

UST 810
Ph.D. Seminar in Economic Development
Fall Quarter 2003

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Office Hours: An hour before class.

1. Course Objectives and Grading

The goal of this seminar is to help students: (1) prepare for their general examinations in economic development, (2) gain a better understanding of the different methodologies used in economic development research, (3) gain an appreciation of the scope of the field, and (4) develop a deeper understanding of a specific question that is currently of central concern in the field. The focus of this course is largely theoretical and methodological. The course evolves over time and therefore, this syllabus should not be viewed as a never changing contract for material to be covered in preparing for the general examination.

Students in both the Doctoral and Masters programs are welcome into the course. Previous course work in economic development is not required, but it is recommended. Urban Spatial Structure, or courses in either regional economics or economic geography would be helpful preparation. The same is true for Public Sector Microeconomics or another policy-oriented microeconomics course.

The grading requirements of the course reflect the goals that the faculty in the economic development specialization has for the course. There are three parts to the grading:

(1) Research Proposal (40% of the grade)

Students have three ways of satisfying the writing requirement for this course. They may:

- 1) Prepare a research proposal in the field of economic development;
- 2) Write a literature review on a policy area in the field as long as that review is framed by research hypotheses; or
- 3) Take one of the classic models that are used in the field and write an essay on how it has been tested and how it has helped to shape the field.

(2) Final examination (45% of the grade)

The final examination will be a take home examination given out at the last class meeting and will be due on the scheduled day of the final examination.

(3) Class participation (15%)

Informed participation in the class discussion that is based upon a reading of the assigned material will be recognized and rewarded. Participation that is not based on preparation will not be rewarded.

2. Texts

Several books have been ordered at Barnes and Noble bookstore. While these books may not be completely covered in this class, you are expected to know all of their material for your general examination.

- Bingham, Richard D. and Robert Mier (eds.) *Theories of Local Economic Development: Perspectives from Across the Disciplines* (Thousand Oaks, CA: Sage, 1993).
- Blair, John P. and Laura A. Reese (eds) *Approaches to Economic Development* (Thousand Oaks, CA: Sage 1999).
- Hirschmen, Albert O. (1970) *Exit, Voice and Loyalty* (Cambridge, MA: Harvard University Press).
- Krugman, Paul, *The Self-Organizing Economy* (Oxford: Blackwell, 1996)
- Krugman, Paul. *Development, Geography and Economic Theory* (Cambridge, MA: MIT Press, 1995)
- Krugman, Paul (1991) *Geography and Trade* (Cambridge, MA: MIT Press)
- Olson, Mancur *The Rise and Decline of Nations* (New Haven: Yale University Press. 1982)

3. Background Reading for General Examinations

You should all be familiar with the following books for your general examinations.

Unfortunately, they will not be covered in this course:

- Baumol, William J. (2002) *The Free-Market Innovation Machine* (Princeton University Press).
- Barnes, William R. and Larry C. Ledebur (1998) *The New Regional Economics* (Thousand Oaks: Sage Publications)
- Bartik, Timothy (1990) *Who Benefits from State and Local Economic Development Policies?* (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research).
- Bingham, Richard D. (1998), *Industrial Policy American Style* (Armonk, NY: M.E. Sharpe).
- Clarke, Susan and Gary Gaile (1998) *The Work of Cities* (Minneapolis: The University of Minnesota Press).
- Eisenger, Peter K (1988) *The Rise in the Entrepreneurial State* (Madison, WI: The University of Wisconsin Press).
- Fisher, Peter S. and Alan H. Peters (1998), *Industrial Incentives* (Kalamazoo, MI: The W. E. Upjohn Institute for Employment Research).
- Friedman, Thomas L. (2000), *The Lexus and the Olive Tree* (New York: Anchor).
- Michael E. Porter (1998), *The Competitive Advantage of Nations* (New York: The Free Press). This addition has a new preface.
- Peters, Alan H. and Peter S. Fisher (2002) *State Enterprise Zone Programs: Have they Worked?* (Kalamazoo, MI: The W.E. Upjohn Institute for Employment Research).

Reading List

- * Optional for course, read for general examinations
- ** Optional for both course and general examination, for the mathematically adept.

1. Introduction

A SURVEY OF URBAN ECONOMICS—IT IS NOT ECONOMIC DEVELOPMENT

Mills, Edwin S. "A thematic history of urban economic analysis," *Brookings-Wharton Paper on Urban Affairs*: 2000: 1-52.

Glaser, Edward L. "The future of urban research: Nonmarket interactions," *Brookings-Wharton Paper on Urban Affairs*: 2000: 101-149.

Wolman, Harold with David Spitzley "The politics of local economic development," in *Approaches to Economic Development* : 225-262.

IS ECONOMIC DEVELOPMENT A FIELD OR A DISCIPLINE?

Krugman, Paul (1999) *Development, Geography, and Economic Theory* (Cambridge, MA: MIT Press)

Chapter 1 The fall and rise of development economics,

Chapter 2 Geography lost and found

Beauregard, Robert A. "Constituting economic development: A theoretical perspective," in Bingham and Mier (eds.) *Theories of Local Economic Development*, Chapter 13: 267-283.

Bingham, Richard and Robert Mier "Metaphors of economic development, " in *Theories of Local Economic Development*: 284-304.

** Fleming, J.M. (1955) "External economies and the doctrine of balanced growth," *Economic Journal* 65: 241-256.

** Rosenstein-Rodan, Paul (1943) "Problems of industrialization of eastern and south-eastern Europe," *Economic Journal* 53: 202-211.

** Murphy, Kevin, A. Shleifer, and R. Vishny (1989) "Industrialization and the big push," *Journal of Political Economy* 97: 1003-1026.

WHAT MAKES ECONOMIC DEVELOPMENT SOCIAL SCIENCE? WHAT IS A MODEL?

Vaughan, Roger J. (1988) "Economists and economic development," *Economic Development Quarterly* 2(2): 119-123.

Krugman, Paul *Development, Geography, and Economic Theory*.

Chapter 3 Models and metaphors

Markusen, Ann R. (1999), "Fuzzy concepts, scanty evidence, policy distance: The case for rigour and policy relevance in critical regional studies," *Regional Studies* 33(9): 869-884.

2. Fundamental Models of the Political Economy of Regional Economic Development

SELF-ORGANIZING MARKETS

* Krugman, Paul (1996) *The Self-Organizing Economy* (Blackwell).

MARKET FAILURE

Timothy J. Bartik "The market failure approach to regional economic development policy" in *Approaches to Economic Development* , pp.14-24.

Coase, Ronald (1960) "The problem of social cost," *Journal of Law and Economics* 3: 1-44.

Also see the "New Institutionalists at the history of economic thought website: //cepa.newschool.edu/net/home.htm

* Bator, Francis (1957) "The Simple Analytics of Welfare Maximization," *American Economic Review* (March) 47(1): 22-59.

WHY IS CHANGE DIFFICULT? MARKETS AND INSTITUTIONS

Hirschman, Albert O. (1970) Ch. 7: "A theory of loyalty," in *Exit, Voice and Loyalty* (Cambridge, MA: Harvard University Press): 77-126.

Olson, Mancur (1984) *The Rise and Decline of Nations* (New Haven: Yale University Press) **Chapters 1 and 2**

URBAN PUBLIC FINANCE AND INDUSTRY STRUCTURE

Tiebout, Charles M. (1956) "A pure theory of local expenditures," *Journal of Political Economy*. 416-424.

Baumol, William (1963) "Urban services: Interactions of public and private decisions" in Howard Schaller (ed.) *Public Expenditure Decisions in the Urban Community*. Washington DC: Resources for the Future pp.1-18.

Baumol, William (1967) "Macroeconomics of unbalanced growth: The anatomy of the urban crisis," *American Economic Review* 57(3) (June): 415-426.

3. Models of Growth and Export-base Theories of Development

Nelson, Arthur C. "Theories of regional development," in *Theories of Economic Development*: 27-60.

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):

Thompson, Wilbur R. And Philip R. Thompson (1987) "National industries and local occupational strengths: The cross-hairs of targeting," *Urban Studies* 24: 547-560.

* Malizia, Emil E. and Edward J. Feser, Chapter 7 "Trade theory," in *Understanding Local Economic Development* (Center for Urban Policy Research Press, second edition, 2001).

** Grossman, Gene and Elhanan Helpman (1993) Chapters 6-9 in *Innovation and Growth in the Global Economy* (Cambridge, MA: MIT Press).

4. Models of Economic Development

- 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.
- Kaldor, N. (1972) "The Irrelevance of equilibrium economics," *Economic Journal* 82: 1237-1255.
- * Hirschman, Albert O. (1958) Ch. 10 "Interregional and international transmission of economic growth": *The Strategy of Economic Development* (New Haven: Yale University Press): 183-201.

5. Long Wave and Product Cycles

- Kondartieff, N.D. (1935) "The long waves in economic life," *The Review of Economics and Statistics* 17(6) (November): 105-115.
- Booth, Douglas E. (1986) "Long waves and uneven regional growth," *Southern Economic Journal*: 448-460.
- Vernon, Raymond (1966) "International investment and international trade in the product cycle," *Quarterly Journal of Economics* 80(2) (May): 190-207.
- Markusen, Ann R. (1985) Chapters 3 & 4: "The profit cycle model" *Profit Cycles, Oligopoly and Regional Development* (Cambridge, MA: MIT Press): 27-49.
- Sorenson, David J. (1997) "An empirical evaluation of profit cycle theory," *Journal of Regional Science* 37(2): 275-305.
- Massey, Doreen (1979) "In what sense a regional problem?" *Regional Studies* 13: 233-243.
- Isard, Walter (1949) "The future locational pattern of the iron and steel industry in the United States," *The Journal of Political Economy* 57(2) (April): 118-133.
- ** Vernon, Raymond (1979) "The product cycle hypothesis in a new international environment," *Oxford Bulletin of Economics and Statistics*: 41(4): 255-267.
- ** Grossman, Gene and Elhanan Helpman (1993) Chapter 12, "Product cycles," *Innovation and Growth in the Global Economy* (Cambridge, MA: MIT Press).

*** 6. The Location of Economic Activity**

- * Blair, John P. and Robert Premus "Location theory," in *Theories of Economic Development*: 3-27.
- * Alonso, William (1975) "Location theory" in John Friedman and William Alonso (eds) *Regional Policy: Readings in Theory and Applications*: 35-63.
- ** Christaller, Walter (1966) *Central Places in Southern Germany* (Englewood Cliffs, NJ: Prentice-Hall)
- ** Fujita, Masahisa, Paul Krugman, and Anthony J. Venables (2000) *The Spatial Economy* (Cambridge, MA: MIT Press).

7. Community Economic Development

- Wiewel, Wim, Michael Teitz and Robert Giloth "The economic development of neighborhoods" in *Theories of Economic Development*: 80-99.
- Teitz, Michael (1989) "Neighborhood economics: Local communities and regional labor markets," *Economic Development Quarterly* 3(2): 111-122.
- Hill, Edward W. and Thomas Bier "Economic restructuring: Earnings, occupations and housing values in Cleveland," in *Approaches to Economic Development*, pp.130-148.
- Nowak, Jeremy "Neighborhood initiative and the regional economy," in *Approaches to Economic Development*, pp.149-156.
- Porter, Michael E. (1997) "New strategies for inner-city economic development," in *Approaches to Economic Development*, pp.32-50.
- Hill, Edward W. (2003) The Seven Dimensions of Economic Development (draft).

8. Cluster-based Economic Development

- Markusen, Ann (1996) "Sticky places in slippery space: A typology of industrial districts," *Economic Geography* 72(3): 293-313.
- Porter, Michael (2000) "Location, competition, and economic development: Local clusters in a global economy," *Economic Development Quarterly* 14(1) February: 15-34.
- Doeringer, Peter and David G. Terkla "Business strategy and cross-industry clusters," in *Approaches to Economic Development*: 96-112.
- Rosenfeld, Stuart A. (2000) "Community college/cluster connections: Specialization and competitiveness in the United States and Europe," *Economic Development Quarterly* 14(1) February: 51-62.
- Hill, Edward W. and Brennan, John (2000) "A methodology for identifying the drivers of industrial clusters: The foundation of regional competitive advantage," *Economic Development Quarterly* 14(1) February: 65-96.
- Austrian, Ziona (2000) "Cluster case studies: The marriage of quantitative and qualitative information for action," *Economic Development Quarterly* 14(1) February: 97-110.
- * Marshall, Alfred Chapters I and X of Book 4 of the Principles of Economics. (posted on course web site)
- * Rosenfeld, Stuart (2002) *Just Clusters*: Economic development strategies that reach more people and places. <http://www.rtsinc.org/publications/just%20clusters.pdf>
- * Waits, Mary Jo (2000) "The added value of the industry cluster approach to economic analysis, strategy development, and service delivery," *Economic Development Quarterly* 14(1) February: 35-50.

9. New Growth Theory

Cortright, Joseph (2001) *New growth theory, technology and learning: A practitioner's guide*. US Economic Development Administration).

http://www.impresaconsulting.com/cortright_ngt.pdf

Romer, Paul M. (1994) "The origins of endogenous growth," *Journal of Economic Perspectives* 8(1) (Winter): 3-32.

Romer, Paul M. (1986) "Increasing returns and long-run growth," *Journal of Political Economy* (94)5: 1002-1037.

Krugman, Paul (1991) *Geography and Trade* (Cambridge, MA: MIT Press).

Hill, Edward W. and Iryna Lendl (2003) The impact of the reputation of bio-life science and engineering doctoral programs on regional economic development.

** Grossman, Gene and Elhanan Helpman (1993) Chapter 1 "Growth and technology," in *Innovation and Growth in the Global Economy* (Cambridge, MA: MIT Press), for the mathematically competent.

** Grossman, Gene and Elhanan Helpman (1993) Chapters 2 to 5 in *Innovation and Growth in the Global Economy* (Cambridge, MA: MIT Press).

10. Development Policies

LOCAL DEVELOPMENT

Rubin, Herbert J. "Shoot anything that flies: Claim anything that falls" in *Approaches to Economic Development*: 263-277.

Clarke, Susan E. and Gary Gaile "The next wave: Postfederal local economic development strategies" in *Approaches to Economic Development*, pp.165-177.

STATE POLICIES

Eisenger, Peter K (1995) "State economic development policy in the 1990s: Politics and policy learning," in *Approaches to Economic Development*, pp.178-190.

Dewar, Margaret (1998) "Why state and local economic development programs cause so little economic development," *Economic Development Quarterly* 12(1): 68-

Isserman, Andrew, M. (1994) "State economic development policy and practice in the United States: A survey article," *International Regional Science Review* 16(1&2): 49-100.

Teitz, Michael B. (1994) "Changes in economic development theory and practice," *International Regional Science Review* 16(1&2): 101-106.

Berguland, Dan and Mianne Clarke (2000) *Using Research and Development to Grow State Economies*, National Governors Association

<http://www.nga.org/cda/files/2000RESEARCH.pdf> and on course site

* Fisher, Peter S. and Alan H. Peters (1998) *Industrial Incentives: Competition among American states and cities* (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research).

* Haider, D. (1986) "Economic development: Changing practices in a changing US economy," *Environment and Planning C: Government and Policy* 4: 451-469.

FEDERAL POLICY

- Thornberg, Richard (1998) "A path to smarter economic leadership in economic development: Learning, leveraging and leading," *Economic Development Quarterly* 12(4): 291-298.
- Hill, Edward W. (1998). "Principles for rethinking the federal government's role in economic development," *Economic Development Quarterly* 12(4): 299-312.
- Isserman, Andrew and Terrance Rephann (1995) "The economic effects of the Appalachian Regional Commission: An empirical assessment of 26 Years of regional development planning," *Journal of the American Planning Association* 61(3): 345-165.