



**THE OHIO STATE UNIVERSITY**

JOHN GLENN COLLEGE OF PUBLIC AFFAIRS

**PUBLIC AFFAIRS 7531  
Economic Development Policy and Practice  
Spring 2017**

**Version 4 February 3, 2017**

When: Thursday, 5:45-8:30

Where: Mendenhall Lab 173

**Instructor** Ned Hill  
**Email** Hill.1973@osu.edu  
**Office** 310P, Page Hall  
**Office hours** before class or by appointment

### **COURSE OVERVIEW**

**Course Description:** PA 7531 provides an introduction to the economics of regional economic development and examines the formation of public policies and strategies that relate to the practice of economic development at the federal, state, and local levels of the U.S. federal system. We will also cover non-econometric analytical techniques and the basics of professional practice. Students will become familiar with analytic methods that are commonly used in the analysis of regional economies: location quotient, shift-share analysis, the interpretation of input-output tables and multipliers, and inflating and deflating monetary units.

**Doctoral students:** There are additional readings noted throughout the syllabus for doctoral students who are interested in specializing in economic development. These are of a more technical nature and not essential for practitioners, but they are helpful for those who intend to be active in research.

**Prerequisites:** There are no formal prerequisites to the course. *It is highly recommended that you have successfully completed an undergraduate microeconomics course.*

### **Learning Outcomes**

**Primary:** Students who are successful in this course will be able to:

- (1) Think in a systematic manner about how economies develop;
- (2) Be able to analyze a regional economy;
- (3) Understand how public policies related to economic development are formed and executed;
- (3) Know the role of various levels of government in the federal system, and
- (4) Understand how economic development is practiced.

**There are four secondary objectives for the course:**

- (1) to participate in discussions about the subject matter in a professional manner,
- (2) to be able to design and present material both professionally and competently,
- (3) to demonstrate the ability to communicate analytical results in spoken, written, and graphical forms, and

(4) to begin to learn the skills required to act in a consultative capacity.

### Grades:

Your final grade will be based on the following:

1. Take-home Midterm Examination 1 20% of your grade)
2. Four analytical exercises 40% of your grade
  - Metropolitan Area Database [QCEW Data] 5%
  - Location Quotient Analysis 10%
  - Shift and share analysis 10%
  - Filtering model & Synthesis 15%
3. Final take-home examination 30%
4. Meaningful and informed class participation 10%
5. Extra credit for preparing the introduction of guests, preparing questions, and writing a "lessons learned" memorandum from the visit
  - If 90% Of the class fills out the SEI 1 point will be added to final grade
  - If more than 95% complete the SEI 2 points will be added

### Rules, fines and guidelines

- **The late fine:** All work that is handed in late is assessed a fine of 5 points off for each day late. The fine can be waived as long as I agree to the late submission in advance.
- **Paper copies only, no e-copies without permission:** I only accept and grade stapled paper copies of your work, with the exception of early submissions of the midterm

### Important Due Dates:

February 16, Exercises 1 and 2: Database and Location Quotient

March 23: Exercise 3—Shift and Share

April 13: Exercise 4 Filtering Model and summary memo

April 20 is the last class meeting. The take home final will be given out then. It is due at 5PM on April 26<sup>th</sup>.

The take-home midterm will be available Monday March 6 and is due March 20. Break week is March 13 to 17. If you want to submit your midterm on or before March 17 you may do so electronically. If you submitted on the 20<sup>th</sup> please provide a hard copy. My mailbox is in the workroom in the student service area of the Glenn College on the 1<sup>st</sup> floor of Page Hall [which, of course, is really the second floor.] It is room 110H. enter the suite, take the hallway on your left and the workroom is at the end of the hall on your left.

### Exercises:

Grading includes the presentation of all tables, spelling, and grammar. Things to look out for when building tables:

1. **False specificity and face validity.** The number of decimal points in the table has no meaning. Spreadsheets will provide any number of decimal places but do they have economic content?

2. **Inconsistent format.** Do you use comma format for numbers in the thousands and above? Do different numbers in the same column or numbers that use the same units of measure have different formats?
3. **Is the table easy on the eyes?** Is there enough white space in the table and do line separators make it easier to read the table.
4. **Are data sources clear? Are units of measure clear?**
5. Do you use header to tell the reader what to find in the table (this is the headline)? Is there a heading that tells you what the data are (what you find in a census table).
6. Please look at the *Monthly Labor Review*, <http://www.bls.gov/opub/mlr/mlrhome.htm> for good examples of table construction, especially their data section: <http://www.bls.gov/opub/mlr/curlabst.htm#cls> see the pdf file that is at (or just below) the bottom of your screen. Another great sources of table design is the *Wall Street Journal*, *New York Times* Business section, *USA Today*, and *The Economist*. All have different looks. What they all have in common is that the look is clean and clear.

**Note:** Grammar, writing style, and presentation are evaluated in all written exercises. If you are unsure of your writing abilities, please use the CSU writing center. Grading includes the presentation of all tables, spelling, writing style, and grammar.

### Plagiarism

Plagiarism is stealing and/or using the ideas or writings of another in a paper or report and claiming them as one's own. This includes but is not limited to the use, by paraphrase or direct quotation, of the work of another person without full and clear acknowledgment.

### Exercise 1: Building a metropolitan area dataset.

1. Start by going to the QCEW data site at: <https://www.bls.gov/cew/>  
QCEW is the Quarterly Census of Employment and Wages. Warning, at time I will refer to it as the ES-202 dataset. This is its old name and based on the form that businesses had to file with BLS when paying their unemployment compensation taxes.
2. Go to *QCEW databases*; this is a button on the left side of the page. You can also get there by scrolling down. **DO NOT USE THE LOCATION QUOTIENT CALCULATOR.**
3. Please select the **employment** and **earnings** data at the one and two-digit level of the NAICS for two years
  - a. 2006—the Great Recession started in November of 2007 so 2006 is the last year of data before the event took place
  - b. Most recent year—I have a MAC and am having trouble loading Java, which you need for the one touch download, so I do not know which is the last year available.
4. Remember: You need national data for every piece of MSA data that you obtain.
5. Now head on over to the Bureau of Economic Analysis site: <https://www.bea.gov>
  - a. You will see a column titled **U.S. Economic Accounts**, head down 3 sections to **Regional**
  - b. Select the first button GDP by State and Metropolitan Area and click
  - c. 2<sup>nd</sup> button is GDP by Metropolitan Area; this will give you the latest news release and you will learn more about the data.
  - d. Go back to the Regional Accounts page and go to the **Data** section
    - i. Select GDP by Metropolitan Area, then select GDP in current dollars [I do not want you to select Real GDP because I want you to deflate the numbers and you have to treat these numbers and the earnings numbers from BLS with the same deflator]

- ii. Select all of the industries in the window that comes next. To select multiple industries you will use the Command button while scrolling on a MAC and CONTROL on a PC [make sure that you grab the last industry]
  - iii. Click on Next Step: Select your MSA
  - iv. Now select the two years ... 2006 and the last year available as long as it is the same as the last year in QCEW
  - v. Determine if the data align with BEA. If so easy; if not what will you do?
  - vi. Go back to the start and grab per capita GDP from the BEA site for 2006 to 2015. This is a summative measure, there is no industry breakdown
- e. Build your database.

### Exercise 2: Location Quotient Analysis

1. Calculate location quotients based on employment, earnings, and gross product
2. Present them in convincing tabular form
3. Document how you calculated them
4. Write a decision memorandum based on the findings. Indicate:
  - What is in the base
  - What industries are emerging or candidates for the base
  - Are there 2x2 [BCG] matrixes that allow you to determine which are emerging, declining, stable?
  - What does the data indicate about the competitive advantage of the MSA?

### Exercise 3: Shift-Share Analysis

1. Conduct in a shift-share analysis based on Gross Product and then on employment.
2. Show how you calculated the statistic
3. Present the data in a convincing and clear manner
4. Write a short decision memorandum based on this work

**Exercise 4:** Answer the question What are the comparative advantages of your MSA and how does this relate to economic development strategy by building a filtering model. Then write a summary memorandum that synthesizes all of the results and additional data that you have gathered, such as on per capita income.

### GRADING

Transformation of numerical grades to letter grades will correspond to this schedule:

A	93-100	C+	77-79.9	E <	59.9
A-	90-92.9	C	73-76.9		
B+	87-89.9	C-	70-72.9		
B	83-86.9	D+	67-69.9		
B-	80-82.9	D	60-66.9		

### TEXTS

Two text books are used in the class:

***Introduction to Economic Development*** (IEDC, 2015). Introduction to economic Development is the text developed by IEDC for use in its basic economic development course. IEDC is allowing us to use the text under two conditions: (1) you pay a \$20 license fee for its use and (2) no electronic copies be

made of the document. IEDC is the economic development professional organization. The Ohio Economic Development Association.

Mattson, Gary Armes. 2016. ***American Hometown Renewal***: Policy tools and techniques for small town officials. Routledge. American Hometown Renewal was ordered for this course through OSU's bookstore, Barnes and Noble.

Supplement:

Edward, Mary. 2007. **Regional and Urban Economics and Economic Development**. Auerbach Publications (Taylor & Francis) ISBN: 978-0849383175

## Class Schedule/Assignments

The number in the heading corresponds to the file number of the assigned reading in Carmen

### 1: Introduction to Economic Policy and Practice

PPT 1: Thinking about economic development policy [PPT]

*IEDC*: Introduction to Economic Development, pp. 4-9.

- 2: What is economic development
- 3: Economic development Players
- 4: Roles of the economic developer

Herbert Rubin. 1988. "Shoot anything that flies; Claim anything that falls: Conversations with Economic development Practitioners," *Economic Development Quarterly* Volume. 2, Number 3 (August): 236-251.

*IEDC*. Ethics, pp. 169-173.

*Skill*: MIT. Guidelines for Decision Memos.

## 2: Fundamentals of Economic Development

PPT 2: Fundamentals of Economic Development

*IEDC. Economic Development Marketing and Attraction*, pp. 38-52.

Business expansion and Retention, pp. 54-67.

*Doctoral student reading:*

Stokan, Eric. (2013). "Testing Rubin's model 25 years later: A multilevel approach to local economic development incentive adoption." *Economic Development Quarterly*, 27(4), 301-315.

## 3: Skill: The consultative process

Review the posted power point presentation

## 4: Four classic views of economic development

*IEDC. Economic Development Theories*, pp. 1-13.

Schumpeter, Joseph A. 1934. Chapter II "The fundamental phenomenon of economic development," *The Theory of Economic Development*, (Cambridge, MA: Harvard University Press): 57-94. and the excerpt from *Capitalism, Socialism and Democracy* on "Creative Destruction."

Chinitz, Benjamin. 1961. "Contrasts in agglomeration: New York and Pittsburgh," *American Economic Review* 51(2) (May): 279-289.

Bolton, Roger. 1992. "'Place prosperity versus people prosperity' revisited: An old issue with a new angle" *Urban Studies* 29(2): 185-203.

Gopnik, Adam. September 26, 2016. "Jane Jacob's Street Smarts." *The New Yorker*

## 5: Skill: Economic base and the Location Quotient

Hoyt, Homer. 1961. "The utility of the economic base method in calculating economic growth." *Land Economics*. 37(1): 51-58.

Tiebout, Charles. 1956. "The economic base reconsidered." *Land Economics* 32(1): 95-99.

Mattson. Chapter 15. Where the Jobs Are. *American Hometown Renewal* pp. 285-300 and 482-483.

*IEDC. Analyzing and Profiling the Local Economy*, pp. 16-25.

**Optional:** Tiebout, Charles. 1962. *The Community Economic Base Study*. New York: Committee for Economic Development.

## 6: Reasons for Public Intervention

Feldman, Maryann et al. 2016. "The logic of economic development" A definition and model of investment." *Environment and Planning C: Government and Policy*. 34: 5-21.

Bartik, T..J. 1990. "The market failure approach to regional economic development." *Economic Development Quarterly*, 4(4).

Hill, Edward. Hill, Edward W. 1998. "Principles for rethinking the federal government's role in economic development," *Economic Development Quarterly* (November) 12(4): 299-312.

Reese, Laura A. and Minting Ye. 2011. Policy versus place luck." *Economic Development Quarterly*. 23(3): 221-236

## 7: Evolution of practice

- Eisinger, Peter. 1995. State economic development in the 1990s: politics and policy learning." *Economic Development Quarterly* 9(2)
- Osgood, J.L., et al. 2012. "Yesterday's gains versus today's realities: Lessons from 10 years of economic development practice." *Economic Development Quarterly*.
- McGahey, Richard M. 2008. "Regional economic development in theory and practice," in McGahey & Vey (eds) *Retooling for Growth*. Washington, D.C.: Brookings Institution Press.
- Finkle et al. 2008. "The reality of economic development in older industrial cities: A practitioner's perspective," in McGahey & Vey (eds) *Retooling for Growth*. Washington, D.C.: Brookings Institution Press, pp 299-323.
- Liu, Amy. 2016. *Remaking Economic Development: The markets and civics of continuous growth and prosperity*. The Brookings Institution, Metropolitan Policy Program.

### **8: Fundamentals of regional growth**

IEDC: Chapter 5 Economic Development Theories

- Cleveland Federal Reserve Bank. 2005. *Altered States: 75 years of state income growth*. Annual Report.
- Garr, Emily. nd. *What Matters to Metros*. Cleveland, OH: The Fund for Our Economic Future.
- Cortright, Joe. 2001. *New growth theory, technology, and learning: A practitioner's guide*. Economic Development Administration.

#### **Doctoral Student Reading**

- Paul W. Bauer, Mark E. Schweitzer, and Scott Shane. 2006. *State Growth Empirics: The Long-Run Determinants of State Income Growth*. Federal Reserve Bank of Cleveland Working Paper 06-06.
- Warsh, David. 2006. *Knowledge and the Wealth of Nations* (NY: W.W. Norton & Company.)

### **9: Skill: Shift and Share Analysis**

- Mattson. Chapter 16 Is your community competitive? *American Hometown Renewal* pp.301-318.
- Carnegie Mellon University, nd. *Methods of Regional Analysis: Shift-Share*
- EMSI. nd. *Understanding Shift Share*.

### **10: Location theory and site selection analysis: Revenue, operating cost, talent**

- Mattson. Chapter 17, Main Street as Commercial Hubs in *American Hometown Renewal*, pp. 319-340.
- Blair, John P. and Robert Premus. 1993. Location Theory, in Richard D. Bingham and Robert Mier (Eds.) *Theories of Local Economic Development*. Sage Publications: pp. 3-26.
- Blair, John P. and Michael Carroll. 2009. Chapter 2, "Business location, expansion and retention," in *Local Economic Development: Analysis, Practice and Globalization*. 2<sup>nd</sup> edition
- Reese, L. A. 2014. The Alchemy of Local Economic Development. *Economic Development Quarterly*, 28(3), 206-219.

IEDC. Assessing the Economic Base, pp. 40-53.

### **11: Trade & Comparative Advantage of Regions**

***The North-Tiebout Debate***

North, Douglas. 1955. "Location theory and regional economic growth," *Journal of Political Economy*: 243-258.

Tiebout, Charles. 1956. "Exports and regional economic growth," *Journal of Political Economy* 64(2) (April): 160-169.

North, Douglass. 1956. "A reply," *Journal of Political Economy* 64(2) (April):

Tiebout, Charles. 1956. "Rejoinder," *Journal of Political Economy* 64(2) (April):

Malizia, Emil and Edward J. Feser. 1999. Chapter 7 "Trade Theory," in *Understanding Local Economic Development*. New Brunswick, N.J.: CUPR Press

*IEDC*. Foreign Direct Investment and Trade, pp.208-236.

## **12: Clusters**

Hill, Edward W. and John F. Brennan (2000) "A methodology for Identifying the Drivers of Industrial Clusters," *Economic Development Quarterly*

Porter, M. E. 2000. Location, competition, and economic development: Local clusters in a global economy. *Economic Development Quarterly*, 14(1), 15-34.

Wolman, H., & Hincapie, D. 2014. Clusters and Cluster-Based Development Policy. *Economic Development Quarterly*, 0891242413517136.

Austrian, Z. 2000. "Cluster Case Studies: The marriage of quantitative and qualitative information," *Economic Development Quarterly* Volume 14, Number 1: 97-110

Brun, Lukas C. and G. Jason Jolley. 2011. "Increasing stakeholder participation in industry cluster identification," *Economic Development Quarterly*, Volume 25, Number 3: 211-220.

Treado, C. D. 2010. "Pittsburgh's evolving steel legacy and the steel technology cluster. *Cambridge Journal of Regions, Economy and Society*. 3(1): 105-120.

*IEDC*. Technology-Led Development, pp. 118-137.

## **13: Product Cycles**

Malizia, Emil E. and Edward J. Feser. 1999. Chapter 8 "Product Cycles," in *Understanding Local Economic Development*. New Brunswick, N.J.: CUPR Press

## **14: Economic Resilience: Does anything work?**

Kaldor, N. 1972. "The irrelevance of equilibrium economics," *Economic Journal* 82: 1237-1255.

Pendall, Rolf, Kathryn Foster and Margaret Cowell. 2010. "Resilience and regions: Building understanding of the metaphor. *Cambridge Journal of Regions, Economy and Society*. 3(1):71-84.



## 15. Economic Development and Intergovernmental Public Policy

Drabenstott, Mark. 2006. *Economic Review*, Federal Reserve Bank of Kansas City; Kansas City 91(1) (First Quarter 2006): 115-142,4.

Singerman, Philip. 2008. "Repurposed Federal economic development programs," *Economic Development Quarterly* (May) 22(2): 99-106.

Wolman, Harold et al. 2007. *States and Their Cities: Partnerships for the Future*, Fannie Mae Foundation.

Taylor, C. D. 2012. Governors as Economic Problem Solvers A Research Commentary. *Economic Development Quarterly*, 26(3), 267-276.

Vey, Jennifer. 2008. in McGahey & Vey (eds) *Retooling for Growth*. Washington, D.C.: Brookings Institution Press.

Wolman, Harold and David Spitzley. 1996. "The politics of local economic development," *Economic Development Quarterly* 10(2).

## 16: Development and Distressed Cities

*PowerPoint*: Ingredients of successful, vibrant cities; Achieving Equity: Problems in Practice; Leadership in Economic Development

### Problem Identification

Silver, Rabbi Daniel Jeremy Silver. March, 1985. *What's Wrong With Cleveland?*

Wolman et al. 2008. "Understanding economically distressed cities," in Richard M. McGahey and Jennifer S. Vey (eds.) *Retooling for Growth*. Washington, D.C.: The Brookings Institution Press. Pages: 151-178.

Hill, Edward W. and Harold L. Wolman. 2012. "Forces affecting central city growth or decline: The effects of inter-regional and inter-municipal competition," in Alan Mallach (ed.), *Rebuilding America's Legacy Cities*. New York: The American Assembly. Pages 31-80.

Federal Reserve Bank of Cleveland. 2008. *Understanding the persistence of poverty*. Annual Report

### Solutions

*IEDC*. Neighborhood Economic Development, pp.138-157.

*Optional*: Real Estate Development, pp. 68-87.

Nowak, Jeremy. 1997. "Neighborhood initiative and the regional economy," *Economic Development Quarterly* 11(1)

Hill, Edward W. and Jeremy Nowak. 2000. "Nothing left to loose: Only radical strategies can help America's most distressed cities," *Brookings Review* (summer)

Leiken, Samuel. 2012. *Linking Growth and Opportunity: Findings from the Front*. Prosperity Initiative, Surdna Foundation.

Kodrzycki, Y. K., & Muñoz, A. P. 2015. Economic distress and resurgence in US central cities: Concepts, causes, and policy levers. *Economic Development Quarterly*

### Doctoral student reading:

Hill, Edward and Harold Wolman. 1995. "Can suburbs survive without their central cities: Examining the suburban dependence hypothesis" *Urban Affairs Review* 147-174.

**Optional:** Erickson, David et al. 2008. *The Enduring Challenge of concentrated Poverty in the United States*. Federal Reserve Bank and the Brookings Institution Metropolitan Policy Program

### **17. Entrepreneurship, Small Business, and High-growth firms**

*IEDC*. Entrepreneurial and Small Business Development, pp. 100-116.

#### **Small Business**

Chatterji, Aaron , Why Washington has it wrong with small business, Wall Street Journal, November 12, 2012;

Hurst, Erik and Benjamin Wild Pugsley, "What do small businesses do?" Brookings Papers on Economic Activity, Fall, 2011, pp. 73-142.

#### **Entrepreneurship**

Malecki, E.J. 1994. "Entrepreneurship in regional and local development. *International Regional Science Review*. (16): 119-153.

#### **Technology-based Development**

*IEDC*. Technology-led Development, pp. 118-137.

### **18. Development and small cities**

Mullin, John. 1986. From Mill Town to Mill Town: Transition of a New England Town from a Textile to a High- Technology Economy.

Begala, John, 2016. *Big City Problems in Ohio's Small Towns*. Cleveland: Center for Community Solutions.

Greater Ohio Policy Center. June, 2016. *From Akron to Zanesville: How are Ohio's small and mid-sized cities faring?*

Greater Ohio Policy Center. January, 2017. *Update: From Akron to Zanesville*.

Mattson, *American Hometown Renewal* is assigned so that you have a small-town planning reference guide