**UP 545: Economic Development Policy and Practice**

**Meets:** Tuesday and Thursday, 2pm, 19 Temple Buell Hall

**Instructor:** Prof. Marc Doussard, mdouss1@illinois.edu

**Office Hours:** By Appointment.

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**COURSE DESCRIPTION AND OBJECTIVES**

This course will help you answer a crucial question: How can cities steer the development of their economies to ensure economic opportunities for their residents? Vibrant, equitable cities rest on a foundation of economic growth and stability. But stability is increasingly hard to come by for U.S. cities challenged by fiscal stress, continued manufacturing job losses and instability in their key industries. Economic development planning – both on its own, and as a component of design, transportation, housing and sustainability – attempts to secure sustainable growth and broadly available employment opportunities for urban residents.

Despite a dizzying proliferation of policies and celebrated cases, urban economic development remains a relatively new field. It evolved in response to urban population loss and economic contraction in the post-war era. In its earlier days, the practice of economic development was transactional and political: It revolved around deal-making and aggressive plans enacted by cities struggling to maintain footloose employers. The past twenty years have brought a wealth of technical refinement to the field. Today’s economic development practitioners and analysts use sophisticated metrics and intensive data to answer questions about the effectiveness of their policies.

The hard science of evaluation suggests that traditional economic development programs designed to lure big employers have succeeded modestly, if at all. The subsequent search for new ideas has led to a lively period of innovation and a truly eclectic mix of programs. Today, urban economic development includes everything from living wage campaigns, to the study of industry clusters, to urban agriculture, green jobs and arts-based development.

Ideally, this course would emphasize policy evaluation, and provide generalizable conclusions about which policies provide able responses to development problems. But firm answers of this type don’t exist. Evidence of policy success is uneven, incomplete and contested. Furthermore, policies are rarely as portable as we imagine them to be – a successful job-training or diversification program in one city will fit poorly with another city’s problems and policymaking bodies.

Judging individual policies is a complex act with no template to guide it. Indeed, one of the fundamental pleasures of economic development work is the creativity analysts must use to disentangle a policy from the many real-world factors that shape it. It is not enough to determine whether a program succeeds or fails on its own terms. The successful analyst must contextualize her evaluation with a consideration of local and regional political institutions, alternative scenarios, the size of a region’s underlying economic problems, the disjuncture between policy design and policy implementation, and the potential for
successfully reproducing a policy among different industries, different worker populations, different economic conditions, and different cities.

The course prepares you for these challenges by emphasizing the institutional and practical elements of economic development. Each policy we consider makes sense as a response to a particular problem. But diagnosing economic problems is itself a contested act, and economic development organizations rarely implement policies as they are drawn up. The readings reflect this disjuncture, and our journey through economic development policy will embrace both the conceptual and practical components of economic plans.

In addition to a broad knowledge of economic development policy and its challenges, you should take away from this course a broader understanding of the economic life of U.S. cities. Economic development policy cannot be accurately evaluated without a careful consideration of the unique challenges and political limitations cities face. Your assignments emphasize this point by asking you to examine closely a particular policy in a particular place. Early in the semester, you will choose a policy and a region of interest. Over the course of the semester, you will develop a policy analysis that assess whether, how and under which conditions a particular program would benefit your place of interest.

**Course Format**

This course covers a lot of ground in one semester. We won't be able to cover everything on the syllabus in detail – some conversations will run over, and others won’t get the time they deserve. That’s OK – the goal is to learn as much as possible. To that end, I’ve organized the course to help you assimilate as much information as possible in a short amount of time. Two aspects of the course are essential to this goal.

First, you will develop an economic impact analysis of an untested economic development proposal over the course of the semester. This is a big project, and it’s a necessary one. The economic impact analysis will anchor your development of data skills, theoretical understanding and practical experience. Think about your project early on, and discuss it with me – it’s incredibly important to your development. Economic impact studies are more art than science. In producing one, you’ll build a body of facts, evidence and ideas about a topic important to you. And you’ll learn to use impact studies as a communication device – a way to steer conversation and analysis towards important questions, and away from specious assumptions.

Second, each class session will combine a lecture with targeted group discussion. Depending on the subject matter, I’ll present a PowerPoint (ranging from 20 to 50 minutes) that provides technical information, background, examples and key questions about the techniques, theories or practices from the day’s reading. The second half of the class will consist of a guided group discussion or debate about the reading material. **Your active participation in these discussions is essential. The syllabus lists the discussion topic for each class section. Use it to guide your reading and prepare a few thoughts, questions or comments.**
The course requires an intermediate-to-advanced understanding of local data and analytical techniques. You will need a) to have completed UP 505 b) be currently enrolled in UP 505 or c) possess the basic data acquisition, manipulation and analysis skills needed to make sense of local economies. Any students with questions about these requirements should see the instructor.

**Course Materials**

The course has one required text, *Planning Local Economic Development: Theory and Practice*, by Edward Blakely and Nancey Green Leigh (Sage, 2010). We are using the older, fourth edition. It costs considerably less, and we won’t be using the material that has been updated in more recent and pricey editions. The book currently sells for about $25 used on Amazon. Please purchase it as soon as possible.

All other course readings are available on-line and through Compass.

**Assignments and Grading**

To do their jobs well, economic development practitioners must a) identify sound plans and policies, and b) persuade those in power to implement them. As a corollary to these skills, practitioners are also tasked with c) identifying weaknesses in existing proposals and d) making the case against poorly conceived but politically popular plans.

The course assignments will help you develop these skills. Prior to Fall Break, you will produce three short (2-page) assignments in which you apply economic development analysis techniques to make the case against popular, but flawed, arguments for common economic development activities. Beginning in late September, you will develop an original and highly detailed economic impact analysis used to support a policy, plan or experiment you believe to be important.

In deference to your schedules all assignments are due by 11:59pm on the listed due date. However, project management is an incredibly valuable professional skill, and I encourage all of you to plan your work in a way that minimizes these last-minute scrambles.

**Participation and Attendance (10%)**: You get out of the course what you put into it. The course is packed this semester, so there won’t be a lot of classroom discussion time to spread around. Please give the course your all. I promise, it will be worth it.

**Chicago Cluster Analysis (15%)**: Drawing on the Boston Consulting Group’s (BCG’s) analysis of Chicago’s economic clusters, you will identify barriers to BCG’s proposals and suggest alternatives.
Winning the Argument (10%): In this group assignment, you will review a badly flawed economic impact study for a politically popular policy, such as tax cuts or stadium subsidies, and propose an alternative.

Alternatives to the Texas Miracle (15%): Using elementary shift share and location quotient techniques, you will propose an alternative to the Texas “model” of economic development.

Final Economic Impact Study (40%): Using Implan and the supporting economic analysis techniques presented in the course, you will develop a detailed and rigorous economic impact study of an economic development policy you support. Choose wisely! This assignment will guide your work and interest throughout the course. It works well for both traditional economic development measures (manufacturing support, tax reform, educational investment, amenities development) and the economic development impacts of policies rarely viewed through an economic lens (infrastructure development or privatization, penal reform, marriage equality, drug legalization, inclusive zoning, etc.).

Final Presentations (10%): A good idea is worth little if you can’t sell it. Each student will have 15 minutes to give a professional-grade presentation of her impact study and policy recommendation.

HONOR CODE AND LEARNING ENVIRONMENT

The Illinois Student Code states: “It is the responsibility of the student to refrain from infractions of academic integrity, from conduct that may lead to suspicion of such infractions, and from conduct that aids others in such infractions.” Note that you are subject to the Honor Code, as well as procedures for addressing violations to the Code, regardless of whether you have read it and understand it. According to the Code, “ignorance is no excuse.”

For your written work in this course, all ideas (as well as data or other information) that are not your own must be cited. Note that ideas that require citation may not have been published or written down anywhere. While you are free—and indeed encouraged—to discuss the assignments with your peers, all of your writing, data collection, and analysis should be your own.

The Department of Urban and Regional Planning (DURP) is committed to maintaining a learning environment that is rooted in the goals and responsibilities of professional planners. By enrolling in a class offered by the Department of Urban and Regional Planning, students agree to be responsible for maintaining an atmosphere of mutual respect in all DURP activities, including lectures, discussions, labs, projects, and extracurricular programs. See Student Code Article 1-Student Rights and Responsibilities, Part 1. Student Rights: §1-102.

SCHEDULE
Part 1: The Practice of Economic Development

Even long-term and devoted practitioners often struggle to answer the basic question of what development is. We begin the course by reviewing basic dilemmas – about the difference between development and growth, about creating prosperous people or prosperous places. You are unlikely to arrive at a firm answer to these questions – few people ever do! But you will benefit greatly from thinking through and recognizing these basic fault lines in how people conceptualize the goals and means of development.

Introduction 8/23

Reading:


Lecture:

Course overview; fit with planning, policy and economics; assignments

Discussion:

What surprises you in the Illinois State Economic Development Plan? What’s missing, and what gets a lot of attention?

What Economic Development Professionals do 8/25

Reading:

Blakely and Leigh, Ch. 4. “The Local Economic Development Profession and Professionals”


Lecture:

History and Growth of Economic Development Practice; Disappointing Results; The Field’s Current and Unresolved Transition

Discussion:

Why is there a disjuncture between economic development practices and needs?

Goals: Economic Growth vs. Economic Development 8/30

Reading:
Blakely and Leigh, Ch. 1: The Enduring Case for Local Economic Development


*Short Lecture:*

Politics and growth imperatives: Economic development in practice

*Discussion:*

Measuring economic growth vs. development

**Part 2: Tools of the Trade**

Planners, communities and public officials pursue the often lofty goals of economic development through practices, policies and measures focused on the firms and workers. This section of the course provides an overview of the basic “tools of the trade” that make up economic development practice.

**Basic Approaches: Economic Base Theory**

*Reading:*


“Regional Growth Theory,” in Malizia and Feser.

*Lecture:*

Overview of economic base theory and its alternatives

*Discussion:*

Strengths and weaknesses of basic growth theories. Note: this is a complicated subject, with a lot of detail to absorb. Our goal is simply to discuss as much as possible.

**Basic Approaches: Occupational Analysis**

*Reading:*


**Lecture:**

Moving from industries to occupations; the human capital turn in economic thought; practical advantages of the human capital focus

**Discussion:**

How does it actually work? How does human creativity become industries, jobs and products?

**Basic Approaches: Firms and Industrial Location**

**Reading:**


**Lecture/Question and Answer:**

Industrial location in practice; global production networks and the spatial division of labor; reshoring manufacturing production. Like the economic base theory class, our goal is just to talk through as much as we can. Full coverage of these concepts would require its own course.

**Basic Approaches: Clusters**

**Reading:**


Initiative for a Competitive Inner City. “An Industrial Strategy for the City of St. Paul.”
Lecture:

How clusters fit with the modern firm; the good, bad and unrealized in clusters analysis

Discussion:

Breakdown of the St. Paul cluster report (time permitting).

Basic Approaches: Innovation 9/15

Reading:


Lecture:

Product and profit cycles; innovation and efficient markets; policy challenges;

Discussion:

Selling production and infrastructure to policymakers focused on Steve Jobs

Assignment One Due: Chicago Cluster Study 9/16

Tools of the Trade: Economic Impact Studies 9/20

Reading:


Supplemental sample reading, TBD

Lecture:

Basic concepts of economic impact; elements of economic impact studies; data limitations and conceptual limits; their use and abuse in practice

Discussion:
What can’t be measured by impact studies?

**Economic Impact Analysis: Getting to Know Implan (Lab)** 9/22

*Reading:*

Implan Professional Manual 2.0

*Lab:*

Introduction to Implan software

**Tools of the Trade: Industry and Employment Data** 9/27

*Reading:*


*Lecture:*

Overview of basic economic development sources

*Discussion:*

Q&A on Cortright and Reamer

**Tools of the Trade: Analytical Techniques** 9/29

*Reading:*

Blakely and Leigh, Ch. 6: Introduction to Analytical Methods

*Lecture:*

Overview of economic base analysis, location quotients, and shift share

**Advanced Analytical Techniques** 10/4

*Reading:*

Klosterman, “Assumption and Location Quotient Approaches”
Supplementary Reading TBD

Lecture:

Advanced adjustments to basic economic development measures; why those adjustments are rarely used

Discussion:

Group analysis and critique of a representative economic base analysis

Tools of the Trade: Business Incentives 10/6

Reading:


LeRoy, Greg. 2007. “Nine Concrete Ways to Curtail the War among the States,” Ch. 8 (pp. 183-197) in Reining in the Competition for Capital.

Lecture:

Theory and mechanics of economic development incentives; arguments for and against their use; their ubiquity in practice

Discussion:

Ranking LeRoy’s proposed reforms: Most feasible vs. most beneficial.

Tools of the Trade: Rankings 10/11

Reading:


Discussion:

Building the argument for an alternative to the Texas model

Part 3: New Directions

Classic economic development policies focused on manufacturing and mobile firms delivered limited rewards, and provide increasingly limited insight into a global economic build on complex production networks and unstable technologies. Accordingly, many of the field's most recent innovations look inwards, to place-bound institutions, local-serving industries, and human capacities over which local policy can prospectively assert more influence.

Amenities 10/13

Reading:


Optional, but highly recommended. Peck, Jamie, “Struggling with the Creative Class”

Lecture:

The political appeal and intellectual fit of the creative class model; its continued growth in practice; criticisms of the creative class model, and their ineffectiveness

Discussion:

Creative class policies are everywhere. How can they be improved?

Assignment Two Due: Winning the Argument Against an Impact Study 10/14

Consumption-Driven Urban Development 10/18

Reading:

Markusen and Schrock, Consumption-Driven Urban Development

Lecture:

The growing importance of consumption-driven models; evidence on legal marijuana in Colorado; measurement challenges

Discussion:

Measuring legal marijuana’s economic value on a $1 million budget: a group plan

Green Jobs 10/20

Reading:

Joan Fitzgerald, Emerald Cities, excerpts.


Guest Lecture:

The fit between economic development and sustainability; green jobs in practice; measurement challenges and practical opportunities

Discussion:

TBD

Implan Lab 10/25

Reading:


Lab:

Adding in model assumptions, building multiple scenarios, scheming around Implan’s limits
Workforce Development Policies
10/27

Reading:

Blakely and Leigh Ch. 10: Human Resource Development

Supplemental Reading, TBD

Lecture:

The practical appeal of workforce development; growth of the practice; labor market intermediation

Discussion:

Using leverage: How can workforce development organizations push for better jobs?

No Class 11/1
No Class 11/3
Assignment 3 Due: Alternative Measures of the Texas Boom 11/4

Economic Impact Models: Workshop 11/8

Lab: Dedicated Q & A and work time

Anchor Institutions 11/10

Reading:

Dubb, Steve and Howard, Ted. 2012. Leveraging Anchor Institutions for Local Job Creation and Wealth Building.


Lecture:

The theory and practice of anchor institutions; distributive leverage; examples of good and muddled practice

Discussion:
The University of Illinois's proposed medical school

**Living Wage Laws:**

Reading:


Lecture:

The theory and mechanics of living wage laws; expanding the idea; how political advocacy happens

**New Policies for the Bottom of the Labor Market**

**Reading:**


Lecture:

Finding, creating and using leverage; diagnosing employment and development problems invisible in top-line data; strengths and weaknesses of community benefits agreements

Discussion:

A Community Benefits Agreement for the University of Illinois Medical School: What would it contain, and how would you make it happen?

**Final Presentations**

11/29
Final Presentations

Final Presentations

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Scheduled class final date, TBD

Final Economic Impact Analysis Due

12/9