locality and business development

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outline

what is locality (the unit of analysis) ?

locality development (Blakely and Leigh, 2009, ch.9)

clusters (Porter, 2000)

necessary readings

◇ Porter (2000)

◇ Michael Porter Ted Talk

· [fighting groupthink; a business perspective]

· businesses should develop locality and solve social problems

· NOT: govt, academics or nonprofits

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level of analysis matters

◇ again, you may get opposite conclusions depending on what is the unit of analysis (the aggregation level)

◇ and there may be interactions between the two

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◇ for instance, religiosity makes people happy in religious nations

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U/A in local economic development

◇ again jobs are they key...

◇ if you are looking for a job, place matters

◇ people commute, we need to figure out how far and where...

◇ commute can be seen as a spatial mismatch between jobs and housing

◇ suburbs are "bedroom communities" (or used to be, many businesses locate in suburbs now)

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traditional vs modern

◇ it used to be about the ownership, regulation and
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· good transportation is important

◇ the new stuff: "smart growth" / "new urbanism":

· anti-sprawl, reuse of space, mixed uses (Jacobs, [1961]
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⬦ Mix land uses (yes!)

⬦ Take advantage of compact building design (yes!)

⬦ Create a range of housing opportunities and choices (no free market?)

⬦ Create walkable neighborhoods (yes!)

⬦ Foster distinctive, attractive communities with a strong sense of place (but how?)

⬦ Preserve open space, farmland, natural beauty, and critical environmental areas (none of that belongs to city!)

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◇ Provide a variety of transportation choices

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⋄and there is a role for local government to support them
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⋄clusters improve productivity by improving access to
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·facilitate complementaries

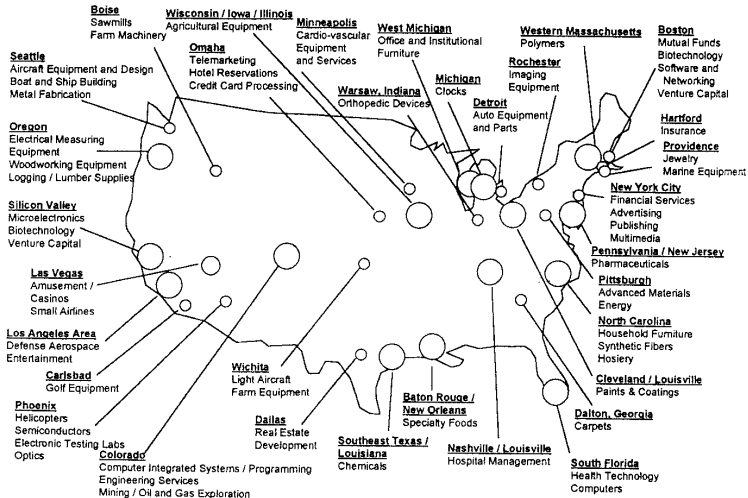·improving incentives and performance measures

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M Porter "Location, Clusters and The New ..."

Figure 2
Selected Regional Clusters of Competitive U.S. Industries

a paradox

◇ the world is flat but spiky...

◇ clusters matter and are resilient

◇ "the most enduring competitive advantages in a global
economy seem to be local" (p32 Porter, 2000)

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◇ standard of living/qol/happiness< −−competitiveness and productivity

◇ soc sci/ policy makers:

◇ standard of living/qol/happiness< −−public policy

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clusters and productivity

◇ clusters help with productivity: agglomeration economies

· cost minimization due to proximity of inputs or proximity to markets

· access to specialized inputs and employees

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clustering and innovation

⋄ more clearly and rapidly perceive buyer needs

⋄ concentration of firms with buyer knowledge and
  relationships

⋄ competitive pressure, peer pressure, constant comparison

⋄ on the other hand, clusters can retard innovation:

· groupthink:

  reinforcing old behaviors

  suppressing new ideas

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big and old don't innovate

◇ a related problem here is that big and old companies don't innovate, because

· difficult to make disruptive changes; go to a board room and say that you have a brilliant idea to do things in a completely new way

· you'll get fired

· you better start a new company from ground up

· path dependency, and groupthink

◇ examples: blockbuster and netflix; myspace and facebook

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◇ whatever increases productivity is good

◇ so the govt should stay away from trade barriers, pricing

◇ but help with education, training, competition

antitrust(anti-monopoly), safety, environmental impact

(from "Location, Clusters and The New Microeconomics of Competition" M Porter)

◇ (but income ineq!)

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clusters and outsourcing

⋄ yes, outsourcing is a powerful force and is responsible for many jobs lost to developing countries

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⋄ the cheapest labor and tax places often lack proper infrastructure

· hence businesses would go to more expensive China with good infrastructure than less expensive poorer countries with no infrastructure

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◇ less skilled people have to compete, on the other hand, with lower wage labor supply from poor countries

◇ but that's the role of public policy to make sure equal opportunity exists

◇ inequality and social ills are not a result of capitalism but of poor public policy (pub pol should correct capitalism problems)

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it's like with technology

◇ we can do more good and more bad

◇ we used to have horses and bayonets (pres Obama)

◇ now we have drones, nuclear weapons, etc

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schooling/training

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$\diamond$ it is local by definition and not tradable

· unless online...

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$\diamond$ e.g. teach medicine/nursing in Camden and get a job at Cooper...

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clusters are different from industrial policy

◇ clusters are more spontaneous and industrial policy
  top-down

◇ industrial policy "targets" some industries for support

· "returns to scale" is important: help "infant industries"
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· can subsidize, give tax breaks (but fairness?)

· e.g. Camden Redevelopment Agency is trying that with
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location of clusters

◇ they are in the cities

◇ clusters are based on agglomeration economies, face-to-face exchange of ambiguous information, cooperation

◇ you need high density for that, many people in one place

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