

A word on grading: *In order to have received full credit on a question, your answer must have met three basic criteria:*

- 1) *conceptual accuracy (you understand the nature of the phenomenon you're discussing, like adverse selection or principal-agent theory);*
- 2) *specific examples from lectures, readings and the show (many students lost points by writing in vague, general terms and failing to demonstrate that they had done the readings);*
- 3) *original analysis (this applies more to the short-answer section, of course, and basically just means that you should throw in a couple sentences about the broader political implications of whatever you're discussing—i.e., take it one step further. This is very often the difference between an A and an A-/B+).*

As the exam directions stated, actual citations do not need to be any more complete than the author's last name, but your answer should show that you know what the relevant authors have said and why it matters. Admittedly, because this was an open-book/open-note exam, we put a greater premium on specificity than we would have if this had been a closed-book test.

*Below are some sample answers to the exam questions. Your answers do **NOT** have to be as long as the ones here (we wanted to cover as many of the little details that cost people points as possible), but the basic structure of these responses is what we were looking for.*

I: TRUE/FALSE QUESTIONS

1. *If not for gerrymandering, Democrats would have a majority in the House of Representatives.*
False. Gerrymandering is the strategic drawing of districts in an attempt to give a certain party a political advantage (a tactic employed by both Democrats and Republicans). However, as we learned in lecture, even if a computer-simulation program randomly assigned district boundaries, Republicans would still have the electoral advantage (due to the fact that Democrats tend to cluster in cities and Republicans are more evenly distributed across districts).

2. *According to social science research, employers treat whites and blacks with criminal records equally.*

False. According to the Pager reading, while all applicants with criminal records will receive significantly fewer callbacks for entry-level jobs than those without records, blacks with a record receive significantly fewer callbacks than blacks with a record. What's more, in Pager's experiment, blacks *without* a criminal record received fewer callbacks than whites *with* a record.

3. *Poor cities are more likely to provide redistributive policies because their citizens have greater need for these policies.*

False. According to the Peterson readings, poorer cities do not have the fiscal capacity to enact redistributive policies (which would tax the most well-off in order to provide services for the least well-off). It's a great irony of American politics that the cities that do have the money to enact these policies are the ones whose citizens need them least. Furthermore, because cities run the risk of driving out wealthier residents if they pursue redistribution, poorer cities have even less of an incentive to enact these policies, for fear of scaring off what wealthy households they do have. While residents of poorer cities need these policies most, poorer residents also have the

weakest political voice (some do not pay taxes at all), and thus it is very difficult to translate a demand for these services into an actual supply.

4. *According to principal-agent theory, you can be a principal and an agent at the same time.* True or false, depending. Principal-agent theory mandates the delegation of authority/power from a *principal* (the person or party that makes a decision) to an *agent* (the person or party entrusted with implementing that decision). You cannot be both a principal and an agent in one relationship (since if one person makes a decision and carries it out on her own, principal-agent theory wouldn't apply to the situation). However, you can be a principal in one relationship and an agent in another. For example, D'Angelo Barksdale was an agent for Avon and Stringer, but the principal for Wallace, Poot and Bodie.

5. *Drug laws are equally enforced across different racial groups.* False. While drug laws are of course meant to be race-neutral, blacks are much more likely to be arrested for drug crimes even though the majority of drug dealers are not black. According to Beckett, et. al., racial disparities in arrests can be attributed to implicit racial bias, which leads the police to focus on crack-cocaine busts (the only drug for which blacks are the majority of dealers); on outdoor drug activity; and on racially heterogeneous neighborhoods. Implicit bias also explains why laws like NYC's "stop-and-frisk" policy disproportionately affect minorities.

6. *Federal loan programs helped to contribute to racial segregation.* True. The Home Owner's Loan Corporation (HOLC) and the Federal Housing Administration (FHA) was created as part of Roosevelt's New Deal in order to protect and promote homeownership for American families. In order to provide housing loans, HOLC assessed the housing markets in each state, and "red-lined" neighborhoods it considered too risky to invest in. HOLC's standards for mortgage loans heavily favored homogenous, suburban neighborhoods over diverse urban ones. Blacks were thus effectively prevented from being able to own homes, while whites moved to the suburbs in droves and poverty became concentrated in inner cities. This helps explain the enormous wealth disparities between blacks and whites that we see today.

II: SHORT-ANSWER QUESTIONS

1. *Explain the concept of adverse selection to your grandmother, and then apply it to the example of Avon Barksdale and Orlando.*

Adverse selection, also known as negative selection, may best be described as a process in which undesirable results occur when the "players" (the parties involved in a transaction) have access to different levels of information. The person or party with more information decides whether engaging in this particular transaction will benefit him relative to the possible costs. The people for whom the benefits outweigh the costs will self-select in, while the people for whom the costs outweigh the benefits will opt out, and bad outcomes will occur as a result. (A "bad" outcome here is defined based on the *original objective* of the transaction/process.)

The health insurance market presents a classic example of adverse selection: people buy health insurance by exchanging money in return for protection against future possible losses, but the insurance company still expects to make a profit off of this because lots of people will be

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paying in, but only a few people will get really sick and need expensive medical care. So the insurance company charges each customer the same price for coverage, but the company has no way of knowing whether the people buying its policies will end up needing more care (i.e., if they're sick, older, etc.) This creates an incentive for older, sicker people to buy insurance in higher proportions than younger, healthier people, in order to get more for their money. The insurance company thus ends up losing money and death-spiraling, which I suppose we have to classify as a “negative” outcome!

Another example is if a new pizza place wants to build a stable customer base, so they decide to host an “\$10 all-you-can-eat pizza and beer night” every Monday. They figure that this will get people in the door and that they'll still make money because most people can't/won't eat or drink all that much, especially on a weeknight. But the restaurant has no information about the appetites of each customer who walks by. The ones with normal-sized appetites may decide that \$10 isn't worth it for them, since they won't eat that much, whereas the ones with huge appetites will come in droves, getting more food for less money. Because the customer has more information than the restaurant does, the restaurant loses money. This is adverse selection.

Re: Avon Barksdale and Orlando, Avon's objective is to get a “clean” guy to serve as the front man for his strip club/drug operation HQ—someone with no criminal record, who can easily obtain and keep a liquor license and, most importantly, who has no desire to be involved in the drug game. But the clean guys who are truly looking for a legitimate opportunity are the last ones who are going to want to put their futures at risk by agreeing to work for a well-known drug kingpin, while the guys who are looking to make more money by getting into “the game,” like Orlando, would jump at the chance. Avon hires Orlando without knowing anything about him, his incentives or his intentions. Orlando, of course, has ulterior motives, and this ultimately leads to his getting busted by the cops and becoming an informant—an undeniably negative outcome for Avon. This is “adverse selection” in action because Orlando *self-selected* into a transaction after making a benefits-to-risks calculation—a calculation Avon had no information about.

2. *Interpret this graph about the responsiveness of state legislators to white and black constituents. Make sure to include the source of this graph's data in your response. In particular, what does it say about minority political representation?*

This graph appears in Broockman and Butler's paper “Do Politicians Racially Discriminate Against Constituents?” The authors conducted a field experiment in which they sent emails to state legislators, posing as constituents, asking for information on how to register to vote. In order to test for the effects of race and partisanship on the number of responses they received, the authors randomly assigned half of the fictional constituents a stereotypically “black” name, and half the group a “white” name. They also randomly assigned an indication of political party (Democrat, Republican or no mention of partisan affiliation). The authors hypothesized that Republicans would be significantly less likely to respond to black constituents due to strategic considerations (since 90% of blacks are Democrats), but instead, as indicated in the graph below, they found that white Democrats and white Republicans discriminated against blacks in relatively equal proportions. (Overall, state legislators were 5.1% less responsive to black constituents.)

These results provide evidence against “statistical discrimination” (that is, discrimination

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based on factors, like party ID or socioeconomic status, that correlate highly with race). Instead, the results indicate the legislators engage in “taste-based discrimination,” or discrimination based on race itself. This idea is further supported by the final results displayed in the graph, which show that minority Democratic legislators were 16.5% more likely to respond to black constituents—the biggest racial disparity by far. All this suggests that politicians are better able and willing to represent people who are racially “like them.” This is an important finding with far-ranging implications, especially in an era in which the Supreme Court has declared race-based discrimination a thing of the past.

First, the fact that the majority of state legislators are white shows that being black, regardless of any other factors, is still a political disadvantage. Considering the content of the emails that went unanswered (voter registration requests), these results also call into question the ability of legislators to ensure that *all* of their constituents are able to actively participate in democratic elections. The crop of voter-ID laws that have been approved in several state legislatures and that would negatively affect black turnout emphasize the importance of this concern. Second, these results suggest that majority-minority districts, many of which are created through gerrymandering, might actually be a *good* thing for minority political representation. This helps explain why Democrats, and not just Republicans, might pursue gerrymandering as a political strategy).

3. *In your opinion, which Wire character’s behavior is best explained by a rational approach to the incentives in their environment, and which is least well-explained by an incentives approach? Explain why using specific examples that refer to character incentives.*

Charles Wheelan tells us that incentives are the primary motivator of human behavior—essentially, people need to be given a *reason* to do a particular thing, and their work has to be rewarded in order for them to keep doing it. Dixit and Naeffuff suggest that an incentives system is most efficient in a market economy, because people are highly motivated by monetary gain, but the concept of profit motive can apply to almost all spheres. To determine a person’s incentives, we must simply ask, will this person become better off in his environment (be it a market economy or the Baltimore Police Department) as a result of certain actions?

With this standard in mind, I think the *Wire* character whose behavior is best explained by incentives is Bodie’s. In Bodie’s world, education or an above-the-law job may be an option, but it’s not an attractive one—there is very little chance that he will be able to achieve the money, power and recognition that he craves through “legitimate” means, given the structural disadvantages he faces. But the drug game, which is very accessible to Bodie, allows him to move up in the hierarchy and reap rewards by acting as a relentless, loyal soldier. This explains why Bodie is so eager to use violence to keep customers in line (by, for example, beating up Bubbles’s friend Johnny for paying for drugs with fake money), and why he’s willing to do Stringer’s bidding even when it means killing one of his best friends. Bodie is duly rewarded for his loyalty and ruthlessness in Season 2, when Stringer gives him more responsibility and assigns him to the Towers while Poot, Bodie’s erstwhile equal, is once again confined to the Pit.

However, the character whose behavior is least explained by incentives is McNulty’s. To get rewarded in the BPD, you’re supposed to keep your mouth shut and play by the rules. The rules, at the structural level, are to make a respectable number of drug busts and arrests that will make the department appear to be “reducing crime”; and, at the personal level, appease the chain

of command in order to get promoted, move up the hierarchy and eventually retire with a generous pension. McNulty fails to respond rationally to the incentives in his environment, since the BPD's standard rewards system seems to have no power over him. He continuously usurps the chain of command by, say, going to Judge Phelan to move the case against the Barksdales along or antagonizing Lt. Daniels, and he seems to have no awareness of the possibility of being institutionally punished for his actions (he speaks freely about where he'd least like to be assigned, for instance, which happens to be exactly where he ends up at the end of Season 1). In Season 2, motivated purely by revenge, he wastes time that could have been spent more productively proving the girl dumped into the Baltimore Harbor falls under Major Rawls's jurisdiction; he then pursues what he likely knows will be a fruitless attempt to investigate D'Angelo's suicide. Again and again, McNulty is punished for his breach of standard conduct, which even prevents him from pursuing what *does* motivate him—good detective work. All in all, there seems to be no rational response to incentives that dictate McNulty's actions within the BPD.

4. How closely does the show's depiction of union life reflect the readings and lectures about unions?

For the most part, *The Wire* accurately depicts union life according to the lectures and assigned readings. According to the Yeselson article in the *New Republic*, in the 1950s, 35% of the American workforce was unionized; as of 2012, that figure is only 12%. Because of the general lack of union presence in American society, their institutional legitimacy has diminished. The stevedores on *The Wire* often discuss how “things ain't never gonna be what it was”: They're referring to globalization trends that have led to an overall decline in manufacturing work in favor of service-sector or “human capital” jobs; an outsourcing of many of those jobs; and replacement of human labor with machines. But the stevedores also recognize a more general decline in the respectability of their institution. As Yeselson says, in the glory days of union membership, most everyone knew what unions did and why they commanded power; now, unionized workers have been moved to the periphery of the American consciousness, if you will. People barely give them a second thought. But unions' political power is not the main problem. Frank Sobotka still has political capital, and is still able to gain access to and influence Democratic politicians who care about union interests. The bigger problem is that unions have barely any social and economic power.

The implications of this lack of power are reinforced on *The Wire*. A lack of jobs coupled with (arguably) antiquated seniority rules mean that Nick Sobotka is often unable to find work and support his family; as he famously says, “seniority sucks unless you're a senior.” Nick is forced to help his uncle collude with the Greeks just to have enough money to live on, and his personal life is tested because of the lack of steady work/income. Even Ziggy's failed and dangerous money-making ventures can be attributed to the fact that union jobs simply don't provide the kind of financial stability they used to. What's more, Frank's ability to collectively bargain on behalf of the IBS is both a blessing and a curse. While Frank is the public face of the IBS and can ensure its interests are well represented, he also embraces corruption to maintain both his union's political position and his own leadership within the union hierarchy. In a cruel twist of irony, Frank becomes a criminal for the “greater good,” only for his involvement with the Greeks to directly facilitate the demise of his beloved union (and his own death).

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The Wire is slightly less accurate when it comes to the racial cleavages that have characterized union life. According to the Frymer reading, one of the biggest reasons for the decline of unions over the past half-century was that labor-rights legislation consistently failed to incorporate protections against race-based discrimination. As a result, throughout the 1960s and 1970s unions became known as segregated and discriminatory institutions, and the labor movement as one dedicated solely to advancing the fortunes of the blue-collar white male. This weakened unions' influence considerably. *The Wire* paints a much milder picture. Frank dishonors the IBS's rotating-leadership agreement (that a Polish and African-American man will take turns serving as treasurer), but racial animus isn't the reason; in fact, at the end of Season 2, Ott joins in touching solidarity with Frank when he supports Frank's posthumous re-election and allows the government to seize the union. That said, it would certainly be a challenge for a show to accurately portray institutional trends that occurred 40 or so years before the show's timeframe, so *The Wire*'s dodging of the race question is somewhat understandable.