Small States and Small Cities: Interpersonal Networks and Economic Restructuring in Waterloo

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The Political Economy of Nordic Europe



The Political Economy of Nordic Europe

- Egalitarian public policies, social structures (will not discuss, see Esping-Andersen 1990)
- Exemplifies best practice in a wide array of policy domains (Economist 2013)
- Reinvented themselves over time, engineered "big leaps" into new industries (Ornston 2012)

Explaining Nordic Success

- Most common explanations fail to account for crossnational differences (e.g. Denmark v. Finland. v. Iceland)
- Common unifying theme is cohesive, encompassing networks, "everyone knows everyone" (Campbell and Hall 2009)
- Commonly perceived to delay reform and restructuring (Florida 2002; Grabher 1993; Hall and Soskice 2001), tightknit networks can accelerate change



Cities are Not (Small) States

- Two "logics of collective action" in comparative political economy (Ornston and Schulze-Cleven 2015):
- Coordination in production (e.g. standard-setting, research consortia, wage setting, etc). See Hall and Soskice 2001
- Policy concertation (e.g. Irish social partnership Social policy reform, incomes policy, tax reform). See Rhodes 2001
- What about thinly institutionalized, weakly resourced communities (small cities in liberal market economies)?

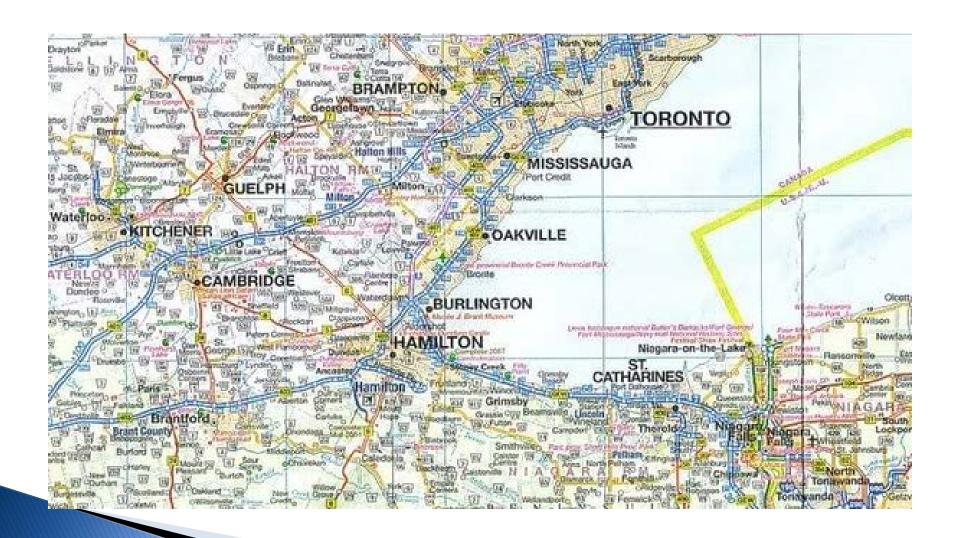
Interpersonal Networks, Ideas and Economic Restructuring

- The Björn Borg Effect: New business models diffuse rapidly within a tightknit community (e.g. Icelandic banking)
- Entrepreneurial actors can diffuse knowledge about how to do business (e.g. Finnish gaming industry circa 2005)
- Regions can use ideas (branding) to attract external resources (e.g. IDA's efforts to attract FDI to Ireland)

Doesn't Apply to All Cities

- Finland and Toronto may be similar in size, but social networks look very different (Bramwell and Wolfe 2014)
- Even small cities vary in breadth and quality of networks (Safford 2009)
- Focus on cities with broad, tightknit networks. Less incremental than one might expect (Cohen and Fields 2000; Florida 2002; Grabher 1993)

Waterloo



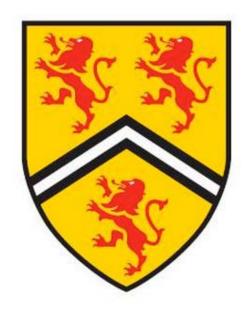
Waterloo as a Critical Case of High-Technology Competition

- Path dependence (Hyytinen et al 2006)? No significant history in high-technology markets
- Flagship firms (Casper 2007)? No large, incumbent, technology firm
- Defense (Leslie 2000)? But little defense production or contracts
- Economies of scale (Storper and Venables 2004)? A relatively small city
- Market competition (Hall and Soskice 2001)? Didn't help
 Waterloo pre-1980, or cities like Hamilton

Waterloo as an Interconnected Community

- Little evidence of policy concertation, not really a story about local government spending or regulation (Bramwell, Nelles and Wolfe 2008)
- Limited evidence of inter-firm or even industryuniversity cooperation relative to Finland, Sweden, etc (Munro and Bathelt 2014)
- But unusually dense, vibrant civic life (business, civic and educational institutions) and spirit of consensus the "Waterloo Way" (Nelles 2014)
- Reform-oriented actors could use this to transform region

University of Waterloo



UW as a Catalyst for Change (Bramwell and Wolfe 2008)

- Creating human capital, delivering talent to local firms
- Diffusing knowledge through the co-op program
- Commercializing knowledge through spin-offs
- Supporting entrepreneurship with IP regulation, incubators, etc

UW as an Ideational Entrepreneur

- Pioneered new business model (high tech startups) beginning with WATCOM in 1974
- Used public platform to popularize high tech entrepreneurship and rebrand region
- Emphasis on technological innovation and entrepreneurship socializes students

Industrial Networks and Economic Restructuring

- Little evidence of Finnish- or Swedish-style supplier networks or research consortia
- But local entrepreneurs inspired by rise of RIM and other successful startups
- Use Communitech and less formal organizations to diffuse knowledge about how to do business

Leveraging External Resources: Rebranding Waterloo

- Policymakers join high tech bandwagon, lobby for provincial and federal funding
- University of Waterloo can use reputation to attract and retain students
- Firms can use regional reputation to secure risk capital, clients

Does the Argument Generalize?

- From shipbuilding to mobile communications: Aalborg, Denmark (Dalum et al 2005)
- Civic boosterism and the transformation of San Diego (Walshok and Shragge 2013)
- Allentown v. Youngstown (Safford 2009)

Conclusions I

- For scholars of small states: Interpersonal networks matter, independent of concertation and coordination
- Local leaders: Cities, even thinly institutionalized, weakly resourced ones, can learn from small states
- Tightknit networks, widely perceived to inhibit restructuring can accelerate it
- Policymakers (in LMEs) would benefit from focusing on ideas rather than European-style coordination

Conclusions II

- Communities may vary in their capacity to engage in identity-building and place-making (Safford 2009)
- Branding must be pragmatic, not all communities can create a "Silicon Somewhere" (Hospers 2007)
- Does the politics of interconnectedness also expose cities to Nordic-style overshooting and overinvestment?