

Cities and the Wealth of Nations: Principles of Economic Life by Jane Jacobs. (Penguin Books, Harmondsworth, Middlesex, 1986.) pp.257, \$9.95, ISBN 1-14-022677-X.

This is a difficult book for an economist to review; while the topic is central to economics, its arguments are defended by appeals to history rather than economic analysis. Indeed, Chapter 1 sets out to provoke the economist by surveying economic theories from those of Cantillon to the twentieth century Monetarists and by concluding that all have failed because none can be used to explain the stagflation of the 1970s. Chapter 2 suggests that the reasons for economists' lack of success is that they ignore the economies of cities. Instead they choose the nation as their central economic unit.

Most of the book is devoted to detailing the author's view of the importance of cities to economic growth. She argues "Economic life develops by grace of innovating, it expands by grace of import-replacing. These two master economic processes are closely related, both being functions of city economies" (p.39).

The author describes successful city regions, such as Tokyo, Boston and Toronto. She contrasts them with supply regions, for example, Uruguay, Zambia and New Zealand. These countries trade resources to successful cities but have not developed their own import replacing cities. Supply regions may be either rich or poor depending on the state of markets for their products. Even when rich, they are vulnerable because markets can change.

Backward economies are also analysed — those in which out-migration leads to decline, e.g. Wales, and those in which technological advance has led to unemployment, e.g. the southern regions of the United States. It is important to an acceptance of the author's thesis to understand why backward regions are failures. Although out-migration may improve the income of the migrant, it also leads to the decline of the region.

Neoclassical adjustment mechanisms are rejected. In cases where technology improves agricultural productivity but does not create additional city jobs, then unemployment is created. The regions affected prosper but not all the inhabitants are better off. The author sets as a standard of desired development that both regions and people must have increased income. She argues that success is achieved in city regions.

The author draws empirical evidence for her arguments from the whole of world history going back to Neolithic times. She describes the growth and decline of cities and compares forms of activity in small hamlets in vital, city regions and in "bypassed places". To an economist these first ten chapters are interesting, but puzzling. If cities are the engine of growth and if all current policies cannot stimulate more than temporary growth in any city, what is the solution when urban decline sets in? What is the link with economists' emphasis on national economies? The answer, in chapter eleven, is both obvious and disappointing. Cities should have their own currencies so that decline could be arrested by appropriate devaluations. Cities should be mini nations.

The author herself recognises that this solution to the problem of revitalising declining cities is unlikely to have practical application. Almost all nations, she argues, have been built up through war and their governments and citizens would rather decline and decay in a unified state than accept

dissolution. She draws on history for two successful examples — Norway's split from Sweden and Singapore's separation from Malaya. (One of the difficulties of this approach to historical evidence is that the reader wonders whether other examples support or contradict the author's thesis. Ireland, for instance, is another country that separated from a larger neighbour.) Despite some examples of separations, the author does not expect many city states to emerge. Instead, the world must drift on, hoping that in small ways innovation will continue and some cities will maintain their vigour.

This contrasts oddly with her rejection of neoclassical adjustment mechanisms in the case of factor movements into and out of backward regions and with her critical attitude to economic analysis in general. In her historical reviews, she does not analyse in any detail the differences between city growth in periods when exchange rates were fixed and when they were flexible. It would have been interesting, for example, to know her views on urban development in Britain under the gold standard compared with conditions in the 1970s in Britain and elsewhere.

The author's emphasis on the need for place prosperity also raises questions. Why should people want to accept the uncertainties that a local currency would involve? What would they gain individually? If they were accepting of uncertainty why would they not choose to accept local wage cuts and stay within the nation? This alternative is not analysed in the book.

The title of this book expresses its ambitious aim. The principles of economic life that it espouses, the importance of cities to economic growth, have been developed by the author in her earlier work. yet economists tend still to ignore urban aspects. I suspect that there is little in Jane Jacob's latest argument that will convince them of the need to change their ways.

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Made in Japan: Akio Morita and Sony by Akio Morita with Edwin M. Reingold and Mitsuko Shimomura

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Akio Morita may be the only Japanese businessman to have been accorded the David Taylor/Trog treatment in *Punch*. His book gives the same impression as that broken-English interview did: consumer electronics is enormous fun. I suspect that ghost-writing *Made in Japan* was also fun. It's beautifully crafted, with that art that conceals the artfulness. (To take the simplest example, when Morita *et al.* begin seriously to criticise US trade practices, they smoothly work-in an anecdote showing that Americans, unlike Japanese, have the great virtue of not minding being attacked in public.) The book has no evident structure — it's partly chronological, partly a series of essays — and yet everything is in the right place. The language has a simplicity that suggests a Japanese whose conversational English is very good; this is presumably the work of Reingold, who leads the Tokyo bureau of *Time*. If one were teaching writing, this book would be for the master class.