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 development. 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 intervention 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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Economic structures determine the rate of structural learning, affect institutional performance, influence the distribution of income and establish the direction of political transitions, thereby, economic performance. The paper highlights the feedback loops among institutions, political power and economic structures, thus, markets on their own will not ensure growth-enhancing transformations. The workings of this framework are illustrated using a USA case study, and it exposes the structural origins of the financial crisis. Why are some countries rich and others poor? Since Solow (1956), the tentative answer has been differences in capital accumulation and technical change, but this was unsatisfactory since the theory failed to explain what accounts for these differences. 

Osama Siddiq - Recent work with the Economic Complexity Index (ECI) has shown that a country’s productive structure constrains its level of economic growth and income inequality. Building on previous research that identified an increasing gap between Latin America and the Caribbean KEEP READING». Can the Value Proposition Work in Health Care? Frederick J. White - The value proposition in the commercial setting is the functional relationship of quality and price. It is held to be a utility maximizing function of the relationship between buyer and seller. Its proponents assert that translati This textbook is unique among economics textbooks. It contains many of the same topics as mainstream textbooks, but it includes and takes very seriously heterodox critiques and alternatives to the mainstream approach to economics. It includes a whole range of alternative theories, including Post-Keynesian, Austrian, Marxist, radical, feminist, institutionalist, and other approaches. The purpose is to teach students about alternative schools of economic thought but also to deepen their understanding of the dominant, neoclassical approach to economics. Emphasizing the importance of pluralism and critical thinking, the text presents the method and theory of neoclassical economics alongside critiques thereof and heterodox alternatives in both method and theory.