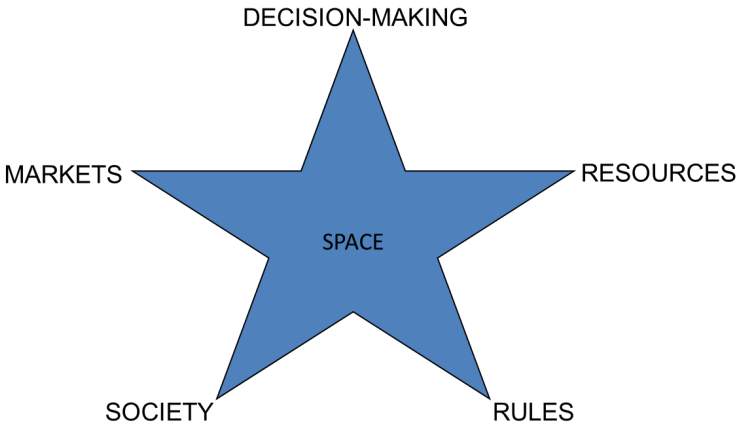
Community Economic Development

A Paradigm for Community Economic Development: The Shaffer Star

One of the fundamental problems with a systems thinking approach to community economic development is the difficulty in being able to "get one's head around the whole thing". Thinking holistically by viewing the community as a system may result in one too many balls in the air increasing the odds of one being dropped. To help 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.



Resources

Resources are the labor, the capital, and the technology that the community uses to produce output. 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 natural amenities. Artificial capital refers to human built including public goods like roads. Technology is how capital and labor are combined to produce output. Technology can be product technology (how we combine inputs to produce output), or it can be a process technology (e.g., new ways of organizing businesses). 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 (e.g., forestry and mining) to a service producing one (e.g., tourism and recreation) has created new opportunities for many communities to use existing resources differently. 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?

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* and the logic behind these market forces. Equally important are the distinctions between local and

non-local markets. The concepts of economic growth, firm location, inter-industry linkages, agglomeration economies and increasing returns to scale help define market structures and how they react to internal and external shocks. Perhaps most important is the distinction between economic forces that are within and beyond the influence of the community.

Rules

This node of the model is composed of formal rules that define how the "game is played". 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.

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 society node speaks to what is and is not socially acceptable behavior by individuals or businesses.

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? 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.

Space and Communities

Space is included in this model because distance is an important element in defining and analyzing any community. 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. Proximity to neighbors and resources matter and communities do not operate in a spatial vacuum.

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