

713-001: Politics, Technology, and Economic Development  
J.J. Mulhern

Wednesday 6:00-9:00

### *COURSE BACKGROUND*

This course is designed for those who have a practitioner interest in fostering economic growth or in agencies or organizations that have this purpose. It updates a course which I cotaught in 1994 and again in 1995 with Dr. Phillip Singerman before he went to Washington to head the Economic Development Administration of the US Department of Commerce. The update was taught for the first time in 1999 and has been revised each year since. It is based on my experience in training and advising political actors, serving as president and dean of a technology college, and negotiating and managing economic development programs, as well as on extensive review of documents and published literature.

This year, the course has been modified extensively to take account of new World Bank studies of regional and national economic growth, to track new programs in the Commonwealth of Pennsylvania and the City of Philadelphia, and to focus on evaluating the effectiveness of economic development programs in fostering measurable economic growth (sustained increases in output per capita). Some current materials will be emerging while the course is in progress and so can be identified only by type in this syllabus.

### *COURSE REQUIREMENTS*

In its present form, the course is taught as a group tutorial and thus presupposes active discussion at every session. In a tutorial or group tutorial, each set of readings is visited three times—first in a prelecture, then in student presentations, and finally in a summary lecture, which may be brief. The student presentations in this course, all of which are responses to scenarios, will be followed by questions from other students and the professor. While student activity in questioning and discussion is not graded separately, it may affect the professor's assessment of the students' written material. The baseline for grading is a series of at least five three-page responses to scenarios, as many as possible of which will be presented to the tutorial group. The assignments will be returned with comments and letter grades which indicate performance at the minimum level required to satisfy a given assessment of the assignment. Each letter grade from A+ to C- is associated with a description and a numerical value, and the values are totaled to compute the final grade. Students should retain the assignment grades until they receive their official grades for the course. Alternative grading arrangements can be made if it seems advisable.

*All assignments are to be well written and to be submitted in smooth, double-spaced form for grading. All submissions are to be marked with the student name and the assignment number; they are to be stapled but not covered. For stylistic guidance, the recommended*

handbook is Strunk and White, *The Elements of Style*.

Because of the compressed nature of the class sessions, the course is planned on the assumption that students will attend all classes; students who miss classes should make arrangements to catch up without delay. It is essential also that student assignments be prepared and submitted on schedule. Final grades of Incomplete will not be given except under extraordinary circumstances such as medical emergencies. Outside these extraordinary circumstances, if work has not been completed by the end of the course, a final grade will be assigned based on the best information available in my sole discretion.

### *READINGS*

The readings for this course are taken from current reports on economic growth and related items available on the Web as well as from standard and classic works. The basic readings are those in the bulk pack, which may be purchased at Campus Copy, along with several books: Robert E. Litan and Alice M. Rivlin, *Beyond the Dot.coms: The Economic Promise of the Internet* (Washington: Brookings Institution Press, 2001); Norman Loayza, Pablo Fajnzylber, and César Calderón, *Economic Growth in Latin America and the Caribbean: Stylized Facts, Explanations, and Forecasts* (Washington: World Bank, 2005); and Donald E. Stokes, *Pasteur's Quadrant: Basic Science and Technological Innovation* (Washington: Brookings Institution Press, 1997). Also included is a state report: Commonwealth of Pennsylvania, Legislative Budget and Finance Committee, "Department of Community and Economic Development: Economic Development Programs: A Performance Audit Report in Response to Act 1996-5," October 2000. The books will be available in the University Bookstore.

### *TENTATIVE SCHEDULE*

#### **PART ONE: INTRODUCTION; CONCEPTS ASSOCIATED WITH ECONOMIC GROWTH**

##### **A. COURSE INTRODUCTION AND OVERVIEW**

Session 1:

Sep 7: Introduction to the course, requirements, readings, expectations, assignments, grading; concepts associated with politics, technology, and economic growth.

Prelecture on:

Kelo v. New London (see web sites).

Loayza, Fajnzylber, and Calderón, *Economic Growth in Latin America and the Caribbean: Stylized Facts, Explanations, and Forecasts*.

##### **B. ECONOMIC OUTPUT AND CYCLES**

Session 2:

Sep 14: Student presentations.

Summary lecture.

Prelecture on:

National Income and Product Accounts ([www.bea.gov](http://www.bea.gov)).

Business cycles ([www.NBER.com](http://www.NBER.com)).

## **C. ECONOMIC GROWTH**

Session 3:

Sep 21: Student presentations.

Summary lecture.

Prelecture on:

Schumpeter, Chapter 2, “The Fundamental Phenomenon of Economic Development.”  
The Harrod-Domar model (handout).

## **D. TECHNOLOGY**

Session 4:

Sep 28: Student presentations.

Summary lecture.

Prelecture on:

Litan and Rivlin, *Beyond the Dot.coms: The Economic Promise of the Internet*.

Note: For this semester only, this prelecture will be replaced by the **ECONOMIC ADJUSTMENT** prelecture originally scheduled for October 26. The prelecture will feature a presentation by Elizabeth Gabor of the Office of Economic Adjustment.

## **PART TWO: NATIONAL STRATEGIES**

### **A. U.S. TECHNOLOGY POLICY**

Session 5:

Oct 5: Student presentations.

Summary lecture.

Prelecture on Stokes, *Pasteur's Quadrant*.

### **B. U.S. INDUSTRIAL COMPETITIVENESS POLICY**

Session 6:

Oct 12: Student presentations.

Summary lecture.

Prelecture on:

Dertouzos, *Made in America*, Chapters 1-13.

### **C. OTHER NATIONAL STRATEGIES**

Session 7:

Oct 19: Student presentations.

Summary lecture.

Prelecture on:

Current national approaches ([www.eda.gov](http://www.eda.gov)).

### **D. ECONOMIC ADJUSTMENT**

Session 8:

Oct 26: Student presentations.

Summary lecture.

Prelecture on:  
Mulhern, "Defense Investment Cycles, 1948-1993: The Environment of Postwar Program Management."  
Markusen and Yudken, *Dismantling the Cold War Economy*, Chapters 1, 3, 7, 9.  
Mulhern, "Beyond the Concept of a Cold War Economy."  
\_\_\_\_\_, "The Next U.S. Investment Cycle: Will Experience Improve It?"

Note: For this semester only, this prelecture will be replaced by the **TECHNOLOGY** prelecture originally scheduled for September 28.

## **PART THREE: STATE AND MUNICIPAL STRATEGIES**

### **A. STATE GROWTH DATA**

Session 9:

Nov 2: Student presentations.

Summary lecture.

Prelecture on:

Gross State Product ([www.bea.gov](http://www.bea.gov)).

State Personal Income ([www.bea.gov](http://www.bea.gov)).

State Population ([www.boc.gov](http://www.boc.gov)).

"Hands off our homes," *The Economist*, August 20, 2005, pp. 21-22.

### **B. STATE PROGRAMS**

Session 10:

Nov 9: Student presentations.

Summary lecture.

Prelecture on:

Osborne, *Laboratories of Democracy*, Chapter 2: "Pennsylvania: The Economic Development Model"

### **C. STATE PERFORMANCE**

Session 11:

Nov 16: Student presentations.

Summary lecture.

Prelecture on:

Legislative Budget and Finance Committee, "Department of Community and Economic Development Economic Development Programs: A Performance Audit Report in Response to Act 1996-5."

National Association of State Development Agencies

### **E. MUNICIPAL GROWTH DATA**

Session 12:

Nov 23: Student presentations.

Summary lecture.

Prelecture on:

Output ([www.bea.gov](http://www.bea.gov)).

Population ([www.boc.gov](http://www.boc.gov)).

## F. MUNICIPAL PROGRAMS AND PROSPECTS

Session 13:

Dec 3: Student presentations.

Summary lecture.

Prelecture on:

Saidel *et al.*, *Philadelphia: A New Urban Direction*.

Glaeser, Kahn, and Rappaport, “Why Do the Poor Live in Cities?”

Session 14:

Dec 7: Last class.

Student presentations.

Summary lecture.

Prelecture on:

Final exercise.

## SCENARIOS

The fictionalized scenarios that follow are not designed to represent the professor’s views or the views of anyone else. Nor are they designed to present any fact, though they do include factual information for the sake of verisimilitude. They are designed rather to present a series of situations like those in which Fels graduates who go into economic development organizations might find themselves in the course of their careers. Some of these scenarios call for reflection, some for action, some for both. In each case, the responses should draw on the conceptual material presented in the associated readings and in the prelecture.

1. When I graduated from Fels, I thought it was great to get an economic development job in the Office of Development and Planning in New London. The Connecticut shore is wonderful, and New London has its charms. There are the remnants of a thriving eighteenth-century maritime city here along with the legacy of nineteenth-century manufacturing industry. New London has grown around institutions—the Navy Submarine Base, the Navy Underwater Systems Lab, the Coast Guard Academy, Connecticut College up on the hill. And then there is the Electric Boat plant across the Thames. United Technologies is big in Connecticut. Of course waterfront development is important, with the ferries to Block Island and so on. But I wasn’t anticipating what happened this year. I’ve heard from friends that some of these towns are fairly corrupt when you look under the surface. Not saying that this one is. But they send people to jail down the coast in Bridgeport. Just like Philadelphia. The city government, operating through a nonprofit, decided to wipe out a whole neighborhood and to offer the land to other private interests. All in the name of economic development. We’ve had a real fight. The case ultimately went to the Supreme Court of the United States, and the city of New London won by a hair—5 to 4. Justice O’Connor wrote a blistering dissent, as did Justice Thomas. I’d better figure this one out pretty soon. Of course I had hoped in coming into this job that I would be able to make people better off, at least on average (I wasn’t all that clear, though my intentions were good). But if this is economic development, does it make people better off? Does it help people to produce more so that they can be better off? And be independent? I’m not a crass materialist, and I’m big on quality of life. But people sometimes

don't have enough resources to live decently. That's why I was interested in economic development, or so I thought. And so I need to get a grip on whether these so-called economic development programs really contribute to economic growth. That's the game, after all; I remember reading some really good World Bank studies of economic growth or the lack of it in Latin America and the Caribbean, and the economists who wrote them were perfectly straightforward about economic growth and what might promote it. I'm going to write a memo to myself about Kelo so that I won't lose track of my thoughts at the moment, which seem to need some straightening out.

2. This isn't easy. I've looked at the legislation that sets up economic development programs in several states, and it doesn't even mention economic growth. It seems to be focused on jobs—low-income jobs, mostly, for people who lack skills that are valued highly in the market, or on slightly higher wages for unionized employees. Union members vote as a bloc in some states, after all. Looks like a recipe for retarding economic growth to me. I'm uncomfortable, especially since the whole country is responding unfavorably to the *Kelo v. New London* decision. Quite a few states have passed anti-Kelo laws already, and the Congress has restricted the use of Federal dollars in projects that include the use of eminent domain. Maybe my bosses are perfectly honest but just don't get how economies grow. Is there a way that I can get them to understand how economic growth actually occurs? If they don't understand output as it is treated in the National Income and Product Accounts? Or how economies expand and contract? Can I simplify it for them? I can't lecture them; they're my bosses. Lots of old cities have gotten into the game of trying to get more of what's out there from other people rather than trying to produce more per capita themselves. If everybody just tried to get a bigger share of what's out there already, there might be no growth at all, except by accident. I think that I'll write an op-ed piece and try to raise the level of discussion. If people understand what promotes economic growth, maybe . . .

3. Farewell, New London. I wish them well, but I didn't buy into being the focal point of a national battle. There were television cameras everywhere, and I didn't want to be recorded in this way for my grandchildren or for the rest of posterity. It wasn't just O'Connor and Thomas; but if anybody with a sharp elbow can move in on you this way and take away your property, why am I in America? I had better spend a little time figuring out what does contribute to economic growth. I'll take some time off and live with my parents. They're a little older now, and I could help mom and dad with the yard work. They like to do it themselves, and they really don't trust me to do it right, but maybe I could learn and build their confidence in me. Actually, I would like to live in the old house someday, just the way families keep their properties up in Connecticut. Or did before Kelo. So much for that. Going on line might help, but a lot of the stuff there is pretty undisciplined. I do seem to remember that a professor of mine mentioned Joseph Schumpeter and Sir Roy Harrod as being important for understanding economic growth. Maybe I should read some good old books for a change. I remember how to spell Schumpeter, but I've only read what people have quoted from him. Maybe they even misquoted him, for all I know. If he really was all that smart, maybe I should borrow a copy from Van Pelt; I can do that as an alumnus, if I go through the bureaucratic drill. Shouldn't be hard for me, since I've been a bureaucrat myself already. Can I really figure out what contributes to economic growth? Can I even find or figure out what I have to do to change the rate of economic growth to some predetermined level someplace? If I wanted to go to the World Bank to work on Latin America and the Caribbean, for example, what sort of

presentation would I give them during my technical interview? I'm going to try to put together a draft. Maybe I'll use the Harrod model, or at least refer to it. I don't care so much about just understanding economic growth for its own sake; I want to do something about it—within limits, of course. After all, the Greens have a point. I'll write a note to Dr. Loayza at the World Bank and share my thoughts on economic growth in Latin America and the Caribbean. He might know of a World Bank program that would suit me. After all, we do have Fels people at the World Bank.

4. Everybody at Fels in the last quarter-century read at least some of Alice Rivlin's lectures on policy analysis. She was a key figure in the policy-analysis movement, and she has made some very revealing remarks about it in recent years. She gave a talk here last year. Why am I thinking of this now? Several things are converging. Lots of people who graduated ten years before I did and who were good in finance jumped into the high-technology dot.com business, and some of them made out pretty well. Chris Patusky was in that business before he came to Fels. But the bottom seemed to drop out of that business for a while, and there were lots of books about it. Some of them didn't appeal to me very much. In 2001, Rivlin and one of her colleagues at Brookings collaborated on a book that tried to get beyond hype and to take a long view. One of our earlier graduates helped her with this book at Brookings and, at a Fels alumni party in Washington, suggested that I read it. Rivlin autographed my copy, which was nice of her. And so of course I did read it, and it did shed some light on my question, which is what the internet has done for economic growth and what it might do in the future. After all, I'm going to be in the business of promoting economic growth, at least sometimes, I guess. Does the internet have anything to do, for example, with the fact that many economic growth forecasts undershoot and have to be revised upward? I'm going to try to figure this out and memorialize it for myself. I want to know especially what it is about the internet that might explain why output per capita grows so fast. A lot of people in state legislatures are talking as if they want to tax internet transactions, and I want to be able to tell my classmate, who was elected to the Pennsylvania legislature a couple of years ago, whether it makes sense to turn off the engines of growth. Pennsylvania spends a lot on economic development but is in the fifth quintile in economic growth here. And it isn't just the climate! New York and Delaware are in the first quintile. What's wrong with this picture? I'm going to write a three-pager for my legislator-classmate about whether he should support taxing the internet. And I'll look at what the different states do differently. Maybe he'll know where I should be working next.

5. The World Bank note said a lot of what I wanted to say, and Dr. Loayza referred me to some contacts of his, including one at Yale. I'll have to wait and see. One of the things that I found while I was staying with my parents was that technology was a big deal for Schumpeter. I've heard a lot from the economic development professionals about technology. They talk about technology and innovation as if they were Chiclets or Kleenex—the kinds of things that you can get anywhere and that are completely unproblematic. Actually, when I look back at the economic development literature, I find that they've been talking about these things for decades, but sometimes there isn't a lot in confirmable results by way of economic growth, whatever the official reports say. And there isn't much clarity, either. What is technology, anyway? They never define it, for some reason. 'Technology' and 'innovation' have become political words, and political language probably is not supposed to be clear; it's supposed to be persuasive with large numbers of people. Let's be honest, at least with ourselves. I had an older friend who went to the Woodrow Wilson School at Princeton, and he used to tell me

about the former dean there who died in 1997. Stokes was his name, if I remember. They really loved him. His last published book was a work on technology policy or something like it, and I understand that he was really down on Federal technology policy. Maybe I can figure some of this technology stuff out if I read Stokes. I'm going to try to read the book this week and summarize it for myself—not just summarize it, actually, but cull out the things that will be important to me when I go back into the economic development business. I want to know what will work to encourage economic growth, even if I have to do a lot of mucking around to find out.

6. I had no idea that this was so complicated. And I had no idea that somebody like Stokes, who made his career as a political scientist by working on public opinion research, would pay so much attention to the ancient Greeks and to the rest of history. Maybe there is something there after all, even though I missed out on it the first time around. Anyway, having read both Stokes and Rivlin, I have some doubts about how what you might call national technology policy affects economic growth. Also, thanks to a lecture in the first politics course that expanded on another piece that Stokes wrote, I have been sensitized to the fact that, at the end of WWII, many American companies probably responded to the backlog of consumer demand in a way that didn't do much for American economic growth in the long term. Their aim was to produce as much as they could and to sell it to consumers, since consumer demand had been put off during the war. At the same time, they had to try to remain profitable, since there was great fear of a new recession. You just have to look at Harrod to see that, despite the fact that he was lecturing in London in 1947, he was concerned with the chances of a new recession in America. So they churned out as many cars and tires and dishwashers as they could with the plant and equipment that was reconverted after the war. It was wartime mass production diverted to civilian demand. Consumption overwhelmed investment, and so there was not the investment that later critics thought there should have been. Meanwhile, in the rest of the industrialized world, not limited to Japan and Germany, countries whose factories had been bombed out and whose workforces had been killed or maimed during the war had the luxury of building new factories and of growing a new workforce that would fit with it, often with U.S. support, as through the Marshall Plan. If you were so inclined, you might call it technology insertion, as President Clinton did much later. So in about 25 years, it became clear that productivity growth rates in these recovering countries were running ahead of U.S. growth rates. Thus the 1970s became the era of a new buzzword or buzzphrase — 'international competitiveness'. There were lots of studies, of course, and 'competitiveness' worked its way into the language of the economic development community as an okay word. Although the peculiar conditions of WWII and its aftermath are unlikely to recur in exactly the same form, the language is still there. Surprise! I'm afraid that much of this stuff is old hat now. But since it still is around, I need to deal with it.

I was impressed by the Governor's 2003 inaugural address, which is one of the reasons I've come back. Here is part of his address:

They recognize, as do I, that Pennsylvania is a great state indeed, but one that faces daunting challenges in the days ahead. They also recognize, as must all of us here today, that how we respond to these challenges will define us for generations to come.

First and foremost, we face a state budget deficit that looms as one of the worst in the modern history of Pennsylvania, one that could reach \$2 billion or more for the next fiscal year. Make no mistake. Our current state fiscal situation is a crisis - a crisis that threatens all of us, Republicans and Democrats alike, urban and rural, east and west.

We've tried valiantly to fix the problem in recent years. We've dipped into the Rainy Day Fund to help balance the budget. We've relied on "one-time" revenue sources to buy us time in the hope of economic recovery down the road. I understand why we chose this path, but the days of short-term fixes are over. The economy has not recovered, and the time has come to pay the piper. And paying the piper will mean short-term pain which, if we are willing to endure, will surely lead to long-term gain.

Like working families across the state, we must find a way to make government live within its means. That is my first priority as Governor. We must act now, and we cannot fail. We must find new sources of revenue, and at the same time make tough decisions to reduce spending and cut waste in government. We simply have no other choice.

But as big a challenge as it is, closing the deficit won't solve our problems by itself. Pennsylvania's economy ranks 48th out of 50 states, and we've lost more than 80,000 jobs over the last two years. For too many of our fellow citizens, these are not just statistics - this is real life, and real pain. They are bearing the brunt of the recession, and they are demanding that we work together to revitalize Pennsylvania's economy.

Our young people recognize it, too. We are the second oldest state in the nation because too many of our young people are leaving Pennsylvania behind for opportunities elsewhere. Let's be clear: If they continue to leave, if they don't see a future in Pennsylvania, then Pennsylvania has no future.

Of course there was no recession when the Governor delivered this speech; the turning point had come in November 2001, and the recovery had been proceeding apace for over a year. Today, the Clinton recession is over, and the national economy is growing robustly. But Pennsylvania hasn't been fixed; he was right about that. In my new job in Pennsylvania's Department of Community and Economic Development, I have been asked to give a training session on how to improve Pennsylvania's industrial competitiveness. I guess it isn't just a drill. So I'll be talking to people who went to college or graduate school in the 1970s and who internalized this competitiveness stuff back then. Honestly, I believe that competitiveness still is an issue, but not in the 1970s sense. Can I use a classic of that period, such as Dertouzos, to give them some guidance about promoting economic growth in 2005 or 2010?

7. I gave a really good pitch that incorporated competitiveness into my economic growth prescription. I thought that it got us beyond 'competitiveness'. Then the roof caved in. Some old codger who has been in Harrisburg for 40 years piped up that the EDA web site was touting competitiveness and jobs. Well, I'm not surprised to find the jobs stuff there. President Bush has avoided doing most of the things that would prevent the economy from making its

adjustments and resuming its growth, and so economic growth on his watch has been strong, especially by international standards. But he has been stung politically by expressions such as ‘no-job recovery’. The EDA is a political arm of the presidency, from its origin to this day. Remember President Kennedy’s talking about doing something in Appalachia? I’m not sure that much has happened there since the EDA was established in 1965. So President Bush or his surrogate has put jobs stuff on the web site, though with some delicacy. But what’s going on here? Why is the BEA doing economic growth and the EDA doing jobs? They aren’t the same, after all. It’s like the CIA and the FBI, old style (I hope); they don’t seem to communicate. I’m preparing a briefing for my boss on EDA support for economic growth initiatives in the states—not jobs, not balance of payments, not any of that stuff, just economic growth. Here is my briefing. It may be that EDA has nothing for promoting growth in states or counties. If so, I want to offer some constructive alternative.

8. One of the big economic development issues last summer was the Governor’s suit against the Department of Defense in connection with the closing of Willow Grove, the joint reserve base up Route 611. I don’t know about these suits. When the Navy Yard was threatened with closure by BRAC in the early 1990s, Senator Specter initiated a suit against the Navy to stop it. One person who understood the Navy pretty well is reported to have said about the suit at the time: “If you lose, you lose. If you win, you lose. Nobody in Philadelphia, including Senator Specter, can get the Navy to put its ships where it doesn’t want to put them. In either case, the suit keeps people from making the adjustments that might have some chance of succeeding.” Well, that was what happened. The state was left holding the bag, including a piece of the unemployment compensation, which was its big concern. About 7,000 people were let go. It took a long time—much longer than it might have—to get a private operator to take over a part of the old yard and build a new private facility, though that facility is selling a few ships. But the cost in public dollars was enormous. *Forbes* did an article on it. The governor’s Willow Grove suit really didn’t address base closure; the press had it badly confused. It addressed only the disestablishment of one of the Pennsylvania Air Guard units there. The governor can keep that unit—somewhere—of course, if he wants to pay for all the support that it needs. I doubt that he will. And don’t expect a lot of Federal help after such an annoying suit. The BRAC Commission voted unanimously to close Willow Grove on August 26, as the old hands expected. Within hours, a Federal judge stated that the governor could keep his Air Guard unit. The governor said that he was “elated.” What else was he supposed to say? But I don’t know what you do with airplanes that have no place to land. As Dr. Singerman and Dr. Mulhern pointed out in an article in the *CUED Economic Development Commentary* in 1994, Naval Air had been disinvesting in Southeastern Pennsylvania for decades and shifting operations to New Jersey. I guess that’s just the way it is. The question now is schedule. When the base closes, will what follows it on the site contribute in any important way to economic growth? Output per capita over an extended period? I had better look at a couple of things—what has happened at other closed airfields and what people expect to happen at Willow Grove when it closes. They’re widening Route 611 to four lanes just now that the base is closing. Is there a connection? What’s wrong with this picture? I guess PENNDOT wasn’t as concerned with access before. So maybe the base could become a gated community. Hmmm. No new mass transit plan, though. Which politically connected developers are active up there? Maybe I should check before I say the wrong thing. But where is the increase in output per capita over an extended period? Looks like the consumption side to me. I have to brief my boss here at DCED next week, and I want to lay things out clearly for him, since he probably will have to

talk with the governor. This affair could be important politically. If Terry Madonna is right, both the governor and Senator Santorum have weak approval ratings going into their reelection campaigns. Some kind of success at Willow Grove might have produced a few more votes. They held some joint press conferences there, after all.

9. The boss didn't like my briefing. Unfortunately, he comes from a business background, and so he wasn't satisfied with what he described as "no output measures." Well, it's not easy to get output measures for everything at the state, much less further down. He is feeling pressure, of course, from his boss. Since Kelo, people don't trust you automatically anymore when you say 'economic development'. In fact, they suspect you. Its emotive meaning really has changed, because now people associate it with a new descriptive meaning that they don't like. I see these lawn signs—'E[conomic] D[velopment] = E[minent] D[omain]'. Out on the Main Line, people are getting their backs up and suing to stop some of these ED projects, including some that would have been enabled by the TRID legislation that the governor signed late last year. I bet that Lower Merion's township commissioners didn't expect to be featured in *The Economist* when they sent those eminent domain notices out. But of course everyone knows that, in Pennsylvania, local governments can do only what the state allows them to do. And even our legislature has been affected, finally, by the reaction to Kelo. It's gone so far that people in our own administration want to measure our department's performance. They may even want to start measuring the impact on economic growth in the state. Hmm. A changing ratio of output per capita. I understand this at the national level. What I need to find is the number for the state that corresponds to GDP. Then I need to get the capita—the heads that need to be fed over time as the size of the population changes. I probably want to look at income per capita as well. Of course all the dollar figures will have to be real rather than nominal since I'm looking at year-to-year changes, so I may have to deflate them. And none of this will mean much unless I make some comparisons with other states and with the nation as a whole. That's one side. Then, if I want to have some sense of the effectiveness of our department's programs, I'll have to look at how much we spend per capita as against how much other states spend. That will give me a ratio. Unfortunately, the Federal government doesn't seem to collect this last kind of data. Maybe there are other ratios that I should be looking at. I'll start checking the web sites. Frankly, it blows my mind that all this information isn't out where everyone can see it. I wonder why not? I'll have to figure out what to do if it tells a bad story. The Governor might not be pleased, so I hope it tells a good one.

10. While my analysts are working on this project, I had better find out what is going on in the state's economic development programs. Pennsylvania's economy probably really began to show a strain in the 1970s, based on what I know about the competitiveness issue. Or maybe people only began to notice it then. The programs, though, might not have been put in place until later, since governments often don't react very quickly. Governor Shapp became Governor in 1971, and he was succeeded by Governor Thornburgh in 1979. From what I can tell, some of the state's current economic development programs go back at least to the Thornburgh administration. That would make them about 25 years old. Food for thought here. It would be nice to know how those programs got started so that I'll have a baseline for looking at the current programs to see what is new about them. I'm assuming, of course, that there is something new. Were the older programs politically motivated, or were they focused on economic growth, or both? What about the current ones? I need to write another memo to myself that makes all of this clear.

11. Not to put too fine a point on it, nobody was pleased with my results for this state compared with the results for other states. How can you be happy if you're not at the top? Or close to the bottom? If the results aren't better than this, we really need to decide what to do next. Right away. After all, we have an election coming up. Let's not get any bright ideas about long horizons. Can we drive the programs that are outlined in the LBFC publications into performing better by changing the way we evaluate them? I once knew a Navy admiral who told me, "You don't get what you expect; you get what you inspect." If we don't tell people what we're going to inspect, maybe they won't know enough to give it to us. Before we go in that direction, though, let's get our thoughts in order. Let's ask our in-house people about how we should measure what we do now, since we are under scrutiny. If I were one of those in-house people, what would I write?

12. It's no secret that the governor has our largest city, of which he was the mayor for two terms, much on his mind. Despite the long-term emptying out, it may still have enough votes to get him reelected, even given his unpopularity in other parts of the state. I've read about the intellectuals and boosters of the 1970s who were forecasting that gentrification would rebuild the city's population. I came into town last Sunday and there was hardly a soul in sight. It might have been the Sunday after the neutron bomb. Pretty scary. When you look at the numbers, it's pretty clear that the intellectuals and boosters were dead wrong, though they got a lot of public money spent and a lot of play in the press. I guess their children are in the same business now. But let's not jump to conclusions. When I left our capitol for this job at the IDC, I knew that it wouldn't be a pushover. Now that I'm here, I want to get my arms around the situation in this city. From a data standpoint, it's lucky that we're a county, since there is some county data. I've gone back into the web sites and pulled out the same kinds of data for the county that I pulled out for the state, so far as I could. I am going to present a balanced picture to my new boss—maybe 10 or 15 slides in my presentation to establish a baseline. Here are the five I have so far. I know that many of the big deals are made at another level. But I want to get at the overall numbers, if I can, besides the ones for a single project. So I need to know what the other slides are likely to say.

13. One of the people who keeps looking at some of these numbers is the City Controller. He has gone public over and over again on cutting business taxes in Philadelphia; he must have been looking at Delaware's web site. I joined his staff because things like this were on the table all the time there. Also, the governor chairs Friends of the Controller. It wasn't a difficult transition. The Controller strikes me as a realist, and if he is, he must know that people don't always go where the tax rates are lowest. If the city reduces its business taxes and its wage tax on individuals, what will happen in the way of economic growth, or a sustained increase in output per capita? How much, on what schedule? How do we know, if we do? We are putting out a new edition of his book—*A New Urban Direction*—before the election season, and I had better get this stuff right so that it goes into the book in a credible form. In some ways, economic growth can be linked to high-income people. But I saw an NBER paper recently which suggested that the cities actually attract poor people. I'll write a few paragraphs that try to pull the NBER paper's results into the argument of the new edition in a sensitive way. No point in wishful thinking or in supposing that our actual environment is different from what it really is.

14. At the end of the day, I'm not the Director of Commerce or the Director of Finance. I'm not a Deputy Mayor. In fact, I'm not anything in the city right now. It was a great ride, and I enjoyed it all the way. And I learned a lot. Some of what I learned was that economic development programs are political and that they may or may not promote economic growth. On a national level, economic growth has been associated prominently with tax cuts—Kennedy, Reagan, Bush II. It isn't clear that their economic development programs, though they had them, have had much of an effect, and of course those programs have been really small in the grand scheme of things. Perhaps I should take a break. Maybe I should start a company or go into an established company—not too established—in a growth industry. After all, growth companies produce economic growth. It's all that Schumpeter stuff about entrepreneurs. I understand it now, or at least better than I did. It's been a long haul. When I come back as Secretary of Commerce, though, this will be my program: