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11.481J / 1.284J / ESD.192J Analyzing and Accounting for Regional Economic Growth
Spring 2009

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MIT 11.481J, 1.284J, ESD.192J

**Karen R. Polenske
Weifeng Li**

I. INTRODUCTION

A. Focus of class

**Theories and conceptual planning issues
Orthodox versus nonorthodox
Interaction of theories, accounts, and techniques
Policies**

B. Self-introduction

**Karen R. Polenske
Weifeng Li**

C. Who can take class

**introductory economics (one semester, minimum;
preferably one year)
knowledge of excel/lotus
knowledge of introductory linear algebra, calculus
ability to read articles concerning statistical
analyses**

D. Class sequence

**Regional Political Economy: 11.481, 11.482
Property rights, institutional economics (introduction to
property-right theories): 11.467**

E. Class requirements

5 problem sets

2 oral presentations

Reading for each class of required readings only

Class evaluation (end of term)

F. Assignments

5 problem sets

- 2 qualitative (essays on theories)

- 2 quantitative related to accounts and multipliers

- 1 choice of essay or quantitative—group presentation

• 2 oral presentations

- students will be asked throughout the semester to do these based upon a sign-up schedule

- a sign-up sheet will be provided for each group of readings

II. OVERVIEW OF CRITICAL REGIONAL ISSUES

A. Interrelationship of institutions, theories, and accounts

B. Early reviews of literature

Meyer General spatial macroeconomic issues

Richardson Specific spatial microeconomic issues

Malizia-Reid Nonorthodox views of growth and trade

C. Selected later perspectives on spatial questions

Ohmae borderless economy;

emphasis on region-state, rather than nation-state; and power of the market.

**Markusen different networks of firms;
role of state;
effect of class structure and class conflict on regional development;
extraction and distribution of surplus.**

Polenske

**important role of property rights in regional development strategies
distribution across space, income groups, and social classes;
significant difference in literature concerning movements among firms and regions versus restructuring of firms and regions;
overemphasis on globalization (affects only some firms/regions directly);
interfirm, interspatial, and employment networks;
local and global supply chains; and
power of state versus markets.**

WHAT NEW SPATIAL CONCEPTS ARE EMERGING?

III. ECONOMIC-DEVELOPMENT-STRATEGY COMPARISON

CONCEPT	HIRSCHMAN	PORTER
Focus	Developing countries.	Advanced countries.
Role of state	Important role in providing social overhead capital in order to undertake directly productive activities.	Role is to promote more rapid innovation rather than slowing diffusion.
Market	Industries serve domestic market initially, depending on imports for inputs.	Industries serve international market in a global economy.
Role of Entrepreneur	Schumpeter's innovative entrepreneur (cooperative) Important role of innovations from the start.	Schumpeter's innovations in a dynamic global economy. Innovations play important role in Stage 3.
Infrastructure	Part of social overhead capital.	Rarely a source of national competitive advantage.
Critical Industries	Select key industries for investment (growth poles) and determine most efficient sequence of investments.	Determine clusters of industries that have competitive advantage.
Linkages	Includes backward, forward, consumption, fiscal, inward, and outward.	Linkages through related and supporting industries.
Process	Key industry investments trickle down to hinterland. Take advantage of agglomeration economies.	Geographic concentration of industry in one city or region. Promotes efficiencies and specialization. Attracts talented people to region, spin-offs locate nearby, concentration of information in one location.

What is the difference between a strategy and a theory of economic development?

A. Selected strategies

Hirschman

Porter

New International Economic Order (NIEO)

Basic Needs

Structural Adjustment

Property Rights Perspective

Asset-based development

PROPERTY RIGHTS' PERSPECTIVE ON REGIONAL-DEVELOPMENT STRATEGIES

- A. Original economic-development strategies** based on investment alternatives:
 - invest in key sectors (Hirschman)
 - invest in globally competitive firms (Porter)

- B. Expanded economic development strategy** based on property rights and their allocation over space

- C. Further expansion of a regional economic development strategy—asset-based strategy.** I propose that policy makers need to measure all tangible and intangible assets available in a region.
 - 1. Tangible assets include
 - capital,
 - labor,
 - land, and
 - natural resources
 - 2. Intangible assets include
 - managerial and labor training,
 - worker skills, and capital risks.

To develop an asset-based economic development strategy, policy makers must focus on long-term planning and determine the ways stakeholders in the region interact with the global economy.

D. Important considerations for any property-rights regime for a viable regional strategy taking assets into account.. From the property-rights' and asset-development literature, I have identified five critical features that have an important relevance as a foundation for a strategy of economic development:

1. **Institutions**
2. **Governance mechanisms**
3. **Control**
4. **Power (political, social, and economic)**
5. **Distributional consequences**

Most property-rights scholars focus on only one, or, at most, two, of these categories and view the category from a single perspective, say legal, economic, political, or social; whereas, in reality, each plays an important role in the development process.

SELECTED TERMS/CONCEPTS

Property: an expectation of the advantages derived from an object that we claim to possess (Bentham, 1978).

Property rights: social relations that are enforceable by the state, which define the property holder with respect to something of value . . . against all others (Bromley, 1991, p. 2).

Bundle of property rights: the rights to enjoy, develop, dispose, inherit, own, use, etc.

Property relations: refer not only to property rights, but also to a variety of claims on property that may not be fully recognized by law (property status, property claims) (Razzaz, 1990).

Additional basic concepts:

Sequencing (and/or pacing) of investments;	Dependencies
Clustering;	Domination
Linkages;	Networks
Creative and Cooperative Entrepreneur;	Supply Chains
External Economies (Diseconomies);	Balanced/Unbalanced Growth
Agglomeration Economies (Diseconomies);	Theories
Dispersal Economies (Diseconomies);	

III. Historical View of Regional Economics

Does space (do regions) matter?

I maintain that a new development goal is emerging for our nation: "We will need increasingly to be prepared **not** to fight wars, **but** to ensure peace, security (of food, water, and fuels), and sustainability." If this is occurring, how might this affect the underlying institutions, organizations, governance mechanisms, power, control, and regional and income distribution in countries and our views of viable regional development strategies?