Prosperity and economic growth require robust specialization and exchange. This means the formation and maintenance of numerous complex supply chains. These are emergent and include supply chains for things and supply chains for ideas. The latter can be via transactions and/or realized positive externalities.

All supply chains have a geographic dimension. Firms carefully choose what to make vs what to buy and also where to buy it, from near or far. The whole system tends to a pattern of locations that denote realized transactions (and transactions costs) as well as realized externalities. The city remains a competitive producer if these costs are contained.

Cities have been seen as “engines of growth.” This means they offer attractive supply chain formation and management opportunities. Networking and location opportunities are significant as these choices are made. Flexible land markets can denote more such opportunities.

The few available measures that compare U.S. metropolitan area land market flexibility and regulation provide some corroborating evidence that growing metropolitan areas sustain affordable housing opportunities where land use regulations are relatively light-touch. Gordon argues that this is the light touch that enables cities to be engines of growth – and innovation and prosperity.

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