

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

they thwart reformers? Let Finn count the ways.

“Would-be reformers are immediately challenged to prove that their proposal has been fully tested and evaluated, that it will have no undesirable side effects—and that it will not deflect any resources from the ‘regular’ system. In other words, nothing can be tried until it has been proven to work, but nothing can be proven until it has been tried.” And when a few charter schools fail in California and Arizona, or private management firms lose their contracts for public schools in Baltimore and Hartford, Connecticut, then defenders of the current system conclude that the innovations have been proven worthless.

Elected officials and the public, Finn contends, have little real influence over the education system. Instead, teachers, coaches, curriculum directors, guidance counselors, and others scratch one another’s backs and determine what happens. These days, local school board candidates, for instance, are “less likely...to be able, disinterested laymen [than] people beholden to education unions and other producer interests.”

Educators resist all efforts to specify what children are expected to learn and to test their performances with standardized tests, Finn says. The reason is simple: “Without reliable measures of performance in relation to precise objectives, it is impossible to hold

anyone accountable for success or failure.” This permits everyone involved “to blame someone else for whatever isn’t working well.”

The education system “channels almost all of its money into salaries, treats every change as an added cost, and has little freedom to substitute one use of funds for another.” During the 1995–96 school year, a classroom of 24 children accounted for an average total public expenditure of about \$150,000, while teacher pay and benefits averaged only one-third that amount. Where does the other two-thirds go? “Nearly all is locked up in salaries to specialists, administrators, and non-teaching personnel and kept there by collective bargaining and bureaucratic inertia.” Translation: Sorry, no money for new ideas.

“Education reformers come and go, but the permanent beneficiaries of the status quo work at their ownership every day, year in and year out,” writes Finn. Over the long haul, a reform-minded governor or outraged parents are no match for the teachers’ unions or textbook publishers.

Finn takes heart from surveys showing that more and more Americans believe that public schools are doing a poor job. Faced with the possible loss of Americans’ historic support for public education, Finn believes, the education establishment may eventually shed some of its mossback ways.

Psychic Wars of the Elites

“Conflicting Worlds of Welfare Reform” by Lawrence M. Mead, in *First Things* (Aug.–Sept. 1997), 156 Fifth Ave., Ste. 400, New York, N.Y. 10010.

Liberal and conservative poverty “experts” are failing badly to address the real needs of poor people, argues Mead, a professor of politics at New York University and the author of *Beyond Entitlement* (1986). Both are hampered by their own experiences, he says. The liberals can’t look upon welfare recipients as anything but victims, while the conservatives can’t see that some of the recipients desperately need ongoing help.

Their blind spots are partly a result of their own backgrounds, Mead believes: “Contrary to what one might expect, liberals as a group are the more privileged. They generally went to better schools and hold better jobs.” Now they populate the universities, the foundations, the liberal think tanks, and advocacy

groups. They empathize with the poor but don’t identify with them, and thus wind up condescending to them. No matter what is done to help the poor support themselves, liberals continue to view them “as too victimized to take responsibility for their own condition.” With equal implausibility, Mead says, conservatives insist that all of the poor can be as self-reliant as other people, if only government requires it.

Conservative specialists—chiefly at conservative think tanks and in GOP staff positions on congressional committees—“typically came up the hard way, with less education and more twists and turns in their careers,” he says. With a real sense of how they themselves could have slipped into poverty, the