

Theory and Practice of Regional Economic Development

PUBP601-001 Spring 2005

George Mason University, School of Public Policy

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Classroom: Arlington Campus Room 256

Course Objectives:

Economic development today is in the midst of a revolution. It used to be thought that for regions and nations to grow all that was required was to influence business location decisions. Communities that attracted businesses grew and those that did not declined. The state of the art was to try and lure companies with tax or other business incentives. Those days are over.

Today we know that in order to grow and prosper, communities and regions need to do much more. As Carley Fiorina, the CEO of Hewlett Packard told the nation's governors, "Keep your tax incentives and highway interchanges; we will go where the highly skilled people are." A 2002 survey of 4,000 people who graduated from college within the past six years featured in the Wall Street Journal found that three of four of them identified location as more important than the availability of a job when selecting a place to live.

While traditional economic development and growth strategies have been driven by a "demand-side" strategy – attract jobs to get the people - today's economy requires a "supply-side" strategy. Such a strategy depends upon understanding the 3Ts of regional economic development – Technology, Talent, and Tolerance—by essentially improving the ability of places to compete for companies as well as for people. Places must offer substantial and balanced performance across all three to sustain long-run growth and prosperity.

This course will help you develop the real-world skills you will need to be a successful economic developer, consultant, or change-agent in this rapidly changing environment. It is designed to provide you with a framework for understanding regional and national economic growth and prosperity, and to give you the tools to conduct realistic analyses that can help decision-makers, clients and constituents make better, more informed decisions.

Course Structure and Requirements

The course will take shape around a combination of lecture, discussion, group exercises, and simulations. Learning is the main requirement of this class and it is a two-way street. Assignments are explicitly designed NOT to test your knowledge, but to empower and enable you to learn. There will be no tests or quizzes.

Thinking Points (20%): The course is interactive. Students will lead the discussions of the readings during class. To do so, you will prepare a set of thinking points. The class needs your thoughts and ideas, rather than a rote summary of the readings. Keep it interesting and relevant; link it to current day events. Each presenter's time will be limited to roughly 10-15 minutes followed by discussion. I'd suggest not using technology/ overheads as it simply eats time. Make handouts instead, which you will e-mail in advance. As

someone said, "we live in a one-page world." So make up a one page summary of your thinking points. You can add other material, if you like, as appendix material or background as you see fit. Please e-mail your 1-pager and any support material to me, the course assistant, and the entire class no later than the **Friday noon** before your presentation day. Over the course students will do 2 or 3 sets of thinking points.

Assignments/ Memos (60%): The goal of the assignments is to help you better understand the key elements of economic development and to enhance your ability to communicate your ideas in a professional setting. There are three written assignments for this course (outlined in the "assignments" section on pp. 6-7).

Each assignment asks you to write a memo for a professional audience. These should be concise briefing memos. Content and presentation are both important, and your memos will be graded both on the way they deal with issues and the style in which they are presented. While the assignments ask you to address real-world concerns, your memos should reflect key themes and issues discussed in class. Your memos should address these themes in a "user-friendly" way that can effectively make them accessible to policymakers and professionals who may not have a lot of background in this field.

Your memos are due in *both* hard copy and electronic form at the start of class on the date indicated below. Electronic versions will not be accepted. You are to complete all assignments *on your own*. Late assignments will be penalized at one full grade per day, beginning at the start of class. We will discuss the nature and content of the assignments in greater detail in class, but pp. 6-7 provide an initial outline of each assignment and the share of your grade each represents.

Participation (20%): Participation is vital and it can make a huge difference in your final grade. The class needed each and every one of you to participate energetically and fully. I keep weekly notes on students' participation for grading at the end of the semester. My evaluation will be based on attendance and active participation in all class sessions. You must attend all group presentations and discussions (sessions 3 and 2). There will be no make up opportunities for unexcused absences from these sessions. If your personal circumstance requires you to miss one, you must make arrangements with the course assistant at least a week in advance.

Readings

Required Book

- Richard Florida, *The Rise of the Creative Class (tRoCC)* Basic Books, 2004 (paperback).

Recommended Books

- Jane Jacobs, *The Death and Life of Great American Cities*, (original 1961), Vintage Books, 1992 (paperback).
- Jane Jacobs, *The Economy of Cities*, Vintage Books, 1970 (paperback).
- Annalee Saxenian, *Regional Advantage: Culture and Competition in Silicon Valley and Route 128*, Harvard University Press, 1996 (paperback).
- Richard Florida, *The Flight of the Creative Class: The New Global Competition for Talent*, Harper Business, 2004.

Other readings: Much of the reading is available on-line (as indicated below). For those readings which links are not provided in the syllabus, will be distributed via e-mail or as a hard-copy.

Class Schedule

Session 1, January 24: Introduction and Overview

tRoCC, Preface to Paperback Edition; Preface; and Chapter 1, also peruse creativeclass.org

Session 2, January 31: Understanding Cities and Regions

Jane Jacobs, *The Economy of Cities*.

Edward Glaeser, "The Future of Urban Research: Non-Market Interactions," Harvard University, September 1999, http://post.economics.harvard.edu/faculty/glaeser/papers/1_00_paper.pdf

Arthur Nelson, "Toward a New Metropolis: The Opportunity To Rebuild America," Brookings Institution, Center for Metropolitan Policy, December 2004.

http://www.brookings.edu/metro/pubs/20041213_RebuildAmerica.pdf

Session 3, February 7: The Economic Development Game (see pp. 6-7 for instructions)

Session 4, February 14: No Class

Session 5, February 21: The Real World of Economic Development

Guest: Jeff Finkle, Executive Director, International Economic Development Council

"Benchmarking the Creative Class in Arlington Virginia", Arlington Economic Development Issue Paper No 6. January 2005.

Florida, R, Stolarick, K, Musante L " Montreal's Capacity for Creative Connectivity : Outlook and Opportunities" Catalytix, January 2005

Assignment 1: Briefing memo on the economic development game due

Session 6, February 28: Technology

Joseph Schumpeter, "The Creative Response in Economic History," *The Journal of Economic History*, 7, 2, November 1947, pp. 149-159

Michael Porter, "Clusters and the New Economics of Competition," *Harvard Business Review*, November-December 1998, pp. 77-90.

Annalee Saxenian, *Regional Advantage*

tRoCC, Chapters 3, 13, 14, Peruse Appendix A and B

Session 7, March 7: High-Tech and Industrial Clusters

Joseph Cortright and Heike Mayer, "Signs of Life: The Growth of Biotechnology Centers in the US," The Brookings Institution, Center for Metropolitan Policy, 2001.

<http://www.brookings.edu/dybdocroot/es/urban/publications/biotech.pdf>

Joseph Cortright and Heike Mayer, High Tech Specialization: A Comparison of High Technology Centers, "Brookings Institution, Center for Metropolitan Policy, January 2001.

<http://www.brookings.edu/dybdocroot/es/urban/cortright/specialization.pdf>

Paul Sommers and Daniel Carlson, "Ten Steps to a High Tech Future: The New Economy in Metropolitan Seattle," Brookings Institution, Center for Metropolitan Policy," December 2000.

<http://www.brookings.edu/es/urban/sommers/sommersreport.pdf>

Recommended: Ross DeVol, Perry Wong, John Catapano, and Greg Robitshek, "America's High-Tech Economy: Growth, Development, and Risks for Metropolitan Areas," Milken Institute, 1999.

March 14: Spring Break

Session 8, March 21: Talent

Robert Lucas, "On the Mechanics of Economic Development," *Journal of Monetary Economics*, 22, 1988, pp. 1-42.

Vijay Mathur, "Human Capital-Based Strategy for Regional Economic Development," *Economic Development Quarterly*, 13, 3, 1999, pp.203-216.

Edward Glasear and Albert Saiz, "The Rise of the Skilled City," Harvard University, December 2003,

<http://post.economics.harvard.edu/hier/2003papers/HIER2025.pdf>

tRoCC, Chapters 4, 5, and 6

Recommended: Ethan Watters, *Urban Tribes*, Bloomsbury, 2003.

Assignment 2: Regional Rankings Due

Session 9, March 28: Talent/ Human Capital

Paul D. Gottlieb. "Labor Supply and the "Brain Drain": Signs from Census 2000," Brookings Institution, Metropolitan Policy Center, January 2004.

http://www.brookings.edu/es/urban/publications/20040116_Gottlieb.pdf

Ann Markusen, "The Longer View: Targeting Occupations in Regional and Community Economic Development," *Journal of the American Planning Association*, Vol. 70, Number 3. Summer 2004

Carol Colletta and Joe Cortright, *The Young and the Restless Studies*. (There are 4 reports)

http://www.colettaandcompany.com/public/city_news/reports.cfm

<http://www.colettaandcompany.com/public/pdf/Portland.pdf>

<http://www.colettaandcompany.com/public/pdf/Providence5.0.pdf>

<http://www.colettaandcompany.com/public/pdf/Richmond.pdf>

tRoCC, chapters 7 and 8

Session 10, April 4: Social Capital

Robert Putnam, "Bowling Together," *The American Prospect*, February 2, 2002.

<http://www.prospect.org/web/page.wv?section=root&name=ViewPrint&articleId=6114>

Robert Putnam, "The Strange Disappearance of Civic Life," *The American Prospect*, December 1, 1996.

<http://www.prospect.org/web/page.wv?section=root&name=ViewPrint&articleId=4972>

Robert Putnam, "The Prosperous Community: Social Capital and Public Life," *The American Prospect*,

March 21, 1993. <http://www.prospect.org/web/page.wv?section=root&name=ViewPrint&articleId=5175>

Alejandro Portes and Patricia Landolt, "Unsolved Mysteries: The Tocqueville Files II: The Downside of Social Capital," *The American Prospect*, May 1, 1996.

<http://www.prospect.org/web/page.wv?section=root&name=ViewPrint&articleId=4943>

tRoCC, chapter 15

Recommended: Gary Gates, "Racial Integration, Diversity, and Social Capital: An Analysis of their Effects on Regional Population and Job Growth, The Urban Institute, 2003.

Brian Knudsen, "Regional Growth and the Multi-dimensionality of Social Capital," Carnegie Mellon University, January 2005.

Session 11, April 11: Tolerance and Diversity

Audrey Singer, "America's Diversity at the Beginning of the 21st Century: Reflections from Census," Brookings Institution, Center for Metropolitan Policy, April 2002.

<http://www.brookings.edu/views/papers/singer/20020402.pdf>

Audrey Singer, "The Rise of New Immigrant Gateways," Brookings Institution, Center for Metropolitan Policy, February 2004. http://www.brookings.edu/urban/pubs/20040301_gateways.pdf

William Frey, "Metropolitan Magnets for International and Domestic Migrants," Brookings Institution, Center for Metropolitan Policy, October 2003. http://www.brookings.edu/es/urban/publications/200310_Frey.pdf

Audrey Singer "At Home in the Nation's Capital: Immigrant Trends in Metropolitan Washington," Brookings Institution, Center for Metropolitan Policy, June 2003.

<http://www.brookings.edu/es/urban/gwrp/publinks/2003/immigration.pdf>

Annalee Saxenian, "The New Immigrant Entrepreneurs," University of California at Berkeley, 2000.
<http://www.ccis-ucsd.org/PUBLICATIONS/wrkg15.PDF>

Richard Florida and Gary Gates, "Technology and Tolerance: The Importance of Diversity to High-Tech Growth," Brookings Institution, Center for Metropolitan Policy, June 2001.
<http://www.brookings.edu/es/urban/techtol.pdf>

Session 12, April 18: Quality of Place

Jane Jacobs, *Death and Life of Great American Cities*

Edward Glaeser, Jed Kolko, and Albert Saiz. "The Consumer City," *Oxford Journal of Economic Geography*, 1, 2001, pp. 27-50. <http://post.economics.harvard.edu/hier/2000papers/HIER1901.pdf>

Terry N Clark, "Urban Amenities: Lakes, Opera and Juice Bars Do They Drive Development?.. Taken from: The City as an Entertainment Machine. Research in Urban Policy, Volume 9, 103-140. Oxford: Elsevier Ltd. 2003.

Paul D. Gottlieb, "Growth Without Growth: An Alternative Economic Development Goal for Metropolitan Areas," Brookings Institution, Center for Metropolitan Policy, February 2002.
<http://www.brookings.edu/es/urban/publications/gottlieb.pdf>

tRoCC, chapters, 12, 16 and appendix C, "The Memphis Manifesto."

Recommended: Brian Knudsen, et al., "Beyond Spillovers: The Effects of Creative Density on Innovation," Carnegie Mellon University, December 2003.

Session 13, April 25: Externalities of the Creative Age

Alan Berube and Thacher Tiffany "The Shape of the Curve: Household Income Distributions in U.S. Cities, 1979-1999," Brookings Institution, Center for Metropolitan Policy, August 2004.
http://www.brookings.edu/metro/pubs/20040803_income.pdf

Richard Florida, *The Flight of the Creative Class*, Part 3.

Session 14, May 2: Regional Assessments

Open in class discussion of Assignment 3, Regional 3T Assessments

Assignment 3: Regional 3 T Assessment Due

Instructions for Assignments

Assignment 1: The Economic Development Game:

Produce a briefing memo based on the case materials available at:

<http://www.ksg.harvard.edu/battle/>

The memo should take the form of a 3-5 page single spaced brief for the governor. It should address the following questions:

- ? What is at stake?
- ? What criteria would you recommend for evaluating the desirability of alternative policies?
- ? What policy alternatives have you identified (at least three)?
- ? How would you evaluate the alternative policies in terms of your stated criteria?
- ? What is your concluding policy recommendation, including suggestions for implementation?

Memos will be graded based on how well you refine the material down to the critical issues and develop and support a clear recommendation. You should present a single point of view and develop a recommendation based on North Carolina's economic situation, its competitive position among its neighboring states, and the state's historic use of incentives. Simply summarizing the information is not enough. The governor has asked for and values your opinion, which is what should come across in your memo.

Assignment 2: Regional Rankings

Prepare a 3-5page briefing (single space) memo based on the regional rankings available at:

<http://www.forbes.com/2004/05/05/04bestplacesland.html> following scenario.

Your role is as a professional staff person in a major economic development organization in a city or region of your choosing. The heat is on your agency from the press, elected officials, and the business community, over your city's recent rank as a place for high-tech business. The rankings come from the latest ratings by *Forbes* magazine, which are part of the background material for this class. Your boss has asked you to prepare a briefing memo on the factors used to construct these ratings and to assess how relevant they are for our city or region. In particular, you have been asked to assess whether or not these ratings accurately reflect the climate for high-tech business in your community – has anything been left out, have key factors been overlooked? You have also been asked to reevaluate your city's performance vis a vis "peer" cities and to identify key assets and strengths which may have been neglected in the ratings. To complete this assignment, you will need to become familiar your city, by looking at background information on the city's economy, business climate, economic development agencies and initiatives, and other pertinent information available from web-sites, reports and other sources you can locate.

Assignment 3: Regional 3T Assessment

Prepare an 8-10 page (single spaced) policy memo assessing a region of your choosing on the 3 Ts of economic development: Technology, Talent, and Tolerance.

Your role for this assignment as a consultant to a region of your choosing. Use the 3Ts indicators in tRoCC as a point of departure for your research. Building on this, look at the overall social, demographic and economic components of your region. Look at the websites and information for that region. What are the overall dominant occupations and industrial clusters? What is its talent base? How does it fare in terms of diversity? What kinds of problems or externalities is it experiencing (housing affordability, income inequality, traffic congestion, sprawl etc)? How does it compare to similar benchmark cities and regions? Where does the region have competitive advantage? Where is it missing opportunities? Drawing from your own research and the readings, create a picture of your region and how can it leverage its competitive advantages and strengths to achieve lasting growth and prosperity.

Relevant University Policies

Special Needs: If you are a student with a disability and you need academic accommodations, please see me and contact the Disability Resource Center (DRC) at 993-2474. All academic accommodations must be arranged through the DRC.

Plagiarism: This course subscribes to the broader SPP Policy on Plagiarism, as noted here.

The profession of scholarship and the intellectual life of a university as well as the field of public policy inquiry depend fundamentally on a foundation of trust. Thus any act of plagiarism strikes at the heart of the meaning of the university and the purpose of the School of Public Policy. It constitutes a serious breach of professional ethics and it is unacceptable

Plagiarism is the use of another's words or ideas presented as one's own. It includes, among other things, the use of specific words, ideas, or frameworks that are the product of another's work. Honesty and thoroughness in citing sources is essential to professional accountability and personal responsibility. Appropriate citation is necessary so that arguments, evidence, and claims can be critically examined.

Plagiarism is wrong because of the injustice it does to the person whose ideas are stolen. But it is also wrong because it constitutes lying to one's professional colleagues. From a prudential perspective, it is shortsighted and self-defeating, and it can ruin a professional career.

The faculty of the School of Public Policy takes plagiarism seriously and has adopted a zero tolerance policy. Any plagiarized assignment will receive an automatic grade of "F." This may lead to failure for the course, resulting in dismissal from the University. This dismissal will be noted on the student's transcript. For foreign students who are on a university-sponsored visa (eg. F-1, J-1 or J-2), dismissal also results in the revocation of their visa."

"To help enforce the SPP policy on plagiarism, all written work submitted in partial fulfillment of course or

degree requirements must be available in electronic form so that it can be compared with electronic databases, as well as submitted to commercial services to which the School subscribes. Faculty may at any time submit student's work without prior permission from the student. Individual instructors may require that written work be submitted in electronic as well as printed form. The SPP policy on plagiarism is supplementary to the George Mason University Honor Code; it is not intended to replace it or substitute for it. (<http://www.gmu.edu/facstaff/handbook/aD.html>)."