

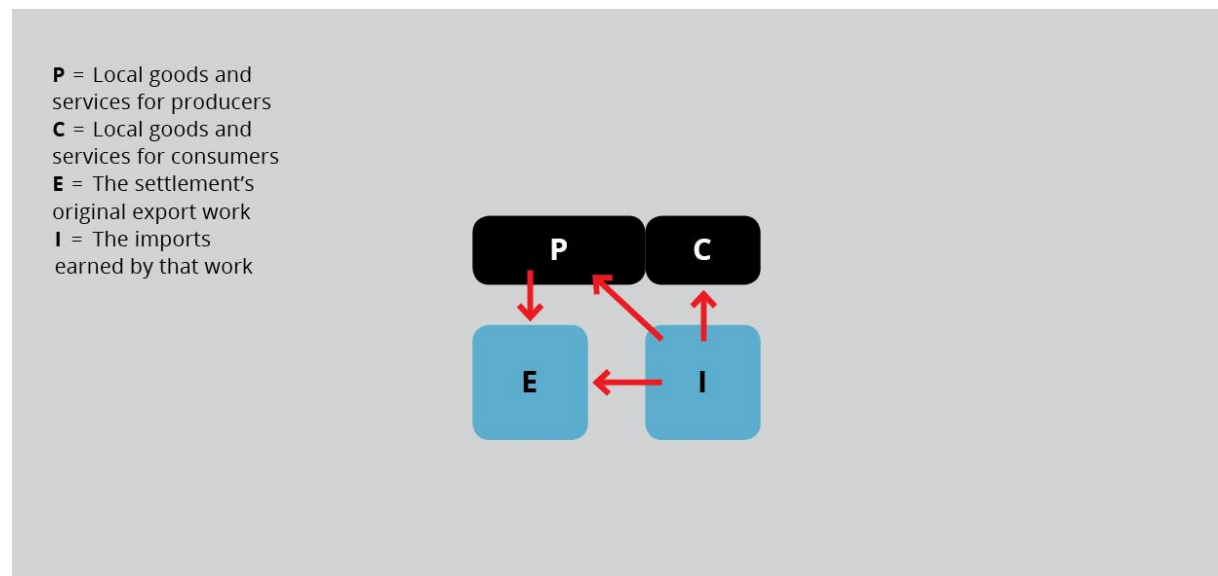
# Jane Jacobs on economic growth

(summary by Jan van Arkel)

In the Appendix of her book *The economy of cities* Jane Jacobs gives a diagrammed summary of what her book is about. Keep in mind that this is just a helpful simplification, and that every settlement is a unique case.

## 1. The Simple Export-Generating Process, Diagrammed

An embryonic city begins its growth because local suppliers of goods and services to the city's initial exporters become exporters of their own goods and services. This is a diagram of an embryonic city's economy before the process of export generating starts:



That economy consists of four 'blocks' of goods and services:

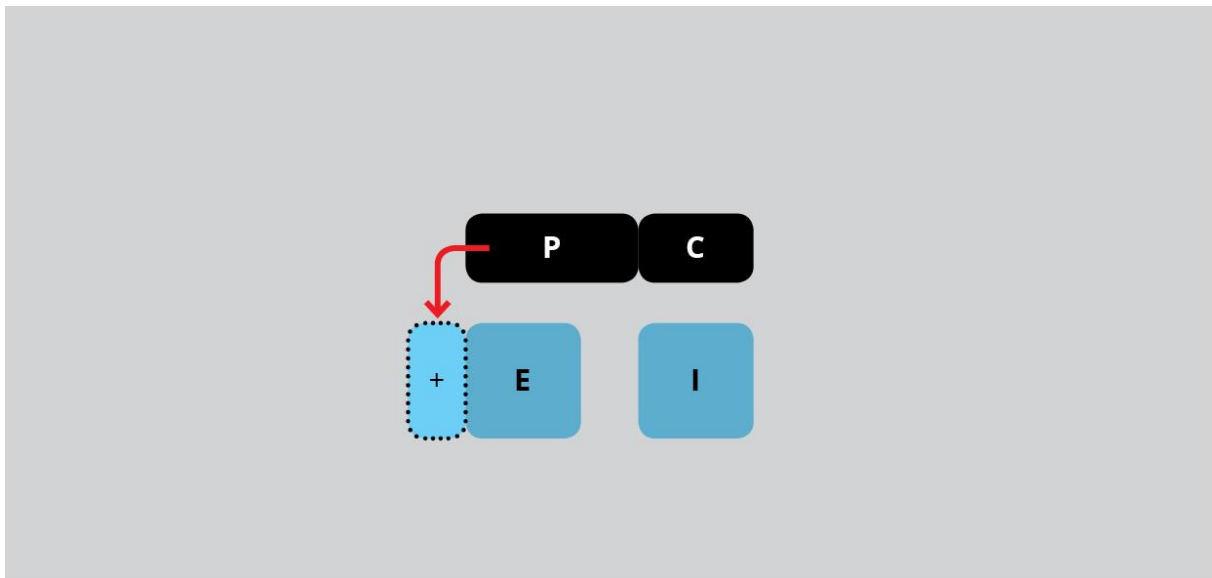
- The settlement's original export work (E)
- The imports earned by that work (I)
- Local goods and services for producers (P)

- Local goods and services for consumers (C)

The last two blocks, together, compose the local economy.

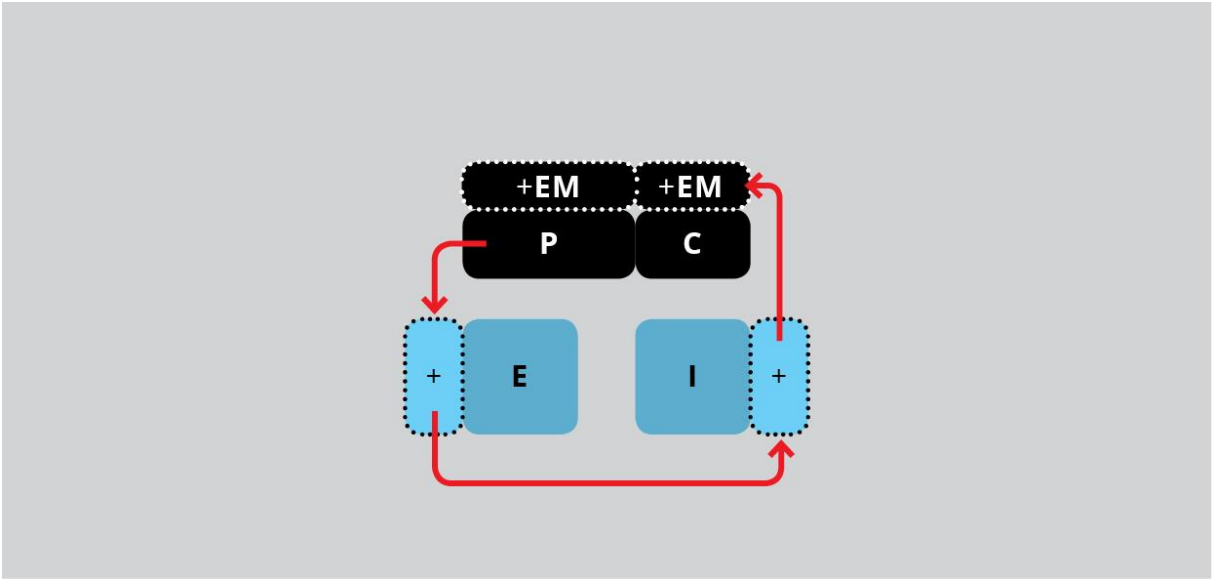
Some imports are directly incorporated into the city's export work, e.g., raw materials and machines, bought from other places by exporters. The rest of the city's earned imports go into the local economy where they are incorporated into locally produced or locally handled goods and services for producers and consumers. The arrows attached to the import block indicate these destinations.

Now let us suppose that a local supplier of goods and services to the initial export work begins to export his own work. This adds to the variety and also to the quantity of the city's exports:

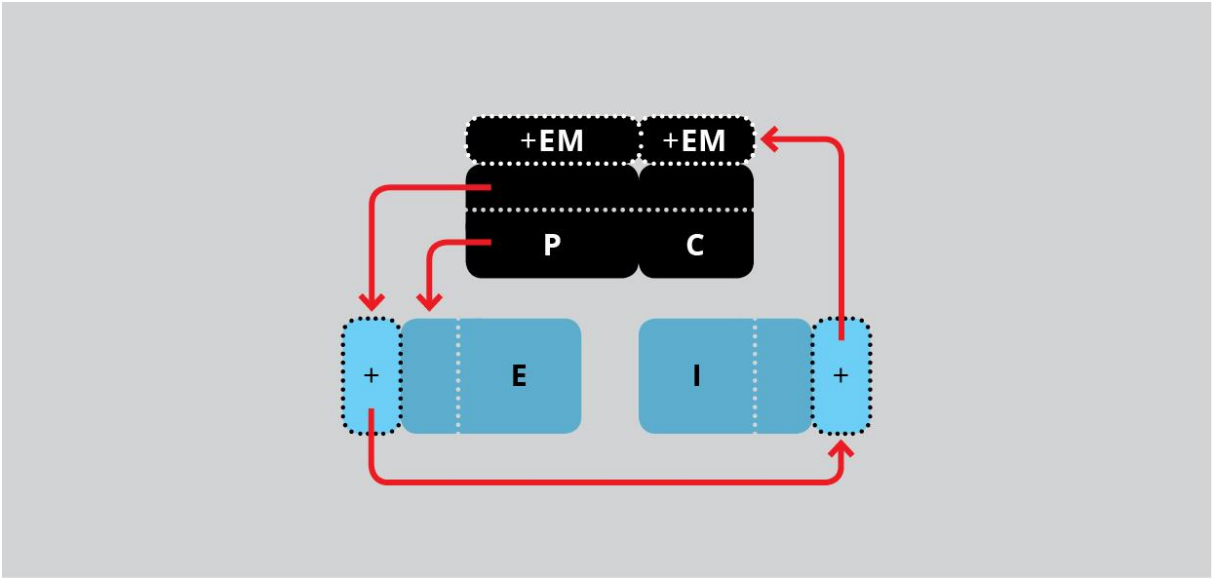


The imports earned by the embryonic city also increase. Some are likely to be preempted directly by the new export work, but the rest feed into the city's local economy, which is growing. Local producers' goods and services can grow and diversify owing to the growth of export work to be served; consumer goods and services can grow and diversify owing to the increase in the city's population of

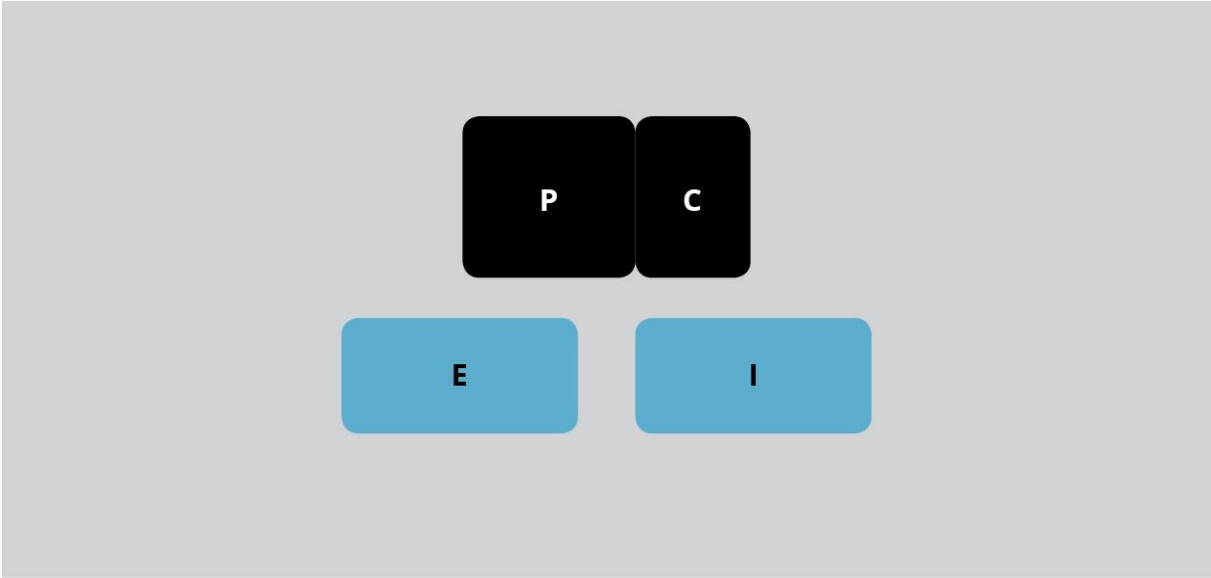
workers and their families. This local growth is the ‘export-multiplier effect’ and is designated ‘+EM’:



Because of the increased numbers and diversity of organizations supplying goods and services to the city’s already increased export work, the same process is even more likely to happen again. More local suppliers of producers’ goods and services take to exporting their own work:



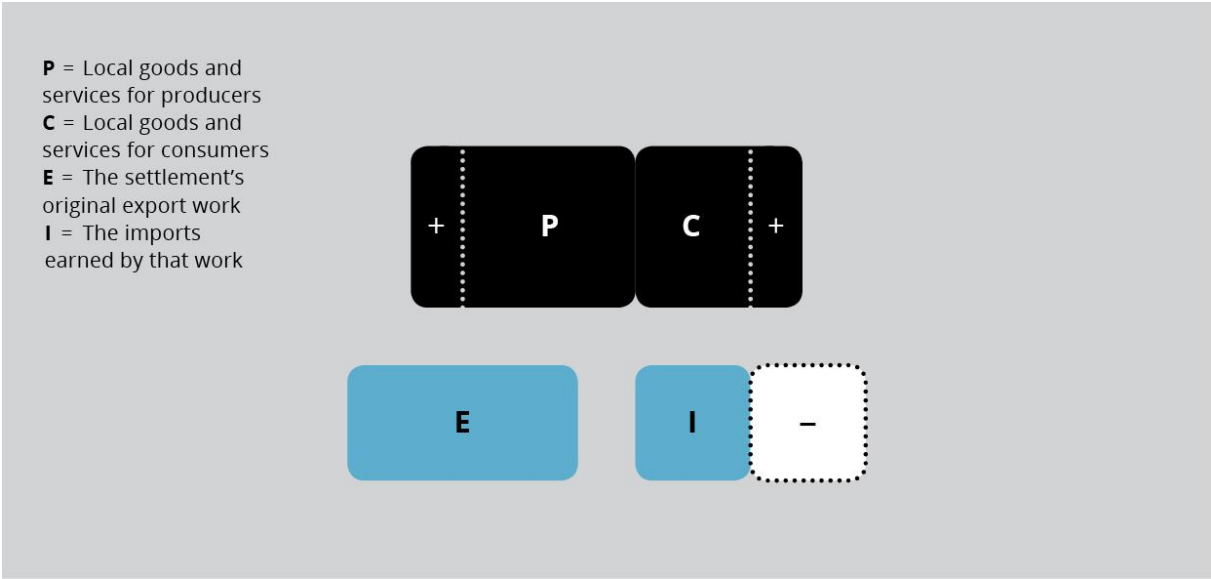
If this process continues vigorously, the net effect (subtracting any losses of older exports) is a consistent growth in both the volume and the variety of the young city's exports, accompanied by great growth in the variety and numbers of local suppliers of producers' goods and services and also growth of local consumer goods and services:



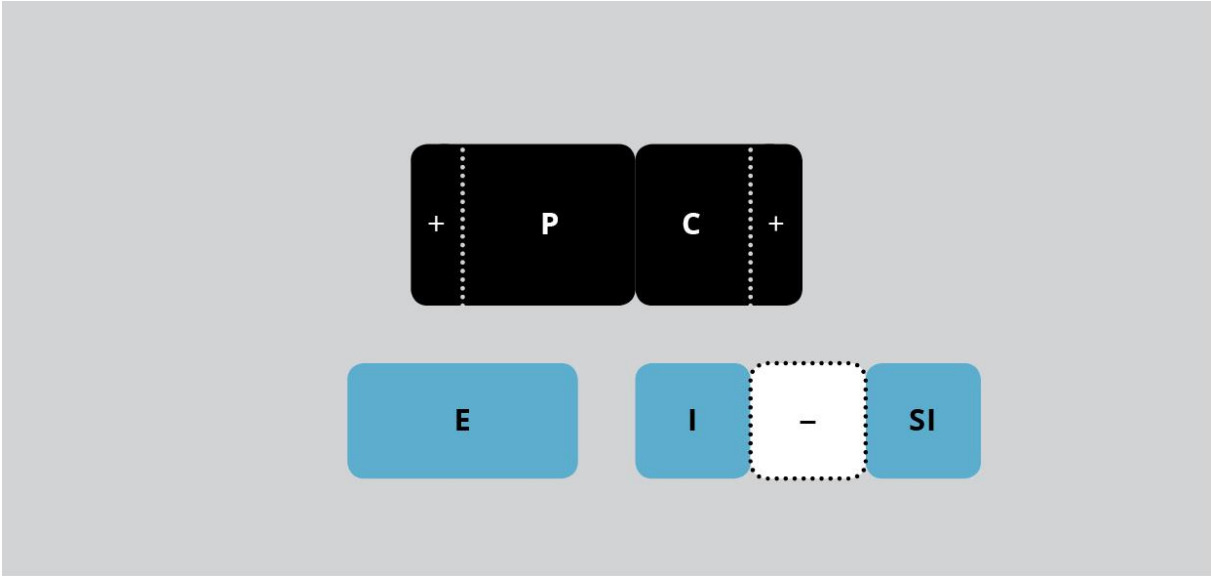
## 2. The Import-Replacing Process, Diagrammed

After a city has built up a considerable volume and variety of imports, it becomes capable of replacing many of those imports, that is, producing them locally. For the sake of simplicity, let us assume that the city's volume of exports remains the same while an episode of import replacing is occurring. Let us use, as our diagrammatic example, the young city previously pictured, which is now earning a sizable quantity and diversity of imports and is about to replace half of this volume of imports with the same things, locally produced. We can think of this replacement work as a transferal of goods and services from the

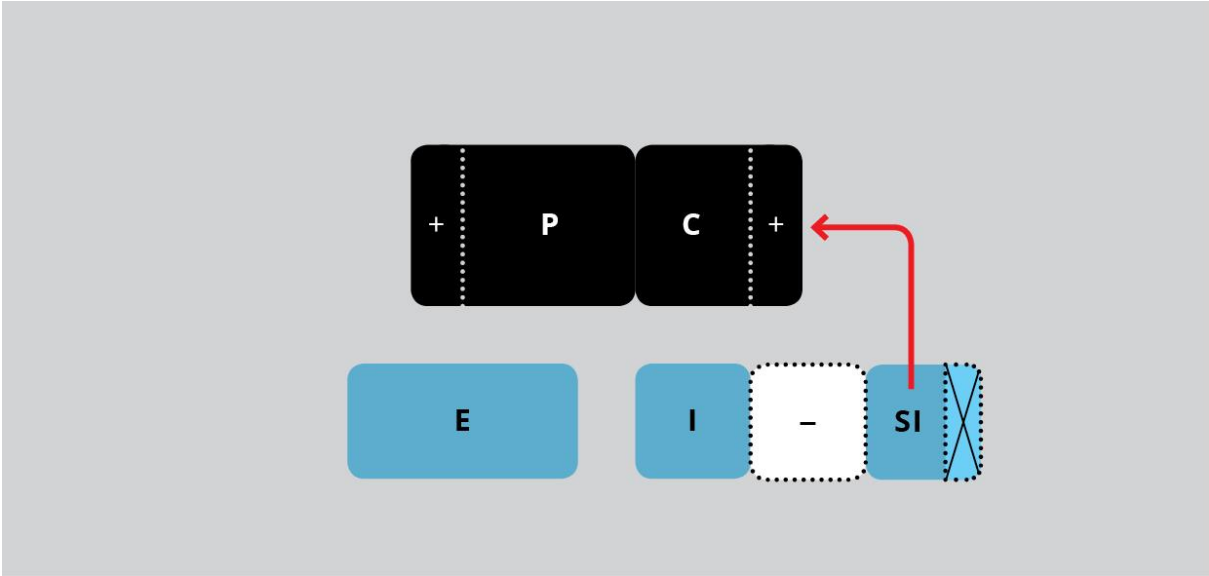
import block into two blocks of the local economy. What is added to the local economy is subtracted from the imports:



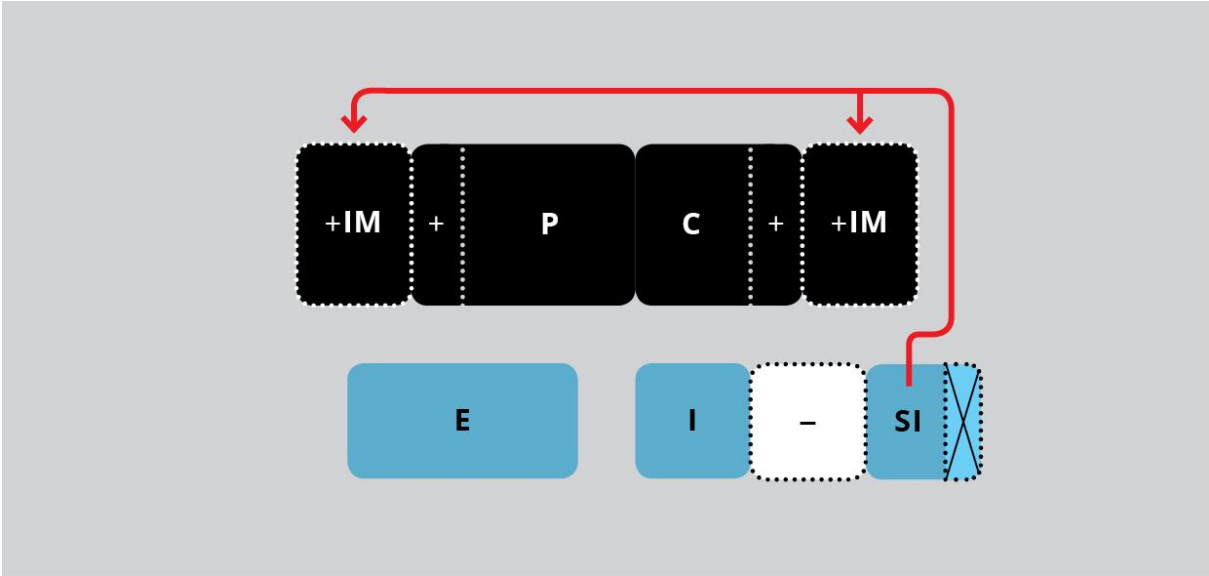
The part of the import block that had previously been occupied by those goods and services is now indicated by a dotted line. But of course the city is still earning as many imports as it would have, had this transferal not occurred. It is thus able to import other things, in place of those now locally produced. It has only shifted the composition of its imports. Therefore, beside the portion of the import block we have left vacant, let us add a new block of shifted imports (SI):



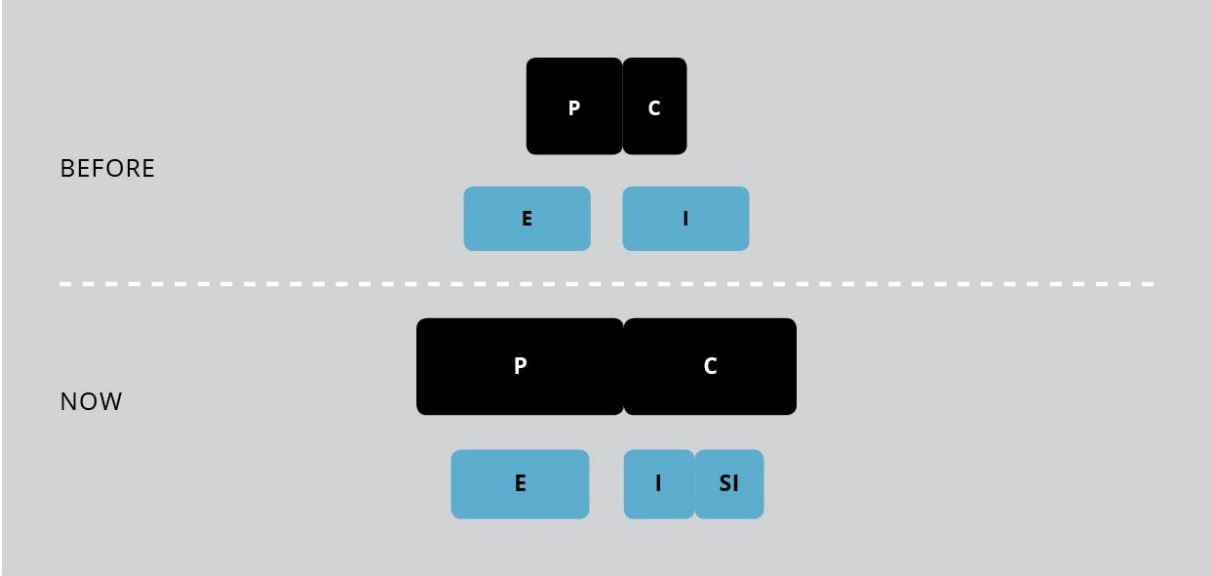
Some of these new, shifted imports must be incorporated into the locally made goods and services that were formerly imported. So let us cross out (X) that portion of shifted imports. The rest are, in effect, ‘extra’ imports. They consist of increased quantities of things the city has continued to import (has not replaced), and also things the city did not previously import at all. These extra imports feed into the city’s local economy:



Due to those extra imports, the city’s local economy can grow. This local growth is the ‘import-replacing multiplier effect’(+IM).



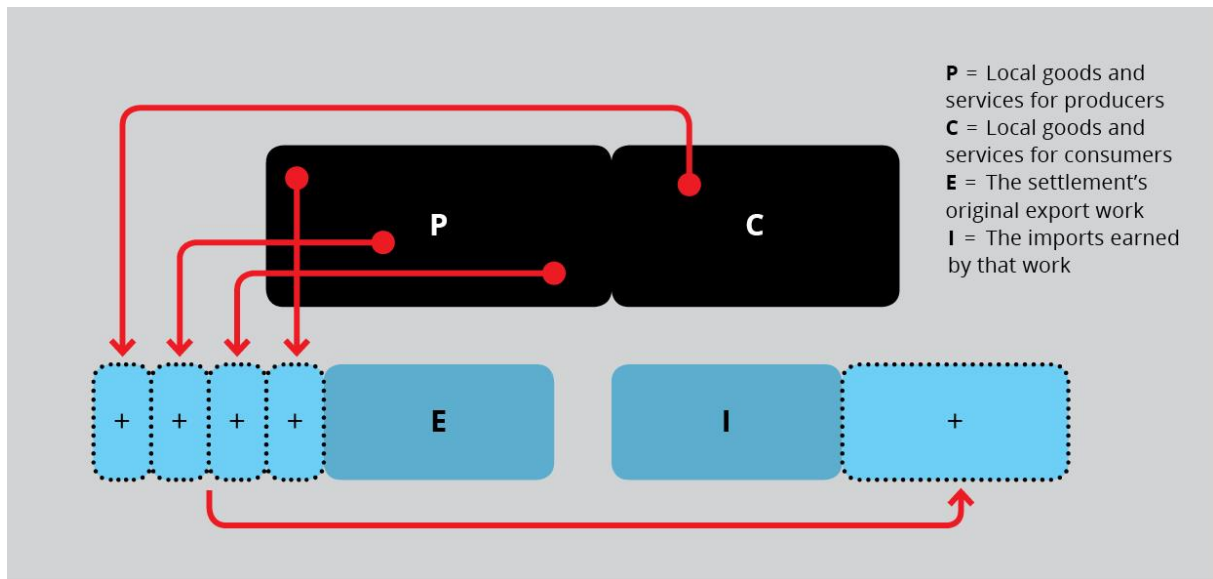
Now let us remove the empty space in the import block, that is, reconnect the two parts of the block. And let us compare the composition of the city economy now with its composition when import replacing was about to begin:



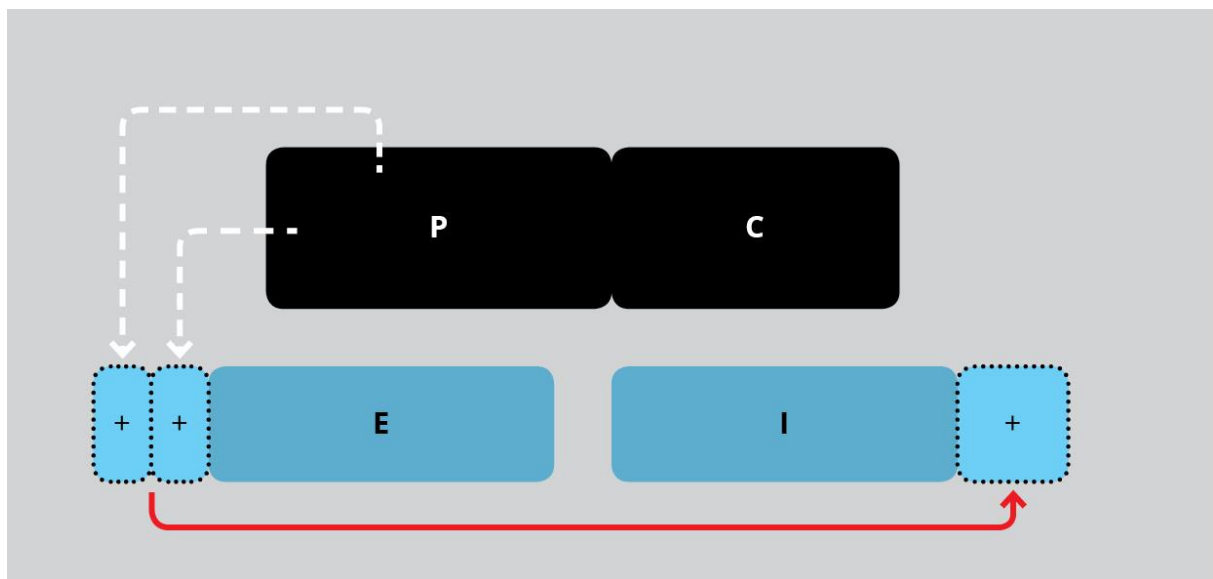
The volume of exports and imports remain the same, although the imports have shifted in composition. The local economy of the city has grown. Therefore, the proportions of the local work and export work have changed.

### 3. Export Generating in a Large City, Diagramed

After a city has developed a large local economy, it has also acquired a large reservoir of potential new exports. The simple export-generating process continues. But in addition, many local consumer goods and services are now exportable. And so are many goods and services that supply *local* producers, quite apart from those that supply exporters:



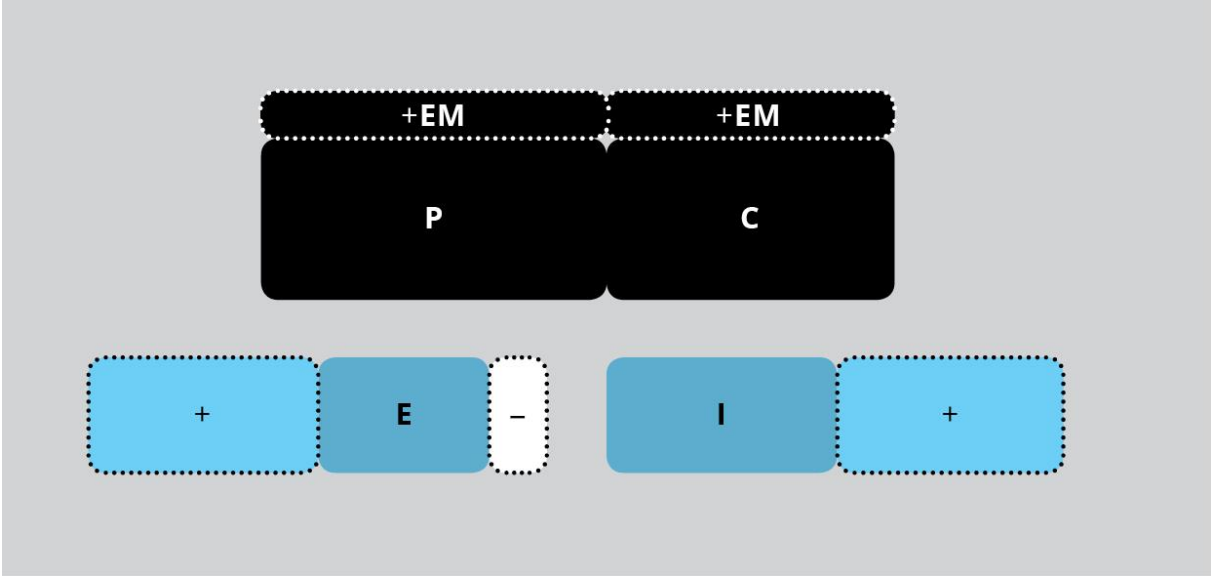
And in addition to these exports from the local economy, others are made possible by the local producers' goods and services on which they draw. We can show these exports connected by dotted line to the local producers goods and services on which they depend:



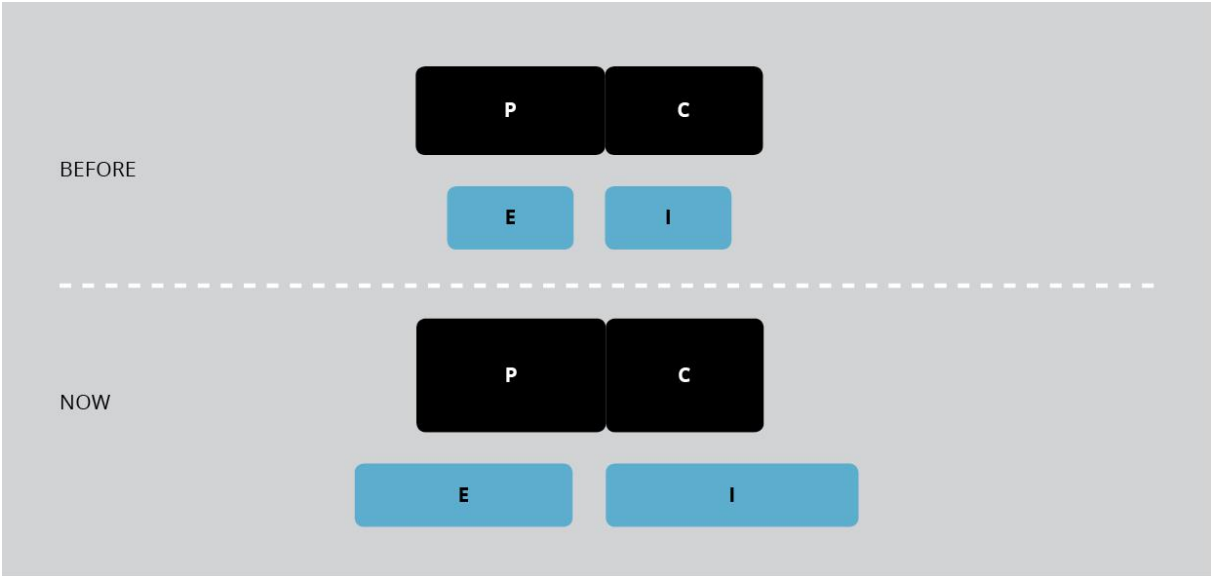
Of course, the city is also losing older exports while it is generating new ones. But to the degree that new exports overcompensate for losses of old ones, the



city's volume of imports grows. And the local economy grows too, owing to the export-multiplier effect, just as happened in the case of simple export generating.

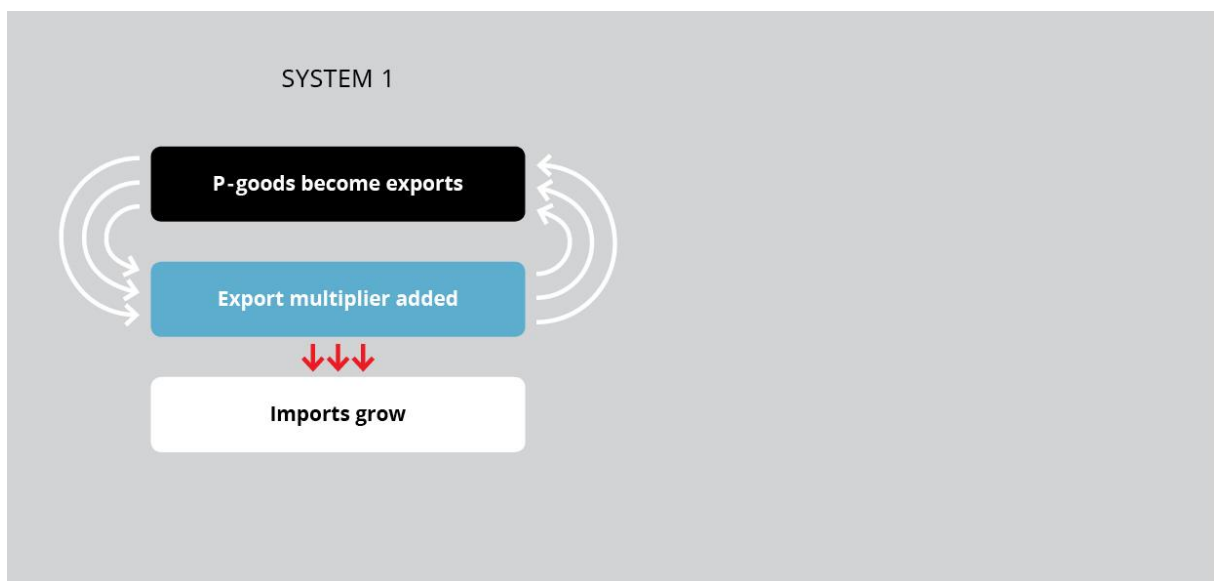


Conditions are thus prepared for another episode of the import-replacing process. This is the ultimate result: All aspects of the economy of the city have grown:



#### 4. The two Reciprocating Systems of City Growth

The various processes that have been diagrammed operate as two major reciprocating systems. The first system is the process of simple export generating in a young city. Producers' goods and services become exports. The export multiplier increases the numbers and varieties of producers goods and services. More producers' goods and services become exports and so on, the process sustaining itself as indicated by the curved arrows. Simultaneously, the city's earned imports grow in volume and variety:



The second system is set in motion. Imports, having grown, are replaced. The versatile export generating of a large city becomes possible and so do subsequent episodes of import replacing:

