

Foundations of Comparative Regional Development
Department of Regional Economic and Social Development
Professor Chris Tilly
Fall 2007 (September 18, 2007 version)

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Office hours: Mon 2-3:30, Tues. 3:30-5:00

Course meeting time and location

The course will meet on Tuesday evenings, 6:00-8:50 in the RESD seminar room 500-M in the RESD suite on the 5th Floor of O'Leary Library.

Course description

Cities, states, and regions (such as New England, Southeast Asia, or the Caribbean) rise, develop, and decline. The recent economic flameouts of Southeast Asia and Russia, as well as the economic roller coaster New England has experienced since the early 1980s dramatically illustrate that prosperity can be fragile. This course explores the principles of economic development. There are big disagreements about how and why regions develop, so we look carefully at some of these debates. We draw on insights from a variety of social science approaches, including sociology and geography as well as economics. Although we particularly focus on the U.S. and New England economies, we also look at cases from places such as Japan, Mexico, and Italy, in order to learn from the comparisons. Throughout, we draw out lessons about how business, government, and the nonprofit sector can help (or hurt!) a region's development.

Course requirements

This course is built around informed discussion and independent work by students. Doing the readings on time, attending class, and participating in discussion on the readings are *absolutely required*, because students need to do these things to get value from the class.

There are also take-home assignments due almost weekly throughout the semester. There are four kinds of assignments:

- 1) Exercises (two of them). I give you data, and you use the techniques you have learned to analyze them.
- 2) Memos (three of them). Based on a community or region you have picked, you gather information, analyze it, and report on it. The second and third memo each have three due dates--two for initial pieces of the memo, the third for the entire memo.
- 3) Take-home exam. Your chance to broadly discuss and apply the main concepts in the course.

The final grade will be approximately based on the following:

- 25% Class participation (**PLEASE NOTE THAT ONE-QUARTER OF THE GRADE IS CLASS PARTICIPATION**)
- 10% Two exercises
- 45% Three memos (10% for Memo 1, 17.5% each for 2 and 3)
- 20% Take-home exam

Due dates of all assignments are given in the course schedule. Assignments turned in late will be graded down severely.

In all written work, we expect you to identify all sources of data, information, and ideas. When quoting or

paraphrasing someone else's work, cite the source. Our preferred form of citation is the author-date form. For example:

The data on firm size indicate that small business's contributions to U.S. growth are actually relatively modest (Harrison 1994, Chapter 2).

Then at the end of the paper, have a complete list of references. For example:

Bennett Harrison. 1994. *Lean and Mean: The Changing Landscape of Corporate Power in the Age of Flexibility*. New York: Basic Books.

NOTE: Using someone else's information or ideas without citing the source is misleading, prevents a reader from following up on interesting ideas, and defeats the educational purpose of the assignments (which is to build on other people's work to come up with your own ideas and conclusions). Also, the university forbids it, and stipulates serious penalties if a student is caught at it. Please don't do it. The rules and penalties for plagiarism given in the graduate school catalog and are available online at <http://www.uml.edu/grad/pdf/regulation.pdf> pages 5 and 6.

Readings

We will make photocopied readings available to students. Some of the readings will be made available online.

SCHEDULE OF CLASSES AND ASSIGNMENTS

Week 1 (September 11): Posing the problem of regional development

What is a region? What is development?

READINGS:

Amartya Sen, *Development as Freedom* (New York: Anchor Books 1999)
Chapter 2, "The Ends and Means of Development"

ASSIGNMENTS:

Exercise 1 (Tracking and comparing economic growth) handed out

WEEKS 2-5: LONG RUN GROWTH—SECTORAL APPROACHES

Week 2 (September 18): The location and growth of industry

Why do particular industries locate and grow in particular regions? Why did the textile industry first develop in Lowell (and elsewhere in New England) and not some other region? Why did the computer industry locate in Massachusetts and California? What factors are "exogenous" to this process and what factors are "endogenous?"

READINGS:

- *Lowell: The Story of an Industrial City*, Thomas Dublin, Handbook 140, (Washington, D.C.: National Park Service, U.S. Department of the Interior)
- Hekman and Strong - "The Evolution of New England Industry," *New England Economic Review*, (March-April, 1981).
- Interview with Peter Hall, "Location, Location: A leading urbanist argues that when it comes to innovation, place really does matter," *Wall Street Journal*; New York, N.Y.; Sep 25, 2000.

ASSIGNMENTS:

Exercise 1 due
Memo 1 assignment (Community overview) handed out

Week 3 (September 25): Location Theory and the neoclassical approach to economics

Continuation of our discussion of why firms locate and grow in particular areas. How do linkages develop among firms? Agglomeration—linkages among firms and industries and the ideas of increasing returns to scale and external economies.

READINGS:

- Case and Fair, "The Behavior of Profit-Maximizing Firms and the Production Process," Chapter 7, *Principles of Economics*, 4th Edition, (NJ: Prentice Hall 1996)
- Blair and Premus - "Major Factors in Industrial Location: A Review," *Economic Development Quarterly*, (1987)
- Natalie Cohen, "Business Location Decision-Making and the Cities: Bringing Companies Back," Working paper, The Brookings Institution, Center for Urban and Metropolitan Policy, May 2000

ASSIGNMENTS:

Nothing due this week

Week 4 (TUESDAY, October 2): Product cycle and profit cycle--bringing strategy into the picture

Businesses are proactive strategists, not just reactive "price-takers." What are the implications for regional development?

READINGS:

- Ann Markusen, *Profit Cycles, Oligopoly, and Regional Development* (Cambridge: MIT Press, 1987).
Ch.1-4 (theoretical framework, pp.1-50) and Ch.8 (case study of Pittsburgh and steel industry, pp.73-100)

- “Up from the Scrap Heap,” *Business Week*, July 21, 2003: 42-45 (an update on the U.S. steel industry from where Markusen left off)
- “Why steel industry’s consolidation, Balkanization may keep prices high,” *Wall Street Journal*, July 16, 2007, p.A2 (an even more recent update)

ASSIGNMENTS:

Memo 1 due

Memo 2 assignment (The community’s key industries) handed out

Week 5 (October 9): Sectoral analysis/Small business strategies

What is a sectoral study? How is a sectoral study conducted? We will look at examples involving small businesses, so we will also ask: What are winning strategies for developing small businesses?

READINGS:

- “Sectoral Strategies: Targeting Key Industries,” Beth Siegel, Andrew Reamer and Mona Hochberg, *Commentary*, Winter 1987
- Lisa R. Peattie, “What is to be done with the ‘Informal Sector:’ A case study of shoe manufacturers in Colombia,” in Helen Safa, ed., *Towards a Political Economy of Urbanism*, New Delhi: Oxford University Press, 1981.
- Judith Tendler, “Small firms, the informal sector, and the ‘devil’s deal.’” *Institute for Development Studies Bulletin* (University of Sussex), Vol.33 No.3, July 2002.
- Robert Forrant and Erin Flynn, “Seizing agglomeration’s potential: The greater Springfield, Massachusetts metalworking district in transition, 1986-1996.” *Regional Studies* 32: 209-22, 1998.
- *Optional:* Ann Markusen, “Studying Regions by Studying Firms,” *Professional Geographer*, vol. 46, no. 4, 1994.

ASSIGNMENTS:

Memo 2, part A (identifying key industries) due

WEEKS 6-9: TRADE, GLOBAL COMPETITION, AND ECONOMIC DIVERGENCE

Week 6 (October 16): Free trade, globalization, and their critics

Is free trade always a good thing? Ever a good thing? How much of a change is the globalization of the economy--and is it a change for the worse or the better? What are the implications for regional growth?

READINGS:

- Chapter 34 in William J. Baumol and Alan S. Blinder, *Economics: Principles and Policy*, 7th Edition, NY: Dryden Press 1997.
- Arthur MacEwan, “The new evangelists: Preaching that old time religion.” *Dollars and Sense*, November 1991
- Joseph Stiglitz, “Globalism’s Discontents,” *The American Prospect*, January 14, 2002 Available on the web at <http://www.globalpolicy.org/globaliz/econ/2002/0114stiglitz.htm>
- Tina Rosenberg, “The free-trade fix.” *New York Times Sunday Magazine*, August 18, 2002.

The following short pieces are *optional*. They are provocative and will help stimulate discussion, but if you are pressed for time, you do not need to read them.

- Alice Amsden, “Ending Isolationism,” *Dissent* vol.27 no. 2 Spring 2000 p. 13-16.
- Walden Bello, “From Melbourne To Prague: The Struggle For A Deglobalized World,” Talk delivered at a series of engagements on the occasion of demonstrations against the World Economic Forum (Davos) in Melbourne, Australia, 6-10 September 2000

ASSIGNMENTS:

Memo 2, part B (appointment to interview industry spokesperson) due

Week 7 (October 23): Competitive advantage

How does a region get to be (and STAY!) “good” at a particular industry or type of product?

READINGS:

- Michael Porter, “The competitive advantage of nations,” *Harvard Business Review*, March-April 1990, 73-93.
- William Lazonick, “Industry clusters vs. global webs: Organizational capabilities in the U.S. economy.” *Industrial and Corporate Change*, Vol. 2, No.1, 1993
- Chris Tilly, “State-level strategy for developing base industries: A Massachusetts case study.” *New England Journal of Public Policy* Vol.19, No.1, 1993.
- Gabriel Kahn, “Style & Substance: Making Labels for Less; Supply-Chain City Transforms Far-Flung Apparel Industry; Help for ‘the Button Guy,’” *Wall Street Journal*. August 13, 2004. pg. B.1
- Paul Krugman, “The New York paradox,” *New York Times*, July 10, 2006.

ASSIGNMENTS:

Work on Memo 2

Week 8 (October 30): Explaining divergent growth—diminishing returns vs. increasing returns

Why are some countries more developed than others? What makes growth faster or slower in the long run?

READINGS:

- William Easterly, *The Elusive Quest for Growth*, (Cambridge: MIT Press, 2001) Ch. 3 (“Solow’s shocker,” 47-69) & 8 (“Tales of increasing returns,” 145-169).
- Patricia Franko, *The Puzzle of Latin American Development*, 3rd edition (Lanham, MD: Rowman and Littlefield, 2007), Chapter 2, “Historical legacies: Patterns of unequal and unstable growth,” pages 55-76
- *Optional*: Vanessa Baird, “Keep buying!” (article about the apparel industry in Bangladesh), *New Internationalist*, April 2006, pages 16-17, <http://www.newint.org/features/2006/04/01/consumer/>

Week 9 (November 6): Social capital and the role of institutions in economic development

More exploration of how businesses make decisions that have an impact on regions. What is social capital, and does it matter? How do local institutions influence the economic advantages of a region?

READINGS:

- Robert D. Putnam, “The Prosperous Community: Social Capital and Public Life,” *The American Prospect*, Spring 1993
- Alejandro Portes and Patricia Landolt. “The Downside of Social Capital, ‘Unsolved Mysteries: The Tocqueville Files II,’” *The American Prospect*, May 1, 1996.
- Ross Levine, “Laws, endowments, and property rights.” *Journal of Economic Perspectives* Vol.16, No.3, pp.61-88, 2005.

ASSIGNMENTS:

Memo 2 (full memo) due

Take-home midterm handed out

WEEKS 10-11: BEYOND GROWTH—INEQUALITY AND THE ENVIRONMENT

Week 10 (November 13): Growth and inequality

Does inequality help or hurt growth? Does growth help or hurt equality? Is inequality getting worse, and if so, why?

READINGS:

- Chris Tilly, “Why inequality is bad for the economy: Geese, golden eggs, and traps,” *Dollars & Sense*, July/August 2004
- Harold Meyerson, “Not your father’s Detroit,” *The American Prospect*, April 2006, http://www.prospect.org/cs/articles?article=not_your_fathers_detroit
- *Optional* (this article has a lot of interesting ideas, but also assumes a lot of prior knowledge so parts of it

may be hard to understand): Neil Brenner and Nik Theodore, "Cities and the geographies of 'actually existing neoliberalism'," *Antipode*, June 2002, pages 349-379.

ASSIGNMENTS:

Memo 3 assignment (Recommendations for a key industry) handed out

Week 11 (November 20): Environmental impacts of growth

Is growth necessarily environmentally destructive? What economic policies will be most successful in achieving environmental sustainability?

READINGS:

- Kevin Gallagher, *Free Trade and the Environment: Mexico, NAFTA, and Beyond* (Stanford, CA: Stanford Law and Politics, 2004). Chapters 1-2 (pp.1-24).
- John Miller, "The wrong shade of green: Orthodox economics puts profits before sustainability," *Dollars and Sense*, April 1993, pp.6-9
- Michael Porter and Claas van der Linde, "Green and Competitive," *Harvard Business Review*, (July/Aug., 1995).

ASSIGNMENTS:

Midterm due

Work on Memo 3

WEEK 12: SHORT RUN GROWTH

Week 12 (November 27): Short run economic growth

What causes booms and recessions in a region? How important is the role of national business cycles played out in the region, and how important are key industries in the region?

READINGS:

- Edward Moscovitch - "The Downturn in the New England Economy: What Lies Behind It?" *New England Economic Review*, July/Aug. 1990.

ASSIGNMENTS:

Midterm due

Exercise 2 (Shift-share analysis) handed out

WEEKS 13-14: CITIES AND NEIGHBORHOODS

Week 13 (December 4): Cities

What forces affect the economies of the small regions that we call cities? What approaches to urban revitalization have succeeded?

READINGS:

- Henry R. Richmond, "Metropolitan Land-Use Reform: The Promise and Challenge of Majority Consensus," in Bruce Katz, ed. *Reflections on Regionalism*, Washington D.C.: Brookings Institution Press, 2000
- H. V. Savitch and Paul Kantor, "Urban Strategies for a Global Era: A Cross-National Comparison," *American Behavioral Scientist*, Vo. 46 No. 8, April 2003: 1002-1033
- Merrill Goozner, "The Porter Prescription," *The American Prospect*, May/June 1998, p. 56-64.
- Mackenzie Baris, Book review, Richard Florida, *The Rise of the Creative Class: And How it's Transforming Work, Leisure and Everyday Life*, *The Next American City*, Spring 2003 http://www.americancity.org/article.php?id_article=78
- *Optional* (for those of you who want to read the original Porter article): Michael E. Porter, "The competitive advantage of the inner city," *Harvard Business Review*, May/June 1995), pages 55-71.

ASSIGNMENTS:

Memo 3 Part A (literature review on the sector) due

Week 14 (December 11): Neighborhoods: The economics and politics of community development

What can be done to revitalize low income neighborhoods?

READINGS:

- Stephan Michelson, "Community-based development in urban areas," in Robert Friedman and William Schweke, editors, *Expanding the Opportunity to Produce: Revitalizing the American Economy through New Enterprise Development* (Washington, DC: Corporation for Enterprise Development, 1981).
- Michael Teitz, "Neighborhood economics: Local communities and regional markets," *Economic Development Quarterly*, Vol.3, No.2 (May 1989), 111-122.
- Dawn Nakano and Thad Williamson, "Piece by Piece: Grassroots Building Blocks of a Transformed Economy, Who Is My Neighbor? Economics As If Values Matter," *Sojourners*, April 1994.
- Marie Kennedy. "Transformative community planning: Empowerment through community development." *New Solutions*, Summer 1996, 93-100.
- *Optional*(for those of you interested in more on community organizing and grassroots development strategies): Kristina Smock. *Democracy in Action: Community Organizing and Urban Change*. New York: Columbia 2004. Chapters 2 and 9 (portions)

ASSIGNMENTS:

Exercise 2 due

Completed Memo 3 due December 18, during exam period

There is no final exam