They scatter money among worthy causes: "Fewer than nine percent of foundations make 75 percent or more of their grants in a single field," the authors note. They fail to measure the results of their giving.

If foundations did have evidence of success, the authors point out, they could leverage successes by encouraging other donors, via matching grants or in other ways, to support the more effective recipients. But today, matching grants account for only four percent of all foundation grants. More leverage could be gained by becoming "fully engaged" partners with grant recipients. The David and Lucile Packard Foundation, for instance, spends $12 million a year aiding nonprofits in "management, planning, restructuring, and staff development."

Until foundations "meet their obligation to create value," Porter and Kramer maintain, they will continue to exist "in a world where they cannot fail . . . [and] also cannot truly succeed."

Overqualified Workers

"Conflicting Signals: The Labor Market for College-Educated Workers" by Jerry Gray and Richard Chapman, in *Journal of Economic Issues* (Sept. 1999), 226 Ayres Hall, Univ. of Tennessee, Knoxville, Tenn. 37996–1320.

What's going on here? College graduates have sharply increased their earnings relative to their less educated peers in recent decades—suggesting there's a *shortage* of college-educated folk. Yet at the same time, more and more college graduates have been working as sales clerks and in other lower-level jobs—suggesting there's a *surplus* of college grads. Some economists [see WQ, Winter '98, pp. 125–126] say that some young folks possess sheepskins but still lack "functional literacy"; it's the other college graduates who are getting the higher wages.

Gray and Chapman, economists at Willamette University, Salem, Oregon, and Westminster College, Salt Lake City, Utah, respectively, have a different explanation.

Most of the growing wage "premium" for college graduates in recent decades reflects the worsened situation of those without bachelor's degrees, not the improved situation of those who have them, they argue. About 30 percent of prime-age workers now hold college degrees. Earnings of college graduates rose only 2.4 percent between 1979 and 1989, while earnings of high school graduates plummeted 16.9 percent.

Economists usually depict the U.S. labor market as very flexible, with wages and the jobs available fluctuating with the supply of labor. Drawing on economist Lester Thurow's work in the early 1970s, Gray and Chapman argue instead that wages and the array of jobs available are relatively fixed, at least over the short term. There are "high school" jobs, such as sales clerk, and "college" jobs, such as computer programmer.

Since employers assume that better-educated workers will cost less to train, these are more attractive. As the number of workers with bachelor's and advanced degrees increases, say Gray and Chapman, some college grads start to take the better high school jobs. Slowly, the college graduates push the degreeless down the ladder, forcing them to relinquish the better-paying high school jobs.

If this is true, Gray and Chapman say, then one of the classic American cures for inequality, enhancing opportunity by helping people get a college education, is actually serving to *increase* inequality. They believe that only "activist demand management in labor markets" by government, of a type not seen since World War II, holds out hope of reversing the tide.