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# NIMBYs as Mercantilists

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**Abstract:** Urban property owners use their political power to restrict development near their homes through their support of zoning and growth management laws. While these rules reflect homeowners' individual preferences, collectively land-use regulations prevent gains from trade. Large, dense cities provide unparalleled potential for exchange and innovation, but zoning rules restrict the potential for population and employment growth in these centers of productivity. City residents who support these rules that limit urban growth parallel the 18th century mercantilists that Adam Smith opposed in his treatise, *An Inquiry into the Nature and Causes of the Wealth of Nations*. Both interest groups seek to advantage their short-term economic interests through government-granted privilege, but in the long-run, both land-use restrictions and mercantilism impoverish nations by preventing exchange and economic growth.

**Keywords:** mercantilism, spillover effects, agglomeration benefits, urban development, entrepreneurship

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## INTRODUCTION

Adam Smith taught the world that mercantilism impoverished 18th-century nations by erecting barriers to trade and reducing opportunities for specialization and economic growth (Smith 1976). Regulations that restrict urban development likewise reduce opportunities for innovation and specialization by limiting cities' population size and density. Even as improvements in communications technology and falling transportation costs reduce the burden of distance, many industries still benefit from the geographical proximity of human beings that only dense development can provide. As Adam Smith demonstrated in his treatise against mercantilism, the division of labor is limited by the extent of the market, and today land-use regulations are limiting the extent of urban markets (Smith 1976, p. 31). Removing land-use regulations allows greater gains from trade as more people are allowed to live in important economic centers like New York City and Silicon Valley.

This paper will explore the reasons that cities facilitate economic growth, drawing on the work of Jane Jacobs, Israel Kirzner, and Sanford Ikeda, along with the empirical work of Edward Glaeser, Geoffrey West, Chang Tai-Hsieh and Enrico Moretti to demonstrate the importance of cities and population density. Because of the proximity of humans to one another plays such an important role in entrepreneurship and economic growth, regulations that

limit urban development come with a high toll for economic progress and improvements in standards of living. In a globalized economy, limiting the number of people who can live in the world's most productive cities makes people around the world worse off. Given this relationship between urban growth and economic growth, why are land-use regulations that restrict population growth and density so prevalent and popular? I argue that like mercantilists who protected their narrow interests at the expense of broad economic growth, property owners, or "NIMBYs," who use the political system to block development near their homes likewise seek to restrict supply in order to increase their financial well being. While land-use restrictions carry clear benefits for property owners, these benefits come at the cost of economic growth, and they ultimately reduce well-being for everyone.

This paper will first explore the theoretical foundations for the role of cities in economic growth. Then I will review the empirical literature that supports the relationship between urbanization and economic growth. In the third section I will analyze the commonalities among groups that oppose free trade and groups that oppose free markets in real estate. In the fourth section I will review potential policy reforms to promote elasticity in housing markets. And finally I will conclude with an analysis of the consequences of land-use regulations for economic growth.

### Cities and the Market Process

In his body of work Israel Kirzner provides an analysis of how entrepreneurs spot profit opportunities in order to equilibrate markets. In a world of uncertainty, Kirzner explains that entrepreneurs have to “pierce through the fog of uncertainty” of future market conditions in order to identify profit opportunities (Kirzner 1985, p. 53). Kirzner’s work brought to light the role of entrepreneurs in equilibrating markets across time and space by continually putting resources to better uses. While he placed little emphasis on the entrepreneurs’ physical locations, Kirzner’s entrepreneur clearly took advantage of his surroundings. Sanford Ikeda explains that the entrepreneur’s environment is his “action space” (Ikeda 2007, p. 214):

An action space is a “place,” a place where actions and interactions happen, by design or unplanned, formally or informally. They include places to work, play, and meditate; places to sleep, eat, and walk; places to converse, plan and make contact in private and in public, places to discover, regret, and to trust or distrust... From the perspective of the economist, of course, the more interesting occurrences in action space tend to be the ones that are unplanned, informal, and public because that describes the chief realm of the market process and of the entrepreneurship that drives it.

The Kirznerian entrepreneur profits by seeing the opportunity that others failed to see, so, all else equal, entrepreneurs will find more profit opportunities in more diverse settings. Cities facilitate innovation by placing people with diverse backgrounds and goals in close proximity. In *The Death and Life of Great American Cities*, Jane Jacobs (1961) identifies four qualities of diverse neighborhoods that create safe and living cities:

- At least two primary land uses;
- Small blocks;
- Buildings of diverse ages and types; and
- A high density of buildings and people.

These diverse physical characteristics facilitate population diversity. Because diverse neighborhoods have buildings of different ages, prices, and purposes, they bring together people of different demographics and income levels in a walkable environment. Diverse neighborhoods create an urban environment in which people of all different professions, interests, and income levels, come into con-

tact with one another as they go about their daily routines. Diverse neighborhoods provide an action space in which Kirznerian entrepreneurs can “pierce through the fog of uncertainty.” In contrast to other theorists such as Alfred Marshall (1890), Kenneth Arrow (1962), Paul Romer (1986), and Michael Porter (1980), Jacobs predicted that cities with a large diversity of firms facing stiff competition leads to the highest growth rates (1969).

In her work on economic development, Jacobs explains that cities create an environment in which interaction among diverse people within a living city allows for the easy transmission of ideas across industries. She asserts that city economic development occurs through a process that she calls “import replacement” (Jacobs 1985). Her import-replacement model is a bottom-up process through which urban economies begin producing themselves what they previously purchased from other cities. Over time, economic progress makes it more cost-efficient to produce these goods locally than to import them. With this new income, the city can then begin importing new goods. According to her theory, regional economies grow by beginning to make locally what they previously imported. The production and export of these goods in turn allows them to begin importing new goods that were previously unaffordable. As with the Kirznerian entrepreneur, Jacobs’ entrepreneur works incrementally, spotting arbitrage opportunities to put resources to better and better uses over time. Jacobs describes the process by which relatively undeveloped city economies use the import-replacement process to increase their productivity and purchasing power (Jacobs 1985, pp. 37):

As cities like Chicago, Pittsburgh and Cincinnati grew, and in the process laid a foundation for versatility at producing, they also replaced with their own production wide ranges of the imports they were receiving from eastern cities—and in their turns exported some of those same items as well.

[...]

Cities that replace imports significantly replace not only finished goods, but, concurrently, many, many items of producers’ goods and services. They do it in swiftly emerging, logical chains. For example, first comes the local processing of fruit preserves that were formerly imported, then the production of jars or wrappings formerly imported for which there was no local market of producers until the first step had been taken.

Jacobs (1984) contrasts her view of cities as the appropriate unit of analysis for entrepreneurship and economic growth with the Smithian focus on nations as the appropriate unit of analysis. In *The Wealth of Nations*, Smith's treatise against mercantilism, Smith argues that barriers to exchange across countries restrict economic growth. While Jacobs finds urban labor markets—rather than areas defined by national borders—to be the appropriate unit of analysis for studying economic development, both theorists stress the importance of free exchange across borders and the centrality of urban markets in providing the action space for the division of labor that isn't possible in a small town. While Smith's work focuses on the importance of national barriers to exchange, he recognized the Jacobsian insight that some exchanges are limited by the size of cities. Smith cites the examples of porters, who wouldn't be able to find buyers for their trade in small towns, thereby limiting them to working in large markets (Smith 1976, p. 31).

The diversity of people and professions that cities house provides opportunities not only for specialization, but also for spillover effects as innovations travel across firms within a single industry. A cluster economy is a locality with a concentration of interconnected firms, in which firms that compete with each other and sell to one another are located close together. Silicon Valley is perhaps the best-known cluster economy, and it clearly demonstrates the benefits that accrue to innovators from interacting with others in related industries. The concentration of tech firms in close geographical proximity puts entrepreneurs in the position to spot profitable opportunities. Industry concentration facilitates a labor market environment in which firms have a pool of qualified workers that they need for expansion, and workers have the safety net of multiple potential employers. On the sales side, Pierre Desrochers (2001) explains that cluster economies that sell business-to-business products provide firms with the customer base that they need to succeed.

Silicon Valley is an urban action space where geographical proximity has made entrepreneurs more successful than they would be without the inspiration that they provide one another. Walker's Wagon Wheel was a bar in Mountain View, CA where in the 1970s and 1980s, engineers met to talk about their work and ideas. The Homebrew Computer Club, a social group founded in 1975 for computer hobbyists, played a crucial role in the development of personal computers. The programmers, engineers, and inventors who attended the club's early meetings would go on to revolutionize computing thanks, in large part, to the informa-

tion they gathered from swapping ideas, hardware, and skills from the other group members they encountered informally. The club began meeting in garages, parking lots, and university auditoriums, but it was only possible because these enthusiasts all worked for semiconductor companies that brought them to the same region of California.

Because of these benefits to geographic proximity, geographic clusters have existed throughout history and continue today. Amsterdam's diamond trade, New York City's publication industry, and Hollywood's film industry all provide examples of firms' dependence on proximity to one another. Clusters also benefit workers who have the opportunity to easily move between firms within a cluster, improving their bargaining power for wages and benefits. While policy analysts have focused on the benefits of actively developing cluster economies (Sautet, Desrochers, and Hospers 2008) Jane Jacobs advanced a theory that a diversity of industries would instead benefit economic growth. Empirical research has validated her insight that diversity, rather than a concentration of firms in one industry, results in larger productivity gains (Glaeser et al, 1992). Jacobs calls idea-sharing across industries "drift" (1985, p. 225). She points to Ida Rosenthal's innovation in women's bras, an idea that Rosenthal developed while working in a dress shop and looking for a way to make dresses fit better (1969, p. 53). Her work in a dress shop was the action space in which she saw the opportunity to create a new industry. While some empirical work discussed in the next section provides evidence in favor of Jacobs' theory as a better explanation of long-run economic growth relative to industry clusters, both theories have strong descriptive power for explaining how the urban environment supports entrepreneurship.

Aside from providing a platform for entrepreneurship, cities also create conditions that fuel competition between suppliers to consumers' benefit. The concentration of firms within a small area in dense urbanities means that urban consumers have many options for where they can take their business. This proximity disciplines service-sector firms that provide goods consumers purchase locally, including restaurants, supermarkets, and salons. The services that these businesses provide cannot easily be substituted with imports from other outside locations. Tyler Cowen (2013) points out that one way to find great food is to find a neighborhood where there is stiff competition for a particular type of food. For example, Indian food in the New York's East Village or pho in Northern Virginia's Eden Center is

likely to be good because restaurants serving sub-par food will swiftly go out of business.

As transportation costs have fallen and telecommunications have made long-distance collaboration easier than ever, some theorists have argued that “distance is dead” (Cairncross 2001). Locating in cities comes at a high cost to firms that must pay substantially higher rent and taxes in the countries’ most productive cities relative to less-urbanized locations. In the face of these technological improvements, however, firms and individuals are demonstrating their willingness to pay increasing premiums to locate in these cities. Michael Storper and Anthony Venables (2004) put forward a framework to explain this premium based on the importance of face-to-face communication. They assert that face-to-face communication carries much more uncodifiable information than other forms of communication can transmit. They write, “Humans are very effective at sensing non-verbal messages from one another, particularly about emotions, cooperation, and trustworthiness” (p. 355). Because cooperation and trustworthiness are essential to success within a firm and in transactions between firms or individuals, face-to-face communication reduces transaction costs and facilitates exchange. They term the benefits to productivity that stem from this communication “buzz.”

Storper and Venables point out the seeming contradiction that cities that provide the most opportunities for in-person collaboration are also key sites for international exchange in increasingly globalized industries. They write, “The most globalized cities also seem to have the most localized buzz. This is not surprising in view of the analysis provided here. The highest levels of international business require insertion into locally-grounded government and political networks in order to function efficiently” (p. 366). Even with online platforms that make it possible for an individual in any country to transact with someone in almost any other country, localized networks developed through face-to-face conversation still provide the social lubricant that facilitates exchange.

Peter Gordon and Sanford Ikeda (2010, p. 3) explain the role that cities provide as the spatial component of economic growth:

There is positive feedback as the expectation of economic opportunity in an area itself acts as an attractor. People then attract more people, and this tends to create more economic opportunities, which in turn increases density.

Cities provide an environment in which people come into contact with many other people in both business and social settings, providing the growing market for trade that Adam Smith recognized as the key to economic growth.

The forces that make cities fertile ground for innovation and economic growth cannot be removed from the physical location of the city regardless of future advances in transportation and communications technology. Daniel Rodriguez and David Schleicher (2012) term individuals’ and firms’ decisions about where to locate the “location market”. Some agglomeration benefits—the gains firms have from being located near one another—can be “extremely local” (p. 643) such as the benefits of stores and restaurants that serve a particular cultural group locating on the same block. They explain that these agglomeration benefits accrue not only to consumers who patronize the specialized benefits, but also to society as a whole because location markets facilitate collaboration and innovation.

#### **Empirical evidence on cities and economic growth**

Empirical evidence bears out the importance of cities in providing the space for entrepreneurship and exchange, which explains why people pay a premium to locate in diverse cities to gain access to the positive externalities of idea sharing that this environment facilitates. For example, American patents are more likely to be cited by firms located domestically, within the same state, and even more so, within the same Metropolitan Statistical Area (Jaffe 1993). This provides support for Jacobs’ theory that people and firms located near one another are more likely to learn from one another through casual interactions and through labor market mobility. The positive externalities that firms provide within a metropolitan area may explain why individuals and businesses pay a premium to live in expensive cities. Glaeser and Mare (2001) point out that American city residents earn a 30% wage premium relative to non-urban workers. Why would firms be willing to locate in cities where they have to pay consistently higher wages rather than moving to a location with lower wage rates? Glaeser and Mare hypothesize that the spillovers that workers take advantage of in cities make them more productive, so firms wouldn’t be able to achieve the same productivity and innovation gains if they chose not to pay this premium to employ city residents.

Based on these studies that indicate that cities provide the setting for innovation, Glaeser and Mare posit that cities create learning environments that are particularly attractive to highly-skilled young people. They find that young peo-

ple disproportionately choose to live in cities, particularly young people with college degrees and those in industries in which they will benefit from the learning opportunities that cities provide. Some have predicted that the transition to a service-based economy, in which workers can be productive from anywhere and collaboration can be facilitated through email or video chat, will result in the decline of cities as centers of productivity (Cairncross 2001). According to this hypothesis, people will find it less valuable to locate in cities. However, Glaeser and Mares' findings provide reason to believe that as employment in knowledge-based jobs increases, the returns to living in cities and benefitting from tacit knowledge spillovers will increase for firms and individuals.

In research on wage growth, Glaeser, Kallal, Scheinkman, and Shleifer (1992) test Jacobs' theory of spillover effects across industries. They find that city economies that are less dominated by a small number of industries see higher rates of labor productivity growth, supporting the Jacobs hypothesis that cities support economic growth by bringing together people from diverse professions whose interactions facilitate innovation.

Whether the cluster theory of economic development or Jacobs' theory of economic diversity has a larger effect on growth rates, clear evidence points toward the importance of cities in facilitating economic growth. In an anecdotal example, Ed Glaeser (2012) points out that Manhattanites' hourly wages are 170% higher than the U.S. average, demonstrating the relationship between human density and productivity. This observation is borne out in global data. A research group at the Santa Fe Institute headed by Luis Bettencourt and Geoffrey West (2007) has found that city size has increasing returns to scale for both wealth creation and innovation. They find that city population size corresponds to wealth creation through a power law with an exponent of 1.2. Bettencourt and West do not look at density of buildings or population but rather simply the population sizes of labor markets.

In addition to providing opportunities for learning through spillover effects, research supports the theory that urban environments provide social benefits to exchange. Since Smith's insight into the importance of the division of labor, many economists have built on his work to demonstrate the importance of the ease of transacting in facilitating trade and economic growth. One important element in facilitating exchange is social trust. As Kenneth Arrow (1972, p. 343) observed, "Virtually every commercial transaction has within it an element of trust. Certainly any

transaction conducted over a period of time. It can plausibly be argued that much of the economic backwardness in the world can be explained by a lack of mutual confidence." While theorists such as Robert Putnam (1993) have hypothesized that trust is best developed in small, rural communities in which most members know one another, evidence does not bear out this theory. On the contrary, Jan Delhey and Kenneth Newton (2005) find that countries with small agricultural sectors and a high rate of urbanization tend to have higher rates of social trust. While research has not demonstrated a causal relationship between urbanization and trust, Jacobs' theory suggests that residents of living cities have more experience interacting and transacting with out-groups. The environment that brings diverse people together creates the chance for positive interactions with members of out-groups, creating a population with higher levels of social trust.

While the benefits of cities for economic growth are clear, policies at the federal, state, and local level all make city living more expensive. In particular, local land-use regulation rules that restrict the supply of housing make housing more expensive. Edward Glaeser and Joseph Gyourko (2005) explain that these regulations are responsible for a large portion of the rapidly rising housing prices in many large American cities. They describe this effect as the "zoning tax," and the find that not only New York, but also Boston, Los Angeles, Newport News, Oakland, Salt Lake City, San Francisco, San Jose, and Washington, DC all have zoning taxes that account for more than 10 percent of the cost of housing. Supporters of land-use regulation argue that it provides a policy mechanism for homeowners to protect their neighborhood from higher intensity land uses. For example, Randal O'Toole argues that "zoning exists to protect existing neighborhoods from unwanted intrusions" (2016, p. 17). While land-use regulation certainly does offer benefits to homeowners who support maintaining the form of their neighborhood, the substantial costs of these regulations are not weighed against their benefits in the current land-use process.

The costs of regulation are borne not only by renters who have to pay for these rules in the cost of their housing; these rules also have macroeconomic effects. Chang-Tai Hsieh and Enrico Moretti (2015) have examined how regulations that prevent workers from living in high-productivity cities reduce economic output at the national level. New York, San Francisco, and San Jose are the three American cities with the highest labor productivity. Because regulations in these cities have created an inelastic housing supply, this high la-

bor productivity has resulted in higher wages and higher housing costs rather than employment growth. The authors find that lowering the level of land-use regulation in these three cities to the level of regulation in the median US city would be expected to increase GDP by 9.5 percent. In other words, if the nation's most productive cities could expand housing to accommodate more employment growth, the mean American wage could rise significantly.

### **Barriers to Exchange: NIMBYs and Mercantilists**

As Adam Smith observed, process of increased exchange, specialization, and the economic progress may cause harm to those who have built careers or businesses around current technologies. Smith pointed out that because mercantilists—those who supported protectionist policies to reduce international exchange—saw trade as a zero-sum game, they supported tariffs to shield domestic businesses from the competition of superior good imported from abroad. While in the short-run tariffs may benefit an industry by creating a market for goods that wouldn't be competitive in a free market, in the long-run this competitive process is the key to economic growth (Smith 1976, pp. 488-498).

Like mercantilists, NIMBYs—an acronym for “not in my backyard,” referring to homeowners who oppose development near their property—seek to restrict the competitive process. NIMBYs lobby local government officials to limit new housing development in their city, to preserve their neighborhoods for single family homes exclusively, or to otherwise prevent market forces from determining the outcome of real estate development. While NIMBYs are sometimes branded selfish or racist for obstructing new housing or housing for lower-income residents (Gerrard 1993), William Fischel (2005) explains that homeowners are rationally trying to inflate the value of their largest asset. Municipalities' land-use regulations typically reflect their homeowners, or Fischel's term, “homevoters” preferences. These homevoters' incentive to exclude low-income people from high-income communities may be explained by the Tiebout-Hamilton model of local public goods. According to this model, locally provided public goods may be provided efficiently through the process of people “voting with their feet” to live in the jurisdiction that best meets their preferred bundle of public services and taxes. Under this model, cities with a high level of public services will face an incentive to exclude lower-income residents who would add to the burden on public services without proportionately increasing the tax base.

While Adam Smith promoted a system under which mutually beneficial free exchanges guided economic activity, in his time and today people seek to use government to achieve their preferred outcome. Mercantilists supported tariffs to keep out imports, and NIMBYs support land-use regulations to keep out new housing. And like the mercantilist policies that prevented economic growth through the free movement of goods across borders, NIMBYism stifles growth by preventing the free movement of people toward the cities where they can be most productive. Both mercantilists and NIMBYs use their influence over public policy to restrict free trade. Their preferred policies protect their own narrow economic interests in the short run, but in the long run, both prevent gains from trade that would be possible in a free market, reducing the potential for economic growth.

### **Policy Reforms that Could Improve the Urban Action Space**

Both theoretical and empirical research points to the crucial role that cities play in economic development and rising living standards. But myriad regulations restrict city size and population density—from restrictions on multifamily buildings to urban growth boundaries—hampering the development of the urban action space that Jacobs and Ikeda identify. In spite of the enormous costs of these land-use regulations for economic growth, individuals who lobby in favor of land-use regulations are often acting rationally in their own financial interests. What is individually rational is collectively irrational. To put in perspective Hsieh and Moretti's estimate of the potential for a 9.5% increase in U.S. GDP that could result from land-use deregulation in San Francisco, San Jose, and New York City, that would translate to an average raise of nearly \$5,000 per person per year. Every year that high-productivity cities prevent building and block out new residents, economic growth suffers enormously.

Given policymakers' focus on economic growth and job creation, at first it seems surprising that they allow for the persistence of land-use regulations that reduce entrepreneurship. For example, Washington, DC Mayor Muriel Bowser supports several economic development programs to promote wage growth; however, she also opposes some land-use regulation reforms that could improve housing affordability while also making DC workers more productive through knowledge spillovers (O'Connell 2014). David Scleicher (2013) argues that because many large cities don't have competition between political parties, city council members have a large degree of control over land-use de-

cisions in their district. Homeowners have intense preferences against new development in their districts while they have weak preferences about most issues in city politics, so council members prioritize anti-development positions.

Various scholars have proposed limiting land-use restrictions, with the goals of opening up the country's most productive regions to population growth. In *Triumph of the City*, Glaeser (2012, p. 161) suggests a historic preservation budget under which only a fixed number of a city's buildings could be subject to landmarking. To add a property to the list of preserved buildings, regulators would have to take another building off the preservation roles, giving the regulators an incentive to select for protection only those buildings with the most historic importance, and allowing the housing supply to expand in areas deemed less important. Similarly, law professors Roderick Hills and David Schleicher (2011, p. 25) recommend "zoning budgets." They point out that municipalities commonly implement low-density building rules and even downzone prime land without consideration of tradeoffs:

On any given zoning vote, the supporters of restrictive zoning have an advantage over the supporters of additional housing supply even when less restrictive zoning across a given local government might be preferred by city residents. In effect, local governments exceed their "zoning budgets," imposing restrictions in excess of what their own planners and politicians declare to be the optimal amount of regulation, because landuse regulation procedure causes them to ignore the long-term effects of individual zoning decisions.

A municipal budget ordinarily forces policymakers to make tradeoffs between potential spending projects, but matters of regulation face no similar constraint. Hill and Schleicher propose that municipal executives be required to set a goal for population growth and this growth rate be put to a vote by the city council. Under this requirement, some amount of upzoning—a change in rules to permit greater density of development—would be required, and all downzoning—a change in rules to permit less density of development—would need to be offset by upzoning elsewhere in the municipality.

While a zoning budget or a historic preservation budget could force policymakers to make choices among potential regulations, they are not necessarily tools that will move a city toward an efficient level of housing. Like other tools de-

signed to set restraints on rule promulgation, a zoning budget would be subject to the arbitrary, politically determined level of new development that legislators select. Setting an allowable amount of development requires an implicit cost-benefit analysis by policymakers rather than using the market's signals about whether new housing should be provided. A zoning budget might lead to an increase in the housing supply over what would be provided in a given city without such a budget because it would internalize some of the tradeoffs for policymakers of allowing new housing. However, it would still set the amount of housing through the political process rather than allowing demand to determine the quantity of housing supplied.

In a 2012 paper Schleicher proposes a policy he calls Tax Increment Local Transfers (TILTs). Allowing more development within a jurisdiction increases the size of its tax base, and TILTs would allow those property owners near the new development to share in the gains by dividing some portion of the increase among them. TILTs would provide an incentive for neighbors to support new development that could be profitable, whereas currently they have little reason not to oppose any new development that might lower their property values or increase congestion.

## CONCLUSION

Both economic theory and empirical research demonstrate the importance of the urban action space for exchange and economic growth. Adam Smith created an enduring model of free trade that helped facilitate radical improvements in living standards starting in the early days of the industrial revolution and continuing today. Likewise, a closer examination of the economics of cities could greatly improve living standards. The arguments against free trade—domestic firms would suffer from competition, specific individuals may be harmed when consumers are given better alternatives—are similar to the arguments against liberalizing land-use regulation. Suburban homeowners are likely to see land values plummet in a more competitive housing market, but the nationwide decrease in income mobility and economic growth associated with land-use regulation are too high a cost to allow housing mercantilism to persist any further into the 21st century.

Homeowners are a powerful political force in any municipality, whereas people who cannot afford to move into a jurisdiction have no political voice at all in that jurisdiction. Institutional reforms such as zoning budgets, TILTs, or other rules that place limits on how much municipal pol-

icymakers can restrict growth have the potential to improve the efficiency of land-use policy, and they would reduce the regressive effects of current policy. Permitting people to move to the cities where they have access to the best opportunities will not only benefit these individuals, but it also will ultimately facilitate greater economic growth overall.

If implemented, reform proposals, including zoning budgets and TILTs, have the potential to increase efficiency in land use and reduce the regressive effects of land-use regulations. However, the same vested interests that have led to the current, inefficient regulatory regime also pose political challenges to passing these proposed reforms. One possible way to reduce the strength of local opposition to additional housing is to move the implementation of zoning budgets or TILTs from the local to the state level. While mayors must answer to homeowners in a relatively small geographical area, state policymakers have a broader geographical constituency, and are farther removed from opposition to development at the local level. Schleicher observes that more development is permitted in cities where mayors have relatively more authority over development because mayors are less influenced by residents with hyper-local concerns about new development (Schleicher 2013, p. 1709). This effect is even greater at the state level, where policymakers are less subject to pressure from NIMBY pressure to restrict growth and more likely to be motivated to pursue policies that will foster economic growth across the state. While Schleicher and others have done interesting work on land-use reforms, identifying politically feasible policies that will permit more efficient land-use outcomes is an area ripe for further research.

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