

PLAN/POLS 4701/5701

SUSTAINABLE ECONOMIC

DEVELOPMENT

Ric Kolenda

Overview

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- Midterm Review
- The Creative Class Theory
- Competing in the Age of Talent
- The Economic Geography of Talent
- Three Critiques
 - ▣ Edward Glaeser
 - ▣ Jamie Peck
 - ▣ Mary Donegan, et al.

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Midterm Review

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- Overall distribution
- Highlights
- Challenges
 - ▣ Calculating LQ & Shift Share

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Location Quotient (LQ)

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▣ Formula: $LQ = (e_i/e) / (E_i/E)$

where:

e_i = local employment in industry

e = total local employment

E_i = national employment in industry

E = total national employment

■ (see Blakely & Leigh, pp. 167-179 or
Blakely & Bradshaw pp. 122-126)

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Shift Share Analysis

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- Overall (national) economic growth
 - + Proportional Shift
 - + Differential Shift
- National economic growth = $(ref10/ref00 - 1.0)$
 - ▣ 2000-2010 national employment growth in all industries
- Proportional Shift = $emp10_i/emp00_i - ref10/ref00^*$
 - ▣ 2000-2010 national employment growth in a specific industry i minus national economic growth
- Differential Shift = $loc10_i/loc00_i - emp10_i/emp00_i$
 - ▣ Local employment growth in i minus national employment growth in i
- where:
 - ▣ $ref00$ = 2000 employment in reference economy
 - ▣ $ref10$ = 2010 employment in reference economy
 - ▣ $emp00i$ = 2000 emp. in industry i in ref. economy
 - ▣ $emp10i$ = 2010 emp. in industry i in ref. economy
 - ▣ $loc00i$ = 2000 emp. in industry i in local economy
 - ▣ $loc10i$ = 2010 emp. in industry i in local economy

(see Blakely & Leigh, pp. 181-183 or Blakely & Bradshaw pp. 127-131)

*Note typo in book formula; this one is correct.

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Cluster Analysis

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- Cluster is a network of interrelated firms that
 - ▣ Are geographically concentrated in a particular region;
 - ▣ Gain competitive advantage because of their proximity to each other in the region;
 - ▣ Share specialized supplier and buyer (marketing) advantages because of their location;
 - ▣ Supported by advantageous infrastructure in the region, such as physical resources (e.g. a port or access to minerals), educational and research advantages (e.g. universities), financial institutions (e.g. venture capital), labor advantages (e.g. training programs).

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Identifying Clusters

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- As much an art as a sciences
- Requires quantitative and qualitative analyses
 - ▣ Step 1: Identify concentrated & competitive industries
 - ▣ Step 2: Refine the cluster
 - ▣ Step 3: Identify areas of competitive advantage
 - ▣ Step 4: Identify local infrastructure advantages

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Step 1: Identify concentrated & competitive industries

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Not Competitive (Declining) Differential Shift < 0	Competitive (Growing) Differential Shift > 0	
Transforming Industries	Growing Base Industries	High Local Concentration LQ > 1
Declining Industries	Emerging Industries	Low Local Concentration LQ < 1

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Step 2: Refine the cluster

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- ❑ Eliminate non-export industries (e.g., construction)
- ❑ Eliminate general support industries (e.g., transportation and utilities)
- ❑ Eliminate industries dominated by a single firm

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Step 3: Identify areas of competitive advantage

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- Industries sharing local supply & marketing chains
 - ▣ Use input-output tables
- Specialized infrastructure advantage
 - ▣ E.g., tool & die for auto; sewing firms for fashion

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Step 4: Identify local infrastructure advantages

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- Examine nature & presence of specialized local infrastructure
- Examples include:
 - ▣ Military markets for defense industry
 - ▣ Ports & transportation networks
 - ▣ Telecommunications/Internet infrastructure

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Using Clusters

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- Specialized infrastructure strategies – build the infrastructure that supports the core firms, their suppliers, and marketing.
- Missing link strategies – identify gaps in supply and marketing linkages and generate the information for potential firms.
- Human resource strategies – increase the skill and training available to works in order to maintain/attract a competent workforce.
- Marketing strategies – publicize, branding, identify and promote clusters.
 - Los Angeles – Entertainment Capital of the World
 - Seattle – Coffee Capital of the World
 - Tampa (Ybor City) – Cigar Capital of the World

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The Creative Class Theory

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- The “3 Ts”
 - ▣ Technology
 - ▣ Talent
 - ▣ Tolerance
- Defining the Creative Class
 - ▣ Creative Core
 - ▣ Creative Professionals
- The Creativity Index

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The Creative Class

- Who are they? – “a class of workers whose job is to create meaningful new forms”
- Creative core: “includes people in design, education, arts, music and entertainment, whose economic function is to create new ideas, new technology and/or creative content”
- Creative professionals: “knowledge intensive professionals, main job is to think and to create new standard approaches for fixing the problem at hand”
- 30% of workforce in America

Creative Occupational Codes

- Census Standard Occupation Code (SOC)
 - ▣ Management Occupations
 - ▣ Business and financial operations occupations
 - ▣ Computer and mathematical occupations
 - ▣ Architecture and engineering occupations
 - ▣ Life, physical and social science occupations
 - ▣ Education, training and library occupations
 - ▣ Arts, design, entertainment, sports and media occupations
 - ▣ Sales and related occupations
- <http://www.ers.usda.gov/Data/CreativeClassCodes/methods.htm>

The Creativity Index

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- 4 equally weighted factors:
 - ▣ Creative Class share of the workforce
 - ▣ High-Tech Index (Milken's Tech-Pole Index)
 - ▣ Innovation, measured as patents per capita
 - ▣ Diversity, measured by the Gay Index
- Updated in 2004 with more sophisticated measures

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Large City Creativity Ranking

Top (2002*)	Bottom (2002*)
1. San Francisco	40. Providence
2. Austin	41. Greensboro
3. San Diego	42. New Orleans
3. Boston	43. Oklahoma City
5. Seattle	44. Grand Rapids
6. Raleigh-Durham	45. Louisville
7. Houston	46. Buffalo
8. Washington	47. Las Vegas
9. New York	48. Norfolk, VA
10. Dallas	49. Memphis
10. Minneapolis	

Large City Creativity Ranking (2004)

Top (2002)	Revised (2004*)	Bottom (2002)	Revised (2004*)
1. San Francisco	1. Austin	40. Providence	113. Norfolk, VA
2. Austin	2. San Francisco	41. Greensboro	118. Cleveland
3. San Diego	3. Seattle	42. New Orleans	124. Milwaukee
3. Boston	5. Boston	43. Oklahoma City	131. Grand Rapids
5. Seattle	6. Raleigh-Durham	44. Grand Rapids	132. Memphis
6. Raleigh-Durham	7. Portland, OR	45. Louisville	143. Jacksonville
7. Houston	10. Minneapolis	46. Buffalo	145. Greensboro
8. Washington	11. Washington	47. Las Vegas	147. New Orleans
9. New York	13. Sacramento	48. Norfolk, VA	150. Buffalo
10. Dallas	14. Denver	49. Memphis	171. Louisville
10. Minneapolis	15. Atlanta		

Where do they go?

- ❑ low-barriers to entry: plug-and-go communities
- ❑ Employment opportunities
- ❑ Diversity and quality of place
- ❑ Multi-dimensional experiences, value “indigenous street-life culture” over big-box development
- ❑ Authenticity and uniqueness

Policies to Attract Talent?

- ❑ Downtown malls and stadiums?
- ❑ Silicon Valley and research parks?
- ❑ Tax incentives to attract businesses?
- ❑ Build people climate: emphasize openness and diversity and reinforce low barriers to entry;
- ❑ Policies towards immigrants and bohemians, vs. stable families with children;
- ❑ Lifestyle amenities.

Competing in the Age of Talent

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- Attracting Human Capital = Regional Advantage
- Low Cost vs. High Quality
- Environmental Amenities
- Urban Amenities

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What Does Talent Want?

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- ?
- ?
- ?
- ?
- ?
- ?

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What Does Talent Want?

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- Salary (1 percentage pt. per % salary increase)
- Quality of Life (33 percentage pts.)
- Proximity to Family & Friends (19 percentage pts.)
- Benefits (17 percentage pts.)
- Stock Options (14 percentage pts.)
- Established Companies (7 percentage pts.)

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Greening the Rust Belt

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- Chattanooga & Burlington, VT
 - ▣ Industrial towns transformed
- Cleveland
 - ▣ Innovative brownfield redevelopment
- Braddock, PA
 - ▣ Urban Agriculture, Levi's Ads & the "Colbert Bump"



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Why “Keep Austin Weird?”

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- Mix of Environmental & Urban Amenities
- “Lifestyle” Appeal
- Threats
 - ▣ Sprawl
 - ▣ Cost of living
 - ▣ Need for planning
- Similar efforts in Portland, Athens, etc.



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The Economic Geography of Talent

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- ❑ Talent not endogenous
- ❑ Regions need to produce, attract, & retain talent
- ❑ Diversity (low barriers to entrance for human capital) is key
- ❑ Invest in “People Climate” as well as Business Climate

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Diversity

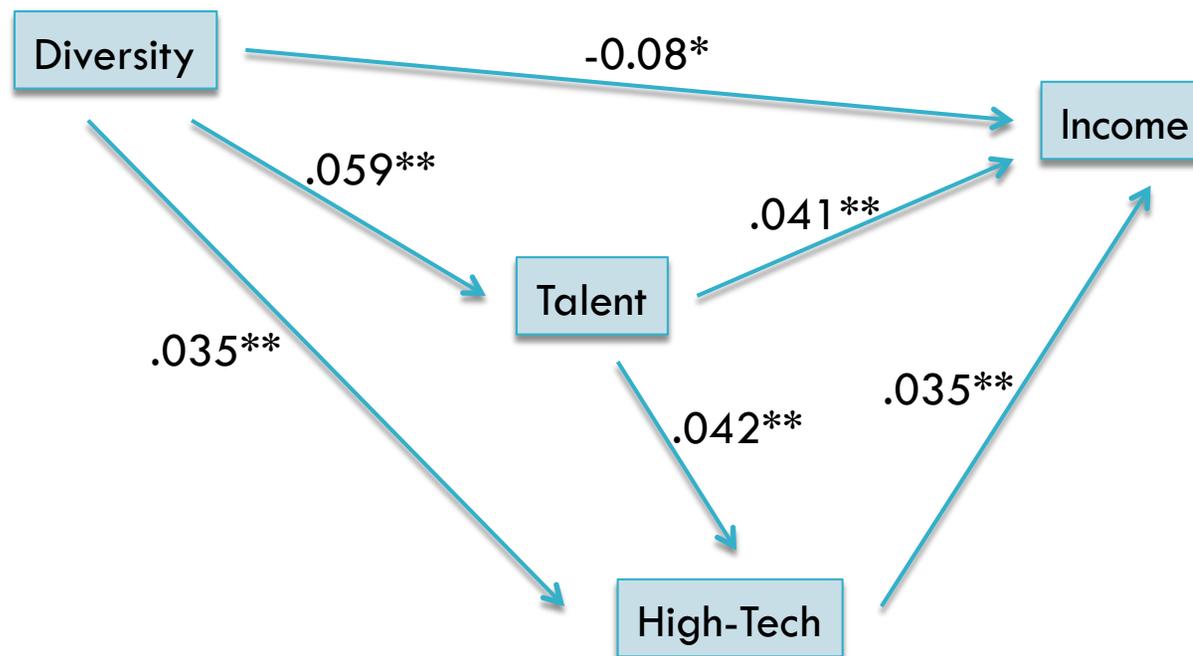
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- Two types:
 - ▣ Economic Diversity (firms, industries, etc.)
 - ▣ Cultural Diversity (tolerance)
- Focus on the latter

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Results – Path Analysis

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Three Critiques

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- Edward Glaeser (2005)
- Jamie Peck (2005)
- Mary Donegan, et al. (2008)

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Edward Glaeser (2005)

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- General Agreement on:
 - ▣ Importance of lifestyle/occupational match
 - ▣ Cities must offer consumption advantages
- Doubts about Prescriptions
- Human Capital vs. “Creative Capital”
- Little Evidence for Diversity-Driven Growth
 - ▣ See regression analysis

“It is only when Florida tries to distinguish his theory from the mainstream of urban research that he seems a little off.”

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Jamie Peck (2005)

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- Rate of adoption (even then)
- Imprecision of Measures
- Lacks Causal Mechanisms

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Mary Donegan, et al. (2008)

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- Three Ts \neq Economic Growth
- Traditional Measures Superior
 - ▣ Education
 - ▣ Business creation
 - ▣ Industrial diversity
- Overlap between the 2 approaches?

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Florida's Response to Critics

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- To Everyone
 - ▣ Exploratory, not confirmatory
- To Conservative Social Critics
 - ▣ Exasperated & flabbergasted
- To Traditionalists
 - ▣ “Squelchers”
 - ▣ Florida, Mellander & Stolarick, 2008
- To the Left
 - ▣ No “naïve optimism”
 - ▣ Concern for inequality

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Response to Glaeser

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- Agree on Human Capital & skills vs. education
- Ask not just “how,” but “why”
 - ▣ Indirect, not direct, effect of diversity
- Variation in impact *vis-à-vis* size of MSA
- Best measure of growth (income?)
- Implications for planning
 - ▣ Welcome all, not just “bohemians”

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Inside the Black Box... (2008)

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- Human Capital (Education) vs. Creative Skills
 - ▣ Different but complimentary affects
- Certain occupations better than others
 - ▣ Esp. computer science, engineering, management, & business & financial operations
- Tolerance significantly associated with human capital and the creative class
- Cultural economy has direct & indirect relationships to development

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