Despite pressure from leading Democrats, Jesse Jackson says no to D.C. mayoral race.

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Drug war politics smokes Marion Barry

By John B. Judis

WASHINGTON

THE SAME EVENING THAT WASHINGTON MAYOR Marion Barry was being busted for smoking crack, neighboring Prince George County Council Chairman James M. Herl, a white Italian-American, allegedly gave a half-gram of cocaine to an undercover policewoman. The next day Herl's fellow council members unseated him.

But media headlines aside, Barry's undoing was far more significant than Herl's. Barry, first elected in 1978, was a major civil-rights leader and a widely acknowledged success during his first term as mayor. Since 1984, his administration had been mired in scandal and corruption, and Barry himself had increasingly ceded actual operations to the city administrator. His arrest revealed the extent to which he had fallen.

Barry's arrest also has raised questions about the role of the U.S. attorney, appointed by a Republican administration, in policing the affairs of a mostly black, Democratic city. Even if one thinks that Barry deserved to be driven out of office, it must still be asked whether he deserved to be driven out by local voters or by the U.S. attorney.

Selective prosecution: The FBI's interest in the Barry administration dates back to 1983, when former President Ronald Reagan appointed Joseph diGenova U.S. attorney for the district. Since then, at least 10 FBI agents have been assigned to investigate the Barry administration. Up to Barry's arrest, the results of the investigation clearly warranted the FBI's attention.

Eleven Barry administration officials, including two deputy mayors, were convicted of corruption, and at least 11 others were forced to resign. One major official is facing trial this May. But Barry himself eluded diGenova and diGenova's successor, Jay Stephens. And when Stephens finally nabbed Barry last week it was not for political corruption but for cocaine possession—a misdemeanor not usually the target of a large-scale FBI sting operation.

The U.S. attorney and the FBI justify their action on the grounds that Barry's arrest was part of an ongoing corruption investigation that would result in more serious charges down the road. By arresting the mayor they expected that other city officials who had refused to testify against him in the past would now come forward.

But the mayor's arrest may be a reflection of frustration rather than guile. They couldn't get Barry on a felony corruption charge so they got him on a minor charge that would create a major public furor because of the Bush administration's war on drugs and Barry's own professed militancy on the issue. Barry would be tried and convicted in the press—not a proper use of the U.S. attorney's office.

The plan: If Barry had not been caught by the FBI, he would have run for re-election—his announcement was expected on January 21—and probably would have won. He faced a divided field and had already raised more than $300,000. Around City Hall, district employees are still speculating that Barry might return home from West Palm Beach and announce his campaign. But the U.S. attorney can probably prevent that by threatening Barry with a perjury prosecution for testifying before a grand jury last year that he had never used drugs with former official Charles Lewis—a contention Lewis has contradicted.

Barry's popularity stemmed partly from his sterling past and some initial successes as mayor. But it also depended on several less-wholesome factors. Beginning in the early '80s, Barry and his lieutenants attempted to construct the same kind of political machine in Washington that the late Mayor Richard J. Daley built in Chicago. (Ironically, Barry's political adviser Ivanhoe Donaldson began pressing this strategy after he returned in November 1983 from advising Chicago's anti-machine mayoral candidate

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Harold Washington.) Like Daley, Barry courted corruption by using city contracts to reward friends and punish enemies. Two Barry associates will go to trial this year for promising city contracts to a Washington consulting firm set up secretly by the FBI in exchange for contributions to Barry's 1986 mayoral campaign.

The mayor also built a loyal army of 60,000 city workers, who constitute a sixth of the district's electorate. This constituency performed its political duties well, ensuring loyalty to Barry. But as the years passed, it performed its primary function—government service—with increasing ineptitude. The district's public housing became a continuous scandal, its top-heavy school system was a travesty and its ambulance and police services were constantly under attack. Barry's machine had became an obstacle to, rather than a vehicle for, public service.

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Barry did his best to exploit Washington blacks' fear of a white takeover. Many blacks believed that whites, working primarily through the *Washington Post*, had a "plan" to restore white rule to the city. After the Ramada Inn incident, the *Washington Afro-American* editorialized, "The game plan seems to be to push Barry to the brink, where he either resigns before the end of his term or he can't run again. Haven't you heard? D.C. is going to have a white mayor the next time around and Barry is in the way."

The mayor fanned the flames of paranoia, constantly reminding his followers that if he were forced to resign, white City Council Chairman David Clarke, a civil-rights veteran himself, would automatically become mayor. And Barry benefited from its corollary—a blind overestimation of his own standing and integrity, even after there were substantial grounds to harbor doubts about both.

Barry's arrest has understandably reinforced fears of "the plan." On a black talk-radio show the day after Barry's arrest, the host and listeners talked seriously about the prospect of whites sending blacks to concentration camps in the near future. Eventually these more exaggerated fears of white conspiracy will abate, but the conditions that created them may not.

Jackson for mayor? With Barry seemingly out of the race, Jesse Jackson is being pressured to run. Many of Barry's key backers now want to latch onto a new winner who can protect their own standing in the city government. Several important Democratic Party officials, including Democratic Party Chairman Ron Brown, want Jackson to run—they don't want him to play the role of spoiler in the 1992 presidential primary. And they argue persuasively that if Jackson wants one day to be president, he has to prove that he can govern as well as orate.

Most opinion polls indicate that Jackson, who denies any intent to run but lately with less conviction, could easily defeat other Democratic opponents and former policy chief Maurice Turner, whom Republican Party Chairman Lee Atwater helped recruit as the Republican nominee.

Would Jackson make a good mayor? As a leader of the Southern Christian Leadership Conference and Operation PUSH, Jackson was never highly praised for his administrative skills, but he clearly has the ability to inspire. He could also do more than any other politician to restore the city's tarnished image—a serious problem given the city's dependence on Congress for part of its operating budget.

But if Jackson were to become mayor, he might be unwilling to dismantle the political machine Barry created. Jackson spent a decade fighting Chicago's Daley, but as suggested by his famous "it's our turn" statement during Harold Washington's 1983 mayoral campaign, he may have been less interested in destroying the machine than in replacing Daley and his ethnic cronies.

Jackson has never been averse to a politics based on hero worship. He encourages not merely loyalty but devotion as well—not necessarily what the district needs. At this point Washington needs not only inspiration but serious reform. □

East Coast real estate after the (fool's) gold rush


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New York's Trump Tower: some '80s speculators bought high-priced "chump towers."

By Daniel Lazare

NEW YORK

THE NORTHEAST HAS CAUGHT A WHIFF OF the Texas disease. Since around the October 1987 stock-market crash, real estate in the Boston-New York axis has shifted dramatically into reverse.

Following five years of virtual gold rush, housing prices have fallen 20 percent or more, unsold condos are piling up like grain in Midwestern silos and consumer spending is turning stagnant. The staid old Bank of Boston, which once looked down its nose at Texas lenders for giving money to fly-by-night wildcatters, has had to write off $720 million in bad loans, mostly to fly-by-night condo developers and other builders. Stamford, Conn., a boom town for corporate offices in the early '80s, is now stuck with a

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Houston-sized vacancy rate of 30 percent, while, in Long Island, the town of Rockville Centre is trying to prevent panic selling by charging homeowners a $60 fee for every for-sale sign they put up.

In Manhattan, the mood is particularly glum. Instead of tales of cooperative apartments going from $25,000 to $1 million-plus in 20 years or less, the talk these days at middle-class gatherings is of co-ops that refuse to sell, entire buildings sliding into bankruptcy and newly elected Mayor David Dinkins's tax troubles, both the city's and his own. The *New York Times*, usually the last to notice such things, has begun running worried articles about co-op defaults, while *Barron's*, the Dow-Jones financial weekly, has turned positively mournful.

"The recession in real estate has ominous implications," a *Barron's* headline announced in mid-December, whereupon the stock market signaled its agreement the next day by plunging 50 points.

Indebted to the '80s: Indeed, the decline is ominous, both regionally and nationally, financially and politically. First, it is evidence that the Northeast can no longer expect to prosper as it did in the '80s by buying, selling and multiplying the national debt. Second, it indicates that the doomsayers who predicted financial meltdown due to junk bonds or a Third World debt moratorium (this writer among them) may have looked too far afield. The real fault line might actually run through America's collective backyard in the form of $2.3 trillion in increasingly ill-secured mortgage debt.

Third, residential real estate is not simply a market but the prime focus of U.S. social policy since long before the New Deal. Thanks to a range of federal subsidies from the home-mortgage tax deduction to direct investment in suburban infrastructure, homeownership has grown over the postwar period—but the proportion of money funneled into private residential investment has grown even faster. As a result, the private residential sector has expanded to the point where the part threatens to swallow the whole of the U.S. economy. With their rec rooms, finished basements and two-car garages, middle-class homeowners are palatially housed by West European standards. If so, however, it's only because social services, urban amenities, and, increasingly, industrial investment have been sacrificed along the way.

As the housing bubble has risen, moreover, signs of distress have accumulated at the base, e.g. homelessness, rising indebtedness and an increasing number of workers forced to drive hours each day because they can't afford to live closer to work. As the unraveling of real estate continues—one Wall Street firm, Comstock Partners Inc., has made headlines by predicting that prices could plummet 50 percent before it's over—the pressures on the system are likely to increase. The result could be a form of capitalist *perestroika* as Americans confront federal housing policies so badly skewed as to make Soviet agriculture seem like a model of balanced economic planning.

Although still fairly moderate, the declines have been stunning compared to the torrid increases of 1985-87. Outside Hartford, where some houses quadrupled from 1983 to 1988, prices are off by as much as 25 percent. In New Jersey, where homes appreciated as much as 30 percent per year, prices have fallen 10 to 20 percent since 1988, according to a Rutgers University study, while some condominiums are off by a third.

"One of my students bought a condo for $205,000 right before the crash," James Hughes, a Rutgers professor of urban planning, told *In These Times*. "Recently, he saw the same unit listed at $145,000."

"People went crazy," added Walter Barnes, a Texas-trained economist who helps manage a real-estate investment fund for Travelers Insurance. "It was like tulip bulbs or the stock market. They lost all sense of rationality. They used the immediate past to extrapolate forever into the future, and that never happens."

Just as Dutch speculators in 1637 bid up rare tulip bulbs to where they equaled the prices of small estates, realtors in late 20th-century New England confidently predicted that a $75,000 house in 1983 would reach the million-dollar range by the early '90s. Now, says Barnes, the market is clogged with unsold houses, while new arrivals are discovering that they can rent for as little as half of what it costs to own.

In Massachusetts, the bust has set off political tremors, throwing the state budget into deficit, sparking widespread cutbacks in social services and delivering the coup de grace to Michael Dukakis's political career. In New York, stagnant real-estate taxes and other signs of economic deceleration have thrown a monkey wrench into the plans of Gov. Mario Cuomo, who must figure out a way to run for re-election this year and for president in 1992 while coping with a projected $2 billion state deficit. In New Jersey, the state's largest savings and loan has been taken over by the government, motorists are furious over rising auto-insurance rates and the new Democratic governor, James Florio, is trying to figure out the least painful way to raise taxes.

Trump-eting the transformation: It is Manhattan, however, where the great real-estate boom was particularly grotesque and where the decline is likely to be most painful. Beginning around 1976-77, rising property values swept up entire neighborhoods and transformed them from slums to yuppie redoubts in a matter of years. The boom swelled the egos of super-developer Donald Trump and hoteliere-cum-tax cheat Leona Helmsley and catapulted them into national prominence.

It also transformed the lives of Leona's "little people" as well. Presuming they were able to scrape together a down payment, those lucky enough to have their rental apartments go co-op in the golden years of the early '80s watched their equity quadruple or quintuple nearly overnight. New arrivals who bought in at the proper time were also able to ride the crest.

On the other hand, the boom made life for New York's poor even worse. By driving out what was left of manufacturing, rising property values eliminated employment prospects for an entire generation of unskilled blacks and Hispanics just entering the job market. Relentless budget cuts by the Koch administration forced thousands off the welfare rolls. Large-scale conversions of cheap rental units and single-room-occupancy hotels displaced thousands more.

Combined with a booming underground drug market, the result has been crime, homelessness, a spreading AIDS epidemic among intravenous drug users, and, even more nightmarish, threats that AIDS may also be spreading among the city's legion of crack addicts. Despite this cascade of social problems, rising deficits due to stagnant real-estate taxes and other revenue sources have prompted Dinkins to cut social programs precisely when they're needed most. Declining social conditions further undermine real estate, which, through the much-vaunted wealth effect, further undermines discretionary spending.

The bottom line, as they say on Wall Street, is more empty storefronts, the continued high level of fallout among neighborhood restaurants, less business for theaters and clubs and less revenue for the city overall. Prospects for improvement, moreover, are bleak.

"Things are much worse now," compared to the 1975 fiscal crisis, said longtime political hand Ed Costikyan. "No question about it. Back then we had no homeless, no major drug problem. Today the schools are a disaster, and we've got social problems coming out the ear."

Whereas New York was rescued in the '70s by both inflation—which effectively reduced the municipal debt—and boom times on Wall Street, today, Costikyan added, there appears to be no such white knight to sweep the city off its feet.

In the beginning: In order to understand where real estate is heading in the U.S., it's necessary to understand where it's been. Difficult as it is to imagine, real estate was rarely the cash cow that it was in the post-war period. As Comstock Partners' Michael Aronstein told *Barron's* in 1988, "Anyone buying urban land in the latter third of the 19th century probably didn't live long enough to see it appreciate."

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