

CRD 241, 4 units
M. Kenney
Office: 2307 Hart Hall
Office Hours: By appointment

Dept. of Human and Community Development
University of California, Davis
Office tele. # 752-0328
mfkenney@ucdavis.edu

CRD 241 The Economics of Community Development
Course objectives

This is a practicum class as it revolves around practical research that could be of use to a local government, namely researching entrepreneurial clusters. You will be working in teams that will actually undertake the research. From the 2005 class, the entire Madison, WI team was invited and went to the University of Wisconsin, Madison to do research and present their findings at the business school. Amy Nelson did her Master's thesis on Madison and co-wrote a paper for the Paris-based Organization for Economic Cooperation and Development. Another student in the class Jessica Mullan wrote her Master's thesis with me on a contract with the InterAmerican Development Bank. The UC Davis map was posted on the UC Davis CONNECT website and was presented at the Davis City Council in December 2007. Finally, the 2009 class prepared a paper that has now been accepted by the top geography journal, the *Journal of Economic Geography*. Finally, working with Brian Pon, now a geography Ph.D. student, we recently had a paper published in the *Journal of Industry, Competition, and Trade*.

This class can become a building block for your future or be treated as a fun class where you will learn more about how regions and industries grow and evolve, while being inserted in global value chains. We will work together and discuss your work as we go along. Brad Christensen, a 2nd Year Geography Ph.D. student, will assist in the class. The class is small, so this is an opportunity for you to work closely with a faculty member. Because of the small size, I have chosen four possible research locations, we will consense on as many of these as are necessary to form 3-4 person groups.

- 1) Research on technology-based firm spin-offs from the University of California, Berkeley
- 2) Study the development of the hospitality industry cluster in the Napa Valley
- 3) Examine the current industrial structure in the Napa Valley
- 4) Study the development of an wine industry cluster in the Russian River Valley in Sonoma County

The goal of this class is to understand the co-development of regions and industries. Because value-adding activity occurs in locations, and, very frequently, locational activity is often connected with other spatially dispersed activities it is necessary to also understand what in the social science and business literature are termed "value chains." The case studies to be researched in this class were chosen because through the research you will be able to understand the dynamics to which the academic readings. One of the emphasizes in this class is the role of entrepreneurship and local pioneers in organizing and motivating groups to undertake economic activities. Given the increased globalization, communities in developed nations are finding that they must compete against regions in developing nations that can offer cost advantages that are simply overwhelming. However, this is not impossible as the case studies we are proposing are regions that have overcome cost disadvantages and become globally competitive. Understanding the ways in which this happened may be useful in your further community development activities.

The case studies you will be doing hopefully will be of some interest to the communities or groups we will study this quarter.

Class Organization

The class meets once a week. During the first half of class we will discuss the readings and in the second half each group will describe what it accomplished during the week, its plans for the next week, and any obstacles or new ideas it had during the week.

Required reading

Readings are an essential part of the course and are a necessary background for discussion. I have deliberately limited the readings this quarter to provide you with more time for the research portion. If you are interested in any of the topics specifically, I have provided further readings and/or the names of significant contributors to these areas. Many of the

authors of the articles you are reading have also authored other important papers on similar topics and a Google search will provide you with still more material.

Course requirements

The course grade will be based upon a system partly to be determined by the second week of class in discussion with you:

Participation	10%
Midterm Progress Report	30%
Term paper	60%

Participation: Participation is an integral aspect of the class because we will be discussing your projects, accomplishments and theoretical gains. All students will have to contribute to make this work. You are also expected to have cogent and coherent comments on the assigned reading because of the importance of the readings to the project.

Midterm Progress Report: This will be an update on the progress you have made. You will make a 15-minute presentation concerning the tasks and accomplishments of each group member. In the presentation, you will reflect upon what you have learned and how this correlates with your readings.

Final paper: This will be the core of the grading. Each student will write a paper integrating the readings with what they have learned from the research project. The paper will have three major components:

- 1) The effective use of the readings to think through the genesis, role and operation of clusters and the development and importance of local entrepreneurial support networks. Here, it will be important to consider the role of local jurisdictions, non-governmental players such as regional entrepreneurship advocacy organization, and non-politician civic leader (s).
- 2) The integration of what you learned from the research experience that can shed light on issues raised in the readings. For example, in the case of the region I studied the local university president catalyzed the formation of the industry by these actions, even while local government seemed entirely unaware of this budding formation etc. Here, the readings and your local learning are integrated.
- 3) An appendix reflecting upon the research process, what you found effective, what should have been done differently, and how the assignment/class should have been structured differently to provide you with better support etc.

Class Presentations: In the final regularly scheduled class session, each group will make an in-class presentation of approximately 40 minutes on their research. This is ungraded, but is a very important part of the class because you can discuss your work with all of us.

Class Meetings and Readings

1. Monday, October 1 – Welcome and Introduction

Discussion of the class, forming teams, choosing locations.

Slide show on the previous research accomplishments. Articles from previous class efforts:

Beebe, Craig, Farshid Haque, Chelsea Jarvis, Martin Kenney*, and Donald Patton. 2010. “The Role of Identity in Cluster Creation and Development: The Case of the Paso Robles Wine Region.” *Revise and Resubmit Journal of Economic Geography*.

Kenney, M., A. Nelson, and D. Patton. 2009. “The University-centric High-tech Cluster of Madison, United States.” In J. Potter and G. Miranda (Eds.) *Clusters, Innovation and Entrepreneurship* (Paris: OECD) pp. 167-192.

Kenney, Martin and Bryan Pon. 2011. “Structuring the Smartphone Industry: Is the Mobile Internet OS Platform the Key?” *Journal of Industry, Competition and Trade* 11:239–261.

Johnson, Christopher, Martin Kenney, and Donald Patton. “Searching for a Cluster: Venture Capital Investments in Clean Technology.”

2. Monday, October 8 – State of the Art on Topics of Study

McDermott, Gerald. 2007. "The Politics of Institutional Renovation and Economic Upgrading: Recombining the Vines that Bind in Argentina." *Politics and Society* 35 (1): 103-143.

Molotch, Harvey. 2002. "Place in Product." *International Journal of Urban and Regional Research* 26 (4): 665–88.

Santagata, W. 2002. Cultural Districts, Property Rights and Sustainable Economic Growth. *International Journal of Urban and Regional Research* 26: 9-23.

Scott, Allen J. 2004. "Cultural-Products Industries and Urban Economic Development: Prospects for Growth and Market Contestation in Global Context" *Urban Affairs Review* 39 (4): 461-490.

3. Monday, October 15 – Networks, Hierarchies, and Markets

Powell, W. 1990. "Neither Market nor Hierarchy: Network Forms of Organization." *Research in Organizational Behavior* 12:295-336.

Coase, R. H. 1937. "The Nature of the Firm." *Economica* 4 (16): 386-405.

Williamson, O. E. 1981. "The Economics of Organization: The Transaction Cost Approach." *The American Journal of Sociology* 87 (3): 548-577.

Ankarloo, D. and G. Palermo. 2004. "Anti-Williamson: a Marxian critique of New Institutional Economics." *Cambridge Journal of Economics* 28:413-429.

4. Monday, October 22 – Global Value Chains

Nielsen, B.B., T. Pedersen, & J. Pyndt, "ECCO A/S—Global Value Chain Management" (Version: 2008-03-10).

Dedrick, J., Kraemer, K.L. & Linden, G. (2009). "Who Profits from Innovation in Global Value Chains?: A Study of the iPod and Notebook PCs." *Industrial and Corporate Change*. 19, (1): 81–116.

Ponte, S. and P. Gibbon. 2005. Quality standards, conventions and the governance of global value chains. *Economy and Society* 34, (1): 1-31.

Gereffi, G., Humphrey, J. & Sturgeon, T. (2005). The Governance of global value chains. *Review of International Political Economy*. Vol. 12, Issue 1, p. 78-104

Sturgeon, T, J. V. Biesebroek, and G. Gereffi. 2008. "Value chains, networks and clusters: reframing the global automotive industry." *Journal of Economic Geography* 8: 297–321.

Mudambi, R. 2008. Location, control and innovation in knowledge-intensive industries. *Journal of Economic Geography*. 8, (5): 699-725.

5. Monday, October 29 – Social Capital and Sociology

Putnam, R. 1993. *Making Democracy Work* (Princeton: Princeton University Press) pp. 163-186. (not on class website)

Portes, Alejandro. 1998. "Social Capital: Its Origins and Applications in Modern Sociology." *Annual Review of Sociology* 24.

Granovetter, M. 1985. "Economic Action and Social Structure: The Problem of Embeddedness." *American Journal of Sociology* 91: 481-510.

Cohen, S. and G. Fields. 2000. "Social Capital and Capital Gains: An Examination of Social Capital in Silicon Valley." In M. Kenney (ed.) *Understanding Silicon Valley: Anatomy of an Innovative Region* pp. 190-217.

OPTIONAL

Uzzi, B. 1999. "Embeddedness in the Making of Financial Capital: How Social Relations and Networks Benefit Firms Seeking Financing." *American Sociological Review* 64 (4): 481-505.

Westlund, H. and R. Bolton. 2003. "Local Social Capital and Entrepreneurship." *Small Business Economics* 21: 77-113.

Sydow, J and U. Staber. 2002. "The institutional embeddedness of project networks: The case of content production in German television." *Regional Studies* 36 (3): 215-227.

6. Monday, November 5 -- Innovative Clusters

Lamoreaux, N. and M. Levenstein. 2008. "The Decline of an Innovative Region: Cleveland, Ohio, in the Twentieth Century." Prepared for the 2008 Annual Meeting of the Economic History Association

Brown, J. S. and P. Duguid. 2000. "Mysteries of the Region: Knowledge Dynamics in Silicon Valley." In C. Lee et. al. (eds.) *The Silicon Valley Edge* (Stanford: Stanford University Press): 16-45.

Pinch, S, Henry, N, Jenkins, M. and Tallman, S. 2003. "From 'industrial districts' to 'knowledge clusters': a model of knowledge dissemination and competitive advantage in industrial agglomerations." *Journal of Economic Geography* 3 (4), 373-388.

Almeida, P. and B. Kogut. 1999. "Localization of Knowledge and the Mobility of Engineers in Regional Networks." *Management Science* 45, (7): 905-917.

Castilla, E. J., H. Hwang, E. Granovetter, and M. Granovetter. 2000. "Social Networks in Silicon Valley." *The Silicon Valley Edge: A Habitat for Innovation and Entrepreneurship* C.M. Lee, W.F. Miller, H. Rowen, and M. Hancock, eds., (Stanford: Stanford University Press): 218-247.

OPTIONAL: There is an enormous literature on this topic. For example, see the numerous articles in *World Development*, *Economic Geography*, and *Regional Science* in the last decade. More recently, business journals such as *Organization Science* have also begun to contribute to this discussion. For example, biotechnology has attracted innumerable studies of its networks and geography. Important authors in this area include but are not limited to, in alphabetical order: Maryann Feldman, Maureen McKelvey, Jason Owen-Smith, and Walter Powell.

Nadvi, K. and G. Halder. 2002. "Local clusters in global value chains: exploring dynamic linkages between Germany and Pakistan." IDS Working Paper 152, Brighton: Institute of Development Studies, University of Sussex.

Sorenson, O. and P. G. Audia 2000. "The Social Structure of Entrepreneurial Activity: Geographic Concentration of Footwear Production in the United States, 1940-1989." *American Journal of Sociology* 106, (2): 424-62.

Cooke, P. 2004. "The molecular biology revolution and the rise of bioscience megacentres in North America and Europe." *Environment and Planning C: Government and Policy* 22 (2) 161 - 177.

Zucker, L. G., Darby, M. R., and Brewer, M. B. 1998. "Intellectual Human Capital and the Birth of U.S. Biotechnology Enterprises." *American Economic Review* 88 (1): 290-306.

Kenney, M. (ed.) 2001. *Understanding Silicon Valley* (Stanford: Stanford University Press).

McKendrick, D. G. 2004. "Leveraging Locations: Hard Disk Drive Producers in International Competition." In *Locating Global Advantage* M. Kenney (ed.) (Stanford: Stanford University Press). pp. 142-174.

7. Monday, November 12 – Holiday, No class.

8. Monday, November 19 -- Cluster Support Institutions

Kenney, M. and D. Patton. 2005. "Entrepreneurial Geographies: Support Networks in Three High-Technology Industries." *Economic Geography*.

Power, D and D. Hallencreutz. 2007. "Competitiveness, Local Production Systems and Global Commodity Chains in the Music Industry: Entering the US Market." *Regional Studies* 41, 377–389.

Suchman, M. C. 2000. "Dealmakers and counselors: Law firms as intermediaries in the development of Silicon Valley". In *Understanding Silicon Valley*, ed. M. Kenney, pp. 71-97. Stanford, Calif.: Stanford University Press.

OPTIONAL: The research on clusters and networks of venture capital is enormous.

Storper, M. and A. J. Venables. 2004. "Buzz: face-to-face contact and the urban economy." *Journal of Economic Geography* 4: 351-370.

Sorenson, O. and T. E. Stuart. 2001. "Syndication networks and the spatial distribution of venture capital investments." *American Sociological Review* 106 (6): 1546-1588.

Bennett, R. J. and C. Smith. 2002. "The influence of location and distance on the supply of business advice." *Environment and Planning A* 34, (2): 251 - 270.

Muller E. and Zenker, A. 2001. "Business services as actors of knowledge transformation: The role of KIBS in regional and national innovation systems." *Research Policy* 30: 1501-16.

9. Monday, November 26 – Clusters, Knowledge and Coevolution

Aldrich, H., and Fiol, M. 1994, Fools rush in? The institutional context of industry creation. *Academy of Management Review* 19 (4): 645-670.

Shane, S., and Cable, D. 2002. Network ties, reputation, and the financing of new ventures. *Management Science*, 48 (3): 364-381.

Chiles, T. H., A. D. Meyer, and T. J. Hench. 2004. "Organizational Emergence: The Origin and Transformation of Branson, Missouri's Musical Theaters." *Organization Science* 15 (5): 499–519.

Bathelt, H., A. Malmberg and P. Maskell. 2004. "Clusters and Knowledge: Local Buzz, Global Pipelines and the Process of Knowledge Creation." *Progress in Human Geography* 28 (1): 31-56.

Maskell, P. 2001. "Towards a Knowledge-based Theory of the Geographical Cluster." *Industrial and Corporate Change* 10 (4): 921-943.

Gertler, M. S. 2003. "Tacit Knowledge and the Economic Geography of Context, or The Undefinable Tacitness of Being (There)." *Journal of Economic Geography* 3: 75-99.

Florida, Richard. 1994. "Toward the Learning Region." *Futures*, 27 (5): 527-536.

OPTIONAL: Key authors in cluster studies not assigned include Allen Scott and Michael Storper

Jaffe, A. B., M. Trajtenberg, and R. Henderson. 1993. "Geographic Localization of Knowledge Spillovers as Evidenced by Patent Citations." *Quarterly Journal of Economics*, 108: 577-598. (Do not worry about the statistical analysis just read the theory and discussion parts).

10. Monday, December 3 – In Class Presentations