

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

**Meets:** Tuesday and Thursday, 9:30am 223 Temple Buell Hall

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**Office Hours:** By Appointment.

## **COURSE DESCRIPTION AND OBJECTIVES**

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This course has pretty big ambitions. It should help you do a lot of things, which I'll itemize here as a handy list you can use to guide yourself through the course:

- **Understand the financial and economic basis that makes other plans possible.** Most plans assume a level of prosperity the actually existing economy rarely grants. We'll spend a lot of time talking about the kinds of reality checks that follow from seeing this clearly.
- **Understand textbook economic thinking, its popularity and its limits.** Supply and demand, preferences, costs, and scarcity are all extremely important. Even after a career of thinking about them, one observes new aspects of them, and new implications, almost daily. At the same time, these core economics concepts just can't tell us that much about how cities actually operate, grow and change. One of my ambitions for this course is for you to learn economics as a kind of language, a strategic way in which to convey (or fail to convey!) important ideas about cities, policy, power and decisionmaking.
- **Become a master of the uncharted territory we're entering.** Traditional economic and political-economic ideas about cities are breaking down left and right. Car ownership rates are falling. Young people enter their adult lives with hideous educational debts that change their spending, ambitions and decisions. Economic growth no longer guarantees income growth. We have cars without drivers, dying industries, industries that "make" information rather than things, and a generation of Americans who reject (supposedly) secure jobs for underemployment and urban amenities. Rather than treat these changes as curious exceptions to tried-and-true rules, this course will foreground them: Old ideas offer less and less information about urban economies, and you'll thrive professionally if you can be smarter than your peers about these changes.
- **Learn something about urban politics, and its constraints.** Economic development decisions are at their core political decisions about how resources are used, for whom, and with which goals. A basic problem of (most) economic development textbooks and teaching is that it pretends that *identifying* good ideas is the same thing as *persuading people to enact them*. It's not. Nor is there a such thing as an "economic developer." Power looks different everywhere. Individual cities have budgets that are high or low, good or bad credit ratings, centralized or decentralized authority, strong or weak regional policymaking bodies, infrastructure that's good or lousy, powerful or weak community groups – the list goes on. At the end of this course, you should be comfortable thinking

about power in nuanced, contextual ways – ways that will help you to be smarter about what is and isn't possible in the short and long run.

- **Understand linkages between economic development and other planning specializations.** There aren't a lot of interesting or rewarding jobs that focus solely on economic development. But thinking about economic development as a component of housing, infrastructure, transportation, land use, place-making and (especially) sustainability. Understanding these linkages will make you a better, more flexible practitioner – someone who is both more likely to get a good job, and more likely to move up within a given organization once you're employed.

## COURSE SUMMARY

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 (due to data limitations, that place will have to be in Illinois). Over the course of the semester, you will develop an economic impact analysis of the policy. Your analysis will use one of the most conventional and powerful economic development tools. And it will use that tool creatively: Comparing the actual policy to the relatively limited means we have for measuring and articulating change is a very good way to learn about the ideal and reality of economic development at once.

## **COURSE FORMAT**

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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 works best for students who have an intermediate-to-advanced understanding of local data and analytical techniques. Ideally, you will a) 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. If you don't have that background, there might still be very good reasons for you to sign up for the course. Contact me, and I'll help you make a decision.

## **COURSE MATERIALS**

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The course has one required text, the **fourth** edition of *Planning Local Economic Development: Theory and Practice*, by Edward Blakely and Nancey Green Leigh (Sage, 2010). We are using the older edition because 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 \$10 used on Amazon. Please purchase it as soon as possible.

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

## **ASSIGNMENTS AND GRADING**

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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 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. Given the current course enrollment, you'll produce the economic impact analysis in groups of two or three. Plan accordingly, and identify fellow-travellers who will have the same interests and motivations as you.

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 (15%): 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 (10%): 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.

Introduction to Implan (10%): This assignment will ask a few simple questions to help you learn the details of working in Implan. It's simple, but difficult!

Alternatives to the Texas Miracle (20%): Using elementary shift share and location quotient techniques, you will propose an alternative to the Texas "model" of economic development, which has migrated to about 20 states that are very different from Texas.

Final Economic Impact Study (30%): 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 (or, given the class size, each group) will have 15 minutes to give a professional-grade presentation of her impact study and policy recommendation.

## **HONOR CODE AND LEARNING ENVIRONMENT**

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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**

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## **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** **8/28**

#### *Reading:*

State of Illinois 2014 Economic Development Plan, pp. 1-25. <https://goo.gl/j2Klp5>. You're probably thinking that this is an old document. And you're right! The barriers to updating it are political, and politics is as large a part of economic development as is economic theory.

#### *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 do you imagine policymakers do with this information?

### **What Economic Development Professionals do** **8/30**

#### *Reading:*

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

Glasmeyer, Amy. 2000. "Economic Geography in Practice: local Economic Development Policy." In Oxford Handbook of Economic Geography

Hundreds of thousands of pages have been devoted to economic development policy, practice, etc. Remarkably few of them talk about what practitioners actually do – who they are, their job titles, their responsibilities, etc. These are very limited treatments of that topic. But once again, they're the most concrete information we have.

#### *Lecture:*

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

*Discussion:*

Why should we bother to study the theory of economic development

**Goals: Economic Growth vs. Economic Development** **9/4**

*Reading:*

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

"The Ends and Means of Development," in Amartya Sen, *Development as Freedom*. New York: Anchor Books, 1999.

*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** **9/6**

*Reading:*

"Economic Base Theory," in Malizia and Feser, *Understanding Local Economic Development*. New Brunswick: CUPR Press.

"Definitions and Concepts of Development," in Malizia and Feser.

Malizia and Feser's textbook is now more than twenty years old. Remarkably, it remains the most-up-to-date treatment of how regional economies grow and develop. Every year, these ideas provide a little less useful information about our world.

*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**

**9/11**

*Reading:*

Markusen, Ann. 2004. "Targeting Occupations and Regional and Community Economic Development." *Journal of the American Planning Association* 70 (3): 253-268.

Mathur, Vijay. 1999. "Human Capital-Based Strategy for Regional Economic Development." *Economic Development Quarterly* 13 (3): 203-216.

*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**

**9/13**

*Reading:*

Markusen, Ann and Kate Nesse. 2007. "Institutional and Political Determinants of Firm Location." In Markusen, ed., *Reigning in the Competition for Capital*.

Optional, but recommended: Dicken, Peter. "Transnational Corporations: The Primary Movers and Shakers of the Global Economy." In *Global Shift*.

*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.

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**Basic Approaches: Clusters****9/18***Reading:*

Porter, Michael E. 2008. Clusters and the New Economics of Competition. *Harvard Business Review*.

Initiative for a Competitive Inner City. 2011. "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).

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**Basic Approaches: Innovation****9/20***Reading:*

Fishman, Charles. 2011. "The Insourcing Boom." In *The Atlantic*, <http://goo.gl/eVIDh>

Berger, Suzanne. 2013. "How to Move Innovation into the Economy." In *Making in America*. Cambridge: MIT University Press.

Clark, Jennifer. 2012. "Is there a Progressive Approach to Innovation Policy?" *Progressive Planning*, Spring 2012.

*Lecture:*

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

*Discussion:*

The shiny object problem: How do we identify and act on simple innovation opportunities when policymakers and pundits continue to chase Silicon Valley?

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**Assignment One Due: Chicago Cluster Study****9/21**

*Reading:*

Weisbrod, Glen and Burton Weisbrod. 1997. "Measuring Economic Impacts of Policies and Programs.

Supplemental sample reading, TBD

A note; This class beings a few (necessary, difficult) weeks we'll spend learning technical measures of economic growth and change. Don't expect to absorb or understand it all right away – nobody does. Instead, just try to learn as much as you can. And please ask questions directly and frequently. They're the best way to make sure everybody learns.

*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)****9/27**

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*Reading:*

Implan Professional Manual 2.0

*Lab:*

Introduction to Implan software

**No Class****10/2**

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**Tools of the Trade: Industry and Employment Data****10/4**

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*Reading:*

Cortright and Reamer: Socioeconomic Data for Understanding Your Regional Economy. Surnames A-K read Part 1. Surnames L-Z read Part 2.

Quintero, John. "Business Structure," from *Running the Numbers*.

*Lecture:*

Overview of basic economic development sources

*Discussion:*

Q&A on Cortright and Reamer

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**Tools of the Trade: Analytical Techniques** **10/9**

*Reading:*

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

*Lecture:*

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

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**Advanced Analytical Techniques** **10/11**

*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

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**Assignment #2: Introduction to Implan** **10/12**

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**Tools of the Trade: Business Incentives** **10/16**

*Reading:*

Peters and Fisher, 2004. The failure of economic development incentives."

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**

**10/18**

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*Reading:*

Fisher, Peter S. and Greg LeRoy. 2013. "Grading Places: What do the Business Climate Rankings Really Tell Us," Introduction, Chapter 1, Chapter 2, Chapter 3. Washington, D.C.: Good Jobs First.

Cowen, Tyler. 2013. "Why Texas is our Future." *Time*, October 28. At: <http://time.com/80005/why-texas-is-our-future/>

Longman, Phillip. 2014. "Oops: The Texas Miracle that isn't." *Washington Monthly*, March/April. At: [http://www.washingtonmonthly.com/magazine/march\\_april\\_may\\_2014/features/oops\\_the\\_texas\\_miracle\\_that\\_is049289.php?page=all](http://www.washingtonmonthly.com/magazine/march_april_may_2014/features/oops_the_texas_miracle_that_is049289.php?page=all)

*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**

**10/23**

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*Reading:*

Florida, Richard. 2002. "Cities and the Creative Class." *City & Community* (2) 1: 3-19.

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?

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**No Class** **10/25**

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**Consumption-Driven Urban Development** **10/30**

*Reading:*

Markusen and Schrock, Consumption-Driven Urban Development

Doussard, Marc. 2016. "The Other Green Jobs: Legal Marijuana and the Promise of Consumption-Driven Economic 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

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**Green Jobs** **11/1**

*Reading:*

Joan Fitzgerald, *Emerald Cities*, excerpts.

Schrock, Greg, Ellen Basset and Jammal Green. 2015. "Pursuing Equity and Justice in a Changing Climate: Assessing Equity in Local Climate and Sustainability Plans in U.S. Cities." *Journal of Planning Education and Research* 35 (3): 282-295..

*Discussion:*

TBD – this issue is evolving rapidly, and we will try something new.

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**Implan Lab** **11/6**

*Reading:*

Kay, David L., James E. Pratt and Mildred E. Warner. 2007. "Role of Services in Regional Economy Growth." *Growth and Change* 38 (3): 419-442.

Doussard, Marc. 2014. "Reevaluating the Pursuit of Defense Investment." *Economic Development Quarterly* 28 (4): 339-350.

*Lab:*

Adding in model assumptions, building multiple scenarios, scheming around Implan's limits

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**Workforce Development Policies** **11/8**

*Reading:*

Schrock, Greg. 2014. "Connecting People and Place Prosperity: Workforce Development and Urban Planning in Scholarship and Practice." *Journal of Planning Literature* 29 (3): 257-71.

Cappelli, Peter H. 2015. "Skill Gaps, Skill Shortages, and Skill Mismatches: Evidence and Arguments for the United States." *ILR Review*, 68 (2): 251-90.

*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?

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**Assignment Three: Alternatives to the Texas Miracle** **11/9**

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**Economic Impact Models: Workshop** **11/13**

*Lab: Dedicated Q & A and work time*

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**Anchor Institutions** **11/15**

*Reading:*

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

William Worthy's Concept of "Institutional Rape" Revisited  
Anchor Institutions and Residential Displacement in Buffalo, NY

*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

**Assignment 3 Due: Alternative Measures of the Texas Boom 11/16**

**Living Wage Laws: 11/27**

*Reading:*

Lesniewski, Jack and Marc Doussard. 2017. "Crossing Boundaries, Building Power."

Doussard, Marc and Jack Lesniewski. 2016. "Fortune Favors the Organized: How Chicago Activists Won Equity Gains Under Austerity." *Journal of Urban Affairs*

*Lecture:*

How political advocacy happens

**New Policies for the Bottom of the Labor Market 11/29**

*Reading:*

Lester, Thomas W. 2018. "Restructuring Restaurant Work: Employer Responses to Local Labor Standards in the Full-Service Restaurant Industry." *Urban Affairs Review*.

Wolf-Powers, Laura. 2010. "Community Benefits Agreements and Local Government: A Review of Recent Evidence" *Journal of the American Planning Association* 76 (2): 141-159.

*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** **12/4**

**Final Presentations** **12/6**

**Final Presentations** **12/11**

**Final Presentations** **Scheduled Class Final Date**

**Final Economic Impact Analysis Due** **12/14**