planning and strategy; locality and business development

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outline

groupthink and social construction of reality

planning and strategy (Blakely and Leigh, 2009, ch5,7)

program evaluation/impact analysis

community development (Blakely and Leigh, 2009, ch.4)

what is locality (the unit of analysis) ?

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

clusters (Porter, 2000)

NECESSARY READINGS

◇ Wildavsky (1987)

◇ Porter (2000)

◇ Porter (1998)

◇ Michael Porter Ted Talk

· [fighting soc sci groupthink; a business perspective]

· businesses should develop locality and solve social problems

· NOT: govt, academics or nonprofits

  `https://www.youtube.com/watch?v=0iIh5YYDR2o`

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and now some social psychology

⋄ basic psychology will help us understand more
   specialized/down-to earth things discussed below

⋄ great books:

· classics of organizational behavior (Natemeyer and
  McMahon, 2001)

· reality is socially constructed (Berger and Luckman, 1966,
  Wildavsky, 1987) (also interesting: Pierson (2000))

groupthink

◇ when you agree on everything it should be a red flag

◇ you may be a victim to groupthink !

◇ groupthink is social conformity in group dynamics

◇ people would follow whatever is the mainline

◇ see also Asch experiments

  http://en.wikipedia.org/wiki/Asch_conformity_experiments

◇ need a fresh blood; bring in somebody from a different
  geographical location or from a different field

◇ otherwise you all gonna start thinking the same way

groupthink

◇ shared illusions, grouppy feelings

◇ a strong need to be loyal to the group

◇ sticking to the policies adopted by the group even if they don't work/have unintended consequences

◇ mental deficiency as a result of group pressures

◇ don't want to question leaders'/colleagues' ideas

◇ no bickering to spoil the cozy 'we-think' atmosphere

◇ as group cohesiveness (feeling accepted by others) increases so does groupthink (you want it to stay that way; be accepted)

◇ any lingering uncertainties: give benefit of the doubt to the group consensus

groupthink

$\diamond$ members of group collectively create rationalizations to discount warnings/negative feedback

$\diamond$ members of the group believe in stereotypes

$\diamond$ and they believe in they morality, they are the good guys; the others, e.g. politicians, policymakers are the bad guys

$\cdot$ and again see Haidt's "Righteous Mind"

illustration: Tienanmen Square

◇ when there were the famous protests in Tienanmen Square (1989)

◇ there was a military/police for some time to supervise the protest

◇ but they were there already for some time so many of them could have gotten in a similar mood with the protesters, or even sympathize with them

◇ the commanders were smart and brought in the military from a far away region to pacify protesters

groupthink—other thoughts

◇ the benefit of groupthing or strong group membership is identity

◇ if you question and disagree too much, at some point you may lose a sense of who you are

◇ groups identify you: say catholic, student, married, etc

◇ also see Fromm ([1941] 1994), Maryanski and Turner (1992):

· escape from freedom=groupthink

· great to free yourself from cages of group-think and membership

· but you pay price: disorientation, losing identity, loneliness, lack of belongigness etc etc

groupthink related: social construction of reality
◇ Berger and Luckman (1966), Wildavsky (1987), Pierson (2000)

◇ reality is socially constructed: people think what others around them think (I live in NY, I am a Democrat, and agree on everything Democarts agree upon)

◇ hence, it is difficult to bring about the change

· somebody mentioned lass class Deliberative Polling: you need to educate people first, otherwise they won't understand what you are doing

◇ and the same thing with path dependency: history tends to repeat itself and changes are not very likely

◇ then it seems, that for a change to happen you need either: a critical mass of new people with new thinking, few but very able leaders; other resources…

outline

phases

◇ data (what is happening?)

◇ goals→projects→plans→details→do something

◇ data again (did it work?)

· remember to break it into small actionable short term tasks

· max impact, the biggest bang for the buck; most projects
  sound reasonable but only few make the biggest difference

◇ buid a movie theather in Camden ? yes, reasonable; build a
  gym ? yes, reasonable...etc etc; but resources are limitied,
  opportunity cost–always need priorities

what is likely to work?

◇ what worked in the past

◇ what is working in other areas

◇ but places are different

◇ make sure that you are comparing areas with similar conditions

◇ and try to make educated guesses about the future (e.g. Ted Talks, The Economist)–nothing is forever: Detroit, Sillicon Valley, etc

◇ important: people overestimate that things will never change (e.g. all empires collapsed, people did not believe even after the fact (Nial Fergusson))

treat causes, not symptoms

◇ putting out fires and making pain less painful is important

· e.g. police crime and provide food for homeless

◇ but it won't fix problems; need to think about underlying causes

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the idea...

◇ figuring out an impact of a program/policy is difficult

◇ you need to exclude alternative explanation (maturation, regression to the mean, etc)

◇ it all boils down to the idea of counterfactual

· that is what would have happened had we not implement the policy

· that is you want to compare after-policy to fictitious without-policy

◇ an example would be new residents after 15k housing incentives in Camden vs no such policy

· e.g. after the policy we may have fewer new residents than before; but had the trend continued we would have even

cost-benefit analysis

◇ most policies sound reasonable and bring some positive effect

◇ but it's not enough

· think how much they cost

· and how much regulatory burden (red tape) they add

· does it work in practice (externalities, pervasive incentives, opportunity cost): e.g. bailout-TBTF

◇ and periodically overview, simplify and standardize

· as you keep on adding things, it becomes unwieldy (US tax system)

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community organizing models

◇ Alinsky model: use a professional organizer

◇ Boston model: contact people and appeal to their self-interest

◇ visioning: imagine desirable future and figure out how to get there

◇ comprehensive-rational planning: analyze data (academic-like)

◇ strategic planning: SWOT (Strengths, Weaknesses, Opportunities, Threats)(e.g. a list in "why did i get married")

◇ appreciative inquiry: identify strengths and successes, focus on the positive

deliberative pooling

◇ first, need to educate people about the issues and only then ask for their opinion

◇ otherwise they don't know whatthey are talking about

◇ Fishkin at Stanford

`http://cdd.stanford.edu/polls/docs/summary/`

be positive and constructive!

◇ don't get into negative groupthink of public policy/adm

◇ use appreciative inquiry:

· identify strengths and focus on those and build on them
  further

◇ there are always some strengths!

◇ e.g. poverty and decline: cheap labor and property, etc etc

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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

· that is a relationship between two variables depends on a variably at a higher level

◇ for instance, religiosity makes people happy in religious nations

◇ usually you want to get to the lowest level possible (you lose information if you aggregate)

◇ but at the same time, don't forget about the macro-level

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)

◇ we talk about cities, counties, states or metropolitan areas

◇ yet did anybody heard about BEA Economic Areas? (Berry and Okulicz-Kozaryn, 2012)

BEA Economic Areas

⋄ the idea is that a unit of analysis should cover a labor market

· take into account commuting patterns

⋄ metropolitan area is closest but not exactly the same

⋄ BEA Economic Areas divide the US into subregions with separate labor markets

⋄ more information here: `http://www.bea.gov/regional/`

maps

◇ state, county, metro, BEA EA

· next to each other `http://www.bea.gov/regional/bearfacts/`

· overlapped `http:`
  `//www.bea.gov/newsreleases/regional/rea/rea1104.htm`

· nice resolution (takes time to load)
  `http://www.bea.gov/regional/_images/ea/econareamap.jpg`

◇ `http://journals.plos.org/plosone/article?id=10.1371/`
  `journal.pone.0166083`

Megalopolis

◇ and there is also an idea of Megalopolis:

◇ Bos-Wash, etc

◇ http://upload.wikimedia.org/wikipedia/commons/9/95/
  Megalopolis.png

◇ http://upload.wikimedia.org/wikipedia/commons/5/51/
  MapofEmergingUSMegaregions.png

◇ http://www.creativeclass.com/_v3/whos_your_
  city/maps/#Mega-Regions_of_North_America

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traditional vs modern

◇ it used to be about the ownership, regulation and management of land and buildings...

· good transportation is important

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

· anti-sprawl, reuse of space, mixed uses (Jacobs, [1961] 1993), walkability

· and LIVABILITY (we will talk about it later)

◇ it's more human than firm friendly

smart growth

◇ 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!)

smart growth

◇ Strengthen and direct development towards existing communities

◇ Provide a variety of transportation choices

◇ Make development decisions predictable, fair, and cost effective

◇ Encourage community and stakeholder collaboration in development decisions

◇ but community and city are polar opposites: Gemeinschaft v Gesselschaft

· see my book: ch. Gemeinschaft/Gesselschaft

outline

a business approach

◇ and now a little of a business approach...

◇ we need some business approach

◇ it is businesses not government that create jobs

· discussion ? anybody disagree ?

· anybody Keynesian ?

cluster definition (p16 Porter, 2000)

◇ A cluster is a geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities.

◇ The geographic scope of clusters ranges from a region, a state, or even a single city to span nearby or neighboring countries (e.g., southern Germany and German-speaking Switzerland).

◇ The geographic scope of a cluster relates to the distance over which informational, transactional, incentive, and other efficiencies occur.

cutting across industries

⋄ so what really is a cluster?

⋄ it is several industries

⋄ not a single industry, but also not a large group like manufacturing/services

⋄ e.g. Massachusetts medical devices cluster: electronic equipment, plastic products, etc

⋄ e.g. Sillicon Valley: programmers, venture capitalists, etc, etc

location matters

$\diamond$ clusters are key for economic development

$\diamond$ and there is a role for local government to support them (crony capitalism?)

$\diamond$ clusters improve productivity by improving access to information and inputs

$\cdot$ facilitate complementaries

$\cdot$ improving incentives and performance measures

M Porter (Porter, 1998)

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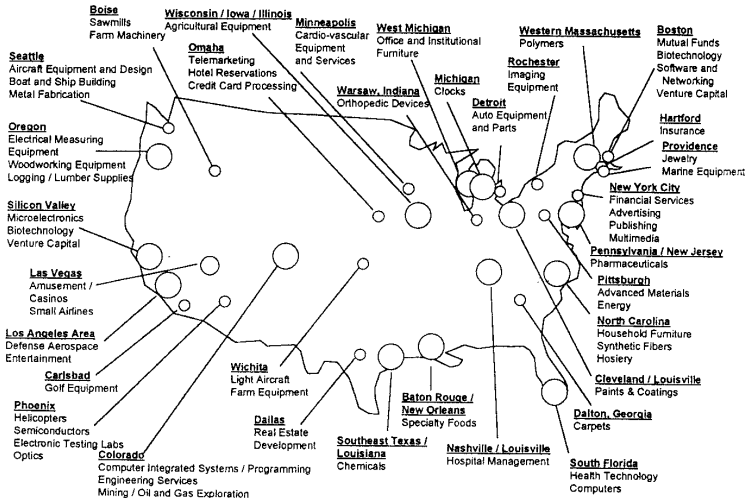
a paradox

◇ 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)

an outcome line

◇ business people:

◇ standard of living/qol/happiness←competitiveness and
  productivity

◇ soc sci/ policy makers:

◇ standard of living/qol/happiness←public policy

◇ we should talk to each under and try to understand...

◇ it's like we are from Venus and they are from Mars

clusters and productivity

$\diamond$ clusters help with productivity: agglomeration economies

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

· access to specialized inputs and employees

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
  creating rigidities that suppress the new

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

role of govt

◇ Porter argues that traditional distinction between laissez faire and intervention is useless

◇ 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!)

clusters and outsourcing

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

◇ but so is the power of clusters and it is overlooked

◇ 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

inequality

◇ in global economy skilled people prosper because larger market and demand for their work

◇ 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)

◇ we should address root causes rather than try to prevent the competitive process

◇ similarly AEI: equality of opportunity instead of welfare

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

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"
   achieve a threshold (a critical mass)

· can subsidize, give tax breaks (but fairness?)

· e.g. Camden Redevelopment Agency is trying that with
   housing giving you $15K in incentives

location of clusters

$\diamond$ they are in the cities

$\diamond$ clusters are based on agglomeration economies, face-to-face exchange of ambiguous information, cooperation

$\diamond$ you need high density for that, many people in one place