

# locality development

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## outline

midterm comments

what is the unit of analysis?

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

clusters (Porter, 2000)

livability and poverty

the best place

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## feedback please

- ◇ impressions ?
- ◇ too easy too difficult?
- ◇ unclear?
- ◇ favorite question?
- ◇ questions you don't like?
- ◇ too much time ? not enough questions ?

# APPAM

◇ who is going for APPAM?

# illegible

- ◇ yes, my handwriting is most likely worse than the average for this class
- ◇ but please try to write in a way that i can read
- ◇ if i cannot read it, i cannot give a credit for it
- ◇ if i say in your blue book: “i cannot read it”, you may read it to me after the class to get more points

## be to the point

- ◇ quality vs quantity
- ◇ the more the better: not true
- ◇ but have a balance—some people are answering with 2 sentences; and some with >5 sentences
- ◇ exercise moderation



## Do you agree with Wirth (1938)

- ◇ impersonal, superficial, transitory, alienation
- ◇ how about suburbs?

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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 variable at a higher level
- ◇ for instance, religiosity makes people happy in religious nations

## level of analysis matters

- ◇ 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://www.bea.gov/regional/_images/ea/econareamap.jpg)

# 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](http://www.creativeclass.com/_v3/whos_your_city/maps/#Mega-Regions_of_North_America)



# US census regions

- ◇ and finally census regions...
- ◇ <http://www.eia.gov/emeu/recs/cendivco.gif>
- ◇ for instance, they are in GSS data

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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, 1993), walkability
  - and LIVABILITY (we will talk about it later)
- ◇ it's more human than firm friendly

## smart growth

- ◇ Mix land uses
- ◇ Take advantage of compact building design
- ◇ Create a range of housing opportunities and choices
- ◇ Create walkable neighborhoods
- ◇ Foster distinctive, attractive communities with a strong sense of place
- ◇ Preserve open space, farmland, natural beauty, and critical environmental areas

## 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

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## 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 ?

## 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

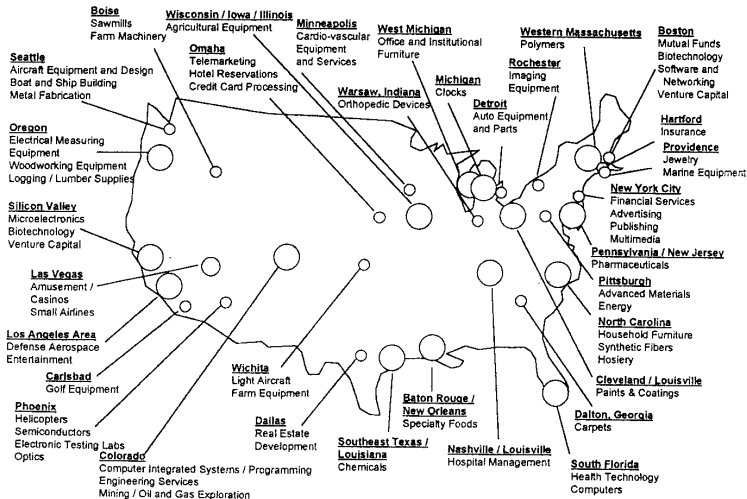
- ◇ so what really is a cluster?
- ◇ it is several industries
- ◇ not a single industry, but also not a large group like manufacturing/services
- ◇ e.g. Massachusetts medical devices cluster: electronic equipment, plastic products, etc

## location matters

- ◇ clusters are key for economic development
- ◇ and there is a role for local government to support them
- ◇ clusters improve productivity by improving access to information and inputs
  - facilitate complementaries
  - improving incentives and performance measures

# 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)

## an outcome line

- ◇ business people:
- ◇ standard of living/happiness < — — competitiveness and productivity
- ◇ soc sci/ policy makers:
- ◇ standard of living/happiness < — — public policy
- ◇ we should talk to each other and try to understand...
- ◇ it's like we are from Venus and they are from Mars

## 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

## 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)

## 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

## schooling/training

- ◇ schooling/training is much about clusters
- ◇ it is local by definition and not tradable
  - unless online...
- ◇ we should teach people skills that they will sell at local cluster
- ◇ e.g. teach medicine/nursing in Camden and get a job at Cooper...

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

## 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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## livability matters

- ◇ QoL: clean air, pleasant climate, nice parks, cultural attractions, etc
- ◇ but there is a difference between subjective and objective livability (Okulicz-Kozaryn, 2011)

## (almost) opposite of livability: poverty

- ◇ and there is this concept of concentrated poverty
- ◇ the idea being that being poor in mostly poor area is worse than just being poor
- ◇ there are negative synergies if many poor people live together
- ◇ the threshold used is 40% (Jargowsky, 1997)
- ◇ at this cutoff there is a big increase in single parent households
- ◇ and risky behaviors (drugs, fatty foods, no seatbelt) are infectious—“I do it because everybody does”

## the poor are rational

- ◇ it makes more sense to engage in risky behaviors if you know your life won't be long and fabulous
- ◇ you simply discount the future: there won't be long future, so live today
- ◇ “live every day as if it were the last”
- ◇ and it is a vicious cycle: more risky behavior, the lower the life expectancy

## lack of control

- ◇ like Sen's capabilities and functionings
- ◇ if you do not have the money, you cannot choose where to live and how to live
- ◇ you are stuck

## commute

- ◇ people are most unhappy during commute (Kahneman)
- ◇ and traffic accidents are a leading cause of death, not crime, for everyone ages 1-24
- ◇ so escaping crime in the inner city does not make you necessarily safer

## jobs

- ◇ jobs depend on networks
- ◇ do you know anybody who got a job without knowing somebody ?
- ◇ in concentrated poverty, most of your network is poor as well
  - they cannot help you
- ◇ and there is a controversial concept of “culture of poverty”
  - the poor have different values from the mainstream
  - they live in present, cannot defer gratification to save money or get education
  - they want happiness now

## bridging vs bonding

- ◇ people in poor areas have bonding soc cap
- ◇ they bond with people, like them, the poor
- ◇ but they lack the bridging social capital
- ◇ knowing people that are different from them
- ◇ and you need the “strength of weak ties”
- ◇ bonding soc cap helps the people to get by
- ◇ but not to get ahead

## underworked vs overworked

- ◇ many people in suburbs are overworked (long hours: lawyers, physicians, 2 jobs to have the suburban lifestyle)
- ◇ and in inner city people are under worked (unemployed, part-time)



# sprawl

◇ it is a waste

- new electricity, sewers, road, water, internet
- and we are abandoning it in the cities
- and we are killing green areas with suburbs

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## what are the best places?

- ◇ as with most things, it depends
- ◇ if you are young and career oriented, then big coastal cities are great: career opportunities, night life
- ◇ if you are older with kids, smaller areas are better: cheap housing, good schools
- ◇ if you are old, South is great—old people don't like cold
- ◇ if you are a company, you want low taxes, good transportation, skilled work force, no labor unions
- ◇ clearly no place matches all these criteria

## rankings

- ◇ best for business Economist' s “Hot Spots: Benchmarking global city competitiveness” <http://www.citigroup.com/citi/citiforcities/pdfs/hotspots.pdf>
- ◇ Economist's Livability  
[http://www.eiu.com/public/thankyou\\_download.aspx?activity=download&campaignid=Liveability2011](http://www.eiu.com/public/thankyou_download.aspx?activity=download&campaignid=Liveability2011)
- ◇ CNBC America's Top States for Business  
[http://www.cnbc.com/id/47818860/Texas\\_Is\\_America\\_s\\_Top\\_State\\_for\\_Business\\_2012](http://www.cnbc.com/id/47818860/Texas_Is_America_s_Top_State_for_Business_2012)
- ◇ Forbes best places to do business  
<http://www.forbes.com/best-places-for-business/list/>