

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)
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Explaining Nordic Success

- ▶ Most common explanations fail to account for cross-national 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
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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)
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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)
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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 industry-university 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
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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
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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 Communitel and less formal organizations to diffuse knowledge about how to do business
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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
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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)
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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
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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?
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