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

Darius Ornston
Assistant Professor
Munk School of Global Affairs
Department of Political Science
University of Toronto
darius.ornston@utoronto.ca
The Political Economy of Nordic Europe
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- 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 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
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 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
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
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.
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?