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

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

**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?