

## Theory to Practice

### Commentary

### Commentator

### Article

### Authors

*Laura A. Reese is professor of political science and director of the Global Urban Studies Program at Michigan State University. Her main research and teaching areas are urban politics and public policy, economic development, and local governance and management in both Canada and the United States. E-Mail: reesela@msu.edu*

## Public Administration Review

January | February 2008  
Volume 68 | Number 1

## A Common Sense Approach to Economic Development

**Laura A. Reese**

Global Urban Studies and Political Science  
Michigan State University

## Is the World 'Flat' or 'Spiky'? Rethinking the Governance Implications of Globalization for Economic Development

**Richard C. Feiock, M. Jae Moon, and Hyung Jun Park**

Looking back over the body of academic work on local economic development makes me increasingly shake my head and wonder what, if anything, academic research has to offer local officials and policymakers actually trying to craft and manage municipal local development efforts. Feiock and colleagues are on target in suggesting that "new" theories have old roots. Indeed, there is even less new under the sun than their article suggests. Academics have offered local officials a host of development nostrums over time. To the theories discussed in the article I would add economic base theory, urban dynamics, and devel-

opment clusters (Reese and Sands forthcoming), as well as export theory, central place theory, and cumulative causation theory (Blakely and Bradshaw 2002).

Silver policy bullets emanating from these theories have included festival marketplaces, sports stadiums, aquariums, high-tech industrial parks, tax increment finance areas, and now the creative class. The noise of local officials jumping on the bandwagon has been followed by the silence of abandoned festival markets in cities like Toledo and Detroit that lack the tourist base logically to sustain them; empty industrial

parks in Sitka, Alaska, and Morehead City, North Carolina, communities too isolated logically to attract new businesses; Tax Increment Finance Authorities that illogically include the extremely healthy loop area of Chicago (and most of the rest of the city); and small municipalities from Jackson, Michigan, to Lynn, Massachusetts, developing artist colonies to attract and house the creative class that have no real rationale for locating there.

To this mix (or morass) of policy recommendations, Feiock and colleagues add regional cooperation (or governance) as yet another path to prosperity. Clearly, regional cooperation is a good thing. The authors are unassailably correct in stating that markets and labor pools are regional and that areas with greater regional cooperation are likely to fare better in an increasingly globalized economy. But is this new? Does it lead to politically viable economic development policies? Is it the next economic development nostrum promising long-term growth?

This brief commentary will ultimately address the rhetorical questions above through a discussion of major concerns with the three development theories presented in the article: Friedman's flat world, Florida's spiky world, and Feiock's uneven one. It will conclude with a different take on the "lessons learned" from these theories than that proposed in the article. The overall concerns operate at two levels—the internal integrity of the theories themselves and their link to actual economic development policies. Specifically, my concerns are as follows:

- The theories contain concepts that are not easily measurable, have not been fully tested empirically, and where testing has occurred, do not seem to operate as proposed;

- The theories do not necessarily imply different development policies;
- The theories, in application, do not assist local officials in making and implementing development policies and, as a result, tend to encourage silver bullets rather than viable long-term development policies.

### **Untested Theories**

One of the most often criticized aspects of the creative class approach is the amorphous nature of the concept itself. The connections and processes required for the growth chain to operate have not been sufficiently tested empirically and assumptions embedded within creative class arguments have raised many questions among academics and other policy evaluators (see, for example, Ley 2003; Peck 2005; Scott 2006; Thomas and Darnton 2005).

Findings, particularly those related to measures of high technology and creativity, are sensitive to how variables are operationalized, what time periods are used, and which particular set of cities or regions are examined (Chapple et al. 2004). The internal components of the diversity or melting-pot concepts are also problematic. For example, relationships between the presence of African Americans and economic growth or decline have not been fully explored (Madden 2001; Thomas and Darnton 2005). Neither has the impact of immigrants been examined by skill level (Borjas 1995), nor has the extent that ethnic and racial enclaves are voluntary been assessed (Qadeer 2005). Measures of "gays" are highly problematic as well due to reliance on census data that may well underrepresent single gays and fail to differentiate among different types of gay households (Thomas and Darnton 2005). Likewise, the tolerance concept has been measured almost exclusively by proxies that

assume that the mere presence of diversity implies tolerant individuals (for a recent exception, see Sharp 2007).

It seems unlikely that measuring the extent of regional cooperation is going to be much easier. While there have been studies counting the number of regional or cooperative agreements (LeRoux and Carr 2007) and some promising early work on networks of regional actors (Ansell and Reckhow 2007; LeRoux 2007), assessing the quality of regional cooperation may be as slippery as that of measuring the creative class. Further, much research on the most extreme forms of regional integration, city-county or multi-city consolidations for example, shows little positive impact on economic growth, reductions in intra-regional competition, and prolonged cost savings (among many others, Carr and Feiock 1999; Reese 2006). Thus, grave doubts are raised about embracing this approach as a path to economic prosperity.

There is a growing body of research exploring whether the creative class actually leads to, or is even correlated with, economic growth. As yet there appears to be no discernible relationship between improved economic health (economic growth) and any of the commonly used creative class indicators. Recent work of this nature suggests that high-tech employment, in particular, is unrelated to economic health. Although higher numbers of same-sex households and creative, racially, and ethnically diverse residents are correlated with economic health at static points in time, none of the creative class attributes are related to actual economic improvement (Sands and Reese forthcoming). Similarly, other research indicates that education and skill development appear more important than culture or amenities in economic growth (Glaeser,

Kolko, and Saiz 2001) and, indeed, that innovation (and hence economic growth) appears just as likely in older manufacturing centers as newly creative cities (Chapple et al. 2004).

Feiock and colleagues also suggest that the causal sequence of the flat versus spiky worldviews is inherently different. While I would not necessarily disagree, I would also point out that in no case has causal direction been empirically established, and in reality, it probably does not matter for local policy-making. Florida suggests that cities must focus on tolerance and amenities to attract the creative class (talent) and that high technology employers will then follow, leading to economic growth. Friedman's thesis suggests that wireless infrastructure, lower costs for skilled labor, and regulatory relief attract high-tech industry and individuals with access to capital, leading to economic growth. Feiock suggests that regional cooperation will foster regional markets and attract businesses looking for regional solutions and uniformity, thus leading to growth.

The three approaches appear to have different exogenous growth drivers—creative class, globalized telecommunications, and regional cooperation, respectively. Yet, does it really matter? Is a particular causal model essential to economic growth? Would embracing policies and investment that make the community better for current residents and running an efficient government enterprise do just as well? Granted it is vital to understand the causal process that leads from development policies or forces to economic growth, *if* economic growth is the desired dependent variable. But what if the focus shifts from growth to "a better community"? The paths that lead there may be simpler, certainly more dependent on individual

local goals, and likely more diverse across communities than a single economic development theory would suggest.

### **Theories and Implied Policies**

One of the major concerns with arguments that the world is flat, spiky, or "rough and uneven" is, as Feiock and colleagues suggest, the implicit connection to policy prescriptions. However, I would disagree that the first two approaches in particular really imply different policy solutions to the development problem. If the world is indeed flat, innovative and entrepreneurial individuals and firms can locate anywhere there are appropriate fiberoptic connections. This does not imply that local governments are limited to "regulatory relief," however. And it should be noted that subsidies and regulatory relief are not the same as infrastructure investment, as the authors suggest. Rather, if the world is indeed flat, local officials should expand the necessary high-tech and fiberoptic infrastructure and develop policies that foster and support innovation and entrepreneurialism: research and development funding, start-up loans, and business incubators, for example.

Logical policies emanating from the creative class argument—that cities must entice the location or relocation of creative individuals—also call for the provision of amenities. These certainly include the expected connectivity and the kinds of policies that stimulate innovation and creativity. As the authors note:

The policy goal [for creative class theory] is to create safe, high-density, central city neighborhoods that are characterized by vibrant day and night life...the quantity and quality of education, public services, and constructed amenities are directly shaped by state and local governments.

Of course, all municipalities may not be capable of providing, or desire to provide, high-density, urban environments. However, the other implied policies of the two approaches are the same. Policymakers must improve the infrastructure, provide quality services, and enhance the general quality of life for *existing* local residents. And this is true regardless of whether one sees the world as flat or spiky.

### **Silver Bullets**

A number of scholars are beginning to suggest that policies commonly derived from creative class theories, in particular, are misguided at best:

Creativity is not something that can be simply imported into the city on the back of peripatetic computer hackers, skateboarders, gays, and assorted bohemians, but must be organically developed through the complex interweaving of relations of production, work, and social life in specific urban contexts. (Scott 2006, 15)

This suggests that a conscious arts development agenda, artist cooperatives and incubators, fairs and festivals, coffeehouses, and even investments in the downtown (particularly if they include the ubiquitous brick pavers, street banners, and park benches) are unlikely to ensure economic growth. Indeed, they may not be viable if they lead to a generic approach to culture and the arts. Local creative scenes must develop generatively; growth is the result of a complex of factors, including economic, social, political, and even historical forces.

One of the very appealing aspects of Florida's approach is that there are few, if any, academics or practitioners that would say that enhancing amenities, culture, and toler-

ance in a community is a bad idea. Even if it does not lead to economic growth and long-term prosperity, the community will be a better place. Feiock's regional cooperation model pulls similar strings: who would argue that better cooperation among local governments in the same region is a bad idea? Who would argue that local governments should not strive to "play" well with others? However, is increased regional cooperation any more the silver bullet ensuring economic growth than the creative class? Again, both arguments rest on concepts extremely difficult to measure and quantify and just as difficult to manipulate from a local policy standpoint.

Suggesting to local officials that cooperation and regionalism will promote economic growth may not be much more helpful than telling them they need to court the creative class. And real regionalism is not nearly as politically feasible (for all the reasons Feiock cites) as is the "politically seductive" creative class approach (Peck 2005, 766). There are obvious barriers related to power, politics, geography, and economic diversity among communities. The discussion of regional cooperation, however, also has a "missing link" of its own: the issue of race and racial diversity among the communities that must be a party to cooperation. While it may well be true that regional reform and cooperation lead to coordinated marketing, increased trust, public-private collaboration, and transit initiatives, it is unlikely that regional actors in pervasively segregated metropolitan areas such as Detroit and its surrounding suburbs are going to all join hands and sing Kumbaya, at least not anytime soon. Race serves as an intractable barrier to regional cooperation and has been one of the more problematic elements of Florida's creative class argument, particularly as applied

to cities in the U.S. (Madden 2001; Sands and Reese forthcoming; Thomas and Darn-ton 2005).

### **Lessons Learned**

There is much to agree with in this article, however. Most pointedly, the caution that local officials "learn the right lessons" about theories of economic growth and avoid simplistic or faddish development initiatives is well taken. Indeed, the authors note that "economic growth is a complex phenomena and care must be taken not to interpret either Friedman's or Florida's insights, or our integrative prescriptions, too narrowly or use them as the basis for simplistic policy prescriptions."

There are no standard policies to make places uniquely cool or creative, and most efforts only succeed in creating artificial "generic"; that is, making everything generic across America. Cities high on the creative class index have gotten there because of a variety of forces having nothing to do with local public policy. "Place luck" allows cities with natural or climatic features—such as Denver, San Francisco, San Diego, and Portland—to prosper. Historical market forces have allowed New York to maintain its position as a cultural and economic mecca and Washington, DC, a political node. University towns such as Madison, Ann Arbor, and Boulder thrive, in part, because of the historical accident of where major educational facilities were located. Local generative cultural and musical movements have lent a unique flavor to cities such as New Orleans (while struggling with natural and manmade disasters, what is innately "New Orleanian" will remain), Nashville, and Kansas City. Similarly, there is no formula to develop effective models of regional cooperation.

So what then are the "right lessons" about economic development? Perhaps they are much less complicated than academic growth theories would suggest. I would argue that what all of these development theories say to local officials can be boiled down to three common-sense recommendations that most local officials already intuitively know:

- Play nice with your neighbors;
- Invest in basic services;
- Run things well.

Why should local officials pursue regional cooperation? At root, it's because it is good government practice. With limited resources, local governments can gain more and use resources more effectively if they cooperate and avoid working against the inherently regional nature of markets. Services such as transportation that have significant scale economies and positive externalities and cross municipal boundaries are typical candidates for regional coordination. Why should local governments invest in amenities? Because they enhance the quality of life for current residents. And the necessary amenities are far more basic than artist colonies, street theater, and coffeehouses: good schools, safe streets, quality housing in diverse price ranges, good parks and libraries for families, a nice downtown, and even basic fiberoptic connectivity. These are all just part of creating a sound, functional, livable community. Finally, why should local officials strive for effective public management procedures? Municipalities that are poorly run, either through ineptitude or corruption, are simply not desirable places for businesses to locate or residents to dwell. Effective and efficient public management ensure that services are good, that intergovernmental cooperation is possible, and that the community is a good one in which to live.

Providing good basic services, operating sound administrative practices, and playing well with neighbors is good policy because it creates sound communities. It should be done because it is good government and any efforts in that direction will improve the community and the lives of residents. Will economic development necessarily follow? Maybe. But if it does not, the community will still be a better place to live and *that* economic development approach is just common sense.

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