

POLITICAL SCIENCE 342-1 ECONOMIC DEVELOPMENT POLICY

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Class: Wed afternoons 5-8 P.M
Classroom GA104
to be moved to 318 Hamilton Hall
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*Tentative Draft of syllabus Jan. 2, 2002
(Some dates and topics subject to revision)*

GOALS OF COURSE

The over-arching goal of the course is to acquire a command of the fundamentals of economic development from the community's perspective. This is done by reading and absorbing the theoretical literature on economic development from the fields of urban politics, planning, sociology, economics, political science and sociology. However, economic development is not just a theoretical proposition, but an extraordinarily practical set of micro-decisions for a community in which analysis and theory can be usefully applied. So, parallel to absorbing what the academic and theoretical contributions are, we will be applying these to a practical community setting. For the purpose of the course and as students of economic development, we are putting ourselves in a role of advisors to a community which is considering questions. How should we design our economic development strategy? Is it rational to bid on this automobile plant? steel mill? hog farm? of FedEx? What will we (the community) ask for to offset the costs?

Community Choices

For any community, there are three sets of issues re. economic development: 1) What will be the impacts of the economic development event (growth) and the community's needs to offset the impacts. The economic impacts-jobs, commerce, and new industry, are just the beginning. There are also housing, education, environmental, transportation, sewage and water, budgetary impact, planning, and the impacts on political culture, political elite and public opinion. 2) There are three broad choices of action for the community - retention, attraction of a large industrial siting, or growth from within (small commercial strategy), each has certain advantages and disadvantages. 3) What choice of strategies should the community engage in:-tax incentive packages (covered throughout the course), the sports strategy including the sports stadium, convention centers gaming, prison, or tourism. Included in the latter is the proverbial tax abatement or incentive packages. One of the classic tools is the

abatement package. We will try to bargain back the in lieu of taxes which were abated in the original package which is normally bargained away by the governor or the state economic development office. There will be a simulation of a bargaining session in which the community bargainers and corporate actors will try to reach an agreement about assessing the costs of the impact.

Baseline

One size economic development strategy does not fit all communities: Therefore, the appropriateness of a community's strategies depends on a community's baseline economic picture, its goals and its resources/constraints and to some extent what the leadership of the community does with what it has - all these constitute the items in the inventory. Also, another question we will be asking is: Is the strategy which is good for a small rural community also a good fit for a large urban community? There are also factors which a community can control which the doom and gloom global capital theorists could not predict. - such as the leadership's ability to negotiate astutely and the ability to re-negotiate the arrangement over time. e reports will happen in the month of April with two or three per session. Count on an oral report and a short written version of it (6-10 pp.) The report is due on the same day as the one on which you are listed as discussion leader for the strategy.

REQUIREMENTS:

Process: We are engaging in a process course, not a product course. There is lots of reading, lots of thinking and ruminating in class, instead of tomes of writing. What writing there is should be well-edited and pithy. For this to work well, 100% attendance is our goal.

We will be faced with a classic free rider problem potentially. (See Mancur Olson) The fact that we are a small group will help. My only form of coercion is to reinstate for an individual or for the group a written midterm or a written final. A written (individual) midterm and a written final are waived. Therefore, in terms of requirements FOR NOW let us assume that a midterm and a final (written version of our group think) are required and they will be suspended if I am sure I have 100% participation. The most effective behavior control is peer pressure, so those of you who want to see this work as a process course, start exerting this, if you observe shirking. Shirking should not be an issue inasmuch as this is an optional, not required course.

The surveys in past years of student preferences indicated a preference for a short paper and group projects over a large research paper or a midterm or a final. Note: although we may work in groups, I may be individually evaluating performance, for ex. the bargaining exercise. This is a course involving a lot of process work, a group project involving lot of thinking, weekly exercises, a steady amount of effort rather than a big crescendo at the end.

Here are the class requirements:

- 1) Weekly Attendance. Try not to miss more than one class. If you miss, the exercise is still due.
- 2) Participation in the form of class discussion.
- 3) Weekly one page double-spaced. intellectual reaction to that week's material is required.
- 4) Discussion Leader Sign up for discussion leader for two sessions, one on the theoretical or policy literature and one on a particular strategy (second half of course.). The strategy should be something about which you are enthusiastic, so if you do not see your favorite strategy, speak up. There is a weekly exercise, which is your reaction to that week's material. These may be reduced to just a leading question which you will write in your notes and share with us. As long as our discussion is going well and it indicates that you have intellectually digested the material, there is no need for full-fledged exercises each week.
- 5) Other in class activities: 1) Bargaining exercise. People work in two groups but have a distinct role. 2) Development of criteria for a community with which to assess whether or not a particular acquisition of an economic development project is a "good thing".
- 6) A very short paper (6-10 is maximum; 4-6 pp. could do it.) on a strategy, analyzing its main virtues and deficits. Apply the criteria we have developed to your strategy: Is it a winning strategy from the community's point of view.
- 7) Midterm and Final. These will not be required as long as we do not dip in attendance two weeks in a row and as long as we are all intellectually engaged. (We are doing the reading).

For now, weekly one page typed exercises are due. They are due by 4 p.m. of the day before class. They can be faxed or emailed. We will go with them for now. If we get a real "buy in" and no laggards I will suspend them on a week by week basis. They will be reinstated as soon as there is evidence of people not reading the reading.

Warning: Anyone missing more than one class puts themselves at risk to have to do a midterm and final, which have been waived under assumption of a buy-in. If we get one third of the class absenting themselves from any session, the group as a whole is headed straight for individual written versions of both group brainstorming products and reinstatement of weekly exercises, if they have been suspended. It is important that the class not derail in mid-semester.

Re. absences, it is the case that most graduate students are conscientious about coming to class. Most of you are courteous about informing me if you cannot. It goes without saying that, although there are "good reasons" (illness) and bad reasons, (ski trip ; visiting friend in Europe), the net effect of missing class is the same. The class experience is irreplaceable in an interactive seminar. I certainly have no basis of judging intellectually the value added to you by attending if you were not there. Therefore, the loss is the same no matter how valid the reason. Put in a positive tone, we are all in this together so let us try to buy in.

The student is responsible for making it up without causing extra work for your team and for me.

I am asking each of you to buy into the process of this course- an intellectual group pursuit. I am asking for a steady effort each week in class. If I observe the steady and professional effort, the formal midterm and final will be waived. However, if slacking off occurs, the requirements will be reinstated.

WEIGHTING AND CALCULATION OF GRADE

The calculation of the grade is $\frac{1}{4}$ class participation (two discussion leader roles count here and the work on the inventory of criteria) ; $\frac{1}{4}$ for weekly written exercises; $\frac{1}{4}$ bargaining exercise, and $\frac{1}{4}$ strategy report). If a midterm and final are reinstated, each requirement will count $\frac{1}{6}$. If we have time after all the strategies have been covered, we will have a summit conference the last one or two sessions, trying to weigh all the alternative strategies for a particular community—kind of an action research session.

Flexible Schedule: We are going to be having a possible field trip and speakers, but some of the invited guests have not yet responded with the dates of their choice. So the schedule is subject to change. Because life is ambiguous and non-uniform, expect some play in the schedule: If you are scheduled to lead the discussion for N week. it could be N + 1 . It will not be before the scheduled time.

Timeliness in Exercises: The exercises can be delivered in the following ways: in person to 315 Hamilton Hall or to any of the staff in Political Science to put in my mailbox, faxed to (919) 960-0077 between 8 a.m. and 10 p.m. or at other reasonable hours of the day or as an email attachment in WORD to hoyma@unc.edu. My strong preference is for email or fax as they are easy to retrieve and dated. Any method other than putting it in my hand is an indirect method so please ask me for a confirmation of receipt of it.

Exercises are always due the Wednesday at 9 am. before class at 6 p.m. (if the class is large). If it is a small class, they can be brought the day of the class. **For each day late, there is a one grade penalty** if in fact you are permitted to make it up at all. Since the exercises are to see what you can do **before** the class discussion, it may not be a valid performance indicator if it is done later. So I may not be able to offer the option of late work. Or you may have to be given another assignment. On late work, it is out of sequence. I grade it after all the assignments which are received on-time. I do not necessarily bring it to class the next time. You must seek me out and find me. Regarding emails, if you send the exercise in the body of the email, it may not be legible or may have crazy margins. In that case, I may ask for a good paper copy of it in addition, but you will have met your deadline via email.

Intellectual Mission of the Class: The major intellectual endeavor of this course is to create an inventory or a checklist of criteria for a community to consider when it is

embarking on an economic development strategy choice or more broadly on a community development strategy. More specifically, how does a community go about deciding from among different economic development projects and choosing a single economic development project? Some of these are broad goals. For instance how many jobs and what kind (and duration) of jobs will be created? Others are requisites that the community will need to sustain the e.d.- for instance, an expansion of its sewage and water plant. Others are very detailed operationalizations of impacts. (a requirement to buy locally).

A second goal is to assess different strategies as to whether they will meet the criteria for a particular, real or hypothetical community.

Field Trip There is a possibility of a field trip to somewhere closeby. This will probably depend on what you, the class members, are interested in.

REQUIRED BOOKS

You do not need to purchase all these, but you need to do the reading:

O=optional; all others required

DeLeon, Richard *Left Coast City* (Lawrence, Ks: University Press of Ks., 1992) (required)

Ferman, Barbara. *Challenging the Growth Machine* (Kansas, 1996) (required)

Hoyman, Michele. *Power Steering: Global Automakers and the Transformation of Rural Communities* (Lawrence, Ks: University Press of Kansas, 1997) (required)

Jones, Bryan and Bachelor, Lyn. *The Sustaining Hand* (Lawrence, Ks: University Press of Kansas, 1993) (required)

(o) Malizia, Emil. *Understanding Local Economic Development* (Center for the Urban Research, 1999) Recommended - only two chapters required

Stone, Clarence. *Regime Politics: Governing Atlanta: 1946-1989* (Lawrence, Ks: University Press of Kansas, 1989) (required)

Rosentraub, Mark *Sports Stadium: Winners and Losers* 1999 (required but only several chapters -purchase is optional)

(o) Thomas, Kenneth. *Capital Beyond Borders* (St Martin's, 1999) (Recommended)

(o) Zukin. *Culture of Cities* (Blackwell, 1999) (Selected chapters only)

Just because these are required does not mean you have to buy them all. For the three urban books and the sports stadium book, you can pair yourselves off and share the book, as you have a month or two to do that reading.

SCHEDULE FOR POLITICAL SCIENCE 342-1
Economic Development (Jan. 9, 2001)

Schedule of Dates and Topics

January 9 *Introduction*

January 16 *Framework for Analysis*

Reading:

- ✓ Michele Hoyman's *Power Steering*
(especially Chapters 1-3, Figure 2.2 on page 54, skim
Chapter 4 and Chapter 9)

Topics:

- What is economic development?
- What are the plural impacts?
- Jobs, Secondary, and Tertiary
- Budgetary Impacts: Over time and over jurisdiction
- Other Impacts: Education, Sewage and Water, etc.
- Theory: Stages of development, Economic Development as a
process (See Figure 2.2)
- Start inventory checklist for communities

January 23 *Continuation of Impacts and Assessing Tax Incentive*

Packages

Reading:

- ✓ *Power Steering* (especially Chapters 4 through the end)
- ✓ Other impact studies and Measurement Issues:
- ✓ Bachelor, Lyn. "Michigan, Mazda, and the Plant of the
Future: Evaluating Economic Development Initiatives."
EDQ, Vol. 5, No. 2, May 1991: pp. 114-125.
- ✓ Marvel, Mary, and William Shkurti. "The Economic
Impact of Development of Honda in Ohio." *EDQ* 7,
February 1993: 50-62.
- ✓ (optional) Brown, Ralph, Hudspeth, Clark & Stone,
Katherine L. "Social Impacts of Large Scale Economic
Development Projects in the Rural South: Mercedes
Benz"
- ✓ Discussion Leader _____
- ✓ Root Causes: Globalization, De-Industrialization, and
Capital Mobility
- ✓ Thomas, Kenneth. Chapters 1 (1-27) and Chapter 6
(135-167) in *Capital Beyond Borders: Firms in the Auto
Industry 1960-1994*. NY: St. Martin's Press, 1997.

- ✓ Harrison and Bluestone. Chapter 1 in *De-Industrialization of America*.
- ✓ Discussion Leader _____
- January 30 *GROUP PROJECT ON CRITERIA FOR COMMUNITIES is due.*
Literature on Siting and the Importance of Bargaining a Good Package
- Readings:
- ✓ Blair, John, and Robert Premus. "Location Theory," in *Bingham and Meier Theories of Local ED*, pp. 2-26.
- OR
- ✓ Blair, John, and Robert Premus. "Major Factors in Industrial Re-Location." *EDQ* 1, 1987: pp. 72-85.
- ✓ Feiock to be added
- PREPARATION FOR BARGAINING (Please read Bargaining Exercise before class.)
- February 6 *BARGAINING SESSION*
- Readings:
- You may want to re-read the *Power Steering* chapter on bargaining.
- February 13 *Theoretical Policy and Political Economic Approaches and Theories of Economic Development*
GUEST SPEAKER = Emil Malizia (Invited)
- Readings:
- Economic Theory*
- ✓ Malizia, Emil. Understanding Local Economic Development. Chapters 2 and 3, Chapter 4 (optional).
- Theory on What Type of Policy Issue ED is*
- ✓ Bath, Michael G. and Elaine Sharp. "Citizenship and Economic Development," in Bingham, Richard, and Robert Meier, *Theories of Local Economic Development*. Newbury Park: Sage, 1993, pp. 213-231.
- ✓ Sharp, Elaine, and David Elkins. "Politics of Local Economic Development Policy." *EDQ* 5, May 1991: pp. 126-139.
- Discussion Leader _____
- February 20 *Urban Literature, Regime Theory, Political Economy and Ideology*
- Readings:
- ✓ Jones, Brian, and Lyn Bachelor. *The Sustaining Hand: Community Leadership and Corporate Power*. Lawrence, KS: University Press of Kansas, 1993.
- ✓ Discussion Leader _____

- ✓ Stone, Clarence. *Regime Politics: Governing Atlanta 1948- 1988*. Lawrence, KS: University Press of Kansas, 1987.
- ✓ Discussion Leader _____
- ✓ (optional) Stone and Sanders. Chapter 1, Chapter 14, Pages 269-297 in *Politics of Urban Development* Lawrence, KS: University Press of Kansas, 1987.

February 27

Urban, (continued) and the Politics of ED

Readings:

- ✓ Ferman, Barbara. *Challenging the Growth Machine*. University Press of Kansas, 1996.
- Discussion Leader _____

March 6

Possible Field Trip or Rural

March 13

SPRING BREAK!!!! YAHOO!

March 20

Possible Field Trip or Rural Guest Speaker

Rural

- ✓ (optional) Fitchen, Janet. *Endangered Places*. Ch. 1-3
- ✓ Thomas Bonnett, *Strategies for Rural Competitiveness: Policy Options for State Governments* Chapters Ch.s 1 Competitive Challenge for Rural Economies and Ch.4 Strategies
- ✓ Erskine Bowles North Carolina Rural Prosperity Task Force, Recommendations Summary, Feb. 21, 2000 (optional) The Rural Center, *The Impact of 1998 Tobacco Settlement on the North Carolina Economy*
- Guest Speaker: Chris Beacham, The Rural Center

March 27

The Regional Economy and the Concept of Clustering

- ✓ Guest Speaker: Ed Feser

Readings:

- ✓ Feser, Ed, "Old and New Theories of Industrial Clusters, pp. 18 - 40, in edited, Michael Steiner, *Clusters and Regional Specialization* (London: Pion, 1998)
- ✓ Feser, Ed, and Michael Porter, "Clusters and the Economics of Competition", *Harvard Business Review*, November-December 1998, pp. 77-90.

Tax Incentives

Readings:

- ✓ Manuel, John. "North Carolina's Economic Development Incentives: A Necessary Tool or Messing with the Market?" *North Carolina Insight*, December

1997 Vol. 17, No. 2-3, pp. 23-49. (A publication of the North Carolina Center for Public Policy, 1997).

- ✓ Milward, H. Brinton, and Heidi Hosbach Newman, "State Incentive Packages and the Industrial Location Decision." *EDQ*, August 1989: pp. 203-222.
- ✓ Leadership or Incentives: Boeckelman, Keith, "Governors, Economic Theory and Development Policy" *Economic Development Quarterly*, November 1996, Vol. 10, pp. 342-354.

April 3

The Arts

Readings:

- ✓ Zukin, Sharon. *Culture of Cities*. Chapter 4. (Bookstore) or make own arrangements

Sports Stadia

Readings

- ✓ Rosentraub, Mark. *Major League Losers*. 1999 (Selected chapters).
- ✓ Curtis, Ted. "Is this Game Worth Playing?" pp. 40 et seq. in *Meridian*. September 1998. Handout.
- ✓ News and Observer Story on Stadiums. Handout.
- ✓ (optional) Klobuchar, Amy. *Uncovering the Dome*. Prospect Heights: Waveland Press, 1982.

Convention Centers

Readings:

- ✓ Laslo, David. "Proliferating Convention Centers: Issues in Community, Equity, Efficiency, and the Case of St. Louis Convention Center Expansion." Working Paper, 1998.

April 10

Community Development (CDCs)

Possible Guest Speaker
(Invited)

Reading:

(optional)

- ✓ Walker, Chris, and Mark Weinheimer. *Community Development in the 1990s*. Urban Institute, 1998. Executive Summary, pp. 1-13, 41-53.

Tourism

Readings:

- ✓ Judd, Dennis. "Constructing the Tourist Bubble," and "Global Forces, Local Strategies, and Urban Tourism" Crawford, Matthew. "North Carolina's Tourism Industry: A Journey Towards Respect." *North*

Carolina Insight, December 1997, a publication of NC Center for Public Policy Research, 1997. pp. 19-23.

April 17

The Knowledge Economy

Readings

North Carolina Board of Science and Technology, *Vision 2030 North Carolina's Regions: Transitioning to the Knowledge Economy Report Highlights State of the State Economy Report Summary*

Guest Speakers: Ferrell Guillory

Research Triangle / High Tech

Guest Speaker: Michael Luger

Readings:

- ✓ Goldstein, Harvey, and Michael Luger. "Theory and Practice in High Tech Development," in Bingham and Meier's *Theories of Local Economic Development*. Newbury Park: Sage, 1993. pp. 147-174.

Discussion Leader _____

Global Transpark

Reading to be announced.

April 24

Importance of Leadership

Possible Summit Conference

Readings:

- ✓ Judd, Dennis, and Michael Parkinson. *Leadership and Urban Regeneration*. Vol. 37, *Urban Affairs Annual Reviews*, Sage, 1990. Chapters 1, 11, 15.
- ✓ Fainstein, Susan. "The Changing World Economy and Urban Restructuring." Chapter 2 in Judd and Parkinson's *Leadership and Urban Regeneration*.
- ✓ Boeckelman, Keith. "Governors, Economic Theory, and Development Policy." *EDQ*, Nov. 1996, Vol. 10: pp. 342-354.
- ✓ Eisenger, Peter. "The Determinants of Economic Growth and Industrial Location Decisions: A Critique of Supply-Side Strategies," and "Demand Side Concepts and their Policy Implications," (Chapters 8 and 9) in Eisenger's *The Rise of the Entrepreneurial State*. Madison, WI: University of Wisconsin Press, 1988.

State as an Actor

Readings:

- ✓ Excerpts from *Power Steering*
- ✓ Gray, Virginia, and David Lowery. "The Corporatist Foundations of State Industrialist Policy." *Social Science Quarterly* Vol. 71, No. 1, March 1990: pp. 3-24.

- ✓ Gray and Lowery. "Interest Group Politics and Economic Growth in US States." *APSR* 82, March: pp. 109-131.
Discussion Leader_____

Prisons

Readings:

- ✓ Hoyman, Michele. "Prisons as an Economic Development Strategy for Rural Communities." ASPA National Meetings, April 4-8, 1999.

Other Strategies:

Waterfront, Education, Job Training, Retention, Flood as Economic Opportunity, Auto Plant or steel Mill, Retention, Grow from Within, Minority Owned Business Strategy, Gazelles

* The strategies above may change depending on this class's interests. Any of the "other" list can be bumped up.

May 1

Final Class

May 6

Official Exam Time for this Class; Last Date for Paper to be Turned In