

UNIVERSITY OF WISCONSIN - MADISON
Urban & Regional Planning/Economics/LaFollette School of Public Policy

URPL/Econ/LaF 734 - Regional Economic Problem Analysis.
Fall, 2011

This course focuses on the economics of regional change. With equal emphasis on theoretical foundations and empirical applications, we will analyze contemporary regional economic problems. This analytical basis will then be used to understand, contrast, inform, and critique alternative public policy choices as they affect change in regional economic, social, and environmental conditions.

Instructor contact information: Professor David W. Marcouiller, Ph.D.
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Scheduled meeting time: Monday, Wednesday, 5:30 - 6:45 p.m.

Class meeting location: 208 Old Music Hall

Office location and hours: 101 Old Music Hall; Monday and Wednesday: 3:00 p.m. – 4:00 p.m.

Course objectives/intent: Understanding regional economic theory, analytical techniques, and relevant impacts of policy are central to understanding local economic, social, and environmental problems. These three components (regional theory, analytic technique, and policy impact) provide the basis for key course objectives. At the end of this course, students will better understand the theoretical basis of regional science, be able to outline and apply basic regional analytical tools, and more fully describe relevant consequences of regional policies that target economic, social, and environmental change.

Course requirements: In addition to student participation during lectures, there are four primary requirements of this course that, when combined, will determine student grades. These include:

work assignments (30 percent): A total of 3 (three) work assignments are scheduled. The intent of these assignments is to (1) reinforce basic course content (2) expose students to technical writing common to the practice of development planning and regional policy analysis, and (3) work with regional datasets & models for their acquisition, organization, analysis, and verification. Each assignment will be equally weighted and will be worth 10 percent of the final grade.

midterm examinations (40 percent): There will be two midterm examinations (scheduled for Wednesday, September 28 and Wednesday, November 2) that will evaluate the student's understanding of course content and material studied to-date. Midterms will be worth 15% (MT1) and 25% (MT2) respectively.

final examination (10 percent): The final exam will NOT be comprehensive and will focus on content covered during the final third of the course.

research article (20 percent): The research article you will write for this class will be a focused term paper describing some directed assessment of a regional economic problem of your choosing. In length, this research article should be no more than 4000 words and MUST (1) be tied to some theoretical foundation of regional science, (2) contain some empirical data and analysis, and (3) be related to some program or policy. More information on the research article is forthcoming. A draft abstract describing your chosen topic will be due Monday, October 3 and draft introduction/literature review due Wednesday, November 9; final completed research note due Monday, December 19.

Learning materials

We will be using a variety of media to assist with student understanding of course topics. Whenever possible, we will be accessing material readily available on the web. Three primary learning materials will be used in this class ... they include:

1. **Textbook** ... students are required to purchase the following textbook:

Shaffer, Ron, Steve Deller, and Dave Marcouiller. 2004. *Community Economics: Linking Theory and Practice*. Second Edition. Blackwell Publishing. Available at UBS or online at various locations and prices (note: author royalties are donated to the MD/ALS Foundation).

2. **On-line Resources:**

The Web Book of Regional Science ...

available online at http://rri.wvu.edu/web_book (indicated in outline as WBRS)

The Public Broadcasting Service ...

we will access material available for viewing online documentaries at: <http://www.pbs.org/>

The Journal of Regional Analysis and Policy ...

available online at: <http://www.jrap-journal.org/> (indicated in outline as JRAP)

And other online resources as assigned.

Organization of Course

- I. A conceptual basis for analyzing regional economic problems
Economic growth theory, income disparity (inter- and intra-region), and economic restructuring
- II. Regional science techniques and applications
Descriptive approaches of regional economic problem analysis
Inferential approaches of regional economic problem analysis
- III. Regional factor markets and public policy
Traditional factors of production (land, labor, and capital) and contemporary additional factors of production (technology, management, amenities, and public goods)
- IV. Linking regional analysis to policy and planning

Course Outline

Week 1 (September 7)

Overview of course, schedule, expectations

Introduction to regional economic problem analysis

A circular flow framework for understanding regional economic linkages

Assignment:

Pay attention to President Obama's speech tomorrow night - jobs, jobs, jobs

Watch two of these Frontline episodes (at <http://www.pbs.org/wgbh/pages/frontline/view/>):

Obama's Deal (April 13, 2010) - healthcare

The Card Game (November 24, 2009) - the consumer loan industry

The Warning (October 20, 2009) - early warnings of impending collapse

Breaking the Bank (June 16, 2009) - the U.S. financial crisis

The Madoff Affair (May 12, 2009) - a global Ponzi scheme

Ten Trillion and Counting (March 24, 2009) - the U.S. debt

Inside the Meltdown (February 17, 2009) - self-explanatory

Secret History of the Credit Card (November 23, 2004) - another consumer loan classic

Week 2 (September 12, 14)

Historical overview of economic thought relevant to regional issues

Historical perspective of regional science

Regional data, policy analysis, politics and decision-making

Reading assignment:

Chapter 1 of textbook (pp. 1-8)

Chapter 4 of textbook (pp. 59-61)

Chapter 12 of textbook (pp. 202-223)

A. REGIONAL ECONOMIC PROBLEMS

Week 3 (September 19, 21)

Economic growth versus economic development

distributional aspects of economic growth and change (income convergence and divergence)

equity, efficiency, and market failures/externalities

Our understanding of regional economic growth:

stages of development theory, neoclassical economic thought, new (endogenous) growth theory

Reading assignment:

Chapter 1 of textbook (pp. 8-19)

Chapter 2 of textbook (pp. 20-37)

WBRS. *Industrial and Regional Clusters: Concepts and Comparative Applications* by Edward M.

Bergman and Edward J. Feser

JRAP. *The Income Distribution Effect of Natural Disasters: An Analysis of Hurricane Katrina* 40(1): 84-

95 by Tim Shaughnessy, Mary White, and Mike Brendler

Week 4 (September 26, 28)

Location theory and regional economic problem analysis

firm location and agglomeration effects

regional competitive advantage and the Porter approach; regional comparative advantage

economic diversity versus specialization

Consequences of agglomeration

regional income disparities: convergence versus divergence

lagging regions and rural resource dependency

Reading assignment:

Chapter 3 of textbook (pp. 38-58)

JRAP. *Regional Economic Diversity: Action, Concept, or State of Confusion* 30(2): 1-22 by J. Wagner.

Work assignment #1 - (due Monday, September 26)

Midterm examination - September 28

B. METHODS OF REGIONAL ECONOMIC PROBLEM ANALYSIS

Week 5 (October 3, 5)

Descriptive tools of regional economic problem analysis

community retail and service sector assessments

gravity models of location, GIS and trade area analysis

Reading assignment:

Chapter 14 of textbook (pp. 258-281)

DRAFT Abstract of research note due Monday, October 3.

Week 6 (October 10, 12)

Descriptive tools (continued)

export base tools (location quotient, minimum requirements, and applications)

shift-share analysis

Guest Lecturers: Bill Ryan and/or Matt Kures, UWEX Ctr. for Community and Economic Development

Reading assignment:

Chapter 14 of textbook (pp. 258-281)

Week 7 (October 17, 19)

Inferential tools of regional economic problem analysis

Fixed-price models:

input output analysis (history and underlying macroeconomics)

components of the I/O table (demand and supply); partitive vs. holistic accuracy in I/O tables.

regional aspects of input-output analysis, trade flows, regional balances, etc.

Reading assignment:

Chapter 15 of textbook (pp. 282- 301)

WBRS. *Regional Impact Models; 2010 Revision* by William Shaffer

Week 8 (October 24, 26)

Review of the predictive model, general caveats, and common sense assessments
alternative regional modeling tools, applications, and extensions of input-output framework
Inferential tools, fixed-price (continued)
income distribution and shortcomings of input-output analysis
social accounting matrices & applications to regional modeling

Reading assignment:

Chapter 15 of textbook (pp. 282-301)

Work assignment #2 (due Monday, October 31)

Week 9 (October 31, November 2)

Price endogenous models:
regional computable general equilibrium models
Econometric models and spatial data
introduction to econometrics as an alternative modeling tool
conjoined I/O – Econometric approaches to regional analysis
econometric modeling of regional economic growth

Reading assignment:

Chapter 16 of textbook (pp. 302-315)

WBRS. *Spatial Econometrics* by James LeSage

JRAP *Regression Analysis of Spatial Data* 27(2): 83-94 by James P. LeSage

Midterm examination – Wednesday, November 2

C. ASSESSMENT OF REGIONAL FACTOR MARKETS

Week 10 (November 7, 9)

Technology and Innovation
Capital markets - introduction
Guest Lecturer: Knut Ingar Westeren, Professor of Economics, Organization and Management, HiNT
The knowledge economy and regional economic change

Reading assignment:

Chapter 7 of textbook (pp. 123-140)

Chapter 8 of textbook (pp. 141-152)

JRAP *Special Issue on the Knowledge Economy* 38(2): 96-205; 9 articles by various authors.

DRAFT Introduction and Literature Review to research note due Wednesday, Nov. 9.

Week 11 (November 14, 16)

Capital markets
migration and mobility of capital
alternative forms of capital (financial, public, environmental, human)

Reading assignment:

Chapter 7 of textbook (pp. 123-140)

Week 12 (November 21, 23) – Thanksgiving Week

Labor market issues

Migration of labor

Employment, labor productivity, and income distribution

Reading assignment:

Chapter 6 of textbook (pp. 102-122)

WBRS. *Migration and Local Labor Markets* by Stephan Goetz

Week 13 (November 28, 30)

Land markets

supply and demand characteristics of land

the concept of land rent

Spatial array of land uses and urban form

Reading assignment:

Chapter 5 of textbook (pp. 79-91)

WBRS. *Analysis of Land Use Change: Theoretical and Modeling Approaches* by Helen Briassoulis

Week 14 (December 5, 7)

Land value and urban form

Dealing with “sprawl” as a planning focus

Urban sprawl: an economic critique

Rural sprawl and the process of exurbanization

Economic aspects of land use planning

Land-based resources as a factor of production

Reading assignment:

Chapter 5 of textbook (pp. 91- 101)

Chapter 9 of textbook (pp. 153-166)

Chapter 13 - *Planners Guide to Natural Resource Conservation* (2009)

Week 15 (December 12, 14)

Regional non-marketed goods and services

Supply of natural amenities

Key amenity linkages to planning and public policy

Regional economic problem analysis: Linking theory and practice

The methods section of the AICP certification exam

Course review

Reading assignment:

Chapters 10 (pp. 167-183), 11 (pp. 184-201), 13 (pp. 224-257), and 17 (pp. 316-329) of textbook

Chapters 2, 10, 19 - *Amenities and Rural Development* (2005)

AICP Exam Materials

Work assignment #3 (due Wednesday, December 14)

Research Note DUE Monday, December 19

Final Examination to be scheduled during Summary Period (December 17-23)