

WWS527c - DOMESTIC POLICY ANALYSIS: URBAN ECONOMIC DEVELOPMENT

Fall 2005 - Draft

Anthony E. Shorris
Robertson 212
609-258-1651
ashorris@princeton.edu

Mondays 1-4pm
Robertson TBD
Office Hours:
See Georgette Harrison
gharriso@princeton.edu
609-258-9065

Overview of the Course

This is a course designed for students interested in the theories and realities of urban economic development, primarily as practiced by states and localities in the United States, but with implications for sub-national regions in other nations. The course will use the tools of academic literature, case studies, interviews with policy-makers in the field, and a strong emphasis on group interaction to explore the major rationales for undertaking urban economic development programs, the commonly used tools in such efforts, and some of the major strategic issues confronting policy-makers. Students in the course will apply some of the tools they develop in the course through a strategic economic development project being done in collaboration with the Initiative for a Competitive Inner City (ICIC) on behalf of the City of Newark. Students will work in small teams on key aspects of the Newark project, and will likely be asked to attend two meetings in Newark as well as working on a presentation document used in the project.

The instructor has been involved in various aspects of state and local public policy management for the past 25 years, and so brings a practitioners' perspective to the issues presented. At the same time, as a WWS MPA, he recognizes that action without a strong theoretical underpinning is unlikely to succeed, or be replicable.

Grading

Grading will be based on the quality of each student's application of the skills required in this field. It will reflect the quality of student work in groups as well as individually, and it will place a premium on class participation. In all cases, presentation skills will be part of the focus of the class since the communication of complex ideas to general audiences is a critical component of success in the implementation of economic development programs. Grades will be based on the following elements:

Group Project (25%): Depending on the size of the class, there will be one or more groups assigned to a task associated with an aspect of the collaborative project with ICIC. The group will be given an assignment associated with the project and asked to prepare a presentation to the principals in the Newark project as well as in class.

Final Individual Paper (50%): Each student will be asked to prepare a final paper of no more than 15 pages. Please discuss the topic with the instructor beforehand and do not begin writing until there is agreement on a scope of work for the project.

Class Participation (25%): All students will be expected to attend and actively participate in each class. Each week, one or more students will be asked to open the discussion of the readings, and each week students will be asked to prepare brief written comments on the readings in the course.

Readings

Substantial portions of these books will be assigned. Abbreviations are used for them in the syllabus below:

- BR:** John Blair and Laura Reese (eds.), *Approaches to Economic Development*, (Sage, 1999)
- BM-D:** Richard Bingham and Robert Mier, *Dilemmas of Urban Economic Development* (Sage 1997)
- EB:** Edward J. Blakely, *Planning Local Economic Development*, 3rd Edition (Sage 2000)
- FL:** John Fitzgerald and Nancey Green Leigh, *Economic Revitalization*, Sage 2002
- WBH:** Sammis White, Richard Bingham, and Edward Hill, *Financing Economic Development in the 21st Century*, M.E. Sharpe, 2003

Other books have multiple chapters assigned:

- Denise DePasquale and William Wheaton, *Urban Economics and Real Estate Markets*, Prentice-Hall, 1996.
- Alicia Munnell (editor), *Is There a Shortfall in Public Capital Investment?* Federal Reserve Bank of Boston, 1990 (on Blackboard)
- Gerald Meier and James Rauch, *Leading Issues in Economic Development*, (7th edition). Oxford, 2000
- New England Economic Review*, Mar/Apr 1997
- Richard D. Bingham and Robert Mier, *Theories of Local Economic Development* (Sage, 1993)
- Paul Krugman, *Geography and Trade*, MIT 1991

The remainder of the readings will be articles from journals or case studies that will be available electronically. Some additional readings will be added during the term to provide additional context.

Note: It would be helpful if students could be prepared to discuss some of the materials assigned for the first class. They will be on reserve and on Blackboard as well.

COURSE SYLLABUS

Week One (September 19): Introductions and Overview

The goals and approaches of the course will be discussed, including the backgrounds of the students and the instructor. The class will then examine some of the moral, political, and economic rationales for creating and implementing economic development strategies for urban areas. The class will conclude with some discussion of the context within which urban strategies are to be applied. Students should come prepared for the first class having read the assigned materials.

Required Readings

FL: Chapter 1
BR: Chapter 2, (Timothy Bartik, Market Failure Approach), Chapter 17 (Politics of Economic Development), Chapter 19 (What Works Best?)

Other Readings

Amartya Sen, *Development as Freedom*, Knopf, 1999. Chapters 1-2
EB: Chapter 1-2-3
BM-T: Chapter 13 (Beauregard, Constituting Economic Development)
Economic Policy Institute, Jared Bernstein, Lawrence Mishel and Chuna Brocht, *Any Way You Cut It* (available at http://www.epinet.org/briefingpapers/inequality/ineq_bp.pdf)

Week Two (September 26): Theories

This class will review the key theoretical underpinnings of urban development, especially those pertaining to business and individual location decisions. The second half of the class will include a case study about North Carolina. This case requires a good deal of reading and preparation.

Required Readings

BM-T: Chapter 1
PK: *Geography and Trade*, Chapters 1-2
Daphne Kenyon, "Theories of Inter-jurisdictional Competition," *New England Economic Review*, Mar/Apr 1997
Natalie Cohen, "Business Location Decision-making and the Cities," *Brookings Working Paper*, April 2000

Other Readings

J. Friedmann and W. Alonso, *Regional Policy: Readings in Theory and Application*, Chapters 2 (Alonso) and 14 (Tiebout)
Robert Reich, *The Future of Success*, Knopf 2000, Chapter 10
George Hack, *Site Selection for Growing Companies*, Quorum, 1999. Chaps. 3-5
Andrew Jonas and David Wilson, *The Urban Growth Machine*, SUNY Press, 1999. Chapter 5 (Character and Consequences of Growth Machines)
Amy Ellen Schwartz and Ingrid Gould, Cautionary Notes for Competitive Cities, *Brookings Review* (see <http://www.brook.edu/dydocroot/ES/URBAN/schwartz&ellen.pdf>)

Case Study: North Carolina and the Battle for Business (KSG N15-97-1351.1-2)

Week Three (October 3): Strategies for the Inner City

This class will begin the development of a strategic framework for urban economic development. Those concerned about equity in development often point out that some of the common strategies discussed for development leave behind many poor people and people of color trapped in failing inner city communities. Anne Habiby, Director of the Initiative for a Competitive Inner City, will join us to present one such framework and demonstrate its application to a case study. She will also discuss the Newark project we will be engaged in supporting.

Required Readings

- Michael Porter, *The Competitive Advantage of Nations*, Free Press, 1990.
Chapters 2-3
- Michael Porter “The Competitive Advantage of the Inner City, *Harvard Business Review* May/June 1995
- Bennett Harrison and Amy Glasmeir, Why Business Will Not Redevelop the Inner City, *Economic Development Quarterly*, February 1997
- EB: Chapters 5 (Analytic Techniques) and 6 (Selecting a Strategy)
FL: Chapter 2

Other Readings

- EB: Chapter 10
- BM-D: Chapter 11 (William Goldsmith, “When is the Neighborhood Too Far Gone?”)
- Maureen Kennedy and Paul Leonard, *Dealing with Neighborhood Change*.
Brookings, 2001. Review it at:
<http://www.policylink.org/pdfs/BrookingsGentrification.pdf>

Case Study: *St. Louis - Inner City Economic Development* (HBS Case 9-704-492)

Guest: Anne Habiby, Initiative for a Competitive Inner City

Week Four (October 10): Tools – Infrastructure

This class will examine the first of several key tools of urban economic development: the planning and construction of major infrastructure elements. The second half of the class will discuss a case involving regional transportation systems.

Required Readings

- BHW: Chapter 2 (States)
- EB: Chapter 7 (Infrastructure), Chapter 11 (Project Planning)
- Andrew Haughwout, Infrastructure and Social Welfare in Metropolitan America, *FRBNY Review*, December 2001
- Alicia Munnell (editor), *Is There a Shortfall in Public Capital Investment?*
Essays by Aschauer, Munnell and Peterson (with discussions),
Federal Reserve Bank of Boston, June 1990

Other Readings

- Alan Altschuler and David Luberoff, *Mega-Projects*, Brookings, 2003.
Chapter 7 (Common Patterns)
- BM-D: Chapter 4 (Is There a Really an Infrastructure/Economic Development Link?)

Case Study: *Sound Move: Seattle* (KSG C14-01-1639.0, 1640.0)

Week Five (October 17): Tools - Land Use and Zoning

Among the most common set of tools for influencing urban development is land use and zoning policy. This class will examine the uses of these tools in the execution of development strategies. The recent redevelopment of the Far West Side will be considered as a case in the second half.

Required Readings

- William A. Fischel, “An Economic History of Zoning and a Cure for its Exclusionary Effects,” *Urban Studies*, Vol. 41, No. 2, 317–340, February 2004
- Alex Garvin, *The American City*, McGraw-Hill, 2002. Chapter 16 (Land Use Regulation)
- Myron Orfield, *American Metropolitics*, Brookings, 2002. Chapter 2 (The New Suburban Typology)

Other Readings

- William A. Fischel, *The Economics of Zoning*, Johns Hopkins, 1985. Chapter 14 (Zoning, Property Taxes, and the Tiebout Model)
- Paul Goldberger, *Up From Zero*, Random House, 2004, chapters 5 and 7

Guest: Andrew Lynn, Director of Development, Madison Square Garden

Week Six (October 24): Tools – Education and Workforce Development

Increasing the human capital of any region or city is an important development strategy, and various regions and cities have attempted to implement this approach.

Required Readings

- George Borjas. *Labor Economics*, New York: McGraw Hill, 2005. Chapter 7
 FL: Chapter 7 (Job-Centered Development)
 EB: Chapter 9 (Human Resource Development)
 BR: Chapter 7 (Labor Force Based Development)

Other Readings

- James Heckman and Alan Krueger, *Inequality in America*, MIT, 2003.
 Chapter 1 (“Inequality, Too Much of a Good Thing”)
- Orley Ashenfelter and Cecilia Rouse. “Schooling, Intelligence, and Income in America,” in *Meritocracy and Inequality*, Kenneth Arrow, Steven Durlauf, and Samuel Bowles, editors (Princeton University Press, 2000)
- BM-T: Chapter 6 (Labor Force, Education and Work)
- David Weimer and Michael Wolkoff, School Performance and Housing Values, *National Tax Journal*, June 2001

Guest: Maria Buck? Carl van Horn? Workforce Development Type?

Spring Break

Week Seven (November 7): Tools – State and Local Tax Policy

States and localities routinely debate whether and how sub-national tax policies can affect economic development in their communities. The class will review of the economic literature on the issue, as well as discussing some of the more common tax policy approaches to development, including business improvement districts and economic development zones.

Required Readings

- WBH: Chapters 3 (Tax Increment Financing), 4 (Stick and Carrot), 7 (Efficacy of Incentives)
- BR: Chapter 6 (Ten Principles for State Tax Incentives)
- BM-D: Chapter 6 (Taxes and Economic Development in the American States)

Other Readings

- Stephen Mark, Therese McGuire, Lester Papke, *What Do We Know About the Effect of Taxes on Economic Development? Report for the DC Tax Commission*, DCWatch, July 1997
- Michael Wasylenko, Taxation and Economic Development, *New England Economic Review*, Mar/April 1997
- Peter Fisher and Alan Peters, Tax and Spending Incentives, *New England Economic Review*, Mar/April 1997
- Pack, Janet Rothenberg, “BIDS, DIDS, SIDS and SADS”

Guest: Dan Levine, Assistant State Treasurer, State of New Jersey

Week Eight (November 14): Tools – Public-Private Partnerships

Urban areas often partner with private sector developers in the re-development of major portions of the community. This class will consider the issues associated with such arrangements from the perspective of the public and private sectors. A case study from the Boston community will be used. We will be joined by an experienced practitioner in the field.

Required Readings

- Thomas Lyons and Roger Hamlin, *Creating an Economic Development Plan*, Praeger, 2001. Chapter 3 (Public-Private Partnerships)
- Financial Analysis of Real Property Investments (HBS Case Study 9-379-193)
- DiPasquale and Wheaton, *Urban Economics and Real Estate Markets*. Chapters 5 (Firm Site Selection) and 11 (Operation of Non-Residential Markets)
- Karl Seidman, *Economic Development Finance*, Sage 2005, Chapters 5-7

Other Readings

- BR: Chapter 18 (Shoot Anything That Flies)
- Group of 35, *Preparing for the Future*, July 2001 (at <http://urban.nyu.edu/g35/index.html>)

Case Study: *New Case Study*

Guest:

Week Nine (November 21): Strategies – Research, Development, and Florida

One of the most attractive strategies for many localities here and across the globe has been the attraction of a highly skilled labor force and, more specifically, the creation of research-driven development. In this class, we will examine this approach to development, including the record of some American communities in fostering such strategies.

Required Readings

- BM-T: Chapter 7 (High Tech), 11 (Technology Transfer)
- BM-D: Chapter 5, Michael Luger and Harvey Goldstein, “What is the Role of Public Universities in Economic Development?”
- Richard Florida, *Competing the Age of Talent*, 2000 (on his web site at <http://www.heinz.cmu.edu/~florida/>)

Other Readings

- Gilley, *The Interactive University*
- Steven Graham and Simon Marvin, Chapter 6, *Cities in the Telecommunication Age*, Routledge 2000.

Week Ten (November 28): Strategies – Sports, Gambling, Arts, and Tourism

Many communities are now turning to arts, culture, sports, and other tourism-driven approaches to economic development. These include aggressive community marketing efforts. This class will explore this strategic approach to development.

Required Readings

- WBH: Chapter 11 (Urban Tourism and Professional Sports) and Chapter 13 (Retail)
- Roger Noll and Andrew Zimbalist, *Sports, Jobs and Taxes*, *Brookings Review*, Summer 1997
- Earl Grinols, *Gambling in America*, Chapter 4, Cambridge 2004
- Howard Sanders, *Flawed Forecasts: A Critical Look at Convention Center Feasibility Studies*, Pioneer Institute 1999 (on line at: <http://pioneerinstitute.org/research/whitepapers/wp9cover.cfm>)

Other Readings

- Dennis Judd and Susan Fainstein, *The Tourist City*, Yale, 1999. Chapter

Week Eleven (December 5): Strategies - Manufacturing

Perhaps the most traditional economic development strategy has to do with the attraction and retention of manufacturing businesses to communities. This class will focus on this strategy and how it is pursued, including issues in the development of so-called “brownfield” (environmentally damaged) areas. A case study of one regional economic development strategy designed to foster export driven manufacturing and logistics will be discussed.

Required Readings

- McGowan and Ottensmeyer, Chapter 3-4-5
- WBH: Chapter 12 (Brownfields)
- FL: Chapters 3 (Brownfields), 4 (Industrial Retention), and 6 (Re-use of Office and Industrial Property)
- New York Industrial Retention Network, *The Little Manufacturer That Could*, May 1999 (can be found at <http://nyirn.com/FINAL%20Manufacturing%20Report.pdf>)

Case Study: XPORT (KSG C16-91-1025.0 and Sequel)

Week Twelve (December 12): Conclusion

In this final class, we will cover any areas we have missed, review some of the findings of the class.