Community Economies

Literature Review
Established in 2004, Shorefast has become one of North America’s most creative and notable social enterprises. It is the charitable organization behind the world-renowned Fogo Island Inn and Fogo Island Arts, garnering significant international attention including a feature on 60 Minutes and named in The New York Times’ 52 Places for a Changed World.

Shorefast’s mission is to build economic and cultural resilience on Fogo Island and to help make it possible for local communities to thrive in the global economy. Shorefast employs a contemporary form of philanthropy that leverages donations and deploys business strategies toward socially beneficial ends. The suite of community enterprises are economic engines for the community: they create meaningful employment, contribute to the local economy, and generate income to be re-invested through Shorefast’s holistic set of charitable programs. There is no private gain — the businesses operate for the exclusive benefit of strengthening the cultural, ecological, and economic well-being of Fogo Island and distilling learnings for other enterprising communities across Canada.

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Introduction

From climate change adaptation strategies to creating affordable housing, solutions to some of the world’s most ‘wicked’ problems are being developed and implemented at the local level. Communities around the world are harnessing local assets to bring about change. These changes are being driven by local organizations, governments, businesses, and volunteers who are seeking to improve the quality of life in their communities. Where early models of economic development were growth focused and sought to attract wealth to cities, this approach proved to be extractive — taking wealth and influence away from local communities. Emergent 21st century models of economic development are beginning to propose alternative approaches. These approaches center community (Rajan, 2019), localism (Katz & Nowak, 2017), quality of life (Leigh & Blakely, 2017), and principles of sustainable development and equity (Gibson-Graham & Dombroski, 2020). While previous approaches to building the economy enabled wealth to leave communities, new approaches are concerned with how to keep local wealth, ownership and decision making (Guinan & O’Neill, 2020).

This literature review is guided by a central research question posed by the Community Economies Pilot, a project led by Shorefast, in partnership with the Canadian Urban Institute, Coady Institute and Community Foundations of Canada. Together, in 2021, they launched a one-year project with the goal of understanding how to answer a fundamental question: How can we strengthen community economies? This paper is an exploration of the academic literature as it relates to community economies and local economic development. It is informed by a theoretical underpinning that prioritizes the important role that communities can play in advancing local economies. Indeed, Rajan (2019) argues in favour of building the “third pillar”, our communities, as a ballast to market and government forces. He argues that it is only by creating balance across these three pillars — community, businesses, and governments — that we can build an economy that improves the lives of everyone. In addition to a review of the literature, this paper will also explore emergent models or approaches to activating local economies. It will close with a discussion of gaps in the literature and recommendations for future research.

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1 A wicked problem is an issue that is highly complex, requiring solutions that stem from a multi-disciplinary approach.
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Context Setting

As with all explorations, it is important to begin with the basics — what we already know. As such, this section begins by developing an understanding of the emergence of the term “community economy”. From there, it explores the differential contexts — namely the size of place — within which communities operate.

Community and Diverse Economies

The term “community economy” was first popularized in the late 1990s by the research duo Katherine Gibson and Julie Graham; together, they publish under the name J.K. Gibson-Graham. Emerging from feminist political scholarship, and later taken up by radical geographers and mainstream economists, Gibson-Graham’s research on community economies (2006, 2008; 2020) challenges the primacy of a pro-growth, capitalist economy. They argue in favour of “taking back” the economy (Gibson-Graham et al., 2013) and prioritizing people and planet. Other research calls for the redistribution of financial surplus toward more “ethical futures” that benefit society and the environment (St. Martin et al., 2015)

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Gibson-Graham’s research also invites us to conceptualize “diverse” economies. Using the analogy of an iceberg, they argue that the prevalence of capitalist economy narratives belies the complexity or “diversity” of the economy. Their iceberg model (Figure 1) is inclusive of everything from traditional bartering, lending and borrowing to community financing and housing and consumer cooperatives (Gibson-Graham, 2008; Gibson-Graham & Dombroski, 2020). In exploring
the importance of diverse community economies, Gibson-Graham's research seeks to understand how wealth can be generated and shared in communities. Emergent scholarship from both political and radical geography argues that the inclusion of “community” in the economic literature problematizes our current understanding of the economy. Where capitalism “subordinates” community, ensuring that communities are always “beholden” to the economy, adding the word community to economy “signals a decidedly different understanding of the economy as something modifiable, differentiated and perhaps beholden to the needs and desires of community” (Community Economies Collective, 2019, p. 56). Indeed, a new definition of community economies describes them as, “a set of economic practices that explicitly foregrounds community and environmental wellbeing” (Community Economies Collective, 2019, p. 56).

This “new economic paradigm” (St. Martin et al., 2015, p. 19) is also being explored in the economics literature. Mazzucato’s (2018) research challenges us to rethink the tenants of the capitalist economy. Primarily, she asks us to consider the concept of value differently, calling for a focus on “value creation” over “value extraction”. Where value extraction sees disproportionate personal gains relative to contribution, value creation is more productive and considers how wealth is generated and ultimately shared (Mazzucato, 2018). Mazzucato’s newest research in Mission Economy continues its call for a radical makeover of the capitalist economy. In this book, she identifies the importance of leveraging the language of the UN Sustainable Development
Goals (SDGs) to shape our responses, and our budgets, around the biggest challenges the world is facing — climate, hunger, equity — and calls on all sectors to get involved in aligning their missions towards solving these global issues (Mazzucato, 2021).

Communities within a context

An exploration of community economies seeks to center ‘the local’; it also asks us to consider communities as physical places (Community Economies Collective, 2019; Katz & Nowak, 2017; Rajan, 2019). While communities exist in rural areas, towns and cities of all sizes, as we begin to conceptualize how to strengthen community economies, it is important to also understand the different challenges and opportunities faced by communities embedded in places of different scales. While the scholarship on big cities is robust, the research and case studies on rural areas, towns, and small and mid-sized cities is less developed. Across issues ranging from transportation planning to creative economies to affordable housing, most of the emerging literature focuses on experiences in larger urban centres. As such, Bell and Jayne (2009) call for a “small cities research agenda” — one that explores the unique circumstances faced by smaller places as they grapple with global challenges.

Even though smaller places are less researched, there is a body of literature that looks at the economy and quality of life in towns and small and mid-size cities. It is generally agreed upon in the literature that these places share several common characteristics. With a smaller tax base to draw from, innovation and investments in both physical and social infrastructure (e.g., bike lanes, libraries, community centres) are often limited. In addition, smaller places often lack the municipal staff capacity to lead initiatives and rely more on external consultants — who may not always
be attuned to local conditions (Momani & Khirfan, 2013). Moreover, many Canadian mid-sized cities — defined as places with 50,000-500,000 residents (Jamal, 2018a; Seasons, 2003) — share the experience of losing their traditional manufacturing base, especially in Ontario (Bunting et al., 2007; Centre, 2014; Sands & Reese, 2017).

The relevant mid-size city scholarship explores the impact of rapid commercial and residential development away from core areas. By the mid-twentieth century, as economic activity fueled by car-oriented design clustered further and further from the core, downtowns in many smaller places began to experience significant decline (Filion, 2007; Filion et al., 2004; Filion & Hammond, 2008). The 1970s then brought about regional malls and the 1990s saw the genesis of large-scale retail centres, or big-box power centres, to serve both local and regional economies. These changes represented a significant shift to the entire retail landscape — in cities big and small — but they were especially damaging to smaller places. In response, the 1970s saw the advent of merchant-led coalitions — namely the Business Improvement Association (BIA) movement. Beginning in Toronto, and now with sustained growth for over five decades, there are over 300 BIAs in Canada, and in Ontario, over 40% of these are in smaller downtowns (Jamal, 2018b). With a focus on placemaking and economic development, BIAs work to attract and retain local businesses in the core while promoting their areas as destinations for events, civic life and investment (Briffault, 1999; Hernandez & Jones, 2005; Jamal, 2018b; Perez et al., 2003).

The revitalization of towns and cities in smaller places has been described as needing both constant “vigilance” (Filion et al., 2004) as well as incremental, iterative approaches (Burayidi, 2015) to create meaningful change. The small city scholarship also advances the idea of building on place-based assets, natural heritage, and the talents of “local actors” or “allied groups” within the community (Bell & Jayne, 2006; Robertson, 2001; Sands, 2007) to support revitalization efforts. These approaches resonate with Rajan’s research in The Third Pillar and the local economic development literature that will be explored throughout the literature review.
This review of the literature will be selective rather than exhaustive. This approach will allow for an assessment of both theory and emergent best and promising practices related to community-led and place-based approaches to local economic development, the rise of the circular and regenerative economy and finally an assessment of emerging models, such as asset based community development and community wealth building.

The evolution of economic development

To explore the emergence of local economic development, it is important to first understand the evolution of economic development theory and practice over the past several decades. This evolution is described through four “inflection points” (Malizia et al., 2021, p. 5). In North America, the first of these came through state-level policies in the early 1930s designed to attract industrial development to the southern United States. Evolving from largely agrarian economies, states quickly began to see the value of offering incentives for industry to settle and create employment in their communities. Researchers have described how this trend saw job creation evolve to become not just a private, but also a “public pursuit” (Malizia et al., 2021, p. 6). With a rise in manufacturing and mass-production, this period also gave way to what is now considered to be Canada’s second industrial revolution. As people transitioned from farm work to factory work new protections for workers were required, and it was not surprising that during these early decades of the twentieth century the organized labour movement emerged. This early twentieth-century approach to economic development is often described as “smokestack chasing” or industrial recruitment wherein government incentives were used to compete for new industrial development (Bradshaw & Blakely, 1999, p. 229). In Canada, incentives were also used to attract

By the 1950s and 60s, governments witnessed the rise and fall of large corporations in their communities, and realized that small, ancillary businesses were supporting the economic health of many towns and cities.
industry to slow growth areas of the country. However, the 1930s brought the Great Depression, and with it, the slow rise of the Cooperative Commonwealth Federation (CCF) — a political movement that began to embed social welfare considerations into the national consciousness.

The second inflection in economic development emerged in the middle to late twentieth century. By the 1950s and 1960s, governments witnessed the rise and fall of larger corporations in their communities, and realized that smaller businesses were helping to support the economic health of many towns and cities (Leigh & Blakely, 2017; Malizia et al., 2021). Canada was not immune to these changes and beginning in the 1960s changes to both technology and increased global competition would begin to usher in a period of deindustrialization. As a result, a renewed focus on business retention and small and medium sized businesses emerged. This phase of economic development focused less on attracting new, larger external enterprises and more on supporting and maintaining existing enterprises.

As technology advanced into the 1990s, globalization increased and domestic manufacturing in Canada and the United States declined, businesses could readily access a range of goods and services from foreign markets well beyond their borders. During this period, cluster theory (Porter, 2000) emerged as the third inflection point. It advanced new thinking around the importance of location and adjacency and the value of groups of complementary or even competitive “industrial clusters” gathered in proximity. The impact of Porter’s theory was so profound, that in practice, governments began to refer to businesses or companies as “clusters” (Malizia et al., 2021). These clusters developed international ties, but also relied on shared local talent pools, research institutions and other shared resources within a geographic space — in cluster theory, location was paramount. One only needs to consider the technology cluster in Silicon Valley, California, or more emergent ones in Toronto and Waterloo, Ontario to understand the power of this approach in practice.

Finally, during the late 1990s and early 2000s, with the advent of a new, more knowledge-intensive economy, the fourth inflection arrived. This new economy was built on the foundation of highly skilled “knowledge workers” with strong links to research and universities (Madanipour, 2011). As governments worked to attract and retain industrial clusters, Florida’s (2002) creative class theory emerged in the early 2000s. *The Rise of the Creative Class* advanced the idea that communities, in addition to attracting and retaining businesses, must also create places that are able to attract and support the new economy. Florida (2002) argued that cities need three things to flourish in the twenty-first century economy: technology, talent and tolerance.
To some extent, each of these four inflection points continue to be represented in most economic development strategies today (Malizia et al., 2021). Few municipalities rely on just one approach — most tend to focus on a combination of industrial recruitment, business retention, cluster-development and place-making approaches to build their local economies.

**Local Economic Development**

As we move into the third decade of the twenty-first century, the challenges facing municipal governments are increasingly diverse and more deeply entrenched. From first-hand experience with the impacts of climate change to the housing affordability crisis, municipal governments, as the primary authors of economic development strategy, are looking to partners to help develop solutions that generate and retain wealth in their communities. These shifts are happening against a backdrop of an economy that continues to see a growing disparity between the lives of knowledge and service workers. This schism is further entrenched by a global pandemic that has differentially impacted people based on their geography, race, and employment status. As a result of the pandemic, we now have a new generation of remote workers who can spend their days at home, or anywhere in the world, while others in the service economy or in manufacturing are tied to location. As a result, some regions are emerging as economic ‘winners’ and others are being left behind; this is aptly described as an uneven “interurban geography” (Donald & Hall, 2015). Regional disparities have impacted economic development for decades, and this new shift toward a more mobile labour market will undoubtedly continue to deepen inequities across communities. Arguably regions that foster improved quality of life for workers, from providing urban amenities to a richness
in natural heritage features, will benefit from this emerging trend. As cities work to create new ways of leveraging economic development in a shifting, more knowledge-intensive economy, Leigh and Blakely advance a renewed approach to local economic development (LED). Their research suggests that new approaches to economic development must go beyond extraction, growth and wealth creation. LED must also serve to improve a community’s overall standard of living; reduce social and economic inequality; and promote environmental protection (Leigh & Blakely, 2017, p. 87). This approach, also referred to as third-wave economic development, is described as a strategy that builds “the capacity of the entire local economy” (Bradshaw & Blakely, 1999, p. 231). Examples of LED include forging public-private partnerships; the creation of diverse, interdisciplinary networks; and the development of ‘soft’ infrastructure required to foster economic development (Bradshaw & Blakely, 1999). Glasmeier (2000) describes how third wave economic development evolved to offer education and training of workers. Bramwell and Pierre describe how “new community spaces” (2017, p. 604), or organized, collaborative cross-sector groups, are now beginning to foster economic development in communities. This new approach to economic development affords the exploration of the role of non-traditional actors, such as non-profit groups, in local economic development efforts.

Emerging from this context, Leigh and Blakely (2017) offer a conceptual and theoretical framework for understanding LED. A pillar of their model suggests cities need to move beyond support for “single purpose organizations” and be inclusive of “collaborative partnerships of many community groups...to establish a broad foundation for competitive cities”. A local economic development framework is also compatible with recommendations stemming from small and mid-sized city scholarship that speak to the important role that cross sector collaborations (Sands & Reese, 2017), allied groups (Filion et al., 2004) or local champions (Burayidi, 2015) can play in the city planning and downtown rejuvenation processes.

**Local Economic Development Approaches**

Economic development theory is evolving and, as it becomes more inclusive of local and community engagement in both policy and planning, context-specific approaches are beginning to emerge. The literature in this area aims to capture the intersection between theory and practice and emerging approaches to LED that reflect on both the strengths of place as well as local assets to generate economic activity.
PLACE- AND ASSET-BASED COMMUNITY DEVELOPMENT (ABCD)

Community development has long been concerned with creating a shared, democratic vision that leads to collective action toward the betterment of the lives of community members. Borrowing from this tradition, in the early 2000s, approaches to economic development began to see the inclusion of a broader set of actors, and the concept of “placemaking” began to emerge as an economic development strategy (Kelly et al., 2016a). In its simplest definition, placemaking takes local assets and turns them into economic drivers. From large urban centres to smaller towns, the uniqueness of a “place” was leveraged to help attract new capital and visitors. Placemaking has also been identified as a means to revitalize ailing downtowns (Burayidi, 2013) and attract knowledge or creative workers (Florida, 2002). Indeed, many rural communities are focused on place-based strategies by leveraging natural heritage features and charming towns to attract tourists and foster rural economic development (Caldwell, 2013; Stolarick et al., 2010). Some smaller communities have also developed rural creative economy strategies to benefit from the growth of the knowledge-based economy (Stolarick et al., 2010).

Similarly, with origins in late twentieth-century neighbourhood revitalization led by researcher and community organizer John McKnight, asset-based community development (ABCD) has now grown into an international movement. ABCD is used in a range of community-led projects, and is rooted in evaluating and leveraging local strengths or “assets”, rather than focusing on needs or deficits (Harrison et al., 2019; Kelly et al., 2016b). As approaches to economic development become more inclusive and participatory, asset mapping has been used to highlight community strengths and uncover new approaches to building the local economy. This includes the mapping of both “tangible” or physical assets, as well as “intangible” assets such as volunteer time and local knowledge, then using these assets toward collective action (Mathie et al., 2017).
Critiques of place-based strategies, especially those creative economies theory, caution that this approach can have unintended outcomes by fostering gentrification and deepening economic stratification between creative and service workers (Lewis & Donald, 2010; Peck, 2005). Similarly, a deeper analysis of approaches to ABCD also asks us to consider who is ‘at the table’ mapping assets and who benefits from these assets (Toolis, 2021). As a citizen-led movement, ABCD has also been criticized as a “neoliberal approach” (MacLeod & Emejulu, 2014), allowing governments to “eschew” responsibly for the local economy — leaving communities vulnerable to market-led approaches (Mathie et al., 2017).

CIRCULAR ECONOMY

Over the last several decades, as the world grapples to find more sustainable solutions to production and consumption, the linear or ‘take-make-waste’ approach has been challenged by a slow, but emerging circular economy. The Ellen MacArthur Foundation describes the circular economy as an “approach to economic development designed to benefit businesses, society and the environment” (EMF, 2022). The circular economy (CE) is guided by three principles and is described by many as “regenerative” by design (Morseletto, 2020). The principles of the CE include: designing out waste and pollution; keeping products and materials in use; and regenerating natural systems. In response to the UN Sustainable Development Goals (SDGs) and global climate commitments, countries around the world are beginning to embed CE principles into their economic development plans.
For the circular economy to grow and flourish, a combination of ‘top down’ and ‘ground up’ solutions is required. Not only is there a need for research and innovation on product and business development, but a renewed policy framework is also required to bring about change. In 2015, the European Union launched the EU Circular Economy Action Plan with 54 actions and 10 billion (EUR) in funding to align with the goal of moving away from a linear toward a circular economy by 2030; by some estimates this investment could return 6 billion (EUR) annually in manufacturing revenue for the EU (Korhonen et al., 2018). Under this leadership, Europe is beginning to see systemic changes in production and consumption patterns.

However, while a CE approach focuses on waste reduction and challenges traditional capitalist pro-growth paradigms (Morseletto, 2020; Winans et al., 2017), critics of CE argue that its metrics are led primarily by the business community and do not go far enough to address the underlying social and equity issues (Korhonen et al., 2018; Winans et al., 2017).

COMMUNITY WEALTH BUILDING

Community wealth building has been described as a way to “supercharge” one-off approaches to local economic development. Rather than choosing a single-pronged strategy, community wealth building (CWB) is described as a multi-faceted “system changing” approach to scale-up local economic development initiatives. First coined in 2005 by the US-based The Democracy Collaborative, CWB is designed to create “broadly shared economic prosperity, racial equity, and ecological sustainability through the reconfiguration of institutions and local economies on the basis of greater democratic ownership, participation, and control” (The Democracy Collaborative, 2020). Since the emergence of this concept, there has been a small but growing body of literature on CWB practices and case studies. Kelly et al. (2016) describe CWB as “a systems approach to economic development that creates an inclusive, sustainable economy built on locally rooted and broadly held ownership” (2016b, p. 53). Similarly, Dubb characterizes CWB as people creating change through “public-, community-, or employee-owned enterprise” that meets local needs and works to regain local economic democracy (2016, p. 1). Longaphy & Heese-Boutin define CWB as building shared wealth locally through place-based strategies and investment into community entities that support democratic ownership over capital (2019, p. 6).

Responding to the interconnected challenges of climate change, pandemic recovery and increasing social, racial, and economy disparity, in 2022 The Democracy Collaborative offered a clear way forward through their five-pillar CWB approach (Figure 2).
Local governments and place-based “anchor institutions” should lead with procurement practices that democratize economic activity, build local multipliers, and end leakage and financial extraction.

Cities and local institutions should redirect money in service of the real economy through public and community banks, credit unions, and targeted public pension investments.

Cities should have multiple forms of worker and consumer cooperatives, social enterprises, municipal ownership/enterprise, and more, based on recognition that the ownership of productive capital is at the heart of where power lies in any political-economic system.

Every worker must receive a living wage, the ability to start or join a union, and real power in, and control of, their workplace for decent jobs and working conditions.

Cities should mobilize land and property assets to build real wealth in communities, bring local land and real estate development back under community control, and combat speculation and displacement.

Source: McInroy et al., 2022
There are documented case studies from cities around the world showcasing how these pillars are being activated. Communities are developing worker cooperatives (Catto, 2017; Hanna et al., 2022; Sutton, 2019), new models of social finance (Task Force on Social Finance, 2010), and land trusts to preserve affordability (Agha, 2018; Fujii, 2016; Hackett et al., 2019). By uniting them in an integrated approach, CWB proposes a new, more coordinated way forward for communities. The Democracy Collaborative argues that action across the five pillars can create a “wedge” that disrupts the “extractive economy” (McInroy et al., 2022, p. 9). They go on to argue that this action must begin at the local or municipal level where change can occur quickly. This approach resonates with a “new localism” approach that conceptualizes power at the local level (Katz & Nowak, 2017) and the small city scholarship that argues that social cohesion amongst residents can help bring about lasting change (Filion et al., 2004).
In reviewing the literature on community economies, it became evident that the scholarship is limited and scattered across a range of disciplines, from economics to geography to urban planning. While this speaks to the interdisciplinary nature of both the research and the practice, it also indicates that this subject is not a central focus of any particular university department or discipline. In the absence of a disciplinary ‘home’, there is also limited cohesion in the academic conversation about community economies. Without a more coordinated research agenda, this makes it difficult to fully respond to the broader research question identified at the outset of this paper: How can we strengthen community economies?

At the outset of the Community Economies Pilot it was hypothesized that emerging community practices would be leading the way and that scholarship would follow — and indeed, after a review of the academic literature there is merit to this assumption. As communities grapple with global issues of climate change, equity, and the extractive impact of traditional approaches to economic development, communities are the ones innovating and testing new ideas to find a more inclusive way forward. Community members are taking action and they are building and strengthening their local economies in real time. Examples of making wealth ‘sticky’ in communities can be found around the world: local ownership of utilities is being piloted in Preston (England); social procurement is advancing in Cleveland (United States); and across Scotland, the government has adopted a fulsome community wealth building approach to their economic development planning. In Canada, Indigenous economic development is being advanced in British Columbia; land trusts are being explored in Parkdale, Toronto; new economic development governance structures are being created in Halifax; community bonds are being offered in Guelph; and ABCD is being explored as a means to develop a community economic development plan in Prince Edward County. Some of these examples are illustrated in single- or multi-city case studies in the literature, but overall, community economies are largely undertheorized and under-researched.

There remain a range of gaps in the literature and several unanswered questions. Emerging research can be designed to: evaluate the impact of economic development plans; explore emergent governance models that support community economies; and better understand the data required to inform local decision making. In addition, new research can begin to explore how...
change is brought about in communities, asking: What actions and collaborations were required to launch a community land trust? How did a community benefits agreement take root with city councillors? Where did the leadership come from to launch a community bond offering? These questions can help inform policy changes, political advocacy and the creation of new financial tools required to create real economic change that centers communities. Moreover, without new research and coordinated knowledge mobilization, local success stories remain isolated in communities, as there are limited mechanisms to share information with others who can benefit from emerging best and promising practices.

Ultimately, an interdisciplinary community economies research agenda must be advanced. This research should work across the three pillars of business, government, and community, while connecting the disparate voices of the emergent community economy movement via a funded, coordinated research network. Together, such a structure could further develop this body of research to fill identified knowledge gaps, produce insights that inform policy at all levels, and train a new generation of thought-leaders — and ultimately, connect communities, scholars, and practitioners in a robust and effective network for thought and practice.
References


