" out of a small warehouse in the Mission District of San Francisco. They canvass the neighborhood for damaged household goods, used furniture to restore and toys to repair. They post fliers and take out small ads in community newspapers, looking for basements to clean out and overstuffed garages. "We grab anything we can sell," Mr. Oliver says. In the last two years, they have held more than 40 sales, earning \$100 to \$200 each time.

Before, when the young men made money, somebody usually got hurt. The thrift sales represent the first legitimate income of their young lives — with six years spent in and out of correctional centers for robbery, assault, drug trafficking and parole violations. The Marcuses, as friends refer to them, met at Log Cabin Ranch, a desolate, cinder-block youth detention facility high in the La Honda foothills, 60 miles south of the city. Mr. Gallegos was serving eight months, Mr. Oliver nearly two years.

Whether they will end up back behind bars is still a question. More than 70 percent of young offenders return to jail less than a year after release. And the Marcuses have let their anger get the better of them more than once: since release, both have been expelled from educational programs because of violent behavior.

Nonetheless, they've undergone a profound reversal, attributed mostly to a program aimed at turning at-risk youth into entrepreneurs, run by the National Foundation for Teaching Entrepreneurship (referred to as Nifty, for N.F.T.E.). The for-credit program is also in place at Rikers Island in New York City and, for adults, at Greenhaven, a maximum security prison in upstate New York.

In two-hour weekly classes, students learn salesmanship and marketing and how to create a business plan and manage funds. They are taught the bedrock principles of commerce — buy low, sell high, keep good records and satisfy customers (always dress nicely and be polite). They play mock store and recreate sales calls; they are videotaped for peer review.

The Marcuses religiously attended every class. They were tired of being handcuffed, of looking over their shoulders. This was a brand-new view for them.

"At Log Cabin, I had a lot of time to think about everything," Mr. Gallegos says. "This was the first opportunity to learn a business as a professional. I was tired and fed up with the negativity in my neighborhood."

THE seeds for the program were sown in 1981 when a Brooklyn businessman, Steve Mariotti, was assaulted by a youth gang for a mere \$10. "It dawned on me that these street kids were simply running illegal businesses," Mr. Mariotti says. Then, drawn by a program to lure businessmen into New York City classrooms, he closed his import-export business and began teaching remedial math at Boys and Girls High School in Bedford-Stuyvesant, one of the city's high-crime areas.

But 59 unruly students were far too many for one teacher, especially with only 42 chairs and 39 textbooks. Some students had to stand at the back. Class behavior deteriorated rapidly. Students would lock him out of the classroom, and girls would teach new dance steps at the back of the room. One student set fire to another's coat. In desperation one day, Mr. Mariotti threw all the troublesome students out of his class. Weeks later, he

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William C. Lopez for The New York Times

Marcus Gallegos, left, and Marcus Oliver speak to youth at Rikers Island about their attempts to put assault and robbery behind them.

took them to dinner and confronted them about their behavior. They told him they were bored, and he had nothing to teach them.

Mr. Mariotti decided to incorporate his entrepreneurial experience to connect math to the real world. He began talking about his import-export business, which seemed to capture some interest, and developed the "trading game," in which students practice buying and selling. Customers haggle; the shopkeeper cajoles; the others weigh in on who won. To his amazement, students began to learn the basics of math. "Knowledge of the principles of business modified the behavior of these kids, and entrepreneurship changed the structure of their psyche," he says. Attendance zoomed to 100 percent, and grades improved. Later, while teaching at Jane Addams High School in the Bronx, he opened a student-run store. Some students earned \$60 a week selling products they had bought wholesale.

To bring entrepreneurship to underperforming schools and youth at risk, Mr. Mariotti founded the foundation in 1987. Today, supported by corporate partnerships, the organization has programs in 30 states and seven countries, including India, Argentina, Britain and Belgium. More than 74,000 high school students have completed the program, which includes 108 hours of course work, guest speakers and field trips and usually awards a certificate and academic credit.

Results have been encouraging. A study by Andrew B. Hahn of the Center for Youth and Communities at Brandeis University found that 33 percent of the students who completed the program in 1997 continued to operate their small businesses and 70 percent went on to postsecondary education.

"A startling finding is that most of these students

running a business enterprise were able to pay themselves a monthly stipend, which helped their self-esteem and made them self-reliant," Mr. Hahn says.

The program was expanded into prisons in 1998, and about 200 more have participated. Tim Lisante, deputy superintendent of alternative schools for New York City, says the program will prevail at Rikers Island regardless of President Bush's proposed budget, which cuts \$250 million from juvenile justice programs. But federal and city cuts are threatening the San Francisco chapter. Log Cabin itself may be shut. As a result, the program, partly supported by a \$50,000 grant from San Francisco's Juvenile Probation Department, would be moved into community classrooms and sharply reduced, with the probation department selecting participants.

Lack of financial resources has already limited follow-up, which Mr. Mariotti concedes is "mediocre at best."

"It's extremely expensive," he says. "With a \$50,000 grant you can deal with maybe seven kids. There are family issues, no place to live, they're angry, old behavior patterns can come back in a moment, and their friends are pulling them into their quicksand."

Jeffrey Fagan, professor of law and public health at Columbia University, predicts that the prison program will have limited success because most young former convicts have little freedom of movement and customer base.

He points out that they often come from poor backgrounds, are usually minorities and lack leveraging capital, lines of credit and connections to capital sources. "It's much more difficult for kids coming out of jail to go back to their neighborhood where there is little disposable income," Mr. Fagan says. "This makes it harder for their businesses to become profitable."

All agree, however, that offenders with violent histories like the Marcuses have little chance of breaking the crime cycle without intensive outside support.

WHILE most children dream about going to college, Mr. Gallegos dreamed about staying alive to 20. As a child he witnessed many drug-related shootouts, with neighbors and friends jailed for violent crimes. His first brush with the law came when, at 12, he was arrested while fighting a gang trying to rob him on a city bus. At 13 he was drinking, getting high and constantly fighting. He spent much of his youth in and out of Juvenile Hall in San Francisco.

A day before his 18th birthday, on July 20, 2000, Mr. Gallegos, handcuffed and with his feet shackled, shuffled his six-foot, 250-pound frame into a police van. His latest conviction was for assault and armed robbery. This was his last chance before going to an adult prison. Scared and anxious, he stared aimlessly out caged windows, catching a final glimpse of the San Francisco Bay as the van headed south on California State Highway 101 to Log Cabin Ranch. "I was angry," he says. "I didn't want to go through this."

Like Mr. Gallegos, Marcus Oliver is big, more than six feet tall and weighing close to 300 pounds. Growing

Continued on Page 18

Continued From Page 17

up, he watched his nine older brothers slide in and out of jail. His first arrest came at 13 for strong-armed robbery — he put his victims in choke holds and took their money. "I had no desire to go to schools or follow the rules," he says. He was arrested seven times and convicted four. His Log Cabin sentence was extended a year for behavioral infractions.

"I cursed, fought with the guards and other kids, and broke the rules," he says. With 20 disciplinary write-ups, Mr. Oliver nearly went to a high-security facility. "Both Log Cabin Ranch officers and Nifty staffers Jane Segal and Vicki Rega interceded on his behalf many times," explains Al Harper, his probation officer. "I decided to give him an opportunity to prove his worth."

The first year after release, both Marcuses required intense mentoring from Ms. Segal and Ms. Rega to adjust to their new lives. The foundation gave the boys a small amount of seed money for their resale business, and a nonprofit youth group lent them space.

But Mr. Gallegos, who lived with his mother, got caught smoking marijuana and was nearly sent away again. His probation officer insisted he attend anger management classes three times a week. But his frustration welled up dangerously that summer. The young men had been invited to a foundation-sponsored camp for disadvantaged teenagers at Stanford University's Graduate School of Business. Mr. Gallegos physically threatened a teacher.

"I made this smacking lips sound in the classroom," he says. "The teacher glared at my friend sitting next to me. I felt he was belittling me and my friend and discouraging us from being as good as we were. I just snapped." He was expelled immediately.

He was crushed. He had been looking forward to the graduation ceremony and awards night, to show his business plan to the other teachers and students. "Everyone at Stanford and Nifty told me I did a great job on my business plan, which was required to graduate," he says. He fell into a three-month depression and

nearly gave up. "It made me think I couldn't take things for granted," he says. "I couldn't let my anger get in the way of becoming a success in business." Later, he apologized to the foundation and the teacher.

Today, Mr. Gallegos earns money as a bedside attendant for chronically ill patients and has completed courses in radio news and public affairs at City College of San Francisco. He has recently written a business plan for a record store and to manage the careers of local musicians.

Mr. Oliver had no place to go when he got out of Log Cabin. His mother died when he was 9, and his relationship with his father was troubled. During his first year of freedom, he stayed briefly with his father and then with an aunt, who eventually threw him out for coming home early mornings and drinking. He stayed temporarily with Ms. Rega, who persuaded him to give up his night life and return to his aunt's.

But no one said it would be easy. Just this February, Mr. Oliver was expelled from a plumbing program at City College of San Francisco for

strong-arming a security guard he thought was picking on a fellow student. He's looking for another place to complete his training. With savings from his garage business and odd jobs, he hopes one day to open his own clothing store. In the meantime, he helps Ms. Segal and Ms. Rega mentor Log Cabin graduates and designs clothes in his spare time.

With a grant of \$1,500 from the nonprofit Youth Initiated Projects, the young men plan to teach entrepreneurship to at-risk youth in their neighborhood. Last fall, at the invitation of New York City's Department of Education, they spoke to adolescents at Rikers Island about their path from probation to thrift-shop entrepreneurs.

"If we can help young kids like Marcus Oliver and Marcus Gallegos gain self-respect and become self-supporting in their communities," Mr. Mariotti says, "we have at least done our job. There's a good chance Marcus and Marcus are going to have great lives and families and be full members of the community." ■

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A Trader's Formula for Success: Give Back at Least 4 Percent

Arthur J. Pacheco, a senior Nasdaq trader at Bear, Stearns, may not have been picked for the top job at Nasdaq — a post he openly lobbied for — but he will be honored next month for his contributions to the National Foundation for Teaching Entrepreneurship.

And he couldn't be happier: "N.F.T.E. does a great job teaching poor kids self-esteem," Mr. Pacheco said by telephone from his desk on the Bear, Stearns trading floor. "For a poor boy from the South Bronx, life has been pretty good to me."

The foundation, based in New York, teaches entrepreneurial skills to low-income youths aged 11 to 18.

Its 10th annual dinner is to be held on May 19 at the Marriott Marquis hotel in Times Square, and John C. Bogle, the founder and former chairman of the Vanguard Group, will be honored along with Mr. Pacheco.

It is not surprising to find a Bear, Stearns executive being honored for doing good works. Alan C. Greenberg, known as Ace, the firm's irrepressible former chairman, made it clear long ago to his top managers that he expected them to hand over at least 4 percent of their gross income to charity.

Landon Thomas Jr.