

TRANSFORMING THE URBAN ECONOMY

New York University – Robert F. Wagner Graduate School of Public Service
P11.2452.001 – Fall 2005

Monday, 8:10-9:50 PM
Silver Center, Room 507
Instructor: Mark Newhouse

SUMMARY DESCRIPTION:

This course will examine some of the key drivers of the urban economy, with a particular focus on the ability of public policy to influence the economic development of the city. The course readings and meetings concentrate heavily on the New York metropolitan area, though students are encouraged to understand the economies of other urban areas through course assignments and additional readings.

Students will gain an understanding of both economic theory as well as the applied tools used in the practice of economic development, and the course will seek out case studies of both successful and unsuccessful economic development projects. Many class meetings will feature interviews with professionals involved in economic development in the New York region. Much required reading will be available on-line; other material will be posted on Blackboard, put on reserve at Bobst or made available for purchase at the bookstore.

Students will be required to complete two brief analyses on any two of the 12 main course topics, and one major project. For the major project, students will assume the role of either the head of an economic development agency for a city or metropolitan region, or the head of a fortune 500 corporation. Those who assume the head of an EDA will write an in-depth analysis of the city or region's economy with a specific 5- and 20- year plan for its economic development. Those who assume the role of the head of a major corporation will review and propose recommendations to the firm's location strategy. Ideas on the major project subjects are due in class by October 3 with a brief argument as to why the subject warrants in-depth study. The written report is not to exceed 15 pages. All assignments should reference relevant readings and class discussions, as well as outside research. Forty-five percent of the final grade for this course will be based on the major project; 30 percent on the three short assignments; and 25 percent on class participation.

COURSE OUTLINE:

INTRODUCTION

1. Urban Economics 101 (September 12)

The dawn of human civilization is virtually tied to the birth of the city. Why is the city such an effective economic structure? What drives the economic strength of cities versus more geographically dispersed populations? Are those competitive

advantages assured, or is technology or social or political factors changing this dynamic? What drives the relative economic success among cities? Which resources are most important? What political structures work best? What about urban economies of the 21st century is most in need of “transformation”? What will the big rewards of such transformation be and what are the risks of not doing do? What challenges stand in the way of transformation and how can they be overcome?

Required reading:

- Jacobs, Jane. The Economies of Cities. New York: Vintage, 1970.

Additional reading:

- Fujita, Masahisa, Paul Krugman and Anthony J. Venables. “I - Some Intellectual Background.” The Spatial Economy: Cities, Regions, and International Trade. The MIT Press, 2001.

INPUTS

2. Labor Part I: The highly skilled, highly compensated, -- but highly mobile -- worker (September 19)

Nothing is more important to the economy of a city than its supply of labor. In order for the firm to operate, it must source a qualified and productive workforce – at a cost that is not prohibitive to the firm. Economists debate the cause and effect relationship between firm location and labor location. Do firms decide where it is economically most advantageous to operate, and labor follows? Or does the workforce decide where it wants to live and firms follow labor? Are there industries for which the first is true and others industries for which the second applies? Can cities attract and retain high value-added labor that attracts firms who produce highly specialized goods and services? How can cities respond quickly and effectively to the increasing mobility of firms and people?

Required reading:

- Florida, Richard. The Rise of the Creative Class: And How It's Transforming Work, Leisure, Community and Everyday Life. Basic Books, 2004.
- Nevarez, Leonard. “1: Corporate Power in the New Urban Economy; 2: Centers of the New Industrial Space; 3: Spaces of Lifestyle.” New Money, Nice Town: How Capital Works in the New Urban Economy. Routledge, 2002.

Additional reading:

- Florida, Richard. “Competing in the Age of Talent: Environment, Amenities and the New Economy.” Sacramento Transportation and Air Quality Collaborative. January 2000
(http://www.sactaqc.org/resources/literature/economic_vitality/QofPlace.pdf)

3. Labor Part II: The unskilled, entrenched, under- or unemployed worker (September 26)

In addition to competing for the most talented and productive segment of the labor market, many cities must also contend with a large, relatively immobile population of lower skilled under- or unemployed people. How can cities cope with this segment of the workforce? To what extent does urban poverty drain resources and negatively impact the larger urban economy? How has public policy in the last ten years improved the employability of low-skilled workers? What is the most effective way creating long-term, sustainable wealth creation among the urban poor?

Required reading:

- Wassmer, Robert W. Ed. “Part IV: Race, Employment, and Poverty in Urban Areas.” Readings in Urban Economics. Malden, MA: Blackwell, 2000. 213-278.
- Monastiriotis, Vassilis. “Is Declining Union Density Increasing Regional Inequalities? Trade Unions, Regional Economic Performance, Regional Disparities in the UK.” European Regional Science Association. August 1999. <http://www.ersa.org/ersaconfs/ersa99/Papers/a182.pdf>

Optional reading:

- Bingham, Richard D. The Economies of Central City Neighborhoods. Westview, 2001.

4. Housing and Neighborhoods – Affordability and Preference (October 3)

How does the supply of housing relate to the supply of labor in an urban area, and therefore affect the larger economy? How can a city insure an adequate supply of housing for workers at various income levels? Are there negative economic consequences to public intervention in the housing market? What are the main drivers of location preference? How can cities build neighborhoods where people want to live and work?

Required reading:

- The New Housing Marketplace: Creating Housing for the Next Generation. The City of New York: 2002 <http://www.nyc.gov/html/hpd/pdf/new-marketplace.pdf>
- Wassmer, Robert W. Ed. “Part VI: Urban Public Housing.” Readings in Urban Economics. Malden, MA: Blackwell, 2000. 327-362.
- Beyar, Michael D., and Alex Bond. “Ten Principles for Rebuilding Neighborhood Retail.” Urban Land Institute 2003 (http://research.uli.org?Content?reports?PolicyPapers?PUB_T21.pdf)
- Pressler, Jessica. “Philadelphia Story: The Next Borough.” The New York Times 14 Aug, 2005

Optional reading:

- Kelbaugh, Doug. Repairing the American Metropolis: Common Place Revisited. U. of Washington Press: 2002.

5. Commercial Real Estate (October 10)

Land is a limited and valuable resource in an urban area. A robust urban economy is highly correlated with successful land use. How do cities derive maximum productivity from their real estate? How do cities best balance the need for commercial and industrial real estate with the need for housing? What is the cost-benefit analysis of environmental clean-up, historic preservation and real estate taxes?

Required reading:

- Deutsch, Eric Ed. Group of 35 Final Report: Preparing for the Future: A Commercial Development Strategy for New York City. Taub Urban Research Center New York University, 2001 <http://urban.nyu.edu/g35/index.html>
- Kelly, Hugh F. The New York Regional and Downtown Office Market: History and Prospects after 9/11. Civic Alliance, 2002 <http://www.civic-alliance.org/pdf/econdev-book.pdf>
- Remodeling the Fashion District, Fashion Center Business Improvement District. The Fashion Center New York City, 2003 <http://www.fashioncenter.com/REALESTATE/RemodelingTFC.pdf>
- New York City Industrial Policy: Protecting and Growing New York City's Industrial Job Base. The City of New York, 2005 <http://www.nyc.gov/html/sbs/pdf/articles/whitepaper.pdf>

6. Transportation Infrastructure (October 17)

Adequate transportation infrastructure to move people goods and information is critical to the economy of any place. How do cities plan for and prioritize various investments – for example, the need to move goods and people into and out of the city with the need to move them throughout the city? Can the value of increased commuting times, delivery times or airport transfer times be measured financially? How should infrastructure projects be financed?

Required reading:

- Transportation Choices and the Future of the New York City Economy, 2003-2004. Partnership for New York City. http://www.partnershipfornyc.com/PDF/PFNYC_TransportationStudy.pdf
- Telecommunications and Economic Development in New York City: A Plan for Action. NYC Economic Development Corporation, March 2005 http://www.nycedc.com/about_us/TelecomPlanMarch2005.pdf

THE ENVIRONMENT

7. Social - Ethnic and Cultural Diversity (October 24)

Is there greater ethnic and cultural diversity in cities than in society as a whole, and if so, what is magnitude of such diversity? What drives urban cultural diversity, and does it in turn have a positive impact on the urban economy? Can cities “engineer” greater cultural diversity, and if so, how?

Required reading:

- The Newest New Yorkers 2000. New York City Department of City Planning, 2000 <http://www.nyc.gov/html/dcp/html/census/nny.shtml>
- Gawker <http://www.gawker.com/>
- Superfuture <http://superfuture.com/city/home/>
- Gridskipper <http://www.gridskipper.com/>

Optional reading:

- Rath, Jan. Immigrant Businesses: The Economic, Political and Social Environment. MacMillan Pub. Ltd. 2000.

8. Political – Regionalism (October 31)

Cities are distinct political entities, but they often function economically as part of a larger region that crosses political boundaries. Are there ways for the region to organize successfully, acquire resources and transcend the internal political boundaries for greater overall economic benefit? What happens when the political interests of a city and the other parts of the economic region are not aligned? What impact does different tax policy in a region have?

Required reading:

- Wassmer, Robert W. Ed. “Part II: Location, Land Use and Urban Sprawl ,” Readings in Urban Economics. Malden, MA: Blackwell, 2000. 57-148.
- Florida, Richard, Robert Gleeson and Donald F. Smith, Jr. “Benchmarking Economic Development: Regional Strategy in Silicon Valley, Austin, Seattle, Oregon and Cleveland.” Carnegie Mellon Heinz School. September 1993 <http://www.heinz.cmu.edu/wpapers/retrievePDF?id=1994-30>

9. Technological – Opportunity or Threat? (November 7)

How has information technology impacted the relevance of cities? Do firms and workers need to cluster geographically in the same way to be productive? Has technology empowered the individual economically in such a way that he or she is less dependent on the urban economy? Has the wide availability of “terrorist technologies” fundamentally threatened the long-term economic dominance of cities?

Required reading:

- Freidman, Thomas. The World is Flat: A Brief History of the 21st Century. Farrar, Straus and Giroux, 2005
- Sawhney, Mohan. Technology and Outsourcing: How Should US Cities Respond? CEOs for Cities National Meeting, May 2004.
<http://www.ceosforcities.org/research/2004/technology/index.htm>
- Werbach, Kevin. Radio Revolution: The Coming Age of Unlicensed Wireless. New America Foundation, December 2003
http://www.newamerica.net/Download_Docs/pdfs/Pub_File_1427_1.pdf

ECONOMIC DEVELOPMENT

10. A Sectoral Approach to Economic Development (November 14)

Are there certain industry sectors that thrive in cities – and in particular cities? Which are they, and why are cities so conducive to their flourishing? Can cities grow particular sectors over the long term? What does a sectoral approach to economic development look like? This session will pay particular attention to the biotechnology sector, which is currently in the crosshairs of many regional economic developers. The arguments to locate biotech in one region or another often sound similar: Who really has the upper hand and how big will biotech be in any regional economy?

Required reading:

- Cortright, Joseph and Heike Mayer. Signs of Life: The Growth of Biotechnology Centers in the U.S. Brookings Institution, June 2002
<http://www.brookings.org/es/urban/publications/biotech.pdf>
- Bay Area Life Science Strategic Action Plan. Bay Area Council, December 2002
<http://www.bayareacouncil.org/site/pp.asp?c=dkLRK7MMIqG&b=487985#report>
- “America’s New Biotechnology Center.” Innovation Philadelphia. Spring/Summer 2005
<http://www.ipphila.com/index.cfm/fuseaction/document.detail/documentID/103/>
- New York City Bioscience Initiative. New York City Investment Fund and New York City Economic Development Corporation. www.nycbiotech.org
 - Varmus, Harold. “The DNA of a New Industry.” The New York Times. 24 Sept. 2002
<http://www.nycbiotech.org/pdfs/NYtimesarticle.pdf>

Optional reading:

- Porter, Michael et. Al. San Diego: Clusters of Innovation. Council on Competitiveness, May 2001, pp.23-94
http://www.compete.org/pdf/sandiego_final.pdf

11. Corporate Site Selection Decision-making (November 28)

What drives the site selection of the firm? How important is tax policy versus access to capital, labor and markets? Should cities try and influence site selection in the near term? If so, what can cities do to best attract and retain these firms, and when does the return on investment go from positive to negative?

Reading:

- Wassmer, Robert W. Ed. "Part III: Local Economic Development Incentives," Readings in Urban Economics. Malden, MA: Blackwell, 2000. 149-168 and 176-212.
- Bondonio, Daniele and John Engberg. Enterprise Zones and Local Employment: Evidence from the States' Programs. Heinz School of Public Policy and Management, Carnegie Mellon University. June 1999 <http://lost-contact.mit.edu/afs/sipb/user/kolya/afs/root.afs/andrew.cmu.edu/heinz/wpapers/1999-13.pdf>
- LeRoy, Greg. The Great American Jobs Scam: Corporate Tax Dodging and the Myth of Job Creation. Berrett-Koehler Publishers, 2005.

12. Universities and Technology Transfer (December 5)

How do universities contribute to the urban economy? Are universities a major source of commercial innovation? What tactics have been used most successfully to transfer learning and innovation from academia to the marketplace, while keeping it in the same geographical place?

Required reading:

- Engines of Economic Growth: The Economic Impact of Boston's Eight Research Universities on the Metropolitan Boston Area Economy. The Association of Independent Colleges & Universities in Massachusetts. March 2003 <http://www.masscolleges.org/Economic>
- Leveraging Colleges and Universities for Urban Economic Revitalization: An Action Agenda. CEOs for Cities and Initiative for a Competitive Inner City. Spring 2002 http://www.ceosforcities.org/research/2002/leveraging_colleges/index.htm

13. The Arts, Culture and Tourism (December 12)

What is the economic impact of the arts? Do cities attract artists and generate more art than other places? What can planners do to attract and retain artists? What is the relationship between the arts and tourism? How important is tourism to the urban economy? Do the economics of major tourism-related developments like stadiums and convention centers work? Do convention and visitors' bureaus work? How much should cities be investing in them?

Required reading:

- The Economic Impact of the Arts on New York City and New York State. Alliance for the Arts. 1997 <http://allianceforarts.org/>
- The Creative Engine: How Arts and Culture is Fueling Economic Growth in New York City Neighborhoods. Center for an Urban Future. November 2002 http://www.citylimits.org/images_pdfs/pdfs/CUFArtsReport1118.pdf
- Wassmer, Robert W. Ed. "Part III: Local Economic Development Incentives, 15 Sports, Jobs and Taxes: Are New Stadiums Worth the Cost?" Readings in Urban Economics. Malden, MA: Blackwell, 2000. 169-175.

ADDITIONAL RESOURCES:

Brookings Institution www.brook.edu

Carnegie Mellon Center for Economic Development www.smartpolicy.org

CEOs for Cities www.ceosforcities.org

Council on Competitiveness www.compete.org

Institute for a Competitive Inner City www.icic.org

International Downtown Association www.ida.org

International Economic Development Council www.iedconline.org

London Development Agency www.lda.gov.uk

National Congress for Community Economic Development www.ncced.org

New York State Economic Development Council www.nycedc.org

Regional Plan Association www.rpa.org

The Richard Florida Creativity Group www.creativeclass.org

Urban Age <http://www.urban-age.net/index.html>

Urban Institute www.urban.org

Urban Land Institute www.uli.org