ECON DEV 101

Ethics in Economic Development

Balancing growth, equity, and community impact — who benefits, who decides, and who pays the cost.

Why This Matters

Every development decision creates winners and losers

Public dollars, private gain

Tax breaks and subsidies use public funds to benefit private developers — is the public return worth it?

Progress can displace people

Revitalization raises property values and rents, often pushing out the residents it was meant to help.

Growth has hidden costs

Jobs and investment can come with environmental strain, unsafe conditions, or long-term community risk.

The core question of this course isn't just "does it grow the economy?" — it's "grow it for whom, and at what cost?"

Four Ethical Lenses

Frameworks for evaluating a development decision

Utilitarian

Does this create the greatest net benefit for the greatest number of people?

Rights-Based

Does it respect individual rights — to property, due process, and a voice in decisions?

Justice & Fairness

How are benefits and burdens distributed? Who bears the cost of "progress"?

Stakeholder

Who has a seat at the table — and who was left out of the decision entirely?

These lenses often point in different directions — that tension is where ethical judgment matters most.

Who’s at the Table?

Key stakeholders in any development decision

Local government

Sets policy, offers incentives, balances budget vs. growth

Businesses & investors

Bring capital and jobs, seek return on investment

Residents & community

Live with the daily impact — good and bad

Workers

Wages, safety, and job security are on the line

Environment

Land, air, and water quality for current and future use

Future generations

Inherit the debt, the infrastructure, or the damage

Cases in Local Development

Two recurring ethical flashpoints

Tax Incentives & Subsidies

Cities compete to attract employers by offering tax abatements, grants, or infrastructure spending.

The tension: Promised jobs and tax revenue don't always materialize, and the incentive cost is borne by taxpayers who never got a vote on the deal.

Ask: *Who negotiated this deal, and who was in the room when it was signed?*

Gentrification & Displacement

Investment in a neighborhood raises property values, improves amenities, and attracts new residents.

The tension: Rising rents and property taxes can price out the long-time residents the investment was framed as helping.

Ask: *"Revitalization" for whom — and does anyone protect current residents' place in the outcome?*

GROUP ACTIVITY 1

Stakeholder Mapping

The Scenario

A city council is voting on a $40M tax abatement to attract a new manufacturing plant. The company promises 500 jobs over 10 years. Approval is on the agenda for next week.

7 minutes: 5 min discussion + 2 min report-back (1 winner, 1 loser, 1 missing voice per group)

In groups of 3–4:

1. List every stakeholder affected — direct and indirect
2. Mark each as a likely "winner," "loser," or "uncertain"
3. Flag whose voice is missing from the council vote
4. Decide: would your group approve the deal? Why?

Corporate Ethics in Development

Labor, supply chains, and ESG commitments

Labor standards

Wages, working hours, and safety conditions — especially where oversight is weak or enforcement is inconsistent.

Supply chain accountability

A company’s ethical exposure extends to its suppliers and contractors, not just its own facilities.

ESG: substance vs. symbolism

Environmental, Social & Governance commitments are only as meaningful as the accountability behind them — vague pledges without metrics or audits risk becoming "greenwashing."

Case: Land Use & Eminent Domain

Governments can legally take private property for "public use" with compensation — the ethical question is how broadly "public use" should be defined.

The case for broad use

- Allows assembly of large sites needed for infrastructure, transit, or major projects
- Can enable projects that create substantial regional economic benefit
- Compensation is legally required, softening individual harm

The case for narrow use

- Fair market compensation rarely covers the full cost of losing a home or business
- "Public benefit" can be stretched to justify transfers to private developers
- Impact falls disproportionately on lower-income and less politically connected residents

Case: Poaching After Disaster

Recruiting businesses out of areas hit by tornadoes, floods, hurricanes, or other disasters

After a disaster, some economic developers move fast to recruit weakened businesses to relocate — pitching incentives while the damage is still being assessed.

Why it's considered unethical

- Exploits a moment when owners can't make a clear-headed decision — under duress, not free choice
- Deepens the harm to the disaster-hit community just when it needs its tax base and jobs most
- Wins the deal on crisis and urgency rather than on genuine long-term fit or merit

The counterargument

- A business may need to relocate regardless — a developer argues they're offering a lifeline, not a trap
- Owners are still free to say no; no law is being broken
- Line-drawing is hard: is it "poaching," or just responsive recruiting?

Discuss: Has something like this occurred in your career? How did you handle it?

Common Ethical Tensions

These trade-offs recur across almost every case in this course

Growth	vs	Equity
Speed of approval	vs	Community input
Outside investment	vs	Local control
Profit	vs	Environmental cost

GROUP ACTIVITY 2

Ethical Dilemma Debate

The Scenario

A large retailer wants to build a distribution center on the edge of town. It offers 300 jobs but will likely close several downtown small businesses within 5 years.

The Developer

Argue for approval: jobs, tax base, regional growth

The Small Business Owner

Argue against: local livelihoods, downtown character

The Worker Advocate

Push for conditions: wages, benefits, hiring priority

The City Council

Weigh both sides and decide — with conditions if needed

15 minutes: assign roles within groups, prepare a 1-min argument each, then the "council" group announces a ruling with at least one condition attached

Tools for Ethical Decision-Making

Practical mechanisms that put these lenses into practice

Community Benefit Agreements

Legally binding commitments a developer makes to a community in exchange for approval or incentives.

Equity impact assessments

Evaluate a project's effects across income, race, and displacement risk before approval.

Public consultation processes

Structured opportunities for affected residents to weigh in before decisions are final.

Transparency & disclosure

Public reporting on subsidy costs, job outcomes, and whether promises were kept.

GROUP ACTIVITY 3

Case Study: Pressure from Leadership

The city of Pawnee, Indiana, has just hired Elena Ramirez as the Executive Director of the Pawnee Economic Development Corporation (PEDC) following a national search. After years of turnover and stalled projects, the city council sees Elena as the professional who can bring stability and attract sustainable growth.

For Elena, this position represents more than a career move—it's a lifeline. After relocating her family from Detroit and using much of her savings to buy a home in Pawnee, she's determined to make this role work. The stability, benefits, and chance to rebuild her reputation after a downsizing at her previous job make this opportunity critical for her family's future.

Two weeks into the job, Councilman Jeremy Jamm, who serves as Chair of the PEDC Board, invites Elena to dinner to "talk strategy." After some small talk, his tone shifts: "You've got a great opportunity here. I made sure you got this job, and I expect we'll be on the same page about where those development funds go."

In her first month, Elena learns that Jamm has been pushing PEDC staff to direct grant dollars and façade improvement funds toward several downtown properties owned by his political donors—one of which he quietly co-owns through an LLC. He now demands Elena approve a $150,000 small business redevelopment grant for one of those properties, even though it doesn't meet eligibility criteria.
If she refuses, Jamm could rally the board to fire Elena. If Elena complies, she risks violating procurement policies, state ethics laws, and the public trust in Pawnee's redevelopment efforts. The town's local paper is already watching closely after years of controversy over "insider deals."

Questions to consider:

1) Should Elena approve the small business redevelopment grant?
2) What role should the PEDC board have in reviewing and approving grant applications?
3) Should Elena's personal circumstances influence her professional choices?

5 min to draft, 5 mins to share responses

Key Takeaways

Ethics isn’t opposed to development

It’s the discipline of asking who benefits, who decides, and who bears the cost — before the deal is signed.

"The community" is never one voice

Good process means identifying whose interests are actually represented in a decision.

Frameworks only work with enforcement

ESG pledges, CBAs, and impact assessments are only as good as their accountability mechanisms.

Discussion & Reflection

1. Have you found yourself in one of the scenarios we discussed earlier? How would you respond differently?
2. Think of a local project you know of. Who would you add to the stakeholder map?
3. Should a city ever be allowed to keep incentive deal terms confidential? Why or why not?