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Jane Jacobs on Henry George: Progress or Poverty?

By SANFORD IKEDA*

ABSTRACT. Henry George and Jane Jacobs each have devoted followers today who remain mainly outside the intellectual mainstream, both are iconic American intellectuals largely sympathetic to and quite knowledgeable about how markets work, and they each challenged the prevailing economic orthodoxies of their day. Much has been written, pro and con, on George's single tax and on Jacobs's battles with urban planners, and while I don't directly address either here, what I say does have implications for those controversies. In particular, I show how and why their views on the nature of economic progress, and of cities in that progress, fundamentally differ. I trace the difference to George's essentially classical approach to economics in contrast to Jacobs's subjectivist approach, which more radically transcends the economics of her time.

Introduction

Henry George and Jane Jacobs each have an enthusiastic following today. I don't know how much overlap there is between their supporters, and I suspect that what I say here probably won't do much to increase it.

Although he has written on a wide range of social issues, Henry George is of course best known for his so-called single tax proposal, which argued that eliminating all taxes save that on land rent could

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finance all government projects necessary to promote free trade and human progress, as well as significantly reduce the blight of poverty. He viewed land rent as unjust and unearned, solely the result of general economic development unrelated to the activities of landowners.

Jane Jacobs, writing about one hundred years later, is best known for her thorough and incisive criticism of the heavy-handed urban planning of her day. She bashed ambitious urban planners for not first understanding the micro-foundations of urban process—street life, social networks, diversity, entrepreneurship—before trying to impose their visions of an ideal city onto living, urban flesh.

Much has been written, pro and con, on George's single tax and on Jacobs's battles with planners the likes of Robert Moses, and I don't intend to address either of these issues, at least not directly. Instead, because I've been given the freedom to discuss aspects of their ideas that are of particular interest to me, I've chosen to contrast their views on the nature of economic progress and on the role of cities in that progress. While my knowledge of George is far more limited than my knowledge of Jacobs, I've done my best to be balanced and fair.

Some Parallels

Let me begin by first drawing what I think are some interesting parallels between Henry George and Jane Jacobs, two authors whose careers are in some sense quintessentially American.

George and Jacobs were scholars and public intellectuals who rebelled against mainstream economic thinking. For George it was mainly the classical economic orthodoxy, for example, that wages are an advance from capital—the so-called wages-fund doctrine—rather than the product of labor. As I argue later, however, he did retain certain fundamental aspects of classical economics, especially Ricardo's theory of land rent and the classical predilection to seek out certain powerful, long-run tendencies in social forces. Jacobs rebelled against the neoclassical Keynesian synthesis of the latter 20th century, excoriating both conventional macroeconomics (Jacobs 1984) and what she characterized as an efficiency-obsessed microeconomics.

Both appreciated the benefits of markets and had a good grasp of how they work. George (1886), of course, penned an entire book

defending free trade that was highly critical of protectionism. As George ([1898] 1981: BK I, Ch. 5, ¶21) wrote in his final book, *Science of Political Economy*:

To find a fully civilized people we must find a people among whom exchange or trade is absolutely free, and has reached the fullest development to which human desires can carry it. There is, as yet, unfortunately, no such people."

His views on land aside, George could be considered a classical liberal in the tradition of Adam Smith.

Like Smith, Henry George ([1883] 1981: Ch. 6, ¶ 21) criticized the mercantilist, crony capitalism of his day.

I am not denouncing the rich, nor seeking, by speaking of these things, to excite envy and hatred; but if we would get a clear understanding of social problems, we must recognize the fact that it is due to monopolies which we permit and create, to advantages which we give one man over another, to methods of extortion sanctioned by law and by public opinion, that some men are enabled to get so enormously rich while others remain so miserably poor.

He regarded land ownership then as a form of monopolistic privilege contrary to the principles of free trade.

Aside from his views on the socialization of land, George was probably more laissez-faire than Jacobs, who had sentiments like George's regarding the plight of the common man but was constrained in her policy prescriptions by a clear understanding of how markets work and how their complexity tends to frustrate the good intentions of public policy.

Jacobs understood and appreciated the role of freely adjusting prices (Jacobs 2000) in economic processes—which to the surprise of some of her followers on the left led her to reject rent controls, protectionism, and subsidies—but more fundamentally understood the importance of entrepreneurship in economic development. As I'll show later, the thrust of her work was really to lay out the mechanisms behind the market process. And her extensive experience with New York politics gave her a definite skepticism toward the effectiveness of government policies.

George ([1898] 1981: BK III, Ch. 10, ¶2) understood and appreciated the lesson behind Adam Smith's "invisible hand" or what F. A. Hayek would term "spontaneous social order."

There is one kind of cooperation, proceeding as it were from without, which results from the conscious direction of a controlling will to a definite end. This we may call directed or conscious cooperation. There is another kind of cooperation, proceeding as it were from within, which results from a correlation in the actions of independent wills, each seeking but its own immediate purpose, and careless, if not indeed ignorant, of the general result. This we may call spontaneous or unconscious cooperation.

(However, for George, this spontaneous cooperation cannot overcome the dire social problems that issue directly from private property in land.)

Jacobs (1961: 428–448), too, well understood the nature of unplanned, spontaneous social processes, under the rubric of "organized complexity," and devoted an important chapter in her most famous book explaining it.

Both had what one might characterize as a left-liberal concern for the problems of ordinary working people and the poor. On the first pages of *Progress and Poverty*, George ([1879] 1979: BK I, Ch. 1, ¶3) asks: "Why, in spite of increase in productive power, do wages tend to a minimum which will give but a bare living?" And in his *Social Problems* (George [1883] 1981: Ch. 8, ¶19), we read:

It is evident that this enormous waste of productive power is due, not to defects in the laws of nature, but to social maladjustments which deny to labor access to the natural opportunities of labor and rob the laborer of his just reward.

Jacobs (1961: 271) would add:

To overcome slums, we must regard slum dwellers as people capable of understanding and acting upon their own self-interests, which they certainly are. We need to discern, respect and build upon the forces for regeneration that exist in slums themselves, and that demonstrably work in real cities. This is far from trying to patronize people into a better life, and it is far from what is done today.

Finally, both established their scholarly reputations outside of academia. Although in the mid-19th century it was fairly common for someone like George to complete his formal education at the age of 14 and go on to a successful career as a scholar and public intellectual, but by 1961 when Jacobs, who only attended one semester of college, published her first and most popular book, it was more unusual.

But there are, as I see it, at least two areas where they importantly and fundamentally differ from each other.

The Nature of Progress and Poverty

Although George criticized aspects of classical economics (for example, the wage-fund doctrine), he held four important ideas that might characterize the classical approach. The first is that market competition and private property (with the notable exception of land) keep things fair and orderly, which accounts for his favorable attitude toward free trade. The second is that there are dangerous tendencies in competition that can push the economy toward an undesirable outcome, and against which the efforts of ordinary people have little effect. (An attitude as we will see considerably different from that of Jacobs.) The third is the Ricardian concept of land rent. And the fourth is a general focus on the physical over the subjective (e.g., in addition to the theory of land rent, see, for example, Malthus's population doctrine and the labor theory of value).

The later classical economists John Stuart Mill and (at least in his core economic theory) Karl Marx spoke in terms of the eventuality of certain long-term trends of the market economy. In particular, David Ricardo, another outstanding figure of the classical school (and another highly influential nonacademic) on whose theory of land rent George based his case for the single tax, argued that as a competitive market system increases wealth, the resulting increase in population places an ever-greater pressure on farmers to bring land under cultivation that is less and less fertile. That means lower productivity, higher rent on supra-marginal land, higher food prices, stagnating real wages, lower profit, and diminishing capital accumulation. In the end, population levels off and the system reaches a "stationary state" of stagnant wages and profits and high rents, a state that innovation (Adam Smith's "invention") might temporarily forestall but cannot prevent. Pretty bleak!

Not that George followed Ricardo all the way to the stationary state. But he retained this classical predilection for the sweeping historical narrative. In George's ([1879] 1979: Intro., ¶14) narrative, economic progress in rich societies had historically traveled along a socially destructive path, based on privilege of monopoly ownership of land, that impoverished workers instead of allowing them to share in the wealth created by free trade:

Material progress does not merely fail to relieve poverty—it actually produces it. . . . This association of poverty with progress is the great enigma of our times.

He offered an alternative path, one in which progress does not entail the impoverishment of workers but does entail collective action, or more accurately, political intervention, to reach. "I propose to seek the law which associates poverty with progress, and increases want with advancing wealth" (George [1879] 1979: Intro., ¶14). So the wrong kind of progress is the cause of great poverty.

The private ownership of land for George ([1883] 1981: Ch. 6, ¶19) is merely another form of underserved privilege and cronyism that he abhorred. "Through all great fortunes, and, in fact, through nearly all acquisitions that in these days can fairly be termed fortunes, these elements of monopoly, of spoliation, of gambling run."

That is why George ([1883] 1981: Ch. 6, ¶20) advocated a single, confiscatory tax on land rents: he believed that landlords, by virtue of their monopoly ownership, enjoy predictably rising rents without having to work for them.

When land increases in value it does not mean that its owner has added to the general wealth. The owner may never have seen the land or done aught to improve it. He may, and often does, live in a distant city or in another country. Increase of land values simply means that the owners, by virtue of their appropriation of something that existed before man was, have the power of taking a larger share of the wealth produced by other people's labor.

Much as some popular economists today believe that capital automatically earns a return to those rich enough to accumulate it, so that it

may be taxed without ill effect, George believed that taxing the “unearned” portion of land rent would not only be just but would eliminate land speculation and raise enough revenue to resolve poverty and myriad other social and fiscal problems. In this way market economies and free trade could generate economic progress without speculation, poverty, or the excessive wealth accumulation that he connected to private property in land. Moreover, he argued that the congestion and filthy conditions of the great cities could be traced directly back to the privilege of land ownership, which would disappear with its elimination.

George wrote most of his most important economic tracts in the 1870s and 1880s, about the same time that the influence of classical economics was beginning to wane. Broadly speaking, one way of looking at the project of classical economics (including much of Karl Marx’s economics) is through its concern with large societal forces—for example, Malthus’s population doctrine, Ricardo’s stationary state, and Marx’s material forces of history—against which individuals’ efforts were ineffectual.

That outlook began to change radically in the early 20th century, when economic theorists shifted focus toward the individual’s perceptions and expectations and how they interact with other people’s perceptions and expectations to generate patterns and outcomes that are typically (though not always) benign. The economist Hla Myint (1948) described this as a shift in perspective from the “physical level” to the “subjective level.” Post-1870s, economists continued Adam Smith’s invisible-hand project—the study of how social institutions can translate self-interest into social cooperation that was no part of anyone’s intent—but some chose to focus on the problem of how social order arises when knowledge is imperfect. To those who framed the problem this way (and not all did), the solution is that the economic system needs to be congenial to trial and error such that the beneficial and orderly consequences of success can stay ahead of the costly and chaotic consequences of error. While there are still large, social patterns at work, the starting point of this approach is individual action in the face of uncertainty and the legal and social institutions—the rules of the game—in which it operates.

Enter Jane Jacobs.

Poverty Has No Causes

In her *Economy of Cities*, Jacobs (1969: 120–21) makes the startling claim: “[P]overty has no causes. Only prosperity has causes.” In other words, poverty is the default condition of humankind; it is what happens when there is no progress. Poverty is what happens when economic development stops.

For Jacobs, the main drivers of prosperity and economic development are individual innovators, not inexorable forces. But innovation is messy. When people try to break away and do something new, old patterns and social ties are necessarily disrupted and new ties often do not work out at first. Creating a valuable social network takes tenacity, resourcefulness, time, and luck. Excitement and disappointment go hand-in-hand.

Innovation is a *process* and in the real world of uncertainty that process depends on trial and error, which is messy and can seem (and sometimes is) chaotic. If knowledge were perfect, we would not need to experiment. If knowledge is imperfect, there is no other way to innovate. Innovation is not automatic and success is not guaranteed. Thus, land or capital does not simply bestow riches upon anyone who just happens to own them.

That is, in modern, subjectivist economics, land is no more “given” than economically relevant knowledge is “given.” Rather, people with imperfect knowledge have to grope for the best use of their land—for housing, mining, commerce, etc.—and knowledge of those uses is not simply “given” to anyone. What constitutes a factor of production is not objectively known but subjectively perceived, guessed at, by someone trying to profit by finding the highest valued use *as she sees it*. That means, of course, that while land values and rents may rise during economic development, economic development is not unidirectional and not all land appreciates uniformly, some land even declining in value if the judgment of those who invest in it is poor.

The ratio of consistently successful owners of real estate and other factors of production to all other factor owners is probably far less than 1. Rather, the astonishingly rapid rise of per-capita wealth the capitalist world has witnessed in the past 200 years only appears automatic if you neglect (1) the millennia of economic stagnation the world experienced

prior to about the mid-18th century and (2) the variance of the secular trend since that time (McCloskey 2011). The apparently monotonic increase of wealth is actually an accumulation of countless failures that are, however, offset by successes (sometimes brilliant but more often very small) of myriad people making individual plans over time.

So, innovation emerges from failure, or more precisely, from an environment that enables and tolerates a great deal of failure. Innovation is the result of resourceful, imaginative, and daring people who have the opportunity to gather the diverse inputs they need to try to do something new and different, combined with the freedom to experiment, make mistakes, and enter and leave, destroy and create, a variety of social networks. Progress then is not inevitable or inexorable, but in the right environment it can happen, has happened, and can continue to happen.

For Jacobs, that environment is an urban one, especially a great, living city. Her research project focused on the urban foundations of economic development. A great city usually gets that way by being tolerant of social differences and by attracting people with diverse knowledge, skills, and tastes. It enables informal contact by crowding seekers together and providing an environment tolerant of and conducive to experimentation. True, great cities are consequently places of inequality, noise, congestion, and bad smells, which represent the negative side of ambitious people seeking to better their situations. But history shows that within such an environment—when the rules of the game provide relative tolerance, autonomy, and free association—the positives tend to outweigh the negatives, although sometimes just barely.

Which is why Jacobs (1969: 86) praised the *inefficiency* of cities:

I propose to argue that these grave and real deficiencies are necessary to economic development and thus are exactly what make cities uniquely valuable to economic life. By this, I do not mean that cities are economically valuable in spite of their inefficiency and impracticality but rather because they are inefficient and impractical.

While the immediate target of Jacobs's criticism in 1961 was urban planning, her real target was the all-knowing attitude that ignored or failed even to see the benign patterns that emerged from sometimes

congested, street-level actions of ordinary people. That is why her prescriptions tended to focus on institutional rules and the spatial principles that enabled people to apply those rules—for example, a clear separation of public and private space, mixed primary uses, and other spatial features that promote an invisible social infrastructure (Jacobs 1961). That infrastructure includes dynamic social networks, social capital, and trust, which for Jacobs are the foundations of genuine, long-term economic development. Safe, lively streets dynamically interact with entrepreneurial trial and error to generate the kind of progress that enables safety, tolerance, diversity, and creativity to flourish.

Population is one of those factors. Many reformers of the 19th and early 20th centuries failed to distinguish “density,” the number of residential units per acre, from “overcrowding,” a condition created when too many people live in one unit (Jacobs 1961: 205). I strongly suspect George also failed to make that distinction, referring generally to the “congestion” or “overpopulation” of great cities.

Cities: Beautiful or Progressive?

George wrote about progress, of course, but he did not seem to appreciate, at least not as much as Jacobs did, the micro-foundations of that progress. It is not surprising, then, that he disparaged the great cities of his day, approvingly quoting William Cobbett, who famously described 19th-century London as a Great Wen. “There is truth in such comparison,” George ([1883] 1981: Ch. 21, ¶1, 3) asserts, “[n]othing more clearly shows the unhealthiness of present social tendencies than the steadily increasing concentration of population in great cities.”

Just as the wen or tumor, drawing the wholesome juices of the body into its poisonous vortex, impoverishes all other parts of the frame, so does the crowding of human beings into great cities impoverish human life in the country.

So, George saw urban concentration—again, not distinguishing overcrowding from density—driven by private land ownership and speculation, impoverishing both town and country.

I have been told that Henry George was not fundamentally anti-city, that he was instead rightly opposed to what he considered the artificial

congestion of cities. But his own writings suggest to me that George may have had nothing against cities only as long as they operated on his terms. In this respect, George might be compared to Le Corbusier, Frank Lloyd Wright, and especially Ebenezer Howard, each of whom tolerated cities only on their own terms, according to their images of the ideal urban life, which did not include noise, inefficiency, and the rest. His ideal society is not the London of 1850, perhaps 5 million (greater London is over 10 million today), but a far more pastoral one.

The monopoly of land broken up, it seems to me that rural life would tend to revert to the primitive type of the village surrounded by cultivated fields, with its common pasturage and woodlands. But however this may be, the working farmer would participate fully in all the enormous economies and all the immense gains which society can secure by the substitution of orderly cooperation for the anarchy of reckless, greedy scrambling" (George [1883] 1981: Ch. 21, ¶9)

Ebenezer Howard's proposal for Garden City, based on his concept of the "town-country magnate," appears to have been directly inspired by George in this respect. But as Jacobs saw it:

Howard looked at the living conditions of the poor in late nineteenth-century London and justifiably did not like what he smelled, saw, or heard. He not only hated the wrongs and mistakes of the city, he hated the city and thought it an outright evil and an affront to nature that so many people should get themselves into an agglomeration. His prescription for saving the people was to do the city in. (Jacobs 1961: 17)

For Howard, great cities are subject to the same vices George highlighted—high rents, foul air, closing out nature—but with the virtues of social opportunity, including high wages and increased chances of employment. At the same time the country offers such amenities as fresh air, bright sunshine, and low rents, which are offset by lack of society, lack of amusement, and hands out of work (LeGates and Stout 2000: 324). Howard believed that his Garden City would attract wealthy investors and the huddled urban masses to settlements that combine the best, and only the best, of town and country.

Jacobs's fundamental problem with urban visions of that sort is that their proponents try to "solve" a city without taking the trouble to first

understand how it works, warts and all. Indeed, the warts might be essential to progress. In that light, Jacobs bashed Frank Lloyd Wright's Broadacre City and Le Corbusier's Radiant City. Jacobs's criticism of Howard's proposal is no less withering:

The program he proposed, in 1898, was to halt the growth of London and also repopulate the countryside, where villages were declining, by building a new kind of town—the Garden City, where the city poor might again live close to nature. So they might earn their livings, industry was to be set up in the Garden City, for while Howard was not planning cities, he was not planning dormitory suburbs either. His aim was the creation of self-sufficient small towns, really very nice towns if you were docile and had no plans of your own. As in all Utopias, the right to have plans of any significance belonged only to the planners in charge. (Jacobs 1961: 17)

In fairness, I do not believe either Howard or George proposed to micro-manage the economic system. George as I have noted was laissez-faire on most issues. But when it came to shunting the economic system onto the right path, he did not hesitate to call for government intervention and for top-down direction to do so, especially since the masses were powerless to do it themselves.

Many there are, too depressed, too embruted with hard toil and the struggle for animal existence, to think for themselves. Therefore the obligation devolves with all the more force on those who can. If thinking men are few, they are for that reason all the more powerful. (George [1883] 1981: Ch. 22, ¶8)

So, in some instances top-down planning of a highly radical kind may be necessary as civilization advances. Specifically, "the progress of civilization necessitates the giving of greater and greater attention and intelligence to public affairs" (George [1883] 1981: Ch. 22, ¶9). But this certainly appears to conflict with the view (which I believe Jacobs would support) that the growth in the complexity of the social order exceeds by orders of magnitude the capacity of the human mind to fully comprehend it. Alfred North Whitehead put it nicely:

It is a profoundly erroneous truism, repeated by all copy-books and by eminent people when they are making speeches, that we should

cultivate the habit of thinking of what we are doing. The precise opposite is the case. Civilization advances by extending the number of important operations which we can perform without thinking about them. (Whitehead 1911)

Jacobs might have said of George then what she did say of Howard:

He was uninterested in such problems as the way great cities police themselves, or exchange ideas, or operate politically, or invent new economic arrangements, and he was oblivious to devising ways to strengthen these functions because, after all, he was not designing for this kind of life in any case. (Jacobs 1961: 19)

As I pointed out earlier, her economics enabled her to grasp the nature of spontaneous order, to understand the micro-foundations of that order, and to appreciate the limits of government planning, but Jacobs certainly did not identify herself with a purely laissez faire philosophy. She did not shy from advocating government intervention such as zoning for diversity, subsidies for low-cost housing, or regulations to address pollution and other negative aspects of urban life. So while Jacobs did not favor abolishing private land ownership, she did expect local government to alleviate the worst consequences of urban concentration.

Getting Physical

George may not have appreciated that the vices of cities are the price of progress, a price that growing millions worldwide have been and are still willing to pay for the past five-hundred-some-odd years. People continue to move to large urban centers and stay in them. Great cities are in fact the primary means of alleviating poverty (Glaeser 2012).

In *The Science of Political Economy*, for instance, George ([1898] 1981: BK IV, Ch. 1, ¶11) argued that “the body economic,” or what he called Greater Leviathan, “always precedes and always underlies the body politic of Leviathan.” In that same book, we saw earlier that George ([1898] 1981: BK I, Ch. 5, ¶21) argued that a fully civilized people reaches its fullest development when trade is absolutely free. George ([1898] 1981: BK IV, Ch. 1, ¶10) clearly recognized the central role of the body economic in that “it is this body economic, or body

industrial which grows up in the cooperation of men to supply their wants and satisfy their desires, that is the real thing constituting what we call civilization." But what he perhaps did not realize is that the principal loci of the body economic are the dirty, congested cities he did not like.

But that is perhaps only the consequence of his overall perspective. As much as George rebelled against the waning classical orthodoxy of his time, he was still a child of his intellectual age of pre-subjectivist economics. Like the classical economic worldview, his economics accentuated the physical rather than the subjective. Jacobs wrote in the modern era of marginalist economics, which she also rebelled against insofar as, in its preoccupation with mathematical formalism and equilibrium constructs, it had strayed from its subjectivist roots. That subjectivism emphasized the world as perceived by flawed but alert people whose dynamic social relations are the platform for experiment. What does that mean in the present context?

Eyes Back on the Street

It means that what makes land economically significant is not that someone owns it but that someone formed an expectation that the land would become valuable in a particular use and then acted on that expectation. George, like many others, condemned land speculation, but with his backward-looking, physical perspective he did not realize that if you get rid of speculation you also get rid of progress, the surest way to condemn society to poverty. Capital is not some "stuff" that "accumulates" in the asset portfolios of "the rich." Capital, instead, consists of the pieces of a puzzle. Through trial and error, guided by prices and interest rates, and held by particular people, those pieces manage to fit more or less coherently with innumerable other pieces held by countless other people (Lachmann 1978). The subjective perspective turns our attention away from things and toward what we think we know about them.

From her street-level perspective, Jacobs focused on what people observe and how they manage to cope with their daily problems by forming and relying on social relations that have meaning to them, each in their own context. That is consistent with subjectivist economics: neither the value of land nor of capital is ever disembodied; an

economic good only has value to *someone* for *something*. Progress then happens when imperfectly informed but enterprising people apply what they own to where they expect other people to value it more. And working under the right rules of the game they tend to be right by a bigger margin than they are wrong.

Jacobs, with her emphasis on subjectivism, knowledge problems, and the ordering properties of imperfect-but-real social processes, was able to transcend the mechanistic economics of her age.

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