

Diversity fuels our economics

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by Cameron Smith

Jane Jacobs, once again, is setting conventional thinking on its ear. She did it in 1961 with *The Death and Life of Great American Cities* (still available from Random House of Canada, \$19.50 in paperback), and now, with the publication last year of *The Nature of Economies* (Random House of Canada, \$16.95 in paperback), she's doing it afresh. In her new book, she argues against the business obsession that celebrates economies of scale as the yellow brick road that leads to long-term profitability. And that sees in specialization the never-ending promise of efficiency.

On the contrary, she says, specialization and a single-minded concentration on economies of scale can lead to stagnation and hard times, both for economic regions where companies are based, and for the companies themselves.

The reason, she says, is that specialization and economies of scale can reduce diversity, and diversity is the most fertile breeding ground for new ideas and techniques.

This is heresy, because she is saying that diversity is the primary generator of long-term wealth, not what companies ship around the country and overseas. Conventional thinking maintains that it's exports that fuel growth and create trickle down jobs.

However, it's more than Jacobs's conclusions that are revolutionary; it's how she arrived at them. She started from the proposition that everything is part of nature, including people and their economies. Then she searched for, and found, common principles that explain how both ecosystems and economies operate.

That's where the brilliance of her insights reverberates. It's common knowledge that diversity within an ecosystem gives it strength and resilience. And that ecosystems expand and develop because energy from the sun is converted, and then cycled and recycled in millions of different ways. Jacobs refers to it as imported energy and diverse processing.

Her great contribution is in pinpointing that this is the exact same process by which economies expand and develop.

Revenues from their exports filter through economies and stimulate other businesses -- house building, for instance, or personal banking services. Economists call this the multiplier effect and see a straight line cause and effect. As a result they extol the virtues of more and more exports. More and more free trade, More and more globalization. More and more specialization and economies of scale.

But Jacobs says, wait a minute. Exports and their revenues are only part of the story. They are only fuel for expansion, just as the sun is fuel for ecosystems.

The real determinant of expansion and development is not the fuel, but the processing, and that's determined by the degree of diversity in people, technologies, equipment, expertise, and activities. The greater the diversity, the greater will be the use made of the fuel, and the greater will be the expansion and development.

Shrink the diversity through specialization, through corporate and industrial monocultures, and you shrink the opportunities for innovation, for economic evolution, and for development.

In the end notes to her book, Jacobs cites one of the more provocative definitions for complexity. It exists, says the definition, at the edge of chaos -- at the beginning point of unpredictability, at that place where surprises start and evolutionary jumps begin. In other words, as far away from monocultures as you can get.

I've been kicking myself for not reading the book sooner, because it represents a defining moment for sustainability.

Sustainability, after all, is a process. A way of seeing the world as totally interconnected. A way of reaching decisions by exploring a full range of financial, environmental, and social consequences.

It's an all-inclusive approach, and what Jacobs has done is provide a much stronger framework for being inclusive in thinking about problems. I think her contribution will prove to be momentous.

Next week I'm going to move from the general to the particular, and write about how Margaret Zeidler has incorporated Jacobs's ideas into a downtown business loft that she and her family have renovated. And how theory meets practice.