Law, Politics, and African Americans in Washington, DC

Edited By Abdul Karim Bangura and Alice K. Thomas

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SOCIAL-ECONOMIC TRENDS IN WASHINGTON, DC

BY ABDUL KARIM BANGURA AND CAMONIA LONG
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CHAPTER 1

GENERAL INTRODUCTION
General Introduction

By Abdul Karim Bangura

This is our eighth in a series of books dealing with Washington, DC (District of Columbia). The first book, *Historical Political Economy of Washington, DC*, was published by University Press of America in 2000. The second through the seventh, *DC Vote: Fighting Against Taxation Without Representation, Washington, DC*, *State of Affairs, Washington, DC’s Challenges, Education in Washington, DC, Law and Politics in Washington, DC*, and *Ethnicity and Gender in Washington, DC*, were published by Writers Press (iUniverse) from 2001 through 2008. All of these books are outgrowths of special seminars conducted in the Department of Political Science at Howard University. The present book is also a result of a seminar conducted at Howard University in the fall of 2007. The following chapters are revised versions of selected papers that were presented at the seminar.

Social economic trends can be generally defined as courses or directions of a complex of factors such as income, employment status, demographic shifts, years of education, etc. These trends reflect dimensions of power and prestige as well as that of wealth. The debate over social economic trends is as old as that in Political Economy. In fact, it is not farfetched to suggest that they are one and the same. Thus, what I present here is not new to political economists, from whom I have borrowed a great deal to write this chapter, and those who have read works in the field. It is targeted at the reader who is not familiar with this area of inquiry.

Over the past 30 years, Political Economy as a field of intellectual inquiry has witnessed a remarkable resurgence. Political Economy has emerged as one of the most popular fields
of specialization for both undergraduate and graduate students, as well as the source of some of the most innovative and influential work by contemporary social scientists. The revival of Political Economy after nearly 60 years of neglect has enriched both public and social scientific debate. Given the increased interest and enthusiasm in the field, this trend is likely to continue into the future.

Political Economy is an area of inquiry that fuses postulates in the fields of economics and politics. The economy can generally be defined as the system of producing, distributing and utilizing wealth; politics can generally be defined as the set of institutions and rules that govern economic interactions. Thus, Political Economy has been ascribed two meanings. One group of scholars sees the subject as the study of the political basis of economic activities—i.e. the ways in which government policies affect market operations. The other group sees it as the economic basis of political action—i.e. the ways in which economic forces influence government policies. These two perspectives somehow complement each other, since markets and politics are in a constant state of mutual interaction.

People living in capitalist societies know that markets exist and are governed by certain principles that operate more or less independently of the will of individuals and firms. Any hot dog stand owner knows that an attempt to raise the price of a hot dog, for example, above that charged by nearby and competing hot dog stands will very quickly cause customers to stop buying hot dogs at the higher price. The hot dog stand owner would have learned a valuable lesson in what economists refer to as the market-clearing equilibrium point—i.e. the point at which supply and demand curves intersect; in other words, the point at which the number of goods demanded equals the number supplied. A central tenet in modern economic analysis is that, within carefully specified parameters, markets operate in and of themselves to maintain an equilibrium between demand and supply. Ceteris paribus (i.e. other things being equal), if the demand for a good far exceeds the quantity being supplied, the price for it will increase until the two are in balance. By the same token, if the supply of a good increases far beyond what is demanded, the price for it will decrease until the market-clearing equilibrium is restored.

If economies functioned like perfectly competitive markets, it would be relatively easy to describe and comprehend them. However, the freely functioning market is only a highly abstract model of what happens in the real world. A number of factors influence markets in ways that an observer can miss, if s/he focuses only on economic forces. Consumer tastes can change—how large is the market for out-door movie theaters today?—as can the technology needed to make products inexpensively (e.g., the photocopier), or even make entirely new goods that displace others (e.g., computers for typewriters). Producers, sellers, or buyers of goods can join forces to try to raise or lower prices. And governments can act, intentionally or unintentionally, to change patterns of supply, demand, consumption, prices, etc.

It is the government’s “intrusion” into economic matters that makes it necessary to go beyond market-based, purely economic explanations of social behavior. Many
market-oriented economists are continually surprised that government or interest groups have the ability to influence economic activities. Less dramatic are the everyday operations of governments, both at the local and national levels, which affect production, wages, prices, profits, etc. All of these aspects serve to shape modern economies and the functioning of the markets themselves. A thorough understanding of the suburbanization of the United States after World War II, for instance, will be impossible without examining government-financed highway construction, politically-driven patterns of local educational expenditures, and government tax incentives to home-mortgage holders. Not too many small or family-owned farms in the United States would continue to operate without government subsidies. Many Americans would be unable to attend college without public universities and government scholarships. And without tax incentives given to charitable donations, nonprofit organizations will not proliferate in the United States.

As a result, interest groups, politicians, and government bureaucrats have at least as much effect on the economy as do the fundamental laws of the marketplace. Over the years, social scientists, particularly political scientists, have sought to investigate how these political pressures shape governmental decisions and actions. Nonetheless, these social science models of political behavior are little more than didactic tools whose accuracy hinges upon many unpredictable factors such as underlying economic trends.

In essence, Political Economy as a field of inquiry is not new. As a matter of fact, until a century ago, virtually every thinker concerned about human society wrote about its political economy. Thinkers as diverse as Adam Smith, John Stuart Mills, and Karl Marx all believed that the economy was by nature political and politics was inevitably connected with economic phenomena. Not too many scholars before 1900 described and analyzed economics and politics separately.

It was not until the late 19th Century and the early 20th Century that the study of economics and politics became divorced. On the one hand, economists began to focus on the operation of specific markets and their interactions. By developing new quantitative techniques, economists were able to formalize certain laws of human behavior—for example, the law of demand and supply. On the other hand, political scientists began to concentrate on modern representative political institutions, mass political parties, more politically informed voters, and modern bureaucracies.

During the politically and economically troubled Depression years (1930s), the separation between the study of economics and politics increased significantly. As economists developed ever more elaborate and sophisticated models of *homo economicus*, political scientists developed even more complex models of *homo politicus*.

Since the 1970s, however, Political Economy as a field of study is continuously being rejuvenated. Two interrelated factors have been responsible for this resurgence. First, many academics became dissatisfied with the gap between abstract models of economic and political behavior on the one hand, and that between the actual behavior of economics and politics on the other. Consequently, these academics began to question the justification
for a strict separation between the study of economics and politics. Second, as economic
issues became highly politicized during the 1970s due to the disintegration of the stabil-
ity and prosperity of the first 25 postwar years, political institutions became increasingly
preoccupied with economic matters. While economic growth characterized the 1950s and
1960s, economic stagnation fed political strife and political conflict exacerbated economic
uncertainty in the 1970s and 1980s.

It was only inevitable that, for both practical and intellectual reasons, social scientists
decided to revisit the interaction between economics and politics in modern society. This
rebirth prompted scholars to ask a series of fundamental questions and to propose a variety
of contending approaches.

Indeed, contemporary political economists have not just simply reproduced the work
of their predecessors. The separation and professionalization of the two fields did allow
these scholars to provide new insights into earlier analyses. These new insights have spurred
the construction of the new political economy, while at the same time paying attention to
the earlier issues.

Scholars who would like to comprehend the political process must also take the econo-
my into consideration and vice versa. This truism is a reflection of the real world in which
politicians must pay close attention to economic development and economic actors must
keep a close eye on political activities. A much clearer picture of social processes emerges
when both economic and political affairs are examined together, instead of examining
them as separate entities.

While this proposition is by now widely accepted, it is in application that agreement
becomes problematic. Indeed, while government actions may affect economic trends, they
can also reflect the pressures brought to bear by economic interest groups. And while eco-
nomic interest groups may be the key in determining government policy, it is the political
system that may determine what the economic interests do. In order to get an integrated
perspective of how politics and economics are intertwined, economic and political causes
and effects must be discerned. In this effort, different schools of thought have emerged,
suggesting different applications for the resulting view of society.

THE TWO SCHOOLS OF THOUGHT ON POLITICAL ECONOMY

Most studies in Political Economy can be categorized into one of two mutually exclusive
schools of thought: (1) Classical and (2) Radical. Each of these schools possesses a unique
set of simplifying assumptions employed to render society less complex and more read-
ily comprehensible. The assumptions upon which each of the two schools is based lead
political economists to perceive society in very different ways. Many Classical scholars
regard direct investment in tax-free zones, for example, as a mutually rewarding exchange
between entrepreneurs. Many Radical scholars, however, would see the entrepreneurs as
exploiting the residents in those tax-free zones. Thus, a first step in studying Political Economy is to grasp the assumptions that undergird the two schools of thought.

**The Classical School**

While musings on the Classical perspective can be found in the works of early Greek thinkers such as Socrates (470?-399 B.C.), Plato (né Aristocles) (428-348 B.C.) and Aristotle (384-322 B.C.), this school of thought is drawn primarily from the field of economics and can be traced to the works of Adam Smith and David Ricardo. These two scholars were reacting to the prevalent economic controls under mercantilism between the 16th and 19th Centuries. During this era, domestic and international economies were tightly regulated by governments in their efforts to expand their national power and wealth. Smith, Ricardo, and their followers argued that the philosophy that undergirded protectionist practice was faulty. Instead, these Classical scholars suggested that national wealth would be increased when free and unrestricted exchange is encouraged among individuals in both national and international economic spheres. As this view gained supporters in the early 19th Century, many of the mercantilist protectionist policies were abandoned.

Three fundamental assumptions underlie the Classical school. The first assumption is that individuals are the principal actors within the political economy and, thus, are the appropriate unit of analysis. This assumption may appear quite obvious, since all social activities can ultimately be traced back to individuals.

The second assumption proffered by Classical scholars is that individuals are rational actors who seek to maximize utility. Rational action is generally defined as individuals making choices based upon cost-benefit calculations across a wide range of possible alternatives. And utility-maximizing is generally defined as individuals selecting the best alternative (i.e. the one that yields the highest level of subjective satisfaction) when given a calculated range of benefits.

The third assumption suggested by Classical scholars is that individuals make trade-offs between goods in order to maximize utility. Consider the tradeoff between meat and potatoes. At high levels of meat and low levels of potatoes, some individuals—given their desire for the two products—might be willing to trade some of their meat for more potatoes. Likewise, if an individual has plenty potatoes but little meat, s/he might be willing to trade potatoes for meat. Therefore, according to Classical scholars, individuals increase their utility by exchanging goods with others. Those who desire meat more strongly than potatoes will trade the latter for the former. Others who desire potatoes more strongly than meat will make a similar trade. This process of exchange will continue until each individual, given the existing quantity of meat and potatoes, is as well off as possible without making someone else worse off. At this point, everyone will have maximized their uniquely defined utilities. Some will possess meat. Others will possess potatoes. And the majority will possess varying mixes of meat and potatoes.
The Classical perspective has traditionally been applied basically to the economy, in which it is assumed that there is no basis for conflict in the marketplace. Classical scholars opine that since market exchanges are voluntary, and if there are no barriers to trade among individuals, everyone can be made as well off as possible given existing supplies of goods and services. Classical economists believe firmly in the sanctity of the market as the allocator of scarce resources.

Thus, for Classical scholars, government should play only a minor role in the economy. They believe that many forms of government intervention in the economy would, intentionally or unintentionally, restrict the market and thereby impinge upon potentially rewarding trades.

Classical scholars do generally support the provision by government of certain “public goods”: i.e. goods and services that are needed by society but would not be provided by private markets. For them, the government’s proper role is to provide the necessary foundation for free and competitive market transactions: defend the country, protect property rights, prevent unfair collusion or monopoly, educate citizens, build infrastructure, and provide and regulate currency.

Of course, Classical scholars realize that governments often do far more than this, and they have utilized their theoretical techniques to analyze patterns of government activity. Expectedly, the principal Classical approach known as “public choice” or “rational choice” equates the political arena to a marketplace. For these scholars, politicians offer bundles of political goods when competing with one another in seeking political office; individuals and interest groups do likewise in seeking support for their preferred policies from office-holders.

The Radical School

The Radical school emerged with the writings of (Heinrich) Karl Marx, a 19th-Century political economist and capitalism’s severest critic. The Classical school was given birth in response to the spread of Classical ideas in the 19th Century. Whereas Classical scholars saw the market as the mechanism that allows individuals to maximize their utility, Marx saw capitalism and the market as instruments used to foster the necessary conditions that create extreme wealth for capitalists (or bourgeoisie) and poverty for workers (or proletariat). While everyone may have been relatively better off than before, the capitalists were clearly expanding their wealth more rapidly compared to the workers. Marx rejected the claim that exchange between individuals necessarily maximizes the welfare of everyone in society. Thus, he saw capitalism as an inherently conflictual system that should be overthrown and replaced by a socialist system.

Like the Classical scholars, the Radical scholars also suggest three major assumptions. The first assumption is that classes are the dominant actors in the political economy and are, thus, the proper unit of analysis. Radical scholars identify two economically determined
groups of individuals or classes: (1) capitalists who own the means of production and (2) workers who supply labor.

The second assumption suggested by Radical scholars is that classes act in their own economic interests. Similar to Classical scholars who assume that individuals act rationally to maximize their utility, Radical scholars assume that each class acts to maximize its own economic well-being.

The third assumption offered by Radical scholars is that capitalist economy hinges primarily on the exploitation of labor by capital. Marx began his analysis with the theory of labor value—the postulate that the value of any product is determined by the amount of past and present labor employed to produce it. Marx argued that under capitalism, the value of any product involves three interrelated components: (1) constant capital—past labor as embodied in plant and equipment or the new materials needed to produce the good; (2) variable capital—wages paid to present labor to produce the item; (3) surplus value—profits, rents, and interest expropriated by or paid to the capitalist. According to Marx, the capitalists’ exploitation of surplus value denies workers the full return for their labor.

This third assumption leads Radical scholars to posit that since the relationship between capitalists and workers is essentially antagonistic, the political economy is inherently conflictual. For these scholars, surplus value is not the capitalist’s “reward” for investment. Instead, they believe that it accrues from the exploitation of labor through the lower wages paid to workers and the higher prices they are charged for the goods and services they themselves produce. Since the means of production are controlled by the capitalists, a minority within society, workers do not receive full return on their labor. This exploitative situation leads to conflict between the classes. According to Marx, the relationship is a zero-sum one: i.e. any gain by one class results in a loss by the other class.

Based on these three assumptions, Marx constructed a sophisticated theory of capitalist crisis. This crisis, suggested by Marx, will ultimately lead to the overthrow of capitalism by labor. The capitalist system would then be replaced by a socialist system—a society in which the means of production are jointly owned by both classes, thereby eliminating the expropriation of surplus value.

Contemporary Radical scholars who study the political economy primarily focus on two sets of analytical and practical issues. The first of these issues has to do with the fate of labor in a global arena of increasingly internationalized capital. As multinational (firms owned by more than one nation) and transnational (firms that operate in more than one nation) corporations continue to grow and globally integrated financial markets continue to rise, the greater mobility of capital seems to have eroded labor’s economic and political power. Should workers in a particular country demand higher wages or improved benefits, the corporations simply move their operations to other countries where workers are more compliant. Hence, Radical scholars believe that a more equitable division of surplus value