Community Economics: A Neoclassical Synthesis

Community Economics. Economic Structure and Change in Smaller Communities. By Ron Shaffer Ames Iowa State University Press, 1988, 322 pages, $32 95

Reviewed by David A Henderson

Community economics is an abyss few academic agricultural economists have ventured into The subject is usually subsumed in the curriculum as a subtopic in rural development, as the word "community" does not exist in a formal economics dictionary The title "Community Economics" intrigued me and I wondered whether the book would be a reiteration of urban, regional, and developmental theories, or would the book contain new methods and insights for economists interested in the field

The monograph contains elements of spatial theories, but I was pleasantly surprised to find a neoclassical synthesis applied to community Although Shaffer does not break new theoretical ground, he does provide the neoclassically trained economist with the needed conceptual framework for community analysis The neoclassical theme of the book provides a sound economic theoretical base in which community economic analysis can be framed Shaffer adequately expands the neoclassical economic theme throughout the book and by doing so addresses the wider scope of community deveolpment The extension of the neoclassical theme into more specific topics keeps the monograph interesting and gives it a more holistic framework

Shaffer overcomes the lack of a precise economic concept for community by defining community from an applied perspective Community was defined as a market area containing a political body which makes and implements decisions that affect the economic linkages in the community market The applied framework develops the geopolitical community as a decisionmaking unit so the neoclassical efficiency principles of maxima or minima can be applied to community market problems Market failures are introduced that violate the axioms of the neoclassical model and provide the rationale for Tinbergen-type public policy intervention at the community level

The primary contribution of the book comes when Shaffer illuminates his intuitive knowledge of community economics For instance, the development and discussion of multipliers in the impact analysis section of the book clarifies much of the misuse of multipliers in community analysis The practical experience of the author is communicated with statements like

> To a large extent the degree of leakage depends on the level of the community in the central place hierarchy Larger communities are capable of capturing and keeping a higher proportion of spending connected with a development event (i e, they have a larger marginal propensity to consume locally) (pp 235-36)

A secondary contribution of the monograph is its extension orientation Shaffer successfully takes community economics out of the academic realm and places it in the real world with his outline of community strategies and program implementation Shaffer takes a step in the right direction by unifying the neoclassical models with the real life outreach of extension development plans

The major weakness of the monograph is that it contains no general dynamic theory of community economic adjustment The neoclassical equilibrium approach precludes dynamic modeling by constraining community markets to always return to an equilibrium Shaffer completely rejects cumulative causation and stage models because of their lack of policy interjection points, but in doing so he limits community economic development to the neoclassical growth model

The monograph is oriented toward the novice reader, but the morsels of accumulated knowledge Shaffer laces throughout his treatise will also provide insights for the rural development specialist The rural development practitioners who have no formal training in economics will find the economic models in the manuscript useful in communicating with the professionally trained economist The book is worth reading and should be a contribution to the reference library of those interested in rural development

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Authors Shaffer, Deller, and Marcouiller review the economics of smaller communities with continued emphasis on how to build and achieve theoretically sound community economic development policy. The text also demonstrates how local participation and knowledge can be used to identify problems, form solutions, and maintain community support for long-term goals. The main body of economic research and literature has neglected the economics of smaller communities. Community Economics: Linking Theory and Practice fills that information void. This text serves as a comprehensive guide on smaller, ope Economics is especially concerned with efficiency in production and exchange and uses models and assumptions to understand how to create incentives and policies that will maximize efficiency. Economists formulate and publish numerous economic indicators, such as gross domestic product (GDP) and the Consumer Price Index (CPI).Â One of the earliest recorded economic thinkers was the 8th-century B.C. Greek farmer/poet Hesiod, who wrote that labor, materials, and time needed to be allocated efficiently to overcome scarcity. But the founding of modern Western economics occurred much later, generally credited to the publication of Scottish philosopher Adam Smith's 1776 book, An Inquiry Into the Nature and Causes of the Wealth of Nations.