

# (soft) theory of local development

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## outline

economic development (Blakely and Leigh, 2009, ch3)

national policies Blakely and Leigh (2009, ch. 2)

misc

community based development (Green ch1)

diversity Jacobs ([1961] 1993, part two)

sustainability Green and Haines (2012, ch 3)

## NECESSARY reads

- ◇ Thomas Friedman "The world is flat"

<http://www.nytimes.com/2005/04/03/magazine/03DOMINANCE.html?pagewanted=1&ei=5070&en=79e0265c7c85c86f&ex=1157169600> and

- ◇ Florida, Richard "The world is spiky;"

<http://www.creativeclass.org/rfcgdb/articles/TheWorldIsSpiky.pdf>, or find a copy of the article in The Atlantic, October 2005

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- SEN, A. (2000): Development as Freedom, Anchor Books.
- STIGLITZ, J., A. SEN, AND J. FITOUSSI (2009): "Report by the Commission on the measurement of economic performance and social progress," Available at [www.stiglitz-sen-fitoussi.fr](http://www.stiglitz-sen-fitoussi.fr).

## problems with economics

- ◇ the soft(social) side of development...
- ◇ these are still mostly economic theories of development
- ◇ it's just they are not written by economists, but sociologists, public policy/administration scholars
- ◇ there is a big gap between two approaches

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## growth vs development

- ◇ economic growth is about increasing the tax base and creating jobs
- ◇ growth is not the same as development
- ◇ focusing solely on growth results in inequality and pollution
- ◇ pursuing only economic growth can eventually bring an economy to a halt and regardless of things like social justice, etc can be harmful to growth itself  
e.g. through the depletion of timber and coal
- also big economic inequality can destabilize economy and society leading to clashes and violence

## development > growth

- ◇ economic development is a broader concept than economic growth
  - ◇ growth: increase output, jobs, tax base
  - ◇ development:
    - min standard of living for all, and increase it over time
    - reduce inequality
    - promote sustainable resource use and production
- (Blakely and Leigh, 2009, p75)



## definition (?, p 75)

- ◇ “local economic development is achieved when a community’s standard of living can be preserved and increased through a process of human and physical development that is based on principles of equity and sustainability”
- ◇ “First, economic development establishes a minimum standard of living for all and increases the standard over time”  
like Jeremy Bentham’s “the greatest happiness for the greatest number”

## definition, cont'd

- ◇ “Second, economic development reduces inequality”  
(hmmm... in all cases?...why would you reduce inequality say in Sweden?)
- ◇ per recent report in The Economist, Sweden is successful because it decreased regulation, increased competitiveness and inequality  
(on the other hand, in the human history, we do have less and less inequality)
- ◇ “Third, economic development promotes and encourages sustainable resource use and production”

## a basic equation

- ◇ local/regional development =  $c * r$ 
  - $c$  is area's capacity (economic, social, technological, political) (like [Green and Haines \(2012\)](#) 7 types of assets)
  - e.g. low  $c$ : cronyism, corruption, disorganization, waste
- ◇  $r$  is resources (natural resources, location, labor, capital investment, entrepreneurial climate, transport, technology, size, government spending)
- ◇ economist traditionally focused on  $r$ 
  - for instance  $r$  emphasizes being close to markets
  - central cities are close to markets, but they lack in  $c$

## neoclassical economic theory (M. Friedman)

- ◇ also called “the invisible hand”, based on Adam Smith
- ◇ equilibrium of economic systems
- ◇ mobility of capital
  - if capital can flow without restrictions, all economic systems will achieve equilibrium
  - it would mean that ghettos would attract capital because of low cost but they don't...
- ◇ if the model worked, all areas would have about the same level of development  
obviously, it doesn't work
- ◇ but still it influenced deregulation in banking, utilities, etc

# international

- ◇ IMF peddled neoclassical theory
- ◇ reduce market, currency controls
- ◇ and the criticism of that is Stiglitz's "Globalization and its discontents"

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## not only national

- ◇ much of this section pertains to regional and local levels
- ◇ and even institutional or organizational levels

## a traditional dilemma

- ◇ deregulation vs regulation...
- ◇ some people would like the the government to be as small as possible
- ◇ and some would like it to take more responsibility...
- ◇ best do cost benefit analysis!
- ◇ keep in mind that policy, regulation etc is always burden or cost (implement, comply, etc)
- ◇ bureaucracy: they think that activity=output



## a traditional dilemma

- ◇ many people argue that government money produces waste:  
if it's not your money you don't care
- ◇ yet, there is a problem with individual incentives, too:  
asymmetry of information and market failure
  - e.g. most of us don't know much about car mechanics and medicine, and hence physicians and car mechanics have better information and may cheat us...
- ◇ a role for government to provide a “nudge”  
(<http://amzn.com/0300122233>)
  - e.g. good defaults at school cafeteria by listing healthy first and junk food last like supermarkets organize aisles to rip you off

# why national (regional/local/organizational) policies?

- ◇ externalities, e.g. pollution
- ◇ market failure, asymmetry of information, e.g. healthcare
- ◇ too much information; you cannot pick everything, e.g. electric company, insurance plan, etc etc, government should provide a good default
- ◇ “nudges” can be effective
- ◇ collective action/ free riding

## why national policies?

- ◇ have to enforce safety: e.g hockey players and helmets  
<http://amzn.com/0691153191>
- ◇ we need government because people often behave in an (predictably) irrational way: think that income, housing etc would produce more utility than it does; think that giving up smoking is easier than it actually is

## irrational and overwhelmed

- ◇ people are often irrational !
  - and the whole idea of no-government is that people know best what they want
  - you want a big house and big car, only to have to work 2 jobs for it and end up depressed; yet, many people do it
  - e.g. predictably irrational <http://amzn.com/0061353248>
- ◇ and the more choice, the more paralysis
  - hence govt should pick defaults (organ donors, electricity, healthcare, etc) <http://amzn.com/0060005696>
- ◇ the key for govt is to nudge (tax, pick default); not force

## why not national policies?

- ◇ it may backfire...
  - a part of reason behind 2008 housing disaster was government's policy to increase homeownership
- ◇ an extreme example of only national policy is communism
  - and we know that it does not work
- ◇ organizations and programs have a tendency to grow without limits (like software, just adding and adding features...)
  - especially with welfare it is politically difficult and unpopular to cut it (Lindbeck, 1997), (but they just did it)

# TBTF

- ◇ Too Big To Fail
- ◇ U.S. postwar capitalism is characterized by industry concentration/oligopolies (Blakely and Leigh, 2009, p 33)
- ◇ Firms are becoming big (often a good thing: economies of scale)
- ◇ On the other hand, if a big company fails, it endangers state or even national economy
- ◇ E.g. GM, or several big banks in 2008
- and we create pervasive incentives: they can take risks again, if they fail, we'll bail them out again

## Monetary and tax policy

- ◇ Blakely and Leigh (2009, p 35):
  - globalization of capital and commerce makes the management of capitalism difficult
  - there's no global government and WTO or IMF would listen to companies, not people
- ◇ Stiglitz argued in a similar vein: if there were free movement of people, not capital, countries would compete to create good conditions for people
  - “free trade” vs “protectionism” is not helpful; rather: “laissez faire” vs mixed/balanced economy

# Monetary and tax policy

- ◇ transfer pricing: “optimal tax solutions” or “tax evasion” ?
- ◇ Piketty et al. (2011) calculated that if we tax the richest at 80% nothing bad would happen



# trade

- ◇ comparative advantage (see previous class)
- ◇ tariffs, quotas and subsidies are bad because they distort comparative advantage and lead to retaliation

## tax policy and redistribution

- ◇ a hot topic: should we tax the rich
- ◇ 99 vs 1 percent; Wall Street vs Main Street
- ◇ <http://i2.cdn.turner.com/money/dam/assets/120928062309-chart-us-tax-rate-over-the-years-story-top.jpg>

## welfare/redistribution

- ◇ another hot/controversial topic
- ◇ “the goal of welfare is to have as few people on welfare as possible”
- ◇ “you can judge the society by how it treats its poor”
- ◇ the bottom line is to have incentives right, don't just throw money at poverty;
- ◇ equal opportunity is important (AEI)
- ◇ Bob Frank argument: rich need to pay for their position
  - set aside social justice and fairness, etc; simply pay for the goods... (status, prestige)
- ◇ U.S. values egalitarianism (start, opportunity) but not equality (outcome)

## policies that should work in the future (Blakely and Leigh, 2009, p 62)

- ◇ attract the creative class with QOL (e.g. housing, educ, culture)
- ◇ attract hi-tech industries and service sector e.g. by having the creative class
- ◇

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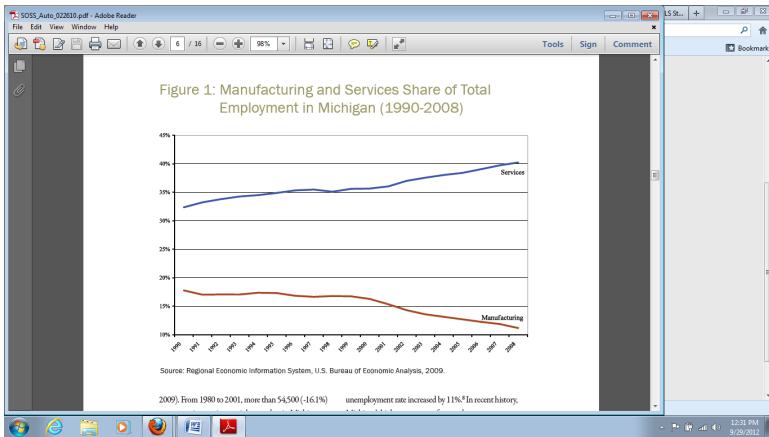
sustainability Green and Haines (2012, ch 3)

- ◇ it would be nice if you can intermingle concepts from the class into your writing: “use it or lose it”
- ◇ be positive, instead of complaining that nothing works, say what could work
- ◇ have captions more descriptive !
- ◇ self-explanatory if you take it out of the paper

## make it interesting

- ◇ sell you results
- ◇ make it like a story
- ◇ not like a bureaucratic report that reads like a phone book
- ◇ what striking/fascinating did you find ? why ? how ?
- ◇ if it is not striking/fascinating why would you write about it

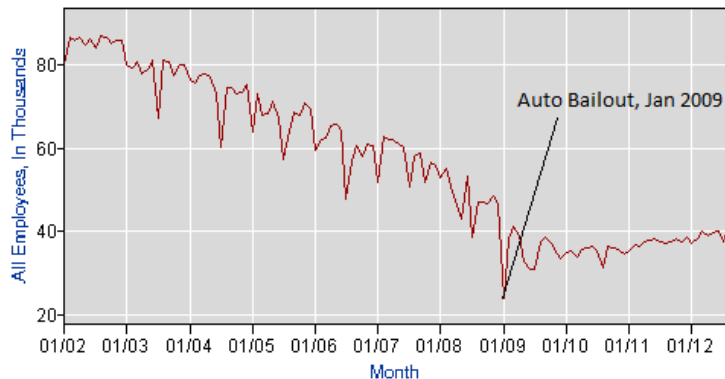
# Ashley: MI empl



◇ could break down by empl subtypes, by smaller geo



## Ashley: MI car empl



## Ashley: MI car empl

- ◇ break by firm (show \$amounts given); compare to other bailouts
- ◇ show other performance indicators, e.g. sales, profit, stock price, etc
- ◇ respond to criticism, easy to find it, e.g. here:  
<http://arkansasgopwing.blogspot.com/2012/05/by-seton-motley-has-general-motors-gm.html?m=0>

## **publish or perish!**

- ◇ the goal of research is not research !
- ◇ research is turning (tax) money into ideas; innovation is turning ideas into money
- ◇ you should communicate it to others, change minds, impact policy
- ◇ your work is waste of time if you don't communicate it
  - workshops, conferences...
  - but above all, publish it !
  - anybody sending papers to journals ?
  - are you on Google Scholar ?
- ◇ really, honestly, i'm upset nobody publishes here :(

## interesting

- ◇ use crowdsourcing for local development
- ◇ e.g. ask people what kind of neighborhoods they like (visually)
- ◇ <http://urbangems.org/>
- ◇ today we'll be stressing the need to talk to people, ask them, figure out their preferences

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## disclaimer

- ◇ i don't know much about community development
- ◇ often, i am not even sure what it means
- ◇ so definitely welcome your comments/suggestions here!
- ◇
- ◇ in what follows, i just summarize Green book
  - and add some reflections based on other literature i'm familiar with

## what is community?

- ◇ having community means having social interactions in pursuit of common interest  
(neighborhood is just a spatial location)
- living in the same place is not sufficient for having a community
- not necessarily common values, can be heterogeneous (race, income, age, etc)
- ◇ Green and Haines (2012) focuses on “communities of place”, but material is also relevant for “communities of interest”
- ◇ social capital is the key
- ◇ social capital is both: resources and constraints for community development

## what is social capital?

- ◇ You probably understand social capital as civic engagement (voting etc) while I define it broadly: time spent with other people, marriage, church attendance, etc etc



## what is development?

- ◇ traditionally economists thought of it as:
  - GDP, PCGDP, PPP adjustments, and HDI
- ◇ now even economists start to recognize that development is more than production or consumption ([Stiglitz et al., 2009](#))
  - GDP just measures production; so say if there is more traffic congestion, GDP goes up
  - but that's not development
- ◇ and so [Stiglitz et al. \(2009\)](#) proposed new measure of development: happiness

## what is development?

- ◇ Green book's approach is similar, but instead of composite "happiness" measure they break it down into various capitals: human, social, political etc
- and they call it "community development" which is much broader than economic development

# development as freedom

- ◇ Sen (2000) proposes capabilities approach
- ◇ essentially freedom is a measure of development:
  - political freedom (civil liberties)
  - economic facilities (household resources)
  - social opportunities (educ, healthcare, etc)
  - transparency guarantees (citizens-govt trust)
  - protective security (social safety net)

## bottom-up

- ◇ community development is rather a bottom-up process
- that is, communities organize themselves
- rather than being organized by state or federal government
- maybe more so international development , but still you cannot impose your plan on people, you need to talk to them
- and so [Jacobs \(\[1961\] 1993\)](#) criticizes housing projects/parks as not serving people; people for instance want a convenience store...
- need to have that grass-roots support; ask people

## what is community development

- ◇ “planned effort to built assets that increase the capacity of residents to improve their quality of life” (Green and Haines, 2012)
  - the effort is organized/planned
  - assets are gifts, skills, capacities of persons, associations and institutions
  - “capacity” is similar to Sen’s “capabilities”
- ◇ QOL can be objective or subjective and they are different (Okulicz-Kozaryn, 2013)
- ◇ as you can see community development is quite interdisciplinary

## an asset is ...(Green and Haines, 2012, p 9)

- ◇ a “stock” than can be drawn upon, built upon, or developed
- as well as a resource that can be shared or transferred across generations
- ◇ as the poor gain access to assets, they are more likely to take control of important aspects of their lives
- to plan for their future and deal with economic uncertainty
- to support their children’s educational achievements
- and to work to ensure that the lives of the next generations are better than their own
- ◇ (so focus on assets instead of needs)

## assets classification by Green and Haines (2012)

- ◇ physical (laptop, chair)
- ◇ human (education, skills)
- ◇ social (connections with others)
- ◇ financial (\$\$\$)
- ◇ environmental (forest, lake, beach)
- ◇ political (your uncle in Congress; you need to know somebody to get things done; know anybody who got a job without knowing somebody?)
- ◇ cultural (arts, diversity, creativity; creative class)

## asset building and social capital

- ◇ again, much boils down to social capital
- ◇ asset building is similar to participation in local organizations, associations, building social relationships and trust
- ◇ social capital is the basis for other assets such as financial capital



6)

- ◇ growth: increased quantities of specific phenomena; e.g. jobs, population, income
- ◇ development: structural change; resources use, functionings of institutions, distribution of resources
- ◇ community development often must precede economic development:
  - good infrastructure, e.g. housing, schools to generate jobs and income
  - also job training, etc
  - community development is broader than economic development

## examples of growth but not development (Green and Haines, 2012, p 5)

- ◇ increase in wealth of the top percent only
- ◇ new employer that employees mostly outsiders
- ◇ a new fast-food chain that drains all its profits to the outside
- ◇ a paper mill exploiting forest in unsustainable manner

# sustainability

- ◇ long-term survival of:  
social, economic, environmental, etc
- ◇ ... base

## public participation...

- ◇ (i guess PA people call it social capital)
- ◇ is a form of social capital
- ◇ key for community development
- ◇ participation is developmental, educative, integrative  
(Green and Haines, 2012, p 15)
- ◇ if you have a say in the project, you will support it and the project will be more successful, as opposed to when somebody (govt) tells you what to do
- ◇ and people have a better idea about assets and needs
- ◇ and there can be no democracy without participation
- ◇ participation rightly called a 'bedrock' of democracy

## models of community development

- ◇ self-help: facilitate, help communities help themselves
  - identify goals, build leadership skills, resolve conflicts
  - may yield long-lasting outcome
- ◇ technical assistance: provide consulting, information
- ◇ organize and advocate, organize people
  - may be difficult in heterogeneous localities (e.g. race, ethnicity)

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## need diversity

- ◇ for cities to be a success we need broadly understood diversity  
(specifics on next slides)
- ◇ and there are several conditions for it...
- ◇ but maximum efficiency imply standardization: Mall in Depford (any big suburban mall); and standardization imply no diversity (but \$ (last class), so tradeoff...)
- ◇ standardization may be good to a degree, say few small blocks
- ◇ it may help people to get oriented where are the things...

## the need for mixed primary uses

- ◇ “The district, and indeed as many of its internal parts as possible, must serve more than one primary function; preferably more than two. These must insure the presence of people who go outdoors on different schedules and are in the place for different purposes, but who are able to use many facilities in common”



## the need for mixed primary uses

- ◇ a great example is the downtown tip of Manhattan
- ◇ nothing else but finance
- ◇ but think of other downtowns: finance and business and not much else
- ◇ think of Camden: physiscians from Cooper, executives from Campbell, and faculty from Rutgers just drive to Camden to work
- and do everything else elsewhere (say Cherry Hill)
- why ? incentives...have kids...schools...safety...a vicious cycle

## the need for small blocks

- ◇ “most blocks must be short; that is, streets and opportunities to turn corners must be frequent”
- ◇ <http://www.nolandgrab.org/images/pedestrianpaths.jpg>  
alt link [http://farm1.staticflickr.com/164/404275983\\_bd6584a4bf\\_z.jpg?zz=1](http://farm1.staticflickr.com/164/404275983_bd6584a4bf_z.jpg?zz=1)

## the need for aged buildings

- ◇ “the district must mingle buildings that vary in age and condition, including a good proportion of old ones”
- ◇ they are affordable for small, spontaneous uses
- ◇ like Malthus (i think ?) about evolution:  
For successful mutation, first, there need to be a diversity of forms

## the need for concentration

- ◇ “the district [part of a city] must have a sufficiently dense concentration of people, for whatever purpose they may be there. This includes people there because of residence”
- ◇ to have a variety of things, you need high density  
e.g. only densely populated areas can support for instance variety of cuisine; in low dense areas you'll find pizza only

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## what is it?

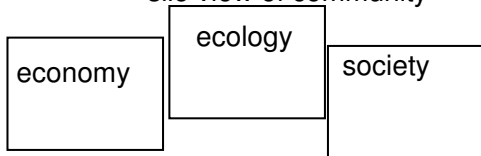
- ◇ many definitions...(see Green and Haines (2012, p 46))...e.g.:
  - sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs
- the key here is the link between the current behavior and the future consequences
- ◇ another important concept: resilience
  - “ ability of a system to to respond to and adapt to disturbance and change”
- e.g. New Orleans after Katrina; U.S. or some heavily hit localities (e.g. Detroit) after 2008 housing bust

## physical vs natural

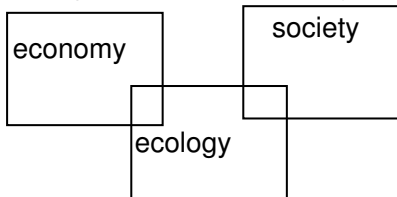
- ◇ expanding physical capital often results in shrinking of natural capital  
e.g. factories and highways will pollute and you need land to build them, e.g. cut the forest; split community in half

# not only linked but based...

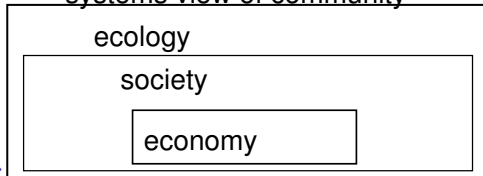
silo view of community



linkages view of community



systems view of community





## think globally, act locally

- ◇ you live and act locally, but global outcomes come from local actions
  - e.g. recycling, use of biodegradable materials, avoiding printing, using less water
- ◇ buy a hybrid or better yet electric car

## indicators of unsustainable

- ◇ global/local (Green and Haines, 2012, p 50 table 3.1)
  - global warming/suburban sprawl
  - soil degradation/unequal opportunity
  - deforestation/loss of agricultural land and open space
  - species extinction/depletion and degradation of groundwater resources
  - declining fisheries/traffic congestion and smog
  - economic inequity/exposure to environmental hazards

more

◇ [Green and Haines \(2012\)](#) p 56 box 3.3