

Consumer spending as a whole, she notes, has indeed risen in real terms, from \$3.2 trillion in 1990 to \$3.3 trillion five years later—a four percent jump. But during the same period, the number of households (“consumer units”) increased by six percent. Expenditures *per household* actually fell by 2.5 percent.

People spent more on certain necessities (34 percent more on property taxes, for instance), Russell says, but they spent less on things they could live without: 13 percent less on men’s clothes, 18 percent

less on women’s clothes, 19 percent less on restaurant food, 12 percent less on new cars and trucks, three percent less on entertainment, and nine percent less on books, magazines, and newspapers. Consumers, Russell says, “are paying their bills, reducing their debts, and repositioning themselves for survival in our tough-as-nails economy.” That may help explain why the rate of inflation has stayed low—but it also suggests that the prospects for further consumer-driven economic growth are limited.

Educated Illiterates

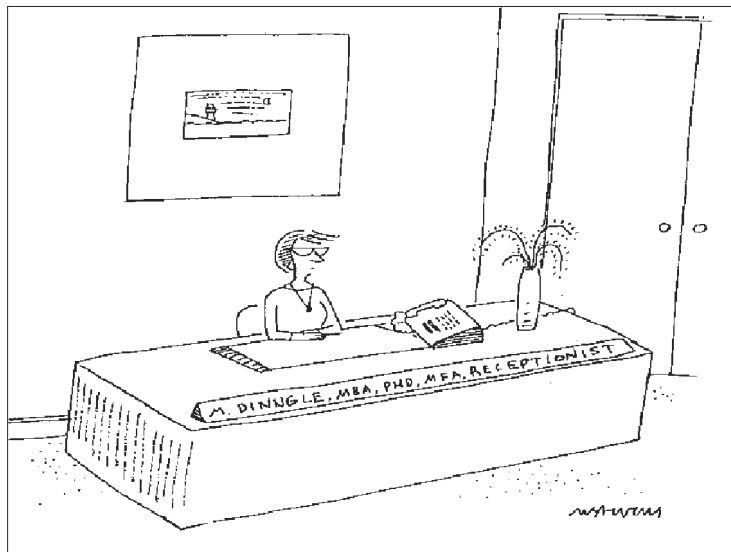
“Wages and the University Educated: a Paradox Resolved” by Frederic L. Pryor and David Schaffer, in *Monthly Labor Review* (July 1997), Bureau of Labor Statistics, U.S. Dept. of Labor, Washington, D.C. 20212.

Every spring, graduating college seniors all around the country giddily march up to the podium to accept their degrees and then stride off hopefully into an employable future. In recent decades, however, the flood of graduates has been so great that an increasing proportion—9.6 percent in 1995, compared with 5.7 percent in 1971—have found themselves, within a few years, working as sales clerks, cab drivers, and in other jobs that don’t require a college degree. Despite this apparent surplus of people with sheepskins, the real wages of college-educated workers have been going up. Economists Pryor, of Swarthmore College, and Schaffer, of Haverford College, explain the paradox.

Analyzing census data on prime-age (25 to 49) workers and the results, by education and occupation, of the 1992 National Adult Literacy Survey, they find that it is mainly those college graduates who do not have the “functional literacy” (i.e. the practical ability to read, interpret documents, and do arithmetic) traditionally associated

with college degrees who are taking jobs that might previously have gone to people with high school diplomas only. The wages of these folks, after adjustment for inflation, have remained roughly constant over the years (about \$15 an hour in 1994). And they still get a payoff from having a college degree: workers with only a high school diploma earned about \$11 an hour.

Pryor and Schaffer also find that the major wage increases are going chiefly to the college graduates who are in jobs, such



as management analysis or financial administration, requiring the level of functional literacy that college degrees traditionally have represented. These workers

received an average of more than \$25 an hour in 1994, compared with less than \$21 (in 1994 dollars) in 1970. The wage

increase, the authors say, reflects a shortage of college graduates who are functionally literate.

Are Nonprofits Risking Their Souls?

“The Future of the Nonprofit Sector: Its Entwining with Private Enterprise and Government” by Burton A. Weisbrod, in *Journal of Policy Analysis and Management* (Fall 1997), Univ. of Pennsylvania, 3620 Locust Walk, Ste. 3100, Philadelphia, Pa. 19104-6372.

In their quest for revenue, many museums, universities, and other nonprofit organizations have been plunging into commercial ventures. The Metropolitan Museum of Art, in New York, for example, now operates 16 museum shops in the United States and 21 abroad, and also deluges Americans with mail-order catalogs. As nonprofits increasingly behave like private firms, asks Weisbrod, an economist at Northwestern University, are they undermining their basic justification for being tax exempt?

Nonprofits are proliferating. They now number nearly one million, three times the total in 1967, with total revenues in 1990 amounting to more than 10 percent of the gross national product. They do everything from supplying social services to supporting medical research.

Some nonprofits are launching for-profit subsidiaries. Northwestern University’s Institute for Learning Sciences, for example, has established a for-profit firm to market a customized computer program; the institute’s director is the new corporation’s acting president. Other nonprofits have been forced to compete as well. Private health clubs, for instance, have moved into the traditional preserve of the nonprofit YMCAs and YWCAs.

Nonprofits also are increasingly joining forces with profit-making firms. The March

of Dimes, for instance, recently accepted \$100,000 from Kellogg’s, the cereal manufacturer, in return for what amounts to an endorsement of a Kellogg’s cereal that contains folic acid, which helps to prevent certain birth defects. Virtually every major university in the country has collaborated with drug and chemical firms in scientific research, stirring charges that some such research may be “tainted” (*see p. 133*).

The nonprofits’ tax-exempt status is coming under increasing scrutiny, Weisbrod notes. Their taxpaying competitors complain about unfair competition. Local governments worry about the erosion of their tax base as nonprofits expand. In 1993, 59 percent of the real estate in Syracuse, New York, was tax exempt; in Buffalo, New York, 34 percent was. Some cities have withheld zoning approval or construction permits in order to wrest “voluntary” payments from hospitals and universities.

Some economists, Weisbrod notes, regard nonprofits “as little more than inefficient private firms” that “waste resources and perform no socially desirable role.” But he argues that many undertake tasks that neither government nor the private sector perform, and some (e.g., nonprofit nursing homes) simply do a better job. Calls for limits on the nonprofits, however, if not their abolition, are bound to get louder.

SOCIETY

Why School Reforms Lose

“Learning-Free Zones” by Chester E. Finn, Jr., in *Policy Review* (Sept.–Oct. 1997), Heritage Foundation, 214 Massachusetts Ave. N.E., Washington, D.C. 20002.

Charter schools, vouchers, public school choice, privatized management of public schools. Conservatives these days are chock-full of good ideas for reforming education, says Finn, a former assistant U.S. secretary of education. But while some of these reforms have had modest tryouts in recent years, they

might just as well not exist as far as most American schoolchildren are concerned. The problem, in Finn’s view, is massive resistance to change, something for which conservatives themselves used to be famous. But this new resistance is coming from “old-fashioned bureaucratic monopolies.” How do