

Local Economic Development Market Intervention Rationales

11.438 Economic Development Planning

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Environmental Scan: What I Found

1. <https://www.nytimes.com/2020/01/27/business/gm-detroit-electric.html>
2. <https://www.nytimes.com/2020/02/04/business/all-electric-green-development.html>
3. <https://www.nytimes.com/2020/02/05/technology/data-driving-new-approaches-to-transportation.html>

Stepping Back...

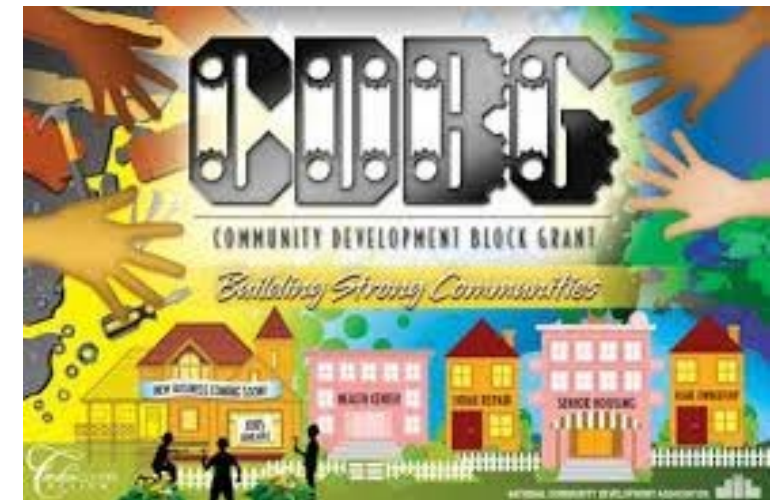
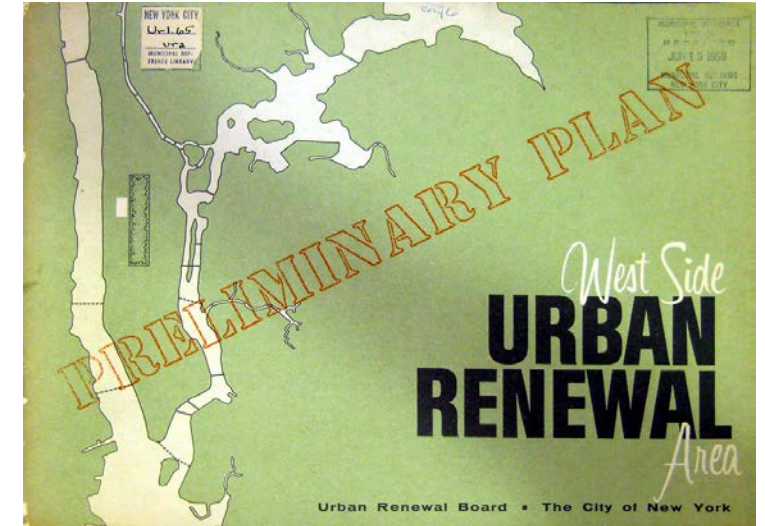
- Neoclassical Economics come to dominate capitalist economic thinking in the 19th Century (though still competing with Marxist economics and other schools of thought):
 1. *People have rational preferences among outcomes*
 2. *Individuals maximize utility and firms maximize profits*
 3. *People act independently on the basis of full and relevant information*
- John Maynard Keynes challenges the inherently self-adjusting nature of this theory in the early 20th Century (though not the core of the ideas):
 1. *The General Theory of Employment, Interest and Money (1936)* argues that government needs to induce demand to increase output
 2. Monetary policy can affect the market (interest rates and money supply)
 3. Basis of the New Deal

Local Economic Development (LED) Efforts

- Emerge in the US after urban renewal's top-down approach
- Nixon administration dismantled (and defunded) federal efforts and replaced the with the Community Development Block Grant program
- Allowed Place based approaches
- Better suited to align with urban planning initiatives
- Some states (including Massachusetts) still run urban renewal programs
- Popular in developing countries as well

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What is Local Economic Development?

Local Economic Development (LED) is the process by which public, business and nongovernmental sector partners work collectively to create better conditions for economic growth and employment generation.

Its purpose is to build up the economic capacity of a local area to improve its economic future and the quality of life for all.

(LGSP-LED, from World Bank, UN Habitat)

What is Local Economic Development?

Local in LED means:

- Optimizing local resources and local capacities to build local potential
- Driving forces are economic stakeholders in the communities, municipalities and cities
- Shared benefits are reaped by the community in working together
- While focused on local, there are links to the regional, national and international levels

(CARILED, 2013)

What is Local Economic Development?

Economic in LED refers to:

- Seizing opportunities and effectively utilizing labor, capital and other resources to achieve local priorities
- Supporting entrepreneurial initiatives (formal or informal, micro, small or large)
- Facilitating market access and creating a climate conducive to investment and business activity
- How these systems might be improved to serve the collective interests of local communities

(CARILED, 2013)

What is Local Economic Development?

Development in LED means:

- It is holistic, covering not only the economic but also social, political and cultural aspects
- Being committed to a process to achieve sustainable results
- Economic activities should be mindful of protecting the environment and quality of life for all
- Strengthening local business to achieve sustainable development goals

(CARILED, 2013)

What is Local Economic Development?



Place-Based Economic Development

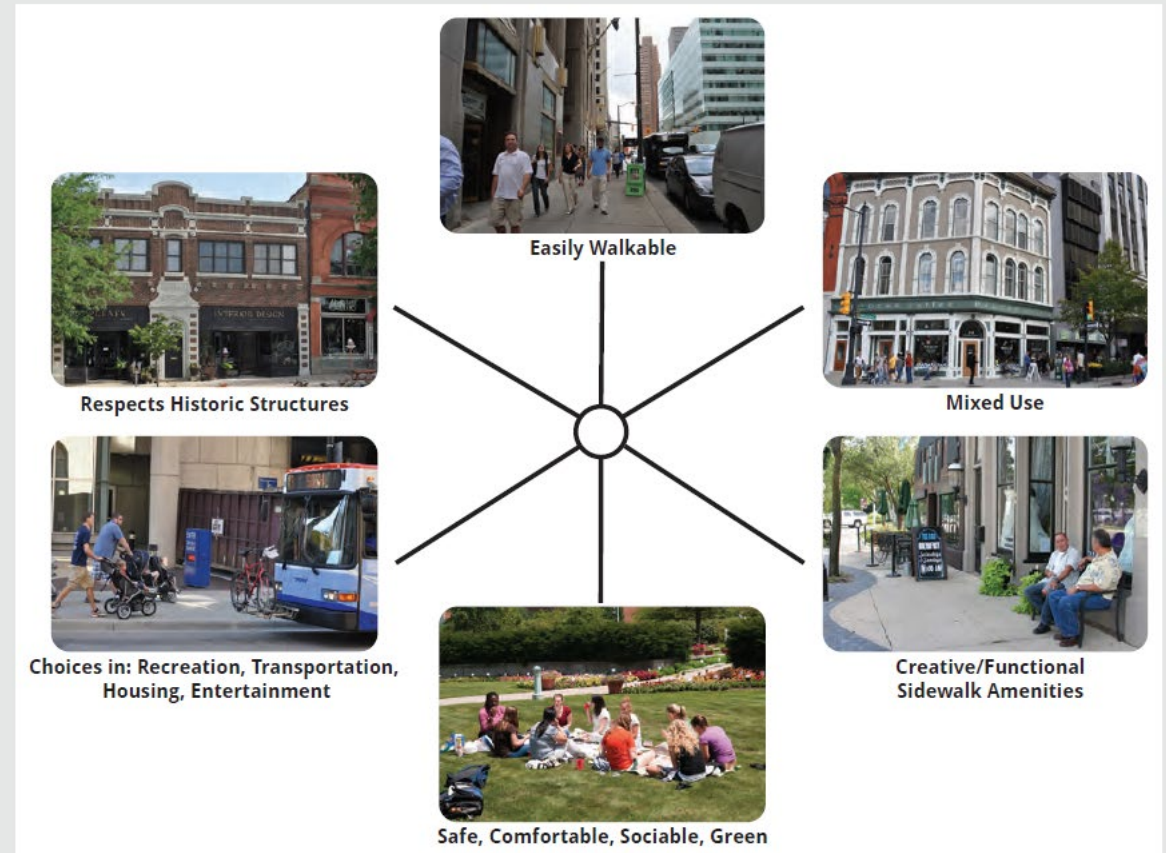


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Figure 1-2: Elements of Quality Places



These elements of quality places principally address human-scale form in streets and buildings. **Source:** Figure by the Land Policy Institute, Michigan State University, 2014. Photos from the Michigan Municipal League/www.mml.org (top center, top left and bottom left, and top right and bottom right) and MSU Communications and Brand Strategy (bottom center).

People-Based Economic Development

- Educate, and support access to education through programs such as child care
- Train, and provide paid training whenever possible
- Provide Housing, as the baseline need for people
- Support, through supports such as counseling

Jane Jacobs and “The Economy of Cities”

- Published in 1969, after “Death and Life”
- Again challenges many assumptions based in urban renewal practice
- This time the timing was more aligned with conventional wisdom
- “Import and Export, or die,” says Jane Jacobs

Jane Jacobs and “The Economy of Cities”

- Disagreed with what she characterized as conventional wisdom that cities formed after agriculture – instead were the key to human civilization
- Cities that are a “monoculture” of one industry will fail
- Replace imports with local production
- “Breakaways” (or spinoffs) help local economies as well
- What can local government do?

Jane Jacobs and the Role of Government

- “What kinds of government . . . [can keep open] the opportunities for economic and technological development instead of closing them off?”
“[E]conomic life is ruled by processes and principles we didn't invent and can't transcend ... and the more we learn of these processes and the better we respect them, the better our economies will get along.”
- “Even if something is at a dynamic equilibrium, it can only stay that way by taking new things in all the time. Now this is very important for governments to understand. They must protect the acceptability in economic life for new things.”
- “Well, one thing obviously is that governments needed to wake up again to the importance of anti-trust laws and actions in restraint of trade. They needed to take them very seriously again after they hadn't been taken very serious for a while.”

What is a Free Market Anyway?

- Alex Marshall describes an economy that is entirely based on government interventions
- From the concept of money to the creation of a transportation system, the market would not be what it is without government actions.
- “Capitalism and Government Are Friends After All” article in *Bloomberg Opinion*, 9/25/12.
- In return, business should support government (eg. Impact fees)
- Or at least government should get due credit.
- This is not “regulation” in the zoning sense.

From Free Markets to Public Markets

“Most cities of any age have had their version of 'the city market,' cavernous and often physically grand buildings of iron, stone, or wood where sellers of meat, fish, dairy goods, and produce would congregate in stalls and sell their wares. Such markets were usually built by the city and leased out to agricultural producers and other vendors.”



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Some Good Quotes

- “There is no free market. There are only markets, and government creates them. Markets are diverse in character and have different rules and boundaries. Whether a market corrupts or make the world more moral depends on those rules and boundaries. A market where government establishes a price on Jews' heads obviously corrupts. A market that establishes a place to buy green beans does not. There are no 'free' markets, in any meaning of that word, whether free as in open, or free as in costless.”
- “[O]ur economic system has great costs. Even the freest markets in the modern era depend on government-provided or paid-for education and infrastructure, as well as functioning courts and so forth.”

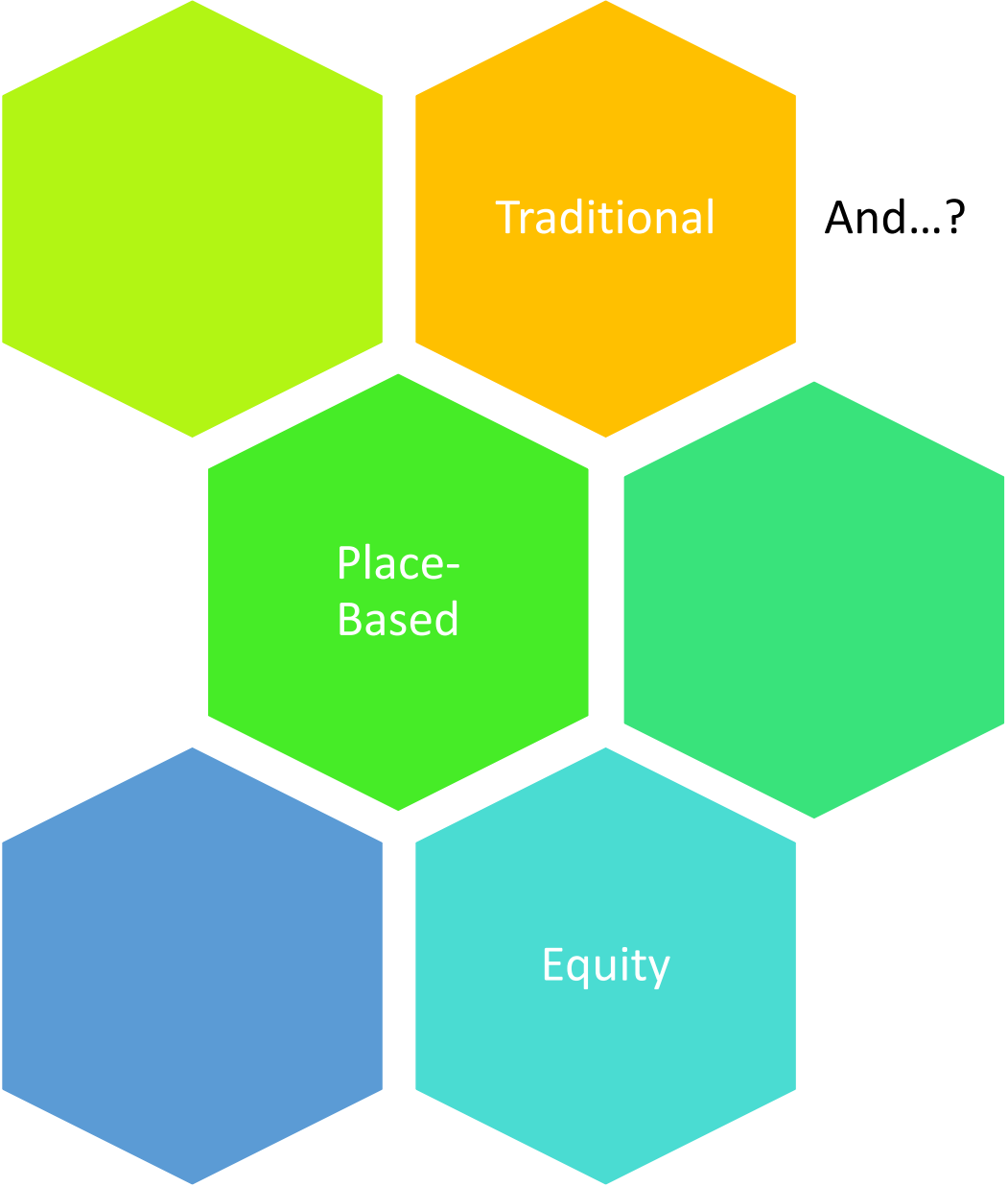
Jacobs on Marshall?

- ✓ Does he have more or less faith in government intervention?
- ✓ How would she propose public markets be created?
- ✓ How do you decide what government should do?
- ✓ Are there ways they agree?

Marshall on Jacobs?

- ✓ How would he propose government “create” places like her urban villages?
- ✓ Would he think she was a NIMBY?
- ✓ They probably both hate the Robber Barrons- what did government do wrong there?

Class
Choice
Class?



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