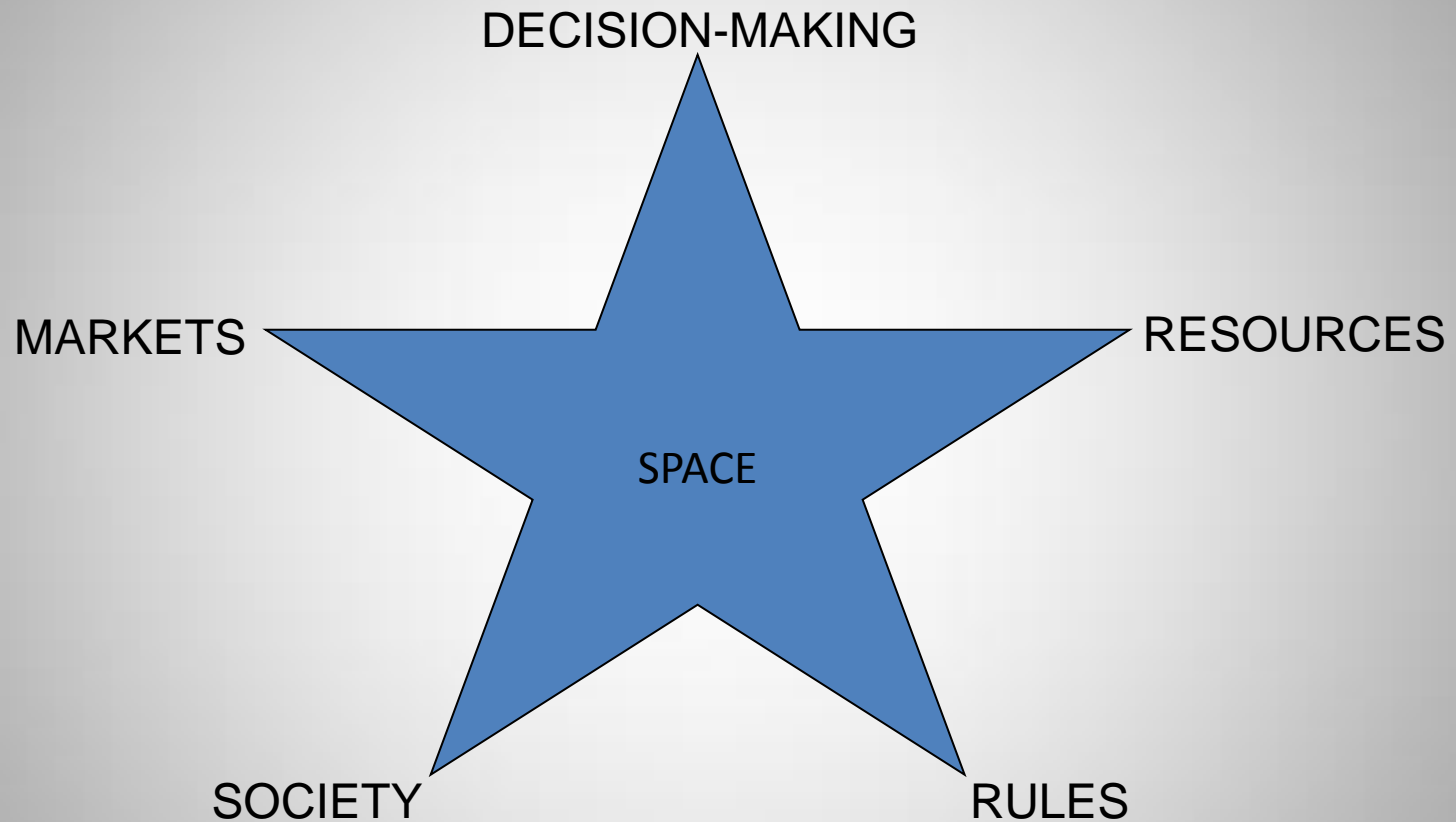


# **Community Development, Economic Development, or Community Economic Development?**

## **A Community Economic Development Paradigm: The Shaffer Star and Community Capitals**

- **One of the difficulties with the study and practice of Community Economic Development is the interdisciplinary nature of the problem.**
- **The community is a complex system and a systems thinking approach is required.**
- **Two paradigms or frameworks are offered to help put structure on the system:**
  - ❑ **Shaffer Star**
  - ❑ **Floras' Community Capitals**

# A Community Economic Development Paradigm: The Shaffer Star

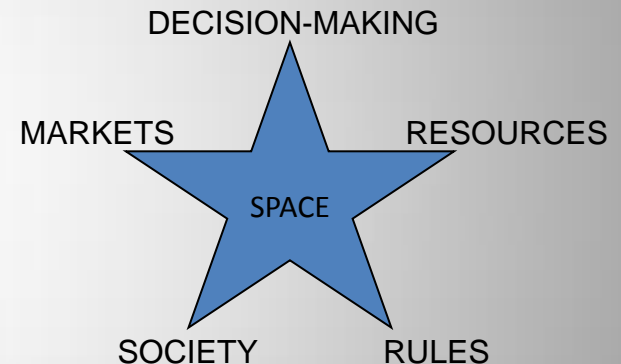


## **A Community Economic Development Paradigm: The Shaffer Star**

**One of the fundamental problems with a holistic or systems approach to community economic development is the difficulty in being able to “get one’s head around the whole thing”. Thinking holistically may result in one too many balls in the air increasing the odds of one being dropped.**

**To help community economic development practitioners and Cooperative Extension Educators think about the problems facing the community Ron Shaffer developed the notion of what we call the “Shaffer Star”.**

**The “Star” is composed of six parts: decision-making, resources, markets, society, rules and space. Nearly every issue a community may face falls into one of these components.**



# A Community Economic Development Paradigm: The Shaffer Star

## *Resources*

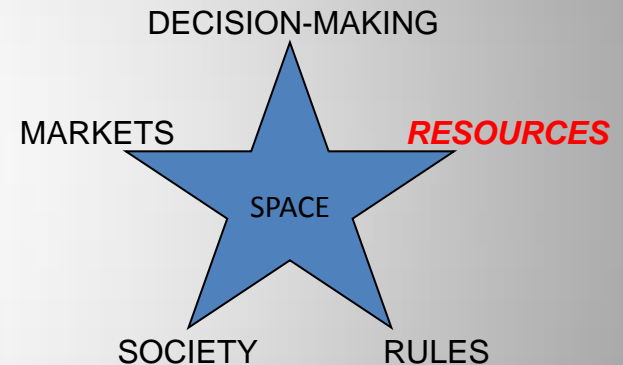
**Resources** are the labor, the capital, and the technology that the community uses to produce output, e.g., jobs, income, overall community well being, health-care, education, manufactured goods, and agricultural products.

The term **labor** refers to the people who are actually working, the people who could be working, and the people who are commuting in or out of the community.

**Capital** refers to both natural and artificial capital.

**Natural capital** includes such things as land, water, forests, minerals, and environmental quality.

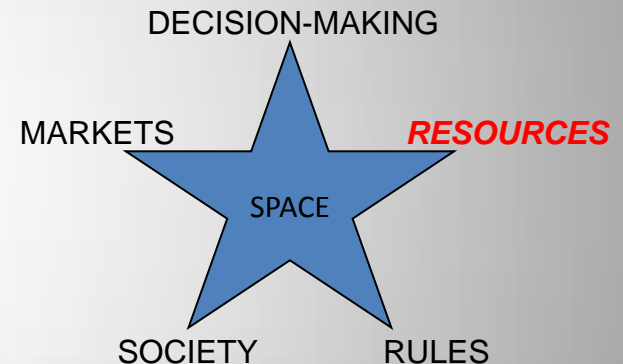
**Artificial capital** refers to buildings, equipment, roads, fiber optics, and financial capital.



# A Community Economic Development Paradigm: The Shaffer Star

## Resources (cont)

**Technology** is how capital and labor are combined to produce output. It is the industry sector and/or business specific and can be the latest innovation or something that has been around for a long time. It can be **product technology** (i.e., we produce a good/service by combining these inputs), or it can be a **process technology** (i.e., new ways of dealing with workers or doing things). One of the more obvious ways technology shows up is how it impacts the environment, for example, the toxic wastes produced by industry. Can another technology be used that produces fewer or no toxic wastes?

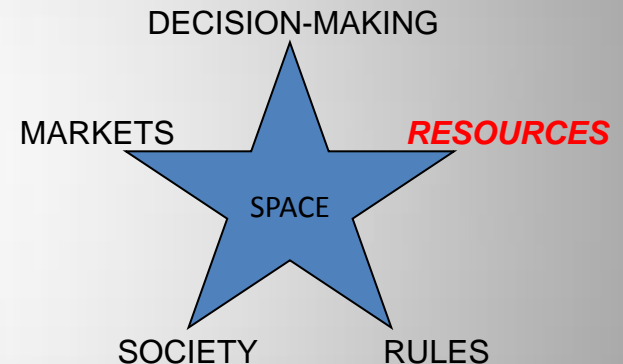


# A Community Economic Development Paradigm: The Shaffer Star

## Resources (cont)

Many community economic development scholars believe that using existing resources differently is at the core of economic development. The shift from a goods dependent economy to a service producing one has created new opportunities for many communities to use existing resources differently. For many forested regions of Wisconsin the shift from extractive harvesting of trees to non-consumptive recreational uses creates new opportunities for economic development.

The key is to ask what are the resources, or assets, at the disposal of the community and how can they use them for the greatest economic opportunities?

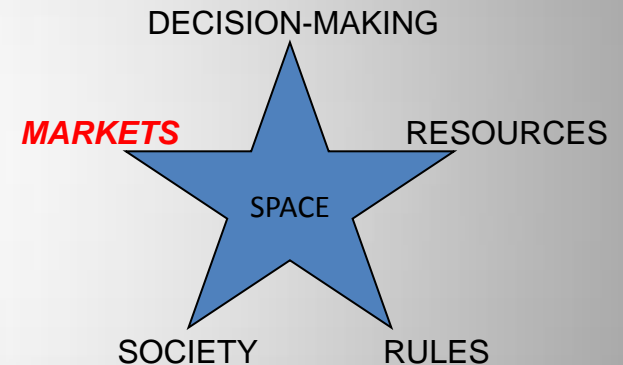


# A Community Economic Development Paradigm: The Shaffer Star

## *Markets*

The **markets** node refers to the economic forces that drive the allocation of limited resources. In the simplest sense, *we are talking about demand and supply*, the logic behind these market forces, and the rules that apply to demand and supply. Equally important are the distinctions between local and non-local markets.

The concept of economic growth and firm location theories come into play. Inter-industry linkages, the idea of agglomeration economies and increasing returns to scale help define market structures and how they react to internal and external shocks. The notion of what economists call externalities also comes into play.



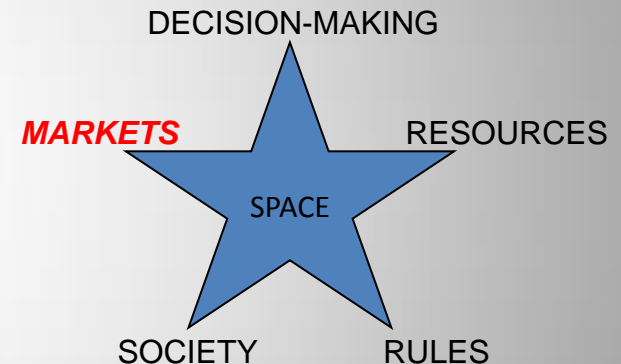


# A Community Economic Development Paradigm: The Shaffer Star

## *Markets (cont)*

The important element here is an understanding, or at least an appreciation, of the economic forces at play in a capitalist economy. Perhaps most important is the distinction between economic forces that are beyond the control of the community and those forces that the community can influence.

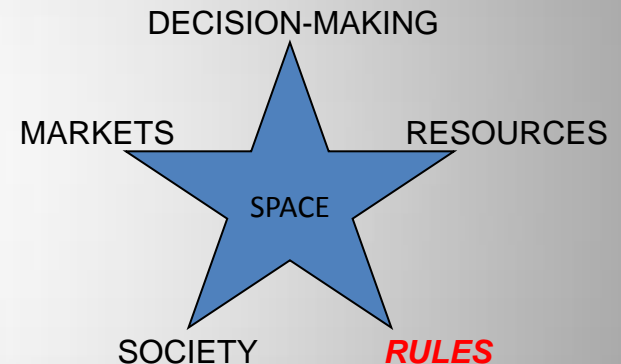
For example, if there is a shift in technology that directly affects a major employer in the community, the community cannot influence the introduction of the new technology but they can work to create an environment that will enable the local employer to adapt that new technology.



# A Community Economic Development Paradigm: The Shaffer Star

## *Rules*

The **rules**, or **institutions**, node of the model is composed of rules that define how the “game is played”. The **rules** are important criteria for community economic development that most generally are not considered. Rules are important because they govern what we can do with markets, resources, and space. A rule that prevents a community's business from selling product to Iran is a rule that limits access to a potential market. The rule that prevents the use of child labor is a rule that governs the types of resources that are available to the community. The recent legislation on telecommunications means that some communities, especially rural communities, now do not have universal access to some elements of the new telecommunications technology, i.e., fiber optics, internet, etc. These rules are artificially imposed limits or openings that guide the use of community resources and exploitation of markets.

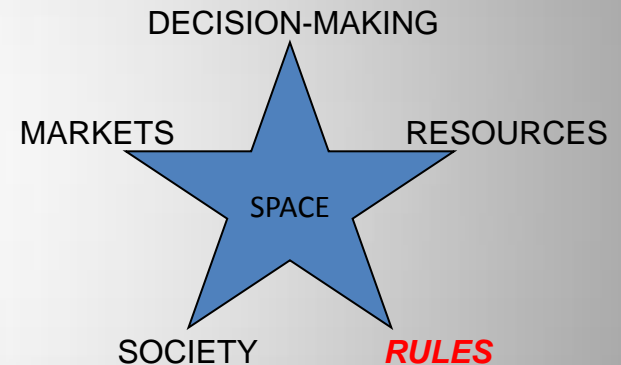


# A Community Economic Development Paradigm: The Shaffer Star

## *Rules (cont)*

Because these rules are passed by public entities they can be crafted to encourage certain types of economic behavior, such as starting small business, or discourage other, such as pollution. Two issues are important to keep in mind: can the community influence these rules and do these rules hinder economic development?

The latter question is often talked about in terms of **“business climate”** with the idea that fewer rules creates a stronger business climate. Research, however, suggests that having rules in place limits uncertainty which is a positive influence on economic development. But at the same time regularly changing the rules creates uncertainty and can hinder economic development. If businesses are uncertain about what the rules might be, they are less likely to make investments, expand and hire workers.



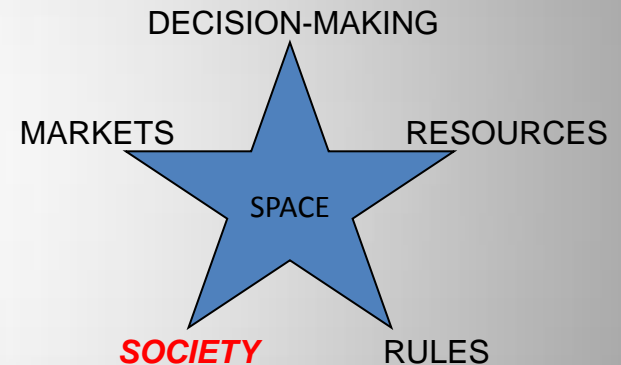
# A Community Economic Development Paradigm: The Shaffer Star

## *Society*

The **society node** of the paradigm is focused on the cultural dynamics of the community. The actions of a community are influenced not only by formal rules that are written and can be altered, but also informal rules that define behavior within the community.

Some communities embrace change and look for challenges. Others communities resist change and discourage community members from undertaking new ventures or ways of doing things.

The idea of entrepreneurial community, social capital or social infrastructure comes into play. Many community economic development scholars maintain that a certain level of social infrastructure needs to be in place prior to any economic development efforts.

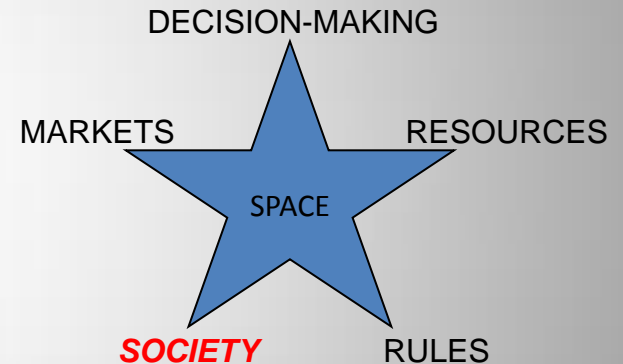


# A Community Economic Development Paradigm: The Shaffer Star

## *Society*

Some would argue that notions of community development are focused on the **society** node of the Shaffer Star paradigm. Here the focus is on building the ability of the community to come together to address problems and promote positive change.

Indeed, one could argue that community development is akin to the development of social capital within the community. In turn, if a minimum level of social capital is required for economic development to proceed, then the practitioner and Cooperative Extension Educator should focus attention on this particular node.

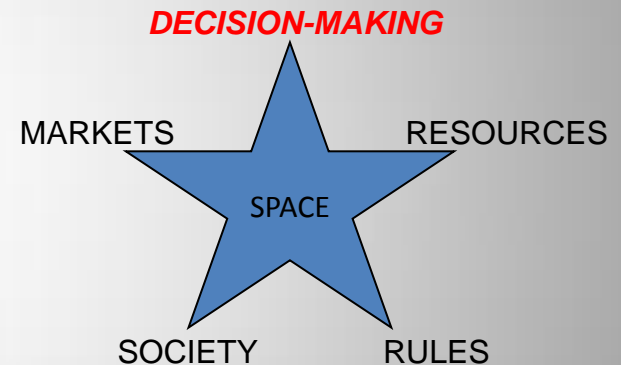


# A Community Economic Development Paradigm: The Shaffer Star

## *Decision-Making*

The **decision-making capacity** is the community's ability to distinguish between *problems and symptoms*. A symptom is a visible sign that there is an underlying problem, but treating the symptom does not correct the problem.

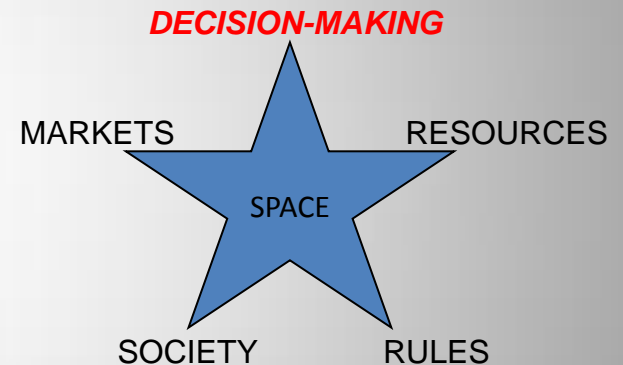
Decision-making translates into how the community goes about setting and implementing policies that affect development. Underlying these policies or programs are community values. When it comes to economics, how are values translated into decision-making? Does the community integrate sound and objective analysis with community perspectives and desires? Does the community involve a broad spectrum of interests or just a select few?



# A Community Economic Development Paradigm: The Shaffer Star

## *Decision-Making (cont)*

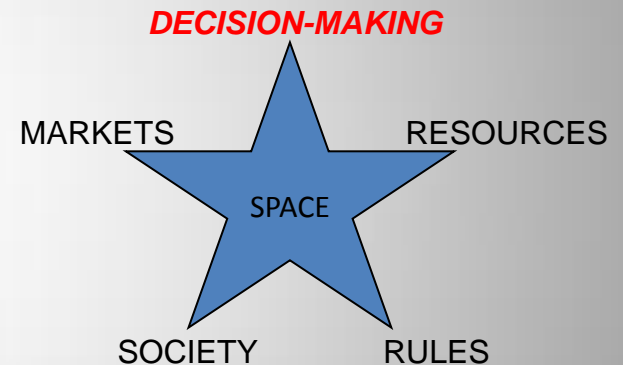
An example is that in many communities, community leaders claim there is a “problem” with the lack of affordable housing. This is really the symptom of what could be at least three possible problems. First, the problem could be that the cost of land and houses is far too high. Second, the problem could be that the rules and regulations regarding the building of a house are far too restrictive, thus raising the cost of housing. Or third, the problem could be existing businesses within the community are not paying high enough wages for people to be able to afford to buy a house.



# A Community Economic Development Paradigm: The Shaffer Star

## *Decision-Making*

There is a certain level of overlap here with the society node in certain characteristics of effective leadership. Effective decision-making requires leaders to draw on all the resources at the disposal of the community including a diversity of views. Fostering citizen input and participation is clearly dependent upon the social capital of the community. Effective leadership also requires the ability to learn from past mistake, the depersonalization of politics and the encouragement of citizens taking on leadership roles.



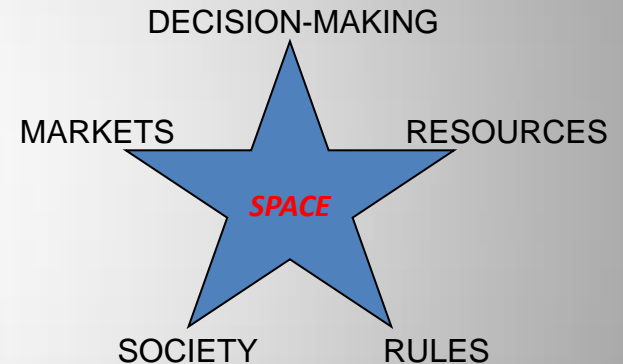


# A Community Economic Development Paradigm: The Shaffer Star

## *Space and Communities*

**Space** is included in this model because distance is an important element in defining and analyzing any community. **Communities** are generally defined within some spatial parameters as well as within some form of communication network. Communities are defined in relation to other communities, by location such as the north side of town, or by school attendance districts.

Furthermore, every community must move product, share resources, and communicate over some physical distance. Community also means that some form of communication is occurring. Generally this is noted in terms of community boundaries, which implies that some people are members of a community and some people are not.



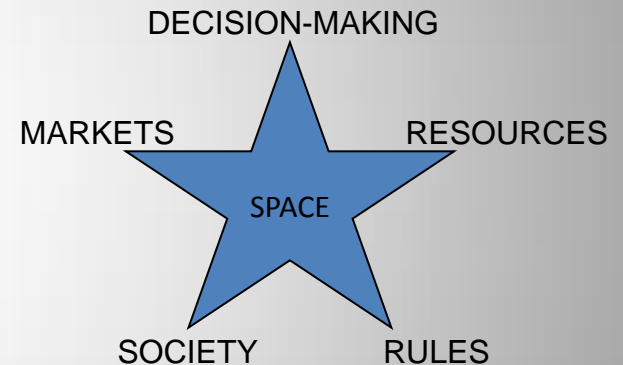
# A Community Economic Development Paradigm: The Shaffer Star

## *Summary*

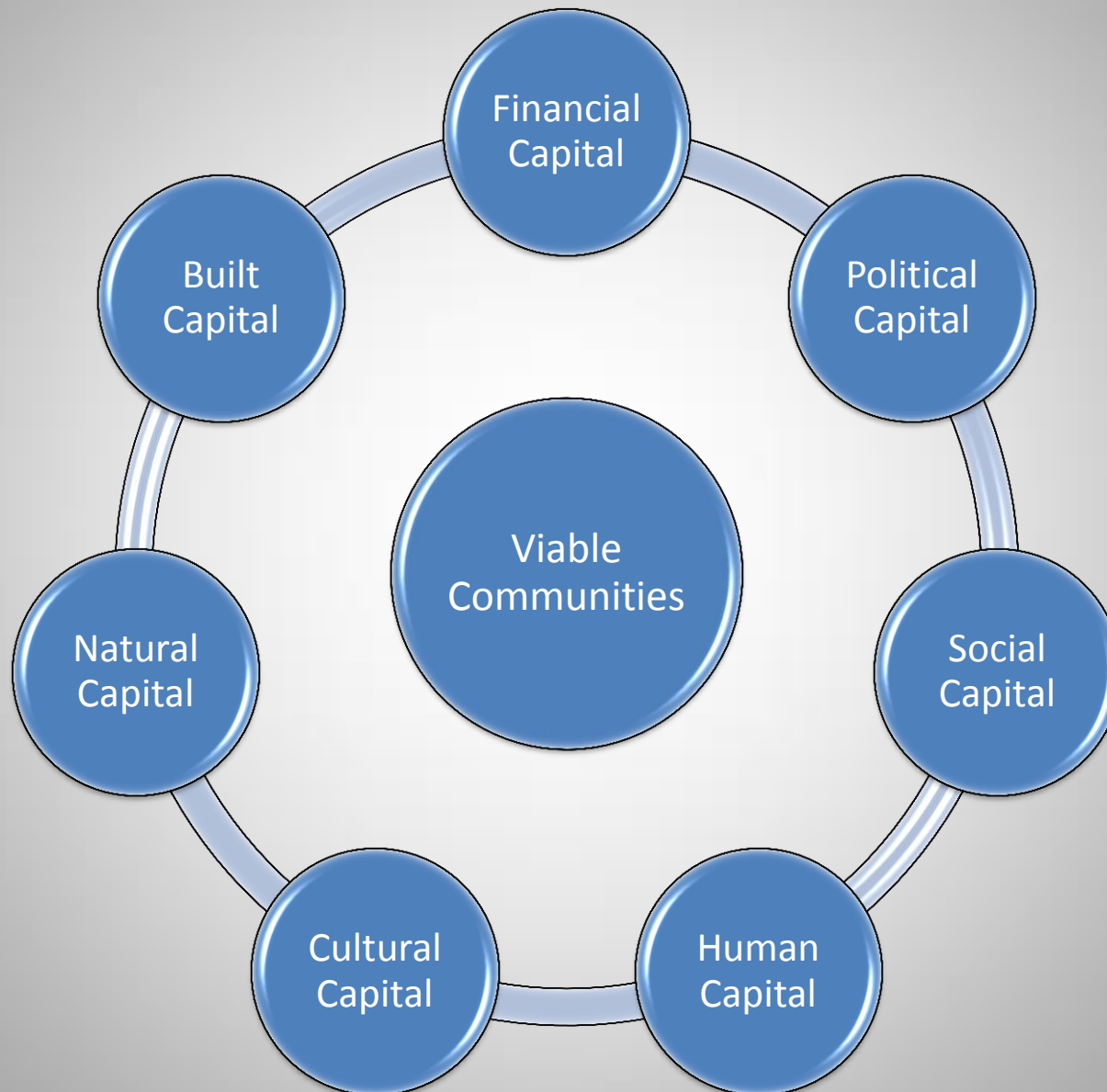
Community economic development takes a holistic view of the community and as such it can be difficult to “get your head around it”. The Shaffer Star is a framework to help think through and reflect on the issues affecting the community.

As a community struggles with an issue the practitioner or Educator can reflect on the issue within the Shaffer paradigm. But identifying which nodes the issue falls into, or can be excluded from, the practitioner or Educator can be steered to the appropriate educational programs and/or community based strategies.

**Its impossible to work on the whole puzzle at once, you need to focus on parts but keep the whole puzzle in mind.**



# An Alternative Paradigm: The Floras' Community Capitals

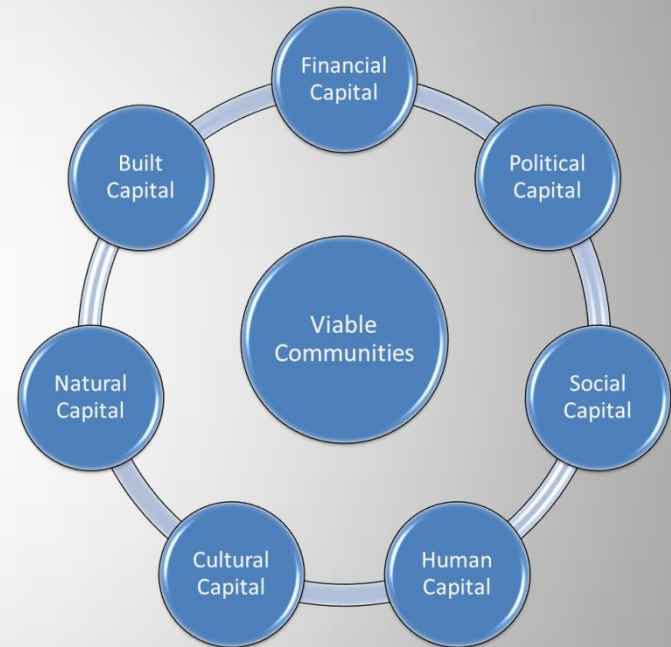


# **An Alternative Paradigm: The Floras' Community Capitals**

**In their studies of rural communities and development Jan and Neil Flora have identified seven types of “capital”, assets or resources that are part of any community.**

**Each is a “piece of the puzzle” that defines the community.**

**By investing in these different types of capital the community can improve its viability both economically and socially.**

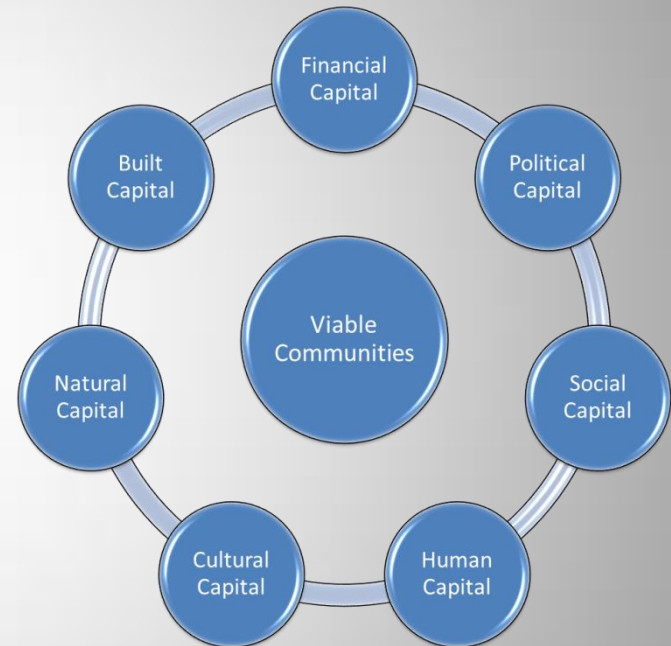


**Its impossible to work on the whole puzzle at once, you need to focus on parts but keep the whole puzzle in mind.**

# An Alternative Paradigm: The Floras' Community Capitals

**Natural capital**: Those assets that abide in a location, including resources, amenities and natural beauty.

**Cultural capital**: Reflects the way people “know the world” and how to act within it. Cultural capital includes the dynamics of who we know and feel comfortable with, what heritages are valued, collaboration across races, ethnicities, and generations, etc. Cultural capital influences what voices are heard and listened to, which voices have influence in what areas, and how creativity, innovation, and influence emerge and are nurtured. Cultural capital might include ethnic festivals, multi-lingual populations or a strong work ethic.



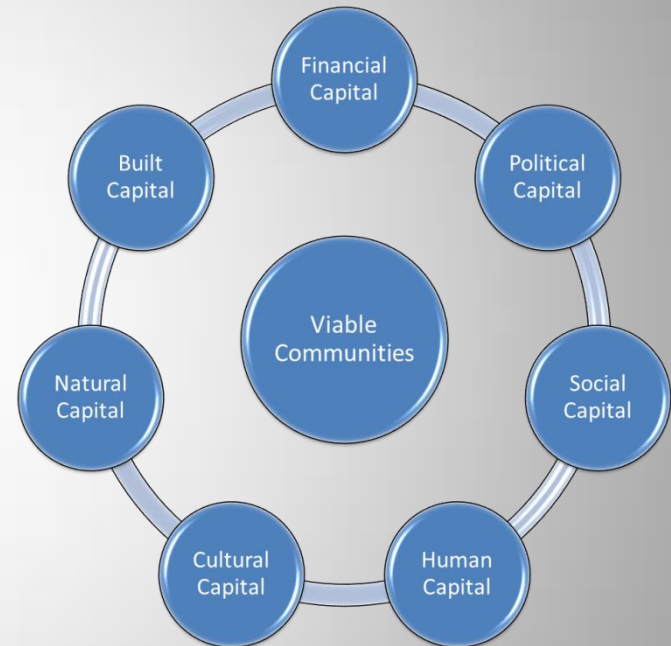
# An Alternative Paradigm: The Floras' Community Capitals

**Human capital**: The skills and abilities of people, as well as the ability to access outside resources and bodies of knowledge in order to increase understanding and to identify promising practices. Human capital also addresses leadership's ability to "lead across differences," to focus on assets, to be inclusive and participatory, and to be proactive in shaping the future of the community or group.

**Social capital**: Reflects the connections among people and organizations or the social glue to make things happen.

**Bonding social capital** refers to those close ties that build community cohesion.

**Bridging social capital** involves weak ties that create and maintain bridges among organizations and communities.



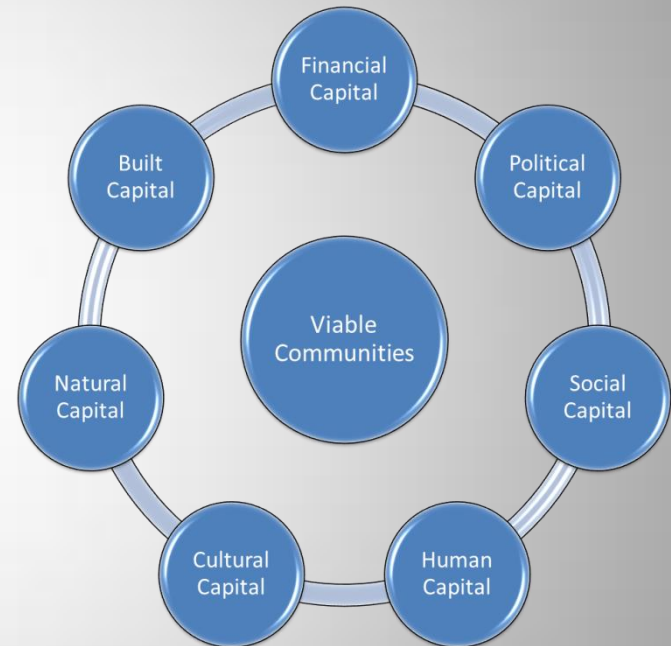


## An Alternative Paradigm: The Floras' Community Capitals

**Political capital**: The ability to influence standards, rules, regulations and their enforcement. It reflects access to power and power brokers, such as access to a local office of a member of Congress, access to local, county, state, or tribal government officials, or leverage with a regional company.

**Financial capital**: The financial resources available to invest in community capacity building, to underwrite businesses development, to support civic and social entrepreneurship, and to accumulate wealth for future community development.

**Built capital**: The infrastructure that supports the community, such as telecommunications, industrial parks, mainstreets, water and sewer systems, roads, etc. Built capital is often a focus of community development efforts.



# Recommended Readings

Emery, M. and C. Flora. (2006). "Spiraling-Up: Mapping Community Transformation with Community Capitals Framework." Community Development: Journal of the Community Development Society. 37(1):19-35.

Flora, C., J. Flora and S. Fey. (2004). Rural Communities: Legacy and Change (2<sup>nd</sup> ed.). Boulder, CO: Westview Press.

Shaffer, R.E., S.C. Deller and D.W. Marcouiller. (2004). Community Economics: Linking Theory and Practice. Oxford: Blackwell Professional Publishing.

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