

## The Shaffer Star: Rules

When using a systems approach to reflect on community economic development it is useful to have a paradigm to organize one's thinking. Ron Shaffer offered a six point paradigm which we call the "Shaffer Star": decision-making, resources, markets, society, rules, and space. Shaffer maintained that nearly every issue a community may face falls into one of these components or elements of the community.

The rules node of the model is composed of formal rules that define how the "game is played". The rules of the game are an often overlooked and an assumed given element but are critically important to community economic development. Rules of the game often focus on rights and responsibility of ownership and their respective enforcement. In a capitalist economy, the notion of property rights is fundamental to the functioning of the economy. Formal 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. Environmental regulations and land use laws come into play. These rules are artificially imposed limits or openings that guide the use of community resources and exploitation of markets. 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. It is important to understand the level of influence the community has over these rules.

Some argue that these rules and regulations can have negative consequences on the "business climate" of the community. The argument is these rules and regulations impose unnecessary costs on the firm thus making the community a less attractive place to do business. Thus, in the name of economic growth and development these rules and regulations should be minimized. These rules and regulations, however, help remove risk and uncertainty from the economy. By having well established laws and regulations businesses, workers and consumers know what is and is not acceptable behavior. Contracts can be written and enforced through the courts. Firms that invest in the research and development of new ideas and products can gain short-term monopoly rents (profits) because of enforceable patent laws. As we have discussed elsewhere, these short-term profits drive innovation and economic growth. Land use laws protect property values by limited what can and cannot be done to neighboring properties. The same could be said of environmental regulations.

What businesses dislike about rules and regulations can best be described as inconstancy in enforcement and randomness in changes. Once the rules and regulations are es-

established business, workers and consumers can make informed decisions: businesses in terms of capital and technology investments and employee requirements, consumers in terms of quality and safety of products and services, and employees in terms of education and skills investments and working conditions. Inconsistency, contradictory or arbitrary changes in the rules and regulations can make these decisions inefficient and ineffective.

This is not to say that the rules and regulations should be “cast in stone” never to change. Because these rules and regulations are made by humans the potential for mistakes is unquestionable. As we gain new knowledge and understanding of how the rules and regulations are working as intended, or more important not working, we need the flexibility to alter and change the rules and regulations. In addition, the situation can change and rules and regulations that made sense yesterday may not be relevant tomorrow. Rules and regulations must be clear, consistently enforced but at the same time flexible.

It is important for the community to understand and appreciate where the rules and regulations are determined and enforced. Many of these “laws” are established at the federal and state level and are beyond the direct control of the community. For example, a community cannot dismiss child labor laws or minimum wage requirements. Local governments in most, if not all states, are an arm of state government and the state strictly regulates what a municipal or local government can and cannot do. While some states have “home-rule” that provides greater flexibility in the end municipalities and local communities are limited in their ability to set and revise rules, regulations and laws.

If a community finds that a particular rule or regulation is prohibiting them from moving forward on a particular project or effort it is within their rights to attempt to have the rule, regulation or law changed. This can be done by appealing to the higher unit of government that has imposed the particular restraint. In some cases exceptions can be made because of unique community circumstances, or the law can be modified to allow the community to move forward. In the extreme, the community can challenge the rule, regulation or law in the court system.

The ability of the community to affect the rules and regulations imposed on them by higher levels of government speaks to what the Floras would call political capital. How effective are local leaders and concerned citizens in working with higher levels of government to affect change? Perhaps equally important is the ability of the community to balance competing interests within the community itself. Rules and regulations are often put into place to protect some aspect of the community and altering these rules and regulations may help some while harming others. How effectively does the community balance these competing interests?