Economic development is one of today’s most pressing policy concerns. Federal, state and local decision-makers are keenly interested in job and income creation; goals that are particularly important in rural and poor places. However, there are competing beliefs about what, if anything, government can do to foster local economic growth. Furthermore, there are often concerns that some “pro-growth policies” can have substantial negative effects on a region. In this course we will study regional development, looking at both its causes and consequences.

Theoretical and empirical regional development models will serve as the course’s base. We will examine how a region’s growth is affected by local characteristics, such as its endowment of natural resources and human and physical capital. We will also look at how regional growth is affected by technological change, the spatial concentration of economic activity, and national trends. Recognizing that non-economic factors can influence growth, we will carefully study the effect of public policy, institutions, law, geography, and culture.

Because growth invariably has “winners” and “losers,” special attention will be given to its distributional impacts. In this context, we will examine growth’s relationship with migration, unemployment, poverty, and other measures of well-being. Additionally, growth’s inter-relationship with the environment will be an important subject.

While the course will have a rich theoretical foundation, the course is really about policy. Accordingly, extensive time will be devoted to problem formulation and analytical methods. To this end, one of the primary objectives is for students to strengthen their ability to frame, analyze, discuss and argue “real world” issues, using both quantitative and qualitative methods. To further ground the class in reality, outside speakers will address current issues and challenges in economic development policy-making.

Due to the material, some classes will be primarily a “lecture,” while other classes will be discussion oriented. Regardless of topic or format, you are expected to be prepared! You will be evaluated based on two in-course team presentations, occasional homework assignments and a take home final exam. Pre-requisites include a good understanding of micro-economic theory and statistics, especially regression models.
Office Hours

Tuesday and Thursday: 10:00-11:30.

Attendance

Expected and encouraged.

Readings

Readings will be distributed one week before class. Most are available on the internet. If not, they will be emailed to you.

Student Evaluation

Take home final exam: 30 percent. You will have one to complete this and it will be due the last of scheduled classes.

In class presentations: 40 percent. You are expected to participate in two in-class paper presentations. Details will be provided in class.

Homework: 30 percent. I expect thoughtful and full attention to homework assignments.

Outline

1. Regional economics
   a. Defining
   b. Measuring regional economies
   c. Growth and/versus development
2. Microeconomics of regional growth and the formation of cities
   a. Firm location
      i. Agglomeration
      ii. Taxes
      iii. Labor
   b. Household location
      i. Wages and amenities
      ii. Spatial labor mismatch
3. Macroeconomics of regional growth and spatial income differences
   a. Economic growth models
      i. Export base model (static model of North and Tiebout)
      ii. Neoclassical growth model (Solow)
      iii. Endogenous growth model (Romer)
      iv. New economic geography (Krugman)
4. Topics in regional economics
   a. Entrepreneurship
   b. Housing (and housing bubbles)
   c. Economic growth and income distribution
   d. Economic growth and the environment
1. Introduction—
   a. The role of space in economics
   b. Defining regional economics and regions:
   c. Describing an economy

*William A. Schaffer. 2010. Chapter 1: Place and Space
  Chapter 2: What is a Region? Web Book of Regional Science:
  http://rri.wvu.edu/WebBook/Schaffer/Chapters%201&2%20S10%20for%20WVa.pdf

  Penn State University
  http://cecd.aers.psu.edu/pubs/using_employment_data_to_better.htm

2. Location—What happens where and why? This section looks at various theories, empirical tests and policies related to location of firms and households.

**FIRMS**

What factors influence the location decisions of profit maximizing/cost minimizing firms?

**General Literature Reviews**


Transportation and Infrastructure: Early ideas of firm location center on transportation costs, with respect to either input or output markets.


Regulation


Business Climate


Taxes: A huge literature, worthy of its own 6 week course.

Literature Reviews


Theoretical Papers


Empirical Papers


**Incentives**


**Policy Discussions**


*The Economic War Among the States.* A policy workshop sponsored by the Minneapolis Fed that looks at state economic competition for firms via incentives. http://www.minneapolisisfed.org/publications_papers/issue.cfm?id=196


**Agglomeration**


http://www.mitpressjournals.org/doi/abs/10.1162/003465303765299882

**HOUSEHOLDS**


School Choice


3. Regional Growth

Export base


Neoclassical Growth


**Convergence**


**ENTREPRENEURSHIP**


**NEIGHBORHOOD EFFECTS**


LAND RENTS AND SPRAWL


SEGREGATION AND GHETTOS
