An examination of two ironies of the world economy:
the military spending necessary for imperial success assures imperial failure; national programs to foster development and attack poverty bring about stagnation.

THE DYNAMIC OF DECLINE

BY JANE JACOBS

Although successful imperialism wins wealth, successful empires such as Persia, Rome, Byzantium, Turkey, Spain, Portugal, France, and Britain have not remained rich. Indeed, it seems to be the fate of empires to become too poor to sustain their costs. The longer an empire holds together, the poorer and more economically backward it tends to become. I am going to argue that the very policies and transactions that are necessary to win, hold, and exploit empires are destructive to an imperial power's own cities and cannot avoid leading to their stagnation and decay. Imperial decline is built right into imperial success; the two are part and parcel of each other. Furthermore, the same types of policies and transactions that make the decline of empires inevitable can also speed stagnation and decay in nonimperial powers that adopt them.

These policies and transactions, no matter what the motives behind them, are killers of city economies. They fall into three main groups: prolonged and unremitting military production; prolonged and unremitting subsidies to poor regions; and heavy promotion of trade between advanced and backward economies.

Unremitting, prolonged military production is a voracious feeder upon the earnings of city economies—so much
so that, historically, sustained militarism has been impossible for a realm until it has become reasonably well urbanized for its time. Ancient empires that contained rich, productive cities could afford to go in for unremitting militarism and typically did just that. However, in the European economic tradition that has shaped so much of the world as we know it, sustained military efforts have been possible only within the past four centuries.

From our perspective, it may seem that European warfare was all but continual during medieval and Renaissance times, but that is not so. For more than a thousand years after the disintegration of Rome, Europe was simply too poor and too rural to support military efforts lasting for even a few years at a stretch, to say nothing of permanent standing armies and navies. Fighting was sporadic to an extreme. Armies and even navies were spasmodically levied, supplied, and disbanded with bewildering rapidity. Mercenaries had to scramble to find employment, under first one warlord, then another. Though much of the soldiers' pay came in the form of opportunities for plunder, the pickings were slim.

Not until the sixteenth century did European realms become economically capable of waging uninterrupted warfare lasting several years at a stretch, Spain taking the lead, and England and France following. And not until the beginning of the seventeenth century was there any power in Europe other than Turkey that could afford standing armies in our sense: effective fighting or garrison forces maintained at strength, with no occupation other than soldiering even when there was no fighting for them to do at the moment. During that century, unremitting production for permanent military establishments finally emerged, Spain again taking the lead, and France and England following.

The United States, from the time it won independence, was prosperous enough to afford a standing navy and army, but these were small and so was American military production except in time of war. Starting in 1950, however, with the Korean War, America has supported unremitting military production, which, with minor ups and downs, has become heavier as time has passed. If we discount the pause of five years after the Second World War (a pause during which Marshall Plan aid partially took the place of military production), we can think of military ex-
penditures as having been incessant drains upon the earnings of American cities since early 1941, when lend-lease production for Britain began.

The Second World War military-production boom brought the country bounding out of the Great Depression. Any enormous increase in export work, in any settlement, creates a boom there from the combined effect of the soaring export production and its multiplier: the secondary jobs and incomes that arise from serving the workers and their families and from supplying and servicing the exporting enterprises. But prolonged military production does not create prolonged booms, because once the multiplier effect of the military work is assimilated, things settle down. Thereafter, any further economic expansion to come from that source requires that the military work itself be expanded. And once a city, or any other settlement, comes to depend upon prolonged military work as an appreciable, normal part of its economic base, the military production must be maintained indefinitely or the economy will shrink. To sustain the work, city earnings must continually be diverted to the cause; and to expand it, still more earnings must be diverted to the cause.

Almost all the military export work of cities represents production automatically rendered sterile and useless for the vital process of import replacing—the process that keeps not only the economies of cities diversified, well rounded, and flexible but those of their regions, too. City import replacing, as I argued in the first of my two articles, is one of the two master processes of economic life, the other being innovation, which itself requires the context provided by import replacing within the economies of cities. Goods produced for the military are lost to this process even when the production is undertaken in time of peace and the goods are never used in combat. Furthermore, this is true not only of weapons but also of goods no different in kind from civilian production.

To see why this is so, one need only notice the kinds of economies possessed by military bases and garrison towns: they import, but they don't replace wide ranges of their imports with local production. At Camp Lejeune, the great United States Marine Corps base in Onslow County, North Carolina, loaded trucks rumble through the gates, bumper to bumper, throughout the cargo-receiving hours of the day, bringing in their freights of peanut butter, business machines, dental drills, mattresses, chain-link fencing, shoes, file folders, light bulbs, detergents, cooking ware, spaghetti. . . . A rail line interminably drops off its deposits, too. This has been going on day after day, year after year, decade after decade—and all the production is irretrievably useless for stimulating or feeding the import-replacing process anywhere, owing to its very destination.

Like the camp itself, the nearby garrison town, Jacksonville, North Carolina, is not an import-replacing settlement nor is it a city. The five-mile strip of road between Jacksonville and the camp's main gate is lined with highly decorated bars, nightclubs, and restaurants, but that doesn't mean Jacksonville is capable of producing neon tubes, red and yellow paint, or beer coolers. The town sports a number of tattoo parlors and is a splendid consumer of electric tattoo needles and inks imported from New York, but those facts don't render the place capable of making these producers' goods for itself.

Camp Lejeune is equipped with, among other things, U.S. post exchanges, the retail stores established for the convenience of American military personnel and their families at garrisons and bases at home and abroad. The pay of the servicemen who patronize the exchanges is financed by distant taxpayers, and insofar as those taxpayers are city people and city enterprises, the goods on the shelves and in the warehouses of the exchanges are actually imports earned by cities—or, rather, their equivalents in value—that have been lost to cities. By 1970, the U.S. post exchanges had become the third largest merchandising enterprise in the world: a lot of production was thus rendered impotent for import replacing because of its destinations.

What I have said of the kinds of military supplies similar to civilian goods and services applies more stringently still to weapons. Whether their destinations are storage depots, readiness-alert stations, training bases, testing or maneuver grounds, patrol units, surveillance centers, or naval or air bases, the fact that the weapons are imported to these locales doesn't make the destinations capable of replacing them with local production even if such a thing were wanted, which it isn't. The only exceptions to this rule are instances in which arms producers acquire other producers' weapons and then proceed to copy or adapt them—but at that point the production becomes sterile. Although I have used the U.S. military in my examples, military establishments everywhere are not that different.

In sum, then, to the extent that city earnings support unremitting military production, military programs take from cities imports they have earned and give the equivalent in value to settlements that don't and can't replace imports the way cities can. Some cities get a trade-off of export work, but to sustain this a nation's or empire's cities must constantly surrender earned imports. This naturally makes cities poorer customers for one another than they would otherwise be. It also inescapably makes them feebler or more dilatory at replacing imports from one another, or from any other source, than they would otherwise be, a deficiency that undermines both their capacity to generate new kinds of goods and services and their capacity to afford innovative exports from one another, assuming these are devised.

Now consider that there are three master characteristics of all developing and expanding economies, three

kinds of major changes taking place as economies rise and flourish.

First, taken as a whole, economic life becomes more urbanized and less rural. City work and intercity trade increase the most, both absolutely and proportionally. Rural production and trade increase as well, but as by-products of the activity of the cities.

Second, as city trade expands, it sparks additional cities into life. They are located mainly in regions that had been devoted to subsistence agriculture or to supplying raw materials to distant cities, and are drawn into volatile city trading networks.

Third, more of the goods and services being produced are imported into cities, where they become available to the process of import replacing. The increase is both absolute and proportional. It is a consequence of the first and second changes and also a condition for their continuation.

These changes are nothing less than economic development and expansion: the very dynamic of development in action.

When economic life is declining and contracting, exactly the opposite changes are occurring.

First, taken as a whole, economic life becomes less urbanized, more rural. City work and intercity trade decline proportionally as a share of total economic activity, while rural production and trade increase their proportional share.

Second, existing cities stagnate and decline, while insufficient new cities arise to compensate for the losses.

Third, fewer goods and services being produced are imported into cities, and thus more fall outside the import-replacing process. As cities stagnate and stop replacing imports significantly, even the imports they still receive do not serve import replacing. This is a consequence of the two preceding great changes.

We can think of that second set of changes or deterioration of economic life as being the dynamic of decline. They are decline, the very ruin itself in action. Those are the changes that reduce formerly developing and expanding economies to inertia, poverty, and backwardness, as fewer varieties and smaller quantities of new goods and services are cast up and injected into everyday economic life, and as pressing practical problems merely mount up unsolved. When stagnation becomes total, the economy then lives on residues of former development.

Unremitting heavy military production is one means by which the characteristics of developing economic life become the opposite characteristics of degenerating economic life. Understanding this helps us understand another paradox associated with the decline of empires. War and production for war have often stimulated the development of metallurgy, communications, epidemiology, surgery, engineering, chemistry, shipbuilding and navigation, aeronautics, weather forecasting, footgear and other clothing, mapmaking, transport... the list could go on and on. This being so, one might suppose that heavily militarized nations or empires would be likely to continue in the forefront of economic development, perhaps to remain there indefinitely, aided as they are by spin-offs from military work and its pressures to innovate.

Yet where military developments do spur civilian economic developments and, conversely, civilian technology spurs military technology, this occurs only when production oscillates between the two. There is little oscillation when military production continues on and on, providing producers with permanent customers for the war goods. But still more important, a stagnating economy becomes generally poor at injecting innovations, from whatever source, into everyday economic life. It is also worth noting that nonmilitary work doesn't need militarism and the pressures it creates in order to develop: witness Switzerland, or Japan in the years since the Second World War. Cities, not war production, develop economic life.

The historical spectacle of economies managing to develop and expand and then putting their wealth to the service of agony, destruction, and bluster is depressing, to say the least, and, of course, nowadays carries with it the terror of ultimate extinction. So why not, as humane and reasonable people are constantly suggesting, redirect national military spending to constructive and kindly ends? Think of the good to be done with the money a single battleship costs. If we can go to the moon, why can't we solve the easier problems of building for the ill-housed, feeding the hungry, overcoming poverty and fear of poverty...?

Welfare programs with these aims, and grants and subsidies to bring standards of living and services in poor regions into line with those of prospering city regions, unfortunately also work out as transactions of decline. If they are constant, they, too, drain city earnings constantly. If they are at all generous, then they feed even more voraciously on cities than military programs do. That is probably one reason why modern welfare states have emerged in economic life even more recently than standing armies or navies. Until a nation has a well-developed and producive city or cities, it can't afford appreciable transfer payments and other welfare programs. The welfare state of modern times was not pioneered until a century ago, in Bismarck's newly unified Germany. Bismarck envisioned universal, centrally administered national insurance for
the working classes, but he was not able to bring this off, so he accepted decentralized joint worker–industry accident-insurance funds, which expanded, as income permitted, to cover sickness, disability, and old-age retirement. From this beginning have come the hundreds of varieties of national insurance, welfare benefits, and special grants and subsidies that are now distributed by most governments able to afford them (not all: the Swiss have scant national subsidies and grants, because, on the whole, Swiss regions are sufficiently prosperous not to require much aid). Agricultural price supports and other agricultural subsidies are like welfare programs in drawing upon the economies of city regions to support poorer regions.

The discrepancy between what any individual city and its region pay toward national and provincial welfare, agricultural, and other subsidy programs and what they get back represents losses of city earnings to other economies that don't replace wide ranges of their imports with local production (if they did, they would be on the giving rather than the receiving end of these transactions). Thus, goods and services that the subsidies buy fetch up, just as military goods and services do, at destinations that don't and can't replace imports with local production, and so do nothing to contribute to economic expansion. To be sure, some cities get an economic trade-off for their subsidy contributions, in the shape of orders for consumer goods from settlements and regions that would not otherwise be able to afford such goods, and orders for construction and equipment from hospitals, schools, universities, water and sewage systems, fire departments, farms, electric utilities, and other establishments in subsidized poor regions, which would not otherwise be placing such orders.

Superficially, that suggests a rather wonderful perpetual-motion machine, the subsidy transactions extracting contributions from cities while simultaneously stimulating orders for city export work. Such transactions, it might seem, would only need to be kept going indefinitely and, behold, economic life would chug away indefinitely. Demand-side economics would really work. In a perpetual-motion machine of this kind, the significance of city economies would merely be that they are especially good at generating wealth and especially adept at some kinds of production and services. But the vital function of cities is to serve as primary developers and expanders of economic life, a function not in the least like perpetual motion. Cities require continually repeated inputs of energy in two specific forms: innovations, which at bottom are inputs of human insight; and replacements of imports, which at bottom are inputs of the human capacity to make adaptive imitations. The usefulness of cities is that they supply contexts in which those inputs—insights and adaptations—can be injected into everyday economic life.

The trouble, then, with transfer payments and other subsidies as means of keeping economic life chugging away is that they reduce intercity trade in favor of trade between cities and inert economies, divert earned city imports to economies that cannot replace imports, and reduce cities' ability to serve as good customers for one another's innovations. For these reasons, subsidy transactions are profoundly anti-development.

When cities and their regions give sporadic emergency aid—for example, flood, earthquake, fire, or war relief—the aid is analogous to sporadic military production. It doesn't distort city economies permanently or drain them endlessly, nor does it make them dependent upon the very work of supplying goods and services for the aid of inert economies as a substitute for volatile intercity trade.

When welfare and agricultural subsidies are first undertaken by careful and responsible governments, they are affordable. Yet remarkably soon—present experience suggests within two generations—the economy of a welfare state becomes perilously insecure. The programs turn out to be no longer affordable on their former scale or else affordable only by means of permanent, rather than emergency, deficit financing. That is why nations with generous, comprehensive welfare programs must either drastically curtail benefits that were earlier affordable or allow inflation to make the curtailments.

It seems unfair that programs undertaken out of compassion, to combat the injustice of poverty in regions that remain obdurately poor, should unwittingly work as instruments for spreading stagnation and deepening poverty. But one might as well say that it isn't fair for unfertilized soil to deplete itself when it is exploited to feed the hungry rather than for less defensible purposes. The soil doesn't know the difference; neither do city economies being drained of the nourishment they need to remain creative and productive.

Furthermore, subsidy programs are not necessarily always compassionate. Empires and large nations plagued with active or latent separatist movements use subsidies to contain restiveness and discontent. Governments use them to stay in power. Empires use them to retain the loyalty of client states, when that is necessary, and to outbid rival imperial powers. Subsidies, precisely because they are transactions of decline, are economic time bombs. They help buy tranquillity as long as they can be afforded—but no longer. When they must be drastically curtailed, or when inflation renders them meaningless, societies that have depended on them become distraught socially and politically.

So far I have mentioned only tax-supported transactions as draining city earnings, but investments can have the same effect, which is why supply-side economics, too, is an illusory conception of how economic life chugs along.

To understand the principle of investments as transactions of decline, consider what happens when a factory is transplanted from a city or its region into a region that does not generate its own industries. At the site of the transplanted factory, much is
ported: window glass; utility pipes and wires; construction machinery, lathes, looms, refinery tanks, or whatever else may be required to build and equip it; consumer goods for the construction workers to buy with some of their pay. Those imports have not been earned by the export work of the transplant economy, which is why a transplanted factory is customarily financed either by its parent company or by distant banks, from which it borrows. A transplanted factory is customarily expected to pay back its capital costs and to yield interest and profits, as well. If the costs are indeed economically justified, and hence repayable over the course of time, either, or both, of two things can happen next.

On the one hand, the repayments, as they come in, can be invested in the city or cities from which the financing came. They can be used, for example, to re-equip an existing city enterprise so that it doesn't become obsolete, or to buy imported materials for a new enterprise, or to sustain some innovative work until (perhaps) it proves practical and finds local or export markets, or to feed capital into enterprises replacing imports but needing new imports of raw materials and some other producers' goods. If the repayments are invested where the capital first came from, then the transaction of the relocated factory has not depleted the city of earned imports; they have merely been deferred temporarily. The drain is not unremitting.

On the other hand, when the costs of the transplanted factory are not reinvested within the city or its region but are reinvested in another distant transplant, and another, and still another, indefinitely, then these repeated similar investments permanently drain the city of earnings and the goods those earnings represent—goods that are also permanently lost to the import-replacing process. That is how even investments for production can work as transactions of decline.

The most destructive city-financed investments in rural production are those that finance labor-saving equipment in regions where displaced workers have no access to either jobs in the city or jobs transplanted from the city. These investments are, of course, often subsidized, but whether or not they are, city earnings are diverted, and it often follows that more and more city earnings must be diverted to the region to support people who have been made redundant or to lure subsidized factory transplants.
Sophisticated city-produced goods and services exported to backward cities are also sterile as far as import replacing is concerned. The gulf between these goods and what backward cities are capable of producing is too great to be bridged, which is why backward cities need volatile trade with one another. When dead-end advanced—backward trade is pay-as-you-go, then at least the transactions do not drain the advanced cities of earnings and the imports those earnings buy.

However, when advanced—backward trade is maintained on credit, instead of being paid for with products of the backward economies, the cities at the advanced pole of the trade are being drained of earnings. Even when the loans are paid back, if they are repeatedly renewed for the sake of further advanced—backward trade, they indefinitely drain the cities providing the financing. When the loans are not paid back, or when the trade is financed by grants, the transactions work like subsidies: earnings of advanced cities are diverted to inert economies. Advanced—backward trade that depends on grants or credit (much of which cannot be repaid) is no negligible factor in international trade today. By the middle of 1982, U.S. banks' loans to Brazil and Mexico amounted to 95 percent of the capital of the nine largest U.S. banks and 74 percent of the capital of the next fifteen largest, according to The Wall Street Journal. Of course, that doesn't mean that 95 percent and 74 percent of those banks' lending powers are committed to Brazil and Mexico, because banks lend multiples of their capital. But the amount is sufficient to cause the banks to crash if the loans are defaulted on instead of interminably renewed. Add the many other U.S. loans for promoting advanced—backward trade—with Argentina, Chile, the Philippines, Venezuela, Spain, Poland, Yugoslavia—and you begin to understand what a chimera this trade would be if it were not continually fed by city earnings. Western European countries, Canada, Japan, and the Soviet Union are financing advanced—backward trade on credit as well, in behalf of "sales" of their own products; and the International Monetary Fund and the World Bank are also financing such trade, largely in behalf of "sales" by their contributing nations. Those sales are the trade-offs for cities in these transactions of decline.

Transactions of decline are absolutely necessary to empires. Consider, for example, the kinds of transactions that made the British Empire possible. Throughout Britain's period of imperial expansion, England continually made public and private investments in the conquest and shaping of far-flung colonial regions. The trade-off was work for export to obdurately backward economies, and while most of this was pay-as-you-go, still it rendered a great and growing share of British production sterile for import replacing either in Britain or anywhere else. To maintain the entire political and economic contraption, Britain had to maintain numerous far-flung garrisons, produce weapons and other supplies for them, and build up its expensive naval power. The trade-off for that was naval and other military work for many British cities and smaller settlements. The cities, as time passed, came to live increasingly on military work and exports to inert economies, and decreasingly on their trade with one another. These were the cities that, as volatile reciprocal trading partners, had created the Industrial Revolution. But their capacity to develop further gradually atrophied. Their existing industries and services became increasingly obsolete, their innovations scant, and their ability to serve as prosperous customers for one another feeble.

All the wealth of the Indies could not compensate for the stagnation and decline of Britain's own city economies. But the stagnation and decline were built right into the very transactions necessary to win, hold, administer, and exploit the wealth of the Indies. Suppose Britain had been more generous to its empire, giving out grants, lending bountifully to further promote and intensify advanced—backward trade, subsidizing the poor in poor regions? The British Empire would only have declined sooner.

From an economic point of view, there are two types of empires, which we can think of as the English and the Roman model. In the English model, the imperial power concentrates almost exclusively on winning and holding control over economies more backward than its own. This is what the English did, first with possessions close by—Wales, Scotland, Ireland—then with possessions far distant. Other European powers' conquests in Asia, Africa, the Americas, and the Middle East were on this model, the conquered realms being more backward economically than the conquerors'.

The Roman model of imperialism also takes backward economies into the fold, but in addition it incorporates and dominates economies as advanced as its own, or more so. That is what Rome did in the course of bringing the entire ancient Mediterranean world under its control. It is what Ferdinand and Isabella of Spain did in bringing the more economically advanced Moorish portion of Iberia under the control of Castile and Aragon. When Russia expanded far into Siberia during the nineteenth century, it was following the English model, but when the Soviet Union took East Germany, the Baltic republics, Czechoslovakia, and Hungary under its control after the Second World War, it was employing the Roman model, these economies—especially Czechoslovakia's and East Germany's—being more advanced than its own.

Successful imperialism on either model drains cities by means of the necessary transactions of decline, the difference between the two being that an empire on the Roman model can temporize longer with decline because it has acquired wealth-yielding cities along with backward, inert economies. But in either case, the empire's cities are drained in the interests of empire.

Today, the Soviet Union and the United States each pre-
dict and anticipate the economic decline of the other. Neither will be disappointed.

The Soviet government, ever since it came to power, has voraciously gobbled its cities' earnings as fast as they could be earned. It has unremittingly converted those earnings into extravagant (and ineffectual) capital and operating subsidies for agriculture, into industrial investments in rural settings, into national welfare programs, and, of course, into heavy militarism for policing its domains and borders and for sustaining its arms race with the United States. Precious little has been left, either before the Second World War or after, for intercity trade, and little indeed for feeding cities' import-replacing processes.

When the Soviet Union acquired economic control of East Berlin and the other cities of East Germany and Danzig, Warsaw, Kraków, Prague, Bratislava, and Budapest, it acquired an additional supply of city earnings to drain for transactions of decline. The chief trade-off for these cities has been export work destined for inert economies in the Soviet Union.

The United States, for its part, has been milking its cities even more prodigiously, a feat possible because, being more numerous, more highly developed, and richer, they have had more to yield than Soviet cities. Besides being drained for the arms race, they have been contributing disproportionately large shares to a nationwide pension plan (rapidly approaching insolvency unless the scope of its benefits can be reduced) and to various other domestic subsidies, which by 1975 were being distributed through more than one thousand different federal benefit and grant programs. Foreign loans, public and private, have been promoting advanced—backward trade, and numerous grants have been made for the same purpose. American multinational and domestic corporations have gone on protracted sprees of factory transplanting, which have by no means always paid off, and many of which have been undertaken to cash in on subsidies. The drains on city earnings add up. American brains and skills haven't unaccountably evaporated, but the contexts in which Americans can expand and develop economic life have been constricting.

The Sun Belt cities of the American South and Southwest are trade-off cities in two senses. Their economic bases consist largely of trade-offs given cities in transactions of decline: military work, goods and services for advanced—backward trade, and city work financed at one remove by rural subsidies. Retirement pensions are also an important economic base for some of them. The trade-offs for the Sun Belt have been financed by draining older cities of their earnings. In effect, one set of cities has been traded off for another set. Sun Belt-city prosperity is not a net addition to American economic activity, as it would be if the dynamic of development were responsible for it.

Now that so many of America's older cities are in decline and themselves need subsidies to keep going and to contain discontent, support for transactions of decline must, ironically, shift increasingly to the Sun Belt cities. There go their earnings in the cause of more transactions of decline; and yet they must support those transactions—the military work, the subsidies, the advanced—backward trade—or else lose their own economic reasons for being. Transactions of decline are powerful traps. We seem to have no ways of extricating ourselves from anti-development traps, because by now so many people, so many enterprises, so many governments, and, too, so many once vigorous cities have come to depend on incomes contrived through city-killing policies and transactions.

Transactions of decline have not come into being because of lack of concern about development, or because governments accept stagnation and poverty. On the contrary, they are meant to foster development and attack poverty. But no matter what guise they take, they are not remedies for stagnation and don't address causes of poverty; yet they are precisely what national governments have become well fitted to deliver, and what empires and nations aspiring to empire must deliver.

EVEN AS PROSPEROUS A COUNTRY AS JAPAN IS troubled with inequalities among its different regions. Central Japan is well equipped with creative, import-replacing cities and their well-diversified regions. However, things are different on the northern and southern islands of Japan, which make up a geographically large part of the nation, contain much of the population, and are dotted with long-established hamlets, villages, towns, and some cities, as well. These peripheral cities differ from cities in central Japan. They aren't good at replacing wide ranges of their city-made imports, which of course come primarily from central Japan. Since they are not import-replacing cities, they haven't generated significant city regions, either. It follows that these peripheral regions do not produce amply and diversely for their own producers and people as well as for others. It also follows that, because they do not shift to new import purchases by replacing wide ranges of older ones, these peripheral cities are less-important markets than they would otherwise be for innovative exports cast up in central Japan's cities.

One consequence of the lack of import-replacing cities on the northern and southern islands is that a high proportion of young people seeking work must leave them. In trying to provide more local work, officials in northern and south-
ern Japan behave much like those in other countries, competing to lure transplanted industries. But, as elsewhere in the world, the demand for transplants outruns the supply. To be sure, people in northern and southern Japan are far better off economically than they were in the past. Nevertheless, their economies are poor relative to those of central Japan and have persisted in remaining so. Their troubled officials note that in some mysterious way development has passed them by.

So it has. The solution would, of course, be the emergence of import-replacing cities in these regions, too. But this hasn’t happened, and as time passes it becomes increasingly unlikely that it will happen. By now, potentially import-replacing cities in the stunted regions would need tariffs or their equivalent on products from more highly developed cities in central Japan, much as the cities of central Japan themselves once required tariffs to get them started on replacing imports from the then more highly developed cities of America and Europe.

If the northern and southern regions of Japan had their own currencies, they would automatically be provided with the equivalents of tariffs and export subsidies, as I explained in the first of these two articles. However, if their agricultural exports skewed the value of those currencies too heavily, as exports of silk did when Japan was beginning its modern development, actual tariffs would be needed as well. Both individualized currencies and the power to lay tariffs—if they were necessary initially—would imply new sovereignties, a family of Japanese sovereignties in place of a single unified one. As it is, the fact of a single unified sovereignty ensures that these regions will remain persistently stunted relative to central Japan. This same analysis applies to all other nations that contain both city regions and persistently stunted regions in which import-replacing cities fail to emerge.

In Japan, as elsewhere, regional disparities cause discontent, as well as a feeling in the nation at large that the inequalities must somehow be redressed as far as possible. Just like the response elsewhere, the response of the Japanese government has been to start heavily subsidizing the peripheral regions. Here we see why nations often embark upon transactions of decline and why those transactions, once begun, have no end. They mitigate regional inequalities but can’t eliminate the causes.

Between the early 1960s and 1977, national tax rates were reduced every few years in Japan almost as a matter of course. During that period, the production of wealth outpaced the demand for national expenditures. But since 1977, Japanese tax rates have been rising, and deficit financing has begun; both are unmistakable evidence that national expenditures have started to outpace the production of wealth. The chief increases have been for social subsidies, agricultural subsidies, special economic grants, and support of the nationalized railroad system.

While the Japanese have been rapidly increasing domestic subsidies, they have also increasingly promoted trade with backward countries, not merely in order to import resource and rural goods but also to sell these nations sophisticated goods on credit. Cities in central Japan get the usual trade-offs from these transactions: sales of exports destined for inert economies that can’t replace what they are receiving with their own production. Promotion of this dead-end type of trade has become necessary in Japan, as in other advanced nations, precisely because the cities of central Japan can find too few vigorous, solvent city trading partners, too few both domestically and internationally. But again, these transactions of decline are not remedies for their cause. They make distant inert economies more dependent instead of self-developing.

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**THE LAST TIME SHORTY TOWERS FETCHED THE COWS**

In the only story we have of Shorty Towers, it is five o’clock and he is dead drunk on his roof, deciding to fetch the cows. How he got in this condition, shingling all afternoon, is what the son-in-law, the one who made the back pasture into a golf course, can’t figure out. So, with an expression somewhere between shock and recognition, he just watches Shorty pull himself up to his not-so-full height, square his shoulders, and sigh that small sigh as if caught once again in an invisible swarm of bees. Let us imagine, in that moment just before he turns to the roof’s edge and the abrupt end of the joke which is all anyone thought to remember of his life, Shorty is listening to what seems to be the voice of a lost heifer, just breaking upward. And let us think that when he walks with such odd purpose down that hill jagged with shingles, he suddenly feels it open into the wide, incredibly green meadow where all the cows are.

—Wesley McNair
History does not repeat itself in detail, but certain patterns of economic history are so repetitious as to suggest that they are almost laws. If the usual patterns work themselves out, we may anticipate that Japan will ever more heavily subsidize its obdurately stunted regions, promote its international advanced—backward trade, and in due course adopt a long-term program of heavy military production. Unlike as that last step might now seem, given Japan's pacifist convictions, pressures (largely, but not entirely, exerted by the United States) are mounting right now to bring Japan's currently small military expenditures up to a level at which they would absorb 2.5 percent of national production. This would put Japan in third place among nations for value of military production, behind only the United States and the Soviet Union.

We may also anticipate, if the customary patterns work themselves out, that as Japan's various transactions of decline increase, Japanese cities, now so creative and vigorous, will gradually stagnate and come to depend more and more upon trade-offs from these transactions, rather than upon their own and another's creativity and their volatile reciprocal trade.

If, a century from now, historians seek a date for the beginning of Japan's decline, 1977 will serve as well as any. A comparable date for the United States is 1933, when the nation began ever more heavily subsidizing its persistently poor, inert regions and followed up with ever-heavier promotion of international advanced—backward trade and ever-heavier programs of prolonged military production: transactions of decline, one and all.

Transitions of Decline, at the Time They Get Under way, Are Interventions, Abrupt Discontinuities, That Put an Increasingly Unstable Situation on a Footing That Is Temporarily More Stable. In Nature, for an Analogy, Stresses and Instabilities Gradually Build Up in Various Portions of the Earth's Crust. When the Accumulating Stress Reaches a Certain Level, It Is Abruptly Disposed of by a Discontinuity, in This Case an Earthquake or a Volcanic Eruption. The Same Sort of Phenomenon Is Constantly at Work in Human Affairs. An Enterprise That Moves Out of the City Because of Accumulating Stresses—Say, Congestion, Makehift Space, Rising Costs—Is Experiencing an Abrupt Discontinuity. When Surface Traffic in the City Becomes Insupportable and Is relieved by a Subway, the City Has Had recourse to a Discontinuity.

Mathematicians grappling with the difficult and mathematically controversial subject of discontinuities call the kind I am describing bifurcations. What bifurcations have in common is that they are responses to instabilities and stresses; they are discontinuous with what has gone immediately before; and they leave things radically changed.

Is there any kind of radical intervention or discontinuity other than transactions of decline to which nations might resort, to contend with their inexorable, built-in, cumulative instabilities? Theoretically, there may be another way out—but only theoretically, for reasons I shall touch on. Nevertheless, let us take a look at this theoretical possibility.

A metaphor used by some mathematicians to illustrate discontinuity is a dog that realizes that he is the object of an approaching hostile advance. The dog is just standing around at the time, but the one thing he can't do is continue to stand around. He must do something radically different: prepare to attack, or run, either of which is a discontinuity.

This is the situation of a nation in which instabilities and stresses have reached the point where they demand action. The one thing the nation cannot do is stand around and do nothing. It must either leap to attack its difficulties by instituting transactions of decline, or . . . or what?

Can it run away from the difficulties that are becoming intolerable? If so, how? Could running away dispose of the accumulating instabilities and stresses, actually put things on a new footing, if only temporarily? We are taught that running away from a problem doesn't solve it. However, in real life it occasionally does, as the metaphor of the dog suggests and as we know from experience if we have ever disposed of a potentially disastrous temptation by running away from it or if in retrospect we have sorely wished we had.

The equivalent of running away for a political unit would be resisting the temptation to engage in transactions of decline by not trying to hold itself together. The radical discontinuity would thus be the division of the single sovereignty into a family of smaller sovereignties, not after things had reached a stage of disintegration but long before, while things were still going reasonably well. In a society behaving like this, multiplication of sovereignties by division would be a normal, untraumatic accompaniment to economic development, and to the increasing complexity of economic and social life. Some of the sovereignties in the family would in their turn divide, as evidence of the need to do so appeared. A nation behaving like this would substitute for one great life force, sheer survival, that other great life force, reproduction. In this utopian fantasy, young sovereignties splitting off from the parent nation would be told, in effect: Good luck to you in your independence! Now do try your very best to generate (or maintain, as the case may be) a creative city and its region, and we'll all be better off. We won't discriminate against you in our trade, and if you should need to raise tariff barriers against our manufactured goods to get a start, we will put up with it without rancor.

A chief advantage, although not the only one, of this incredible national behavior would be the multiplication of currencies, which would give cities and their regions accurate corrective feedback on their economies. The technical difficulties and inconveniences that this would entail are surmountable, ever more readily so with the aid of computers, instantaneous communications systems, and such
devices as credit cards, which—even in their current rudimentary and limited state—are already convenient for simultaneous transactions involving diverse currencies.

The difficulty is precisely that multiple currencies imply multiple sovereignties; indeed, they would be only cosmetic currencies otherwise, like the Scottish pound, which is the English pound with different pictures. Thus, this type of discontinuity as an alternative to transactions of decline would be at the expense of unified nations. It addresses the survival of societies, cultures, civilizations, and cities, but at the expense of nations.

With almost no exceptions, our current nations came into being through bloody military force. Most have been held together from time to time with bloodshed. Many are still held together so. The mystique of the nation is the powerful gruesome glamour of human sacrifice. To betray the nation and its unity is to betray all that shed blood; to do so to be better off economically would seem to render the most glorious pages of national history mere sound and fury. Virtually all national governments, it seems fair to say, and most citizens would sooner decline and decay unified, true to the sacrifices by which their unity was won, than seek to prosper and develop in division. Even separatists, when they manage to gain sovereignties of their own, bitterly resist any further division. Perhaps sovereignties with separatist histories do so most of all. This is why my suggested alternative to transactions of decline is theoretical only.

Even what I have suggested theoretically is no economic panacea. There is no magic in mere smallness or division of sovereignties per se, especially when division is a last resort after the demands on the political unit have outrun its capabilities. The world today is littered with the pitiable fragments of stagnated empires, both old and recent. My utopian proposal is, in any case, no substitute for the volatile trade backward cities must have with one another if they are to develop. Nor is it any substitute for creativity in cities. Its virtue, rather, is that it could serve as a way of preventing or evading the decline that must surely come to the people of any nation who attempt to hold their political unit together with transactions of decline.

From time to time the world casts up new “pattern states.” The phrase belongs to Sir George Clark, an English historian who specialized in seventeenth-century Europe, and who pointed out that the strong monarchy of France's Louis XIV became a pattern state of the time. It was adopted as a model by Frederick I, of Brandenburg-Prussia, which later became the nucleus of Germany, after many wars of unification. England’s success with a parliamentary system gave the world another influential pattern state. The rise of the United States as a great and successful republic made that country an influential pattern state, and to some extent the United States has even served as a model for the European Economic Community, which, at the time of its formation, was commonly explained as “a United States of Europe.” The success of Lenin and his followers, first in overthrowing the short-lived government that supplanted the old regime of the Russian empire, and then in establishing a mighty socialist government in its stead, made the Soviet Union a pattern state for revolutionaries and would-be revolutionaries elsewhere. Sweden, owing to its extraordinarily thorough system of transfer payments and other domestic subsidies, has also been an influential pattern state.

So unsatisfactory, in their various ways, have all the existing patterns become that nowadays merely the promise of a different dispensation is sufficient for a new pattern to be hailed. Thus, Maoist China was briefly influential as a pattern for the Third World, even though its persuasiveness rested on wishful thinking, rhetoric, and zeal, not on workable development policies.

No pattern state, or rather pattern family of states, now exists for the theoretical possibility I have sketched out: the expedient multiplication of sovereignties (not semi-sovereignties or provinces) as an alternative to transactions of decline. The separation of Norway from Sweden in 1905 was a step in that direction, for it occurred before Norway and Sweden were enmeshed in transactions of decline. The separation was not Sweden’s choice; rather, nineteenth-century Norway, though it was very poor, rejected even the beginnings of subsidization and insisted on supporting itself on its own budget. Sweden, for its part, though its attitude toward the separation was unwilling, did not resort to military force to prevent it. Afterward, as its former possession developed economically, Sweden engaged in volatile intercity trade with it. However, Sweden did not follow up this experience of division with further divisions as alternatives to transactions of decline. Quite the opposite: ironically, insofar as Sweden has become a pattern state, what has been copied is not that solitary example of an alternative to transactions of decline but rather the country’s thoroughgoing domestic use of such transactions.

Singapore’s separation from Malaysia, since it occurred before the Malay States had become enmeshed in domestic transactions of decline, is another small instance of division as an alternative. The separation gave a former depot city, Singapore, an individualized, appropriate currency; this meant that it did not have to victimize rural Malaysia with tariffs to protect its own manufacturing. This example of a practical approach to a big problem has been ignored, however, by what Clark called “imitative states.”

If the people of a sovereignty large enough to engage the attention and interest of the world were ever to experiment with expedient division, those pioneers would have to have great confidence in their culture and abilities, enough confidence to dispense with centralized control and centralized problem-solving. By definition, such a people would also have to be politically inventive and capable of evolving institutions in a fashion both realistic and original. No doubt, if such a pattern were ever to emerge, it would influence less-original societies and less-confident
cultures—deservedly so, if it actually worked out as a successful alternative to transactions of decline.

Since it does seem that sooner or later human beings get around to trying everything within their capacities, no doubt somewhere, sometime, in some culture or civilization, this alternative form of discontinuity will be tried—if it really is within human capacities to divide large sovereignties before they have reached a dead end of disarray. In the meantime, things being as they are, we have no choice but to live with our economically deadly predicament as best we can.

A JAPANESE ANTHROPOLOGIST, TADAOM UMEASAO, HAS observed that historically the Japanese have always done better when they have drifted in an empirical, practical fashion than when they have attempted to operate by “resolve purpose” and “determined will.” This is true of other peoples, too, although Umesao believes that what he calls an “aesthetic of drift” is distinctively Japanese and one of the major differences between Japanese and Western cultures. Had he been looking at the past rather than the present of Europe and America, he would have seen, I think, that “an aesthetic of drift” was Western, too, and worked better for Western cultures than “resolve purpose” and “determined will.”

By its very nature, successful economic development has to be open-ended rather than goal-oriented, and it has to make itself up expediently and empirically as it goes along. For one thing, unforeseeable problems arise. The people who developed agriculture couldn’t foresee soil depletion. The people who developed the automobile couldn’t foresee acid rain. “Industrial strategies” to meet “targets” using “resolve purpose,” “long-range planning,” and “determined will” express a military kind of thinking. Behind that thinking lies a conscious or unconscious assumption that economic life can be conquered, mobilized, bullied, as indeed it can be when it is directed toward warfare but not when it directs itself to development and expansion.

An emeritus professor at the Massachusetts Institute of Technology, Cyril Stanley Smith, has pointed out that, historically, necessity has not been the mother of invention. Rather, necessity opportunistically picks up invention and improves on it and new uses for it, but the roots of invention are to be found elsewhere, in motives like curiosity, and especially, Smith notes, “aesthetic curiosity.” Metallurgy, he explains, began with hammering copper into necklace beads and other ornaments “long before ‘useful’ knives and weapons” were made from copper or bronze. Alloying and heat treatment of metals started in jewelry-making and sculpture, as did casting in complicated molds. Pigments (which, incidentally, were the first known products of iron ore), porcelain and many other ceramics, glass, and the practice of welding—all started with luxury or decorative goods. Possibly even wheels were at first frivolities: the most ancient known to us are parts of toys. Hydraulics and many mechanical ingenuities and tricks were first developed for toys or other amusements. The lathe was being used to make snuffboxes “a century before heavy industry used it.” “Rockets for fun came before their military use or space travel,” Smith notes.

Many of us can remember when plastics were used for little except toys and kitchen gadgets, and as a lower-cost replacement for ivory in piano keys. Tennis rackets, golf clubs, and fishing rods afforded the first uses of strong, lightweight composites of plastic reinforced with fibers of glass, boron, and carbon; now such composites are starting to replace metals in some construction materials and in some types of springs, pipelines, and aircraft and automobile body parts. Computer games preceded personal computers for workaday use. For years before artificial voices were incorporated into computerized work tools to call out the temperatures of equipment or to give warnings, they were being used in computerized toys and gimcrackery for children (for example, Speak & Spell) and were being prematurely written off by “serious” developers and users of computers as cute but useless.

“All big things grow from little things,” Smith comments, adding: “but new little things are destroyed by their environment unless they are cherished for reasons more like aesthetic appreciation than practical utility.” One is reminded of Umesao’s aesthetic of drift.

Scientists are used to the fact that discoveries are often the unanticipated by-products of other intentions. Economic drift works the same way. The first oil wells were drilled to get lamp fuel only a few decades before electricity began making oil lamps obsolete, but other uses kept turning up for petroleum, once oil wells existed. The glue with which sand is stuck to paper has turned out to have far more ramifications and much more economic utility than sandpaper itself. Edison, an inventor of the phonograph, thought the device would be used chiefly for business dictation.

There is an order to the open-ended drift by which economic life develops and expands, but it is not the order of “challenge” and “response” found in military thinking or in Arnold Toynbee’s idea that civilizations die because they fail to respond to challenge. Rather, the order at work is more like biological evolution, whose purpose, if any, we cannot see unless we are satisfied to think that we are its purpose.
Many of the root processes at work in natural ecologies and in our economies are amazingly similar, and we can learn much about success and failure by noticing, for example, that the more niches in a given natural ecology, the more efficient use it usually makes of the energy at its disposal and the richer it is in the means for supporting life. Just so with our own economies: the more diverse are the niches they contain, the richer they are in the means for supporting life. That is another way of saying that economies that produce diversely and amply for their own people and producers, and for others, are better off than specialized economies. In a natural ecology, the more diversity there is, the more resilience, too, because of the greater number of what ecologists call “homeostatic feedback loops,” meaning feedback controls for automatic self-correction. Our economies work the same way.

The other animals don’t add new kinds of activities to older kinds in an open-ended way. But we aren’t other animals. It is natural for human beings to add new kinds of work and skills to earlier kinds, because the capacity to do this is built right into us, like the related capacity to understand and use language in an open-ended way. Without the capacity to add new work to our earlier work, new skills to our earlier skills—as all normal human beings do individually, starting in infancy, and as we do collectively in developing human economic life—we might be something else, but we wouldn’t be human beings.

Cities are the open-ended kinds of economies in which our capacity for open-ended economic creation is able not only to establish “new little things” but also to inject them into everyday life. Unfortunately, given the deadly interplay between nations and their cities, we human beings are doomed to economic development only in spurts—sporadic and relatively brief episodes, now here, now there, followed by stagnation and deterioration. This must continue unless we drift into the means of overcoming that deadly interplay. In this sense, we human beings are still in a primitive stage indeed of using our capacity for open-ended creation and development.

Nevertheless, though we may now be faced with economic deterioration, we can use beneficial drift to keep city economies creative a little longer than they would otherwise be, and thus to buy a little more time for nations, as well. Even as the deadly interplay proceeds, there are ex-
pedient opportunities for slowing down the ruin, many little things that can be done.

Consider, in this light, nationwide or international product standards, beyond the relatively few strictly required for health and safety. These standards harm cities as well as hamper economic development and expansion generally. How can city producers undertake differentiations for their local markets and perhaps for exports from the city as well if deviations from standards are discouraged or forbidden? And who knows what further ramifications in methods of production, materials, and purposes are also being blocked. Similarly, nationally or internationally mandated solutions to practical problems, whether in transportation, energy production, pollution prevention, or almost anything else, are at cross-purposes with development. For example, though performance standards for polluters are necessary both nationally and internationally, since pollution spreads in air and water, such controls are quite different from mandating products and methods to meet the performance standards. As far as those are concerned, the more experimentation and diversification, the better.

Monopolies gratuitously harm cities and suppress what their economies are capable of achieving. The usual objection to monopolies is that they charge extortionate prices and make unconscionable profits by cornering a market. To this the usual answer is that monopolies are rendered harmless if their prices or profits are regulated. If, at the same time, a case is made for economies of scale that result from protecting monopolies from competition, then they can be thought of as beneficial. But extortionate prices, harmful though they most certainly are, are the least of the disadvantages of monopolies, for monopolies forestall alternate methods, products, and services.

Even though economic life is sliding into decline, cities, too, can find expedient opportunities for open-ended drift. Historically, Boston and its region had been creative for some two hundred years, but at the beginning of the twentieth century Boston was stagnating. The old textile, shoe, and railroad fortunes were tied up in routinely invested trusts; the city as a whole had become an exporter of capital, rather than a place in which capital was being put to work productively and diversely. Of course, it kept losing its older export work, as cities do, but it was neither replacing wide ranges of imports nor generating new export work to compensate for the losses. As Boston's economy thinned and declined, so did that of its region. The popular explanation for the plight of the city and of New England generally was that difficulties beyond the region's control were responsible: cheaper labor in places like the South, foreign competition, and local industries past their prime.

However, one man, Ralph Flanders (who later became a U.S. senator from Vermont), had a different insight and fortunately was in a position to act upon it. Flanders reasoned that Boston's trouble was what he called its low birthrate of enterprises. He brought a handful of moneyed colleagues around to his point of view, and in 1846 they formed a small venture-capital firm to do what used to be called merchant banking. Its object was specifically to invest in small new enterprises in and around Boston. For this purpose they had capital of almost $4 million, which would be the equivalent of about $38 million today.

Apart from the aim of increasing Boston's business birthrate, Flanders and his colleagues had no preconceived idea of what they were doing. The last thing that would have entered their heads was a vision of what we now call a high-tech city economy, for the good reason that no such thing existed. Indeed, if that vision had occurred to them, they might well have ridiculed it. Although local universities produced quantities of technologists and scientists, the industry of the region was by this time pathetically antiquated. Furthermore, at the time, scientists typically either taught in universities or were employed by large corporations like Du Pont and Eastman Kodak. Scientist-entrepreneurs were extremely rare, and the conventional view held by bankers and other financiers and investors was that highly educated scientists or technologists dwelt in an ivory tower and "couldn't meet a payroll."

However, it so happened that the first applicants for capital were three young scientists who had started a tiny high-technology enterprise, using their own and their families' savings. They couldn't continue without additional investment and were about to give up, because they had been unable to interest investors in Boston and New York. The new Flanders group, their last hope, agreed to invest in the fledgling business. They then rapidly invested in several other tiny, innovative technological enterprises, which had been the next applicants. Flanders and his colleagues weren't scientists or technologists themselves, but it wasn't necessary for them to be, since they were trying not to control or mastermind or second-guess the people they were financing but merely to give them a chance to create their enterprises, whatever those might be and wherever they might lead.

The enterprises they financed—because these were what offered themselves, and because their proprietors seemed both realistic and devoted to what they were trying—began to multiply by division: employees broke away and started new enterprises of their own, many of which Flanders and his colleagues also financed. Upon this base, upon its many subsequent ramifications and breakaways, and upon the multiplying firms supplying the new enterprises with materials, instruments, tools, and services, the Boston regional economy was stunningly rejuvenated. Today Boston has one of the few vigorously extending and intensifying city-regional economies in the United States. What happened tells us a number of things useful to know.

First, cities are capable of bouncing back if their faltering economies are corrected. Historically, stagnant cities
have seldom recovered, and they seldom do so today; but that is because their economies are seldom corrected, either automatically, by appropriate feedback, or by germane assistance, as occurred in Boston.

Second, city economies that aren't self-correcting can be helped to correct themselves.

Third, correction depends on fostering creativity in whatever forms it happens to take in a given city at a given time. It is impossible to know in advance what will turn up except that—especially if it is to prove important—it is apt to be unexpected. Investors in another city today, attempting to duplicate what Flanders and his group accomplished, could not duplicate it, because the events in Boston happened almost forty years ago. All that could be duplicated would be the process of open-ended drift, taking up opportunities whatever they might be and wherever they might lead. That drift is the diametrical opposite of placing faith in the ready-made, as people do when their idea of helping city economies is to woo transplants from other cities, lobby for military contracts, or work up projects because grants for them are available. The style, or form, in which Flanders and his group operated was part and parcel of the substantive result, as form is always related to substance. Umesao's phrase, "an aesthetic of drift," is thus precisely to the point, implying, as it does, style, or form.

Boston's recovery was good as far as it went, but, being an exception, the recovery is limited by a generally declining economy. From time to time, engineers and scientists hold conferences, often enough in Boston, where they trot out ideas they have developed, frequently ideas germane to solving practical problems. But most of these ideas are never even tried, let alone injected into everyday economic life. The same is true of even many technological advances that have already been proved out and put into production but that barely work their way into the economy. In the United States, new types of equipment to protect firefighters from injury and death, or to put out fires faster, are available, yet little used. Few American cities can afford them. America is no longer a country that puts new products like these to use as fast as they come on the market. Even when a new product pays for itself, by reducing the number of firefighters needed to handle cumbersome hoses, for example, or by quickly revealing live cinders in concealed places, the equipment is little adopted because there is no alternate work for the firemen who would be displaced. Unless many, many cities in a trading network keep their economies going, the creativity of any given city is inhibited. To the extent that the process of import replacement is diminished, the market for innovations declines and new and needed kinds of everyday work are forgone. In place of that market and those kinds of work, even creative cities like Boston must depend at least in part on trade-offs from transactions of decline. Boston, tellingly, now depends partly upon trade-offs from military production.

Historically, in nations where city economies are dying and where, as well, cities are drained in the service of transactions of decline, one city remains vital longest: the capital city. This is because capital cities thrive on transactions of decline. When a city's principal function is being a capital—as is Washington's in the United States and Ottawa's in Canada—it is obvious that the more transfer payments, subsidies, grants, military contracts, and promotion of international advanced—backward trade there are, the greater the work and prosperity in the capital city will be. However, the connection is not so obvious when the capital city happens to be, or to have once been, a major industrial and commercial city, as well, like London, say, or Paris, Lisbon, Madrid, Stockholm.

In that case, the increasing prosperity associated with presiding over transactions of decline can cloak the simultaneous shrinkage, obsolescence, and impoverishment of the city's other functions. For example, while Washington's economy has been growing over the past forty years, New York's once outstandingly diverse and creative manufacturing economy has grown obsolete and very thin, and the growth of service and financial activities in the city has not compensated for the losses of older exports and employment, much less for the city's loss of the very capacity to solve pressing practical problems. But suppose the capital of the United States had happened to be New York (as, in fact, it was briefly in the country's early history): suppose New York, in effect, were both New York and Washington. In that case, New York's economic decline would have been well veiled indeed by its concurrently booming government work in the service of transactions of decline.

Thus, although capital cities would seem, typically, to be the last places in their nations whose economies require rejuvenation and correction, appearances are deceptive. Behind their busyness at ruling, capital cities of nations and empires, apparently vital to the last, at length reveal themselves as surprisingly inert, backward, and pitiable places. So it was with Lisbon, Madrid, Istanbul. So it is becoming, one suspects, with London, Paris, Stockholm . . . .

Let us fantasize a Big Experimental System of which we are all a part. Information feeds back into the system, and from time to time the burden of the feedback is that such-and-such a society has allowed its cities to languish, or that in such-and-such a civilization the cities are already down the drain. The feedback seems to operate on the premise that people who have lost the civilized art of maintaining creative cities are not civilized enough to be trusted with the risks of further open-ended development. This fantasy is not entirely metaphor. If we strip it of the judgmental words "civilized" and "trusted," we are left with a hard, plain truth. Societies and civilizations whose cities stagnate don't develop and flourish. They deteriorate.