Collaborative Governance and Regional Considerations in The New Economy:

Lessons from Canada and Switzerland

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1. Introduction

The purpose of this comparative paper is to examine the changing nature of socio-economic development and governance in the so-called “new” economy, and the impacts of such changes on models of local and regional development. In the new socio-economy, based less on natural resources and comparative advantage and more on cognitive resources and competitive and collaborative advantage, local capacities for competitiveness, innovation and learning are key factors for fostering competitive advantage. Accelerated by globalization, this empowerment of local factors creates the need for effective collaboration and territorial-based alignment - factors shaping new governance capacities for the locality as a whole [Storper 1997]. Partnerships, among all stakeholders become the stated norm, along with new and immense coordination challenges across all sectors. As this new environment reshapes local and regional development capacities, governments at all levels must adapt – both individually and collectively.

This paper demonstrates the profoundly different patterns economic development in Canada and Switzerland – and the resulting challenge for local action in all federalist environments. In terms of the former, the post-war legacy of a strong central government will be shown to have a large impact on the mix of economic prospects locally, and the capacities of different socio-economic sectors. The contrasting example of Switzerland is one that has emphasized local action and a limited national (or federal) role. This comparative should not be reduced to a good/bad typology, but it is clear that there are some interesting lessons for Canada as it struggles with ongoing tensions between localizing dynamics and national politics: in particular, local state capacities in Canada will be shown to be relatively weak. At the same time, the relative strength of local authorities in Switzerland creates its own set of challenges – in particular, a lack of strong incentives for cross-sectoral collaboration. We will explore these more vertical dimensions to governance (i.e. between layers of governments), as well as horizontal relationships across socio-economic sectors (i.e. government, industry and community) in order to make a prognosis for both local prospects and transveral coordination in this complex environment.

The paper unfolds in the following manner. Section two presents the contextual discussions offered by the most relevant conceptual perspectives looking at both the broader global – local dimensions of governance today and the varying schools of thought on endogenous and exogenous strategies for local growth in the new economy. Section three considers what regional development has come to mean in Canada and Switzerland, in a post-war context, and the contrasting approaches of each country – specifically in terms of the division of tasks and authority between different levels of government. Subsequently, section four examines this same set of questions from the local plane, exploring more fully the precise nature of horizontal ties within localities, and across socio-economic sectors; and how these ties are shaped by their multi-level jurisdictions. Section five is the comparative analysis, and a consideration of the findings in terms of their likely consequences for economic development prospects and collaborative governance processes. Section six considers the lessons of this Canada – Switzerland comparison for the European Union and its member states. Section seven offers a brief conclusion.

2. Contextual Fluidity

Barnett [1997] effectively presents the main governance challenges confronting all countries, and federalist regimes in particular. He raises three questions which help illuminate the path ahead: i) “what size, level and structure of government
is best suited to perform an enabling role; ii) how can government facilitate activity by the private and voluntary sectors in order to bring about pluralistic governance; and iii) how can higher levels of government facilitate lower levels government in the discharge of their duties”?

First, on the size, level and structure of government, there is a quandary at the local level. A wide body of knowledge points to local determinants of industrial competitiveness, technological innovation and collaborative capacities [Porter 1991; Saxenian 1994; Moss Kanter 1995; Paquet 1997; Rudolf 1999]. What is far less clear, however, are the specific governance patterns that join organizations and sectors and contribute to socio-economic performance, and the changing role of government that results [Simmie 1996]. Many commentators suggest that local government often lacks the policy tools and jurisdictional authority to effectively manage the new governance [Hudon 1995; Church 1996; Roy 1999].

On Barnett's second question, pertaining to the rise of pluralistic governance, it is locally where such dynamics may be said to be undergoing an empowerment due to arguments in favour of both proximity and the enhanced degrees of flexibility for innovation through a growing array of networks and partnerships emerging forms of distributed governance [Paquet 1997]. Industrial clusters and innovation networks provided some sense of the interdependencies rooted in the geographic proximity provided by a regional environment [Davis 1991]. Others, such as Putnam [1993] and Moss Kanter [1995], stress the importance of collaborative practices, community ties, and civic engagement in adding a collective dimension of the region. Saxenian's portrayal of Silicon Valley is multi-sector, and Henton's emphasis on civic entrepreneurship recognizes both the multiplicity of actors building new forms of synergistic ties and the growing place of civic creativity in this mix [Henton and al. 1997]. The result is an environment in which even those most interested in the managerial consequences for firms point to more fluid boundaries and multi-stakeholder ties as key elements of competitive advantage [Moore 1996; Capello 1999].

In terms of Barnett's third question, the increasingly complex challenges of co-ordinating across these various components are a growing priority for government, although any response extends beyond any one sector. Accordingly, the term governance is “now widely deployed to capture some of the meaning of efforts at social and economic coordination in a world where all tiers of government must increasingly collaborate with one another as well as with non-governmental organizations of various kinds (private and civic) in order to pursue their goals” [Scott, Soja and Storper 1999].

Complementing the emphasis on local processes offered by Barnett is a comparative that we will offer between endogenous and exogenous strategies for economic development. Whereas the latter carries a focus on factors external to a local system, and how such factors can shape economic development (i.e. securing an inward investment by a multinational corporation), the former is a more internal perspective, suggesting that it is the conditions and actions within local processes that will shape development prospects. Our underlying assumption is that the evidence from the 1990s points to the growing centrality of endogenous conditions, and we are most interested in examining the capacities of localities in both Switzerland and Canada to foster endogenous strategies.

The most significant danger of exogenous strategies tied to regional development assistance is the possibility that the external focus proves to be a disincentive for local action, self-reliance, and ingenuity. If localities remain closely tied to decisions taken elsewhere, and if the most predominant forms of development are derived elsewhere, the focal point for discussion will shift as well; in such cases, localities become largely recipients of assistance with neither the responsibility nor the capacity to shape their own development prospects. If the emerging socio-economic order is truly based on localization and proximity-induced forms of creativity and learning (as we believe it is) than the multi-level dynamics within which localities operate, and how these dynamics have shaped development historically, serve as powerful forces.
This fluid interface of local governance, regional development and transnational forces creates a new division of labour amongst local, subnational and national stakeholders. The search for alternative compacts joining both local and regional development strategies is evident in current European experiences where continental integration has proceeded with significant interest in subnational experiences and, in turn, their connectivity to European institutions [Paquet & Roy 1997; Tommel 1998].

Two factors here are the principle of subsidiarity and the European Union’s (EU) structural funds for local and regional initiatives (financial and instrumental). The inclusion of subsidiarity as a guiding principle of European governance helps underpins a widening institutional place for this new localism – a case in point being the EU’s Committee of Regions (COR) which includes direct representation from local authorities [Chiarelli, Dammeyer and Munter 1999]. Although its current role is largely consultative, there is some evidence of a growing momentum of institution-building, suggesting the emergence of an important body with a significant voice on a variety of issues, particularly on resource allocations such as The EU’s structural funds [Bourrinet 1997; Tommel 1998]. The existence of these significant funding sources may serve as an important mobilizing agent for local actors [Katos 1995; Newman and Verpraet 1999].

While Switzerland is not a member of the EU, we will see that the evolution of the European context – one that many view as a struggle between a Europe of Nations and a Europe of Regions – exerts influence over Canadian and Swiss policy debates. While the European regime described here, emphasizing local action and respect for flexible notions of federalism, does much to re-enforce many aspects of the Swiss context, these same characteristics can be viewed as more of a contrast to the place of localities within North America and the Canadian polity more specifically [Paquet and Roy 1998].

3. Canada and Switzerland – Regional Development From Above

The Canadian model of socio-economic development is rooted in the post-war expansionism underpinned by Canada’s resource industries (particularly on the periphery), and an expanding manufacturing base in Central Canada (i.e. Quebec and Ontario). In this period, regions would come to be defined as subnational units, encompassing several provinces is some cases. There are growing and frequent references, both politically and economically, to four to six regions (Atlantic Canada, Quebec, Ontario, Western Canada – and at times, British Columbia as a separate unit, differentiating it from the prairies, and the North). Yet, post-war regional development in Canada is a story dominated by the actions of the federal government, and its relationship with the provinces. In contrast, municipal governments, lacking constitutional autonomy and firmly under provincial control, are largely relegated to junior status, managing a limited set of highly localized functions.

During the rapid growth period of the post-war years in Canada, the federal government paid less attention initially to regional disparities. As economic prosperity brought benefits to most parts of the country, the national identity strengthened (underwritten by an expanding taxation base nationally). During the 1960s, however, regionalism became a more central value in Canadian federalist thinking, and there was an effort to reduce disparities by fiscal transfers between the predominant collector of income tax revenues, the federal government, and its provincial counterparts. A system of equalization payments (demand side) between the richer and poorer provinces - via the federal government - was formalized. At the same time, there was also some effort at intervening on the supply side via the creation of the Atlantic Development Board (ADB). Such measures are the foundation of an exogenous model of regional development, featuring federal transfer and top-down forms of intervention to help alleviate income disparities.
ADB developed a greater awareness of the problems of planning and regional development in the Atlantic Provinces, but it did not really produce a strategy; indeed as it was about ready to produce a plan in the late sixties, it was abolished! Federal governments continued to show a willingness to control regional policy: with Trudeau and the creation of the Department of Regional Economic Expansion (DREE), the federal government moved into regional development at full speed - in a centralizing manner. A subsequent experiment with General Development Agreements (GDA), an attempt at federal – provincial cooperation with the provinces gaining significant input into policy design and implementation, denotes a shift on the part of the federal government away from the "centralized mindset" that dominated regional development thinking. "The GDA approach…(has) significantly altered the patterns of federal-provincial relations in the field of economic development" [Savoie 1981]. The federal government quickly backed away from the GDA approach for two fundamental reasons: i) they felt that they lacked adequate degrees of financial control over the system and more importantly, political credit did not appear to match federal dollar contributions; and ii) clearly this approach did not fit well with Liberal efforts to respond comprehensively, and in a centralized fashion to the difficulties of the 1970s. The GDA episode foreshadows much of what is to come in the 1990s when the Liberals would return to power.

Michael Porter's much-publicized 1990 study of the Canadian economy is an important turning point. Jointly sponsored by a Conservative federal government (pro-free-trade and less interventionist in regional policies) and Canadian industry, the report was widely received by its sponsors as an important justification for framework policies, macro-conditions, market forces - and accordingly, a much smaller reliance on direct intervention and government planning. From the national perspective, it can be viewed as a new and more limited form of an exogenous framework, explicitly limiting national planning in favour of local dynamics.

Nonetheless, subnational reactions were quite different: each of the provinces adopted a Porterian model and constructed an economic blueprint which, not surprisingly focussed on their key sectors and strategies to improve their "factor" conditions within provincially-defined spaces. Coupled with the rising importance of multi-stakeholder consultations and more open and participative planning (more suited to decentralized settings), what emerged in every province was a development process much more strategically interventionist than anything envisioned by federal leaders of the day [Paquet & Roy 1992]. Driven by proximity, federal intervention shifted to provincial familiarism and a greater interest in multi-sector forums.

But the structures of federalism remain. The 1993 Liberal Red Book – a policy platform document designed to recast national action under a new Liberal government - stresses the importance of cooperative federalism and federal-provincial cooperation and praises the acceptance of empowered regions as a cornerstone of economic renewal. But torn between the urge to intervene forcefully from the federal level and the sense that the role of "catalyst" or "supporting actor" might be more helpful, it is hardly surprising that regional development was not prominent in the first mandate. Once in power, the creation of the Program Review (PR) in 1994 offered another opportunity to work, from within the federal administration, at rationalizing federal activities in the world of regional and community development, and to reveal more about the new Liberal vision and approach. Echoing PR's mandate, the Prime Minister endorsed the case for devolution so clearly hinted at in the Red Book and confirmed the interpretation given by observers to the purposes of the Program Review. Yet more than a strategic rethinking of the purpose and design of federal institutions, the review has since been exposed as an exercise in fiscal restraint [Paquet & Shepperd 1996].

For regional development PR marks a turning point, a fundamental move away from the tensions of the Red Book towards a (fiscally-driven) smaller regional development effort with ACOA consolidated under the auspices of the federal Industry Minister. The paradox here is that while the PR logic dictated an opportunity to strategically rethink ACOA's
mandate in the east (i.e. through the partnership and devolution questions) its scope and credibility was reduced within the federal apparatus and in Atlantic Canada. In fact, ACOA would remain relatively dormant for the remainder of the 1990s, as PR served as a vice on both its activity as well as direct federal investment into the region. This retreat, at odds with the post-war history sketched out above, would prove politically costly. Although re-elected in 1997, the Liberal punishment in Atlantic Canada was severe – as nearly two-thirds of federal Parliamentarians, including two prominent Cabinet Ministers lost their seats.

In addressing this federalist quagmire from Atlantic Canada`s perspective, there are two options for proceeding. The first path, the one most likely to be adopted by traditionalists eager for new forms of “national” action, is to lament the decline of Ottawa`s activism, while perhaps calling for ways in which Atlantic Canada can be better represented in Ottawa – within the federal apparatus. Such is the case made by Donald Savoie who points out that due to “the politics of impotence”, Atlantic Canada “doesn`t figure prominently on the radar…if a region doesn`t matter politically, it doesn`t matter in either ways either”. Savoie appeals for political activism in order to both re-assert Atlantic Canada`s presence on the national stage and bolster its regional representation (in part through Senate reform), for stronger inter-provincial ties, and for leadership by Provincial Premiers who should “make the case that the economic interests of Atlantic Canada would be better served by a weakened federal government” [Savoie 2000].

This latter point is the revealing. Savoie`s assertion that a weakened centre would help the periphery is fundamentally correct, and it would appear to mark an important acceptance of the failure of both direct fiscal transfers and federal interventions engineered in Ottawa, or by Ottawa-controlled agents. Savoie`s (brief) commentary complements his concerns that an increasingly centralized centre has evolved into a “court government” where the omni-present powers of the Prime Minister, and his pollsters represent the only power dynamic that really matters in shaping policy. In such a centralized context, regional policy becomes inter-linked with electoral strategy, and so the return to fiscal health of the federal government in its 2nd mandate raises the likelihood of renewed federal action.

These variables help shed light on the most recent incarnation of regional development from the centre aimed at Atlantic Canada in an exogenous manner. The $800 million Partnership Investment Program announced in June of 2000 (only months prior to the beginning of what is acknowledged to be a pre-electoral period for the federal government) would appear to represent the latest example, then, of a federal attempt to re-insert itself and revive its visibility in a peripheral zone of the federation where many experts and politicians agree that it is difficult to envision effective action orchestrated by Ottawa. Defenders of this new will point to its many elements which, more than in the past, aim to explicitly partner with local and provincial authorities and strengthen local capacities. Yet, the fact remains that this strategy, in a time of fiscal surpluses in Ottawa which arose at least in part from a degree of fiscal offloading to the provinces, goes well beyond a mere transfer of resources; it envisions a federal presence – a sense that in the name of regional development, traditionally defined, the federal government is back to bolster socio-economic prospects in an area in need.

Switzerland’s alternative view of national action - The post-war experience of Switzerland is a remarkable contrast, and of course many of its features lie not only in post-war decisions but also in the historical legacies, and evolution of the Swiss confederation. It is worth noting, however, that while the Second World War in Canada marked the tremendous expansion of “national” forms of action and identity (i.e. the war effort, social programs, taxation, and industrial and trade policy), for Switzerland the role of the nation-state was altered in a far less dramatic way.

The Swiss confederation, and the economic development strategies resulting within it, is based on the existence of three levels of autonomous governments – the commune (local), the canton (subnational or meso) and the confederation (national). In most domains pertaining to quality of life, the canton is the dominant actor (and there are 26 such cantons
in the confederation), including jurisdiction over education, health care, cultural policy and many others. It is noteworthy as well that each level of government carries taxation powers based on income and revenue, and the relative importance of taxation is generally greater at the subnational levels than at the national level. Finally, local authorities in Switzerland guard a degree of political autonomy that is unparalleled in the Canadian context (where provincial governments carry a near-total control over local governmental structures) which means that inter-communal action is also an important feature of policy-making in many policy areas. Local affairs are essentially the domain of local governments, and by extension it is the commune – canton axis that is the most relevant dynamic for overall social and economic policy (unlike in Canada where federal – provincial relations have tended to dominate most policy discussions).

This characterization fits well with the comparative template provided by Goldsmith [1999], and his international depiction of local government structures in terms of both legal status and political status. Whereas Canadian localities are portrayed (rightly) as suffering from both low political status and low legal status (near by are Australia and Great Britain), Swiss subnational structures score high on both fronts (along with Germany and Austria).

As a result of this inverse of power, regional development has tended to be quite limited, with the confederation (the national level) playing only a reserved role in particular instances. For example, in the 1970s, the Confederation created _la loi fédérale sur les investissments dans les régions de montagne_, an initiative that created 54 regions (sub-canton areas incorporating multiple communes) mainly situate in high altitude and mountainous zones – i.e. extreme rural conditions requiring attempts to alleviate the natural barriers posed by harsh geographic and climatic conditions (a situation perhaps comparable to the Canadian North).

In 1978 this initiative was followed-up with a series of smaller initiatives aimed at responding to the deep recession that plagued many Swiss industries and communities in the 1970s. The so-called, _arrêté Bonny_ (l’arrêté fédéral instituant une aide financiere en faveur des régions dont l’économie est menacé) focussed more on industrial diversification and forms of assistance for innovation and the creation of new enterprises in a limited set of areas facing severe economic change. For example, the canton of Neuchatel, one of the richest Swiss cantons in the 1960s, faced a dramatic loss of its industrial base in the watch-making sector. Employment in this industry dropped from approximately 90,000 people to roughly one-third of this level by the latter half of the 1970s. The main thrust of these initiatives by the confederation was the injection of additional investment resources – often via the banks or industries directly through taxation measures, and often such public assistance has been complemented with complementing measures undertaken by the canton concerned.

This latter point is revealing, not only in the sense that there would appear to be greater inter-governmental coordination in such an approach. More importantly, these limited federal measures represent what can be termed as a secondary, or supportive form of regional policy – with the cantons themselves representing the motors of both exogenous and endogenous strategy. Most cantons, for example, developed their own strategies during the 1970s aimed at both internal development and international promotion. To remain with the example of Neuchatel, the exogenous promotional efforts of the canton have corresponded with the arrival of more than 500 foreign companies and 5000 new jobs since the late 1970s (in an area with a population of approximately 165,000 people). This inflow of activity is credited with not only reviving the local economic base, but also with providing greater economic diversity and a more dynamic setting which has reduced the likelihood of Swiss-based firms either relocating or scaling back their home base operations.

Swiss cantons, then, such as Neuchatel, would appear to be among the first subnational actors in the industrialized world to discover that an exogenous strategy of attracting investment can be effective, even in the absence of massive public subsidization (restricted simply by the size of the canton). Even in particular cases (less today, more so in the 1970s and
1980s) when additional assistance was forthcoming from the confederation, it is important to underscore that such instances are rare, and they are based on a bottom-up logic by which the canton served as the main catalyst for how to promote itself - and how best to seek synergies between these implanting operations and the existing industrial infrastructure.

In short, both action and engagement are localized, and perhaps more important than the unique transnational focus of the cantons themselves is the emergence of integrative strategies which encompass both exogenous and endogenous elements. Practically speaking, such an approach means focusing as much on what foreign companies do after they arrive, and how they embed themselves locally in a positive way, as opposed to an exclusive accent on the investment-location decision itself. Today (in a relatively positive economic climate) the internal or exogenous dimensions of growth dominate even the promotional literature (more exogenous) of a canton such as Neuchatel. The message is that companies have every reason to join an effective governance system.

Contrasting trajectories - In comparing the two countries, there are some fundamental differences in how policy objectives are pursued. In terms of the philosophy of regional development in both countries, the actions undertaken at the national level, in response to the potential for tremendous socio-economic disruption that might have taken place in the turbulence of the 1970s, denote a rejection of the macro economic efficiency school of thought which views a country as a single labour market and development zone, and implies that economic incentives will dictate where people go and how they live. In this sense, regional development, involving multiple levels of government (and by extension, governance) encompasses an acceptance of the notion that to a large degree, people remain rooted in their communities. Accordingly, regional development decisions are often the product of not only economic arguments of efficiency and labour mobility, but also those of social embeddedness, institutional history, and the resulting political forces that emerge as a result.

Yet, even in the 1970s the structural differences between the Swiss and Canadian approaches are revealing. There are three main differentiating themes. First, in contrast to the Canadian effort engineered in Ottawa by an expansionist federal government, Swiss strategies remained far less interventionist in nature, focusing on a transfer of wealth to regions in distress and an investment of capital into existing industries and enterprises whose responsibility was to both qualify (federally) for assistance and demonstrate results - locally. Secondly, the activity undertaken nationally (by the Confederation) can in no way be viewed as an intrusion into subnational policy domains, or even their socio-economic space. Unlike the Canadian experience where the federal government defines regions (often rather large and diverse zones) that may or may not correspond to various forms of subprovincial units, in the Swiss context the regions are formed by inter-communal action and assistance programs are administered via existing public and private structures, rather than through any assertion by confederal departments in Berne to reach out and directly intervene in regions under duress.

The third point of comparison, which also differentiates Switzerland from certain members of the European Union, is the near exclusive focus of Swiss regional development on the peculiarities of rural areas. For instance, the 54 regions qualifying under the special programs reviewed previously constitute small, remote and sparsely populated areas facing extreme conditions. There has been no such effort made for urban zones under duress or transitional pressures, largely since the political autonomy of the canton (often with matching borders that encompass a larger urban zones) would resist it, and also since the endogenous, or bottom-up logic of economic development enjoys a better fit with Swiss structure and culture of flexible federalism.
4. Comparing Local Development From Below

Over the past two decades, federalist relations in Switzerland have continued to evolve in such a fashion as to empower subnational (canton and communal) strategies over that of national action. In fact, aside from the initiatives reviewed in the preceding section (remaining in place, albeit under review and critical discussion despite their modest financial size) the Confederation manages no other forms of explicit regional policy of any sort. Even more recent federal laws on reforming processes for territorial planning have explicitly renounced previous efforts to assign “national districts” – at the federal level - for purposes of development and policy-making, devolving near total responsibility for all such functions to cantons. In those national jurisdictions managed by the “confederation”, decisions are shaped by a federal system that is both responsive to cantonal control (by nature of their stronger, and more equal representation within the Swiss parliamentary system with a two chamber system, resembling to some degree on the US model of equal state-canton representation in the 2nd elected chamber). In most cases, programs are then implemented and administered by the cantons themselves.

An important factor in the retreat (or perhaps the absence of a stronger assertion to begin with, in the context of the post-war period) of the centre in the Swiss context is the growing sophistication of canton-level governments, in terms of both exogenous and endogenous activity. In Switzerland, exogenous development initiatives, such as international promotion and investment strategies are entirely the domain of the canton, and efforts by these subnational units have been steadily increasing over the past few decades. In essence, the Swiss calculation is that any cost of duplication and competition between the 26 cantons is offset both by the benefits of the competitive dynamic (learning and experimentation), and perhaps more importantly by the more longstanding reality that Swiss “national unity” is largely preserved by local autonomy. With the exceptions of modest tourism efforts, the notion that a national agency of any sort could adequately promote the various interests of cantons across a geographically and culturally diverse setting such as Switzerland is unthinkable. The international presence of Cantons, in this regard, places them in a strong position to truly emerge as the sort of autonomous city-regions that so many are calling for in a globalizing and localizing era.

The relatively limited set of actions undertaken by the Confederation in the post-war period was also complemented by an increasingly aggressive degree of assertionism on the part of the cantons, looking to strengthen both their exogenous and endogenous efforts. With respect to the former, in the 1970s many cantons began undertaking explicit efforts at economic promotion internationally. This type of strategy would, in fact, become the dominant measure undertaken at this subnational level through the 1980s. It is worth noting that these subnational efforts at promotion would begin in the Canadian context, but only in the 1990s (deemed quite innovative at the time). There are some reasons to believe, then, that the Swiss local autonomy was a factor in providing an edge for this type of industrial competition, proving more effective than national efforts to promote a country as a whole.

By the late 1980s, the canton authorities themselves began to recognize two important limitations of this type of attracting strategy. First, the expanding global economy gives rise to more and more regions looking to attract companies, and in general, industrialized countries, and their subnational zones would have trouble competing in direct cost terms with the developing world. The second reason pertains to the growing interest in clustering dynamics, and the realization that for sustainable competitive advantages, simply having companies is not enough; the type of enterprises may matter more. Accordingly, the sorts of linkages and synergies fostered between companies within a local system are an increasingly important factor in the industrial prospects of a locality. The second factor is particularly important in the shift to more endogenous strategies – to more local systems of innovation and governance.
There is an important peculiarity of the Swiss context that shapes local development processes significantly. A unique aspect of the Swiss economic development is the tremendous reliance in private sector-led research and development. Whereas education is a canton-administered function, research is a domain of the Confederation – but one that represents a modest presence, and one which pails in comparison to the levels of research in the private sector. In fact, when the Confederation supports research, it does so on a selective basis, and in a manner meant to re-enforce competency clusters within existing industries. As a result, limited public resources are in no way an implicit spatial effort at regional development; at best, they are used to strengthen the existing foci of Swiss industry.

By the 1990s, some students of the Canadian scene were beginning to recognize the merits of looking at European devolutionary models, such as Switzerland. For instance, explicitly calling for a shift from national to local thinking, Blais outlines four areas in need of new thinking with respect to economic development: i) rethinking federal policy and programs toward local governance and development; ii) a new economic role for urban centres; iii) (reforming) systems of urban governance; and iv) (reforming) the functioning of city governments [1994]. Although one may choose to reverse the order of the four points and emphasize the bottom-up dimension to this challenge, Blais is correct. Localized governance systems must be viewed within their multi-level contexts. Innovative governance strategies locally can be stymied by bad federal or provincial policies, or enhanced by effective ones.

Blais’s presentation is a useful formulation of local systems connected to a federal context, and it demonstrates a growing sense through the 1990s that perhaps the Swiss – European framework, with its emphasis on local action, is one that may well present a useful reframing of the Canadian legacies which we have reviewed here. In short, Blais reveals the constraints, and an over-riding truism from Canada's past is that the formation of a national consensus on economic development has remained elusive [Atkinson and Coleman 1989; Paquet and Roy 1992; Paquet and Roy 1995]. Here lies a central lesson and fundamental reality of Canadian policy-making. Any country hoping to implement a meaningful national strategy - irrespective of the degree of interventionism - requires, as a prerequisite, the capacity to set priorities collectively. This process of social learning hinges on consensus building, and its absence from the Canadian national level is well documented.

This structural limitation in the Canadian scene is the essence of Blais's four points - as outlined above. These shifts should illustrate the erosion of direct interventionism by Ottawa, rendering the sorts of national and comprehensive strategies envisioned by national governments in the 1970s and 1980s nearly obsolete. They are central to the paradigm of regional development that, according to Savoie, is in need of a complete overhaul [1992], one more in line with Blais's four questions. Savoie's emphasis [1992] on local entrepreneurship and empowerment, and getting the federal government out of direct engagements is consistent with many of the themes developed here. Yet, many observers have never disavowed themselves of the traditional federal manner of acting in the name of the periphery, and the most recent Atlantic Canada strategy in 2000 can be viewed as evidence of an ongoing contradiction and blockage in the Canadian federalist system.

One of the most interesting comparisons between the evolution of the Swiss and Canadian policy environments is the relative deployment of the term “region”, and the underpinning consequences of its meaning. The word region is both central and a source of confusion: it reflects a paradigm of regional development which has been influential in the post-war period, and yet it can refer, today, to a variety of jurisdictional units such as city-regions, subnational regions and even transnational regions such as a continent. In the Swiss context, however, the term region, with respect to local governance and economic development, has a very limited role. The only usage of a formal definition of a region is found in the single example of national action toward some form of subnational assistance, the special cases of mountain-based regions. Under this program, a region constitutes a number of local communes, and they must define themselves as
such. In this sense, regions exist within the canton – and a far less important from an economic development perspective. In the Canadian context, it is evident from the preceding review of federal initiatives that a region has generally been referred to as a broad subnational zone – one often encompassing several provinces such as the most prominent case with respect to regional development, Atlantic Canada.

The interesting and important consequence of this comparison is that regional development has far less meaning, as a policy paradigm, in the Swiss context than is the case in Canada. The Swiss context is a governance regime of local development – where the predominant powers of the canton, and the corresponding autonomy of the local commune mean that local prospects are front and centre in both policy debates and the political environment.

The sort of Atlantic Canada strategy – for a region encompassing four provinces – would not be permitted in the Swiss federation where the 26 different cantons carefully consider their own mix of exogenous and endogenous conditions. The importance of this contrast becomes more evident as we shift to a more explicit examination of collaborative governance capacities – fundamental to the prospects for bottom-up success.

5. Conditions for Endogenous Growth and Collaborative Governance:

There is clearly some convergence across both federations as to the growing prominence of local processes, and the necessity of nurturing local conditions in a manner conducive to their environment. Yet, at the same time, both the historical legacies and present conditions of the multi-level environments under review lead to very different sets of incentives and constraints for localities in each country. From the preceding discussion, the following general propositions are offered as a means to focus on the lessons learned from our comparisons, as well as the consequences – both generally for local action and specifically for localities in the Swiss and Canadian contexts.

The three propositions are:

\[ P(i) \text{ capacities of local government are changing, and they must shift from a focus on planning to an emphasis on association and network building;} \]

\[ P(ii) \text{ industrial connectivity and synergistic relations among sectors are important development factors for local endogenous growth, and they must be understood within patterns of governance tied to processes of both globalization and localization;} \]

\[ P(iii) \text{ federal contexts shape the interplay of multiple levels, and new compacts of inter-governmental coordination are required.} \]

The first proposition is evident in the burdening literature on local systems and city-regions of what sort or another (notwithstanding the looseness with which the term region is often invoked). Yet, the literature on local government in particular demonstrates an unparalleled diversity in both structure and capacity in both Europe and North America [Goldsmith 1999]. There may also be an irony in the weak local capacities in the Canadian public sector. One could suggest that the relative weak capacities of local state actors in the Canadian federation has, in turn, sparked greater innovation and flexibility in new forms of horizontal partnerships across sectors locally than is the case in Switzerland. New forms of civic entrepreneurship, for example, are a feature of many localities in Canada (as well as in The United
States where the movement finds it conceptual roots). It is important to point out that such innovations are most often rooted in civic-based associational activities, and the research to date shows that local governments in Canada have yet to adapt effectively to this more networking-based logic.

In contrast, these types of collaborative arrangements have yet to make their mark in the Swiss context where the relative strength and autonomy of local authorities may well produce a disincentive against cross-sectoral collaboration. In other words, the stronger capacities of local governments may tend to re-enforce the distinctions between industry, government and civil society in Switzerland. Strong concentrations of research and development in industry, supported by self-organizing mechanisms such as industry associations, local Chambers, and privatized forms of incubation and assistance coupled with powerful forms of local government, rely less on cross-sectoral action. To speculate on a potential flaw or limitation of the Swiss model, this significant presence by private and public sector actors may also crowd out the potential for new forms of civic-rooted entrepreneurship so prevalent in local models elsewhere. Even forms of Swiss direct democracy, opening up more direct channels of citizen input and public accountability, may carry similar impacts if they encourage direct citizen action rather than more indirect forms of community organizing.

The consequences of this paradox present an interesting opportunity for cross learning. In the Canadian context, the largest municipalities (urban centres) continue to march toward various forms of political and bureaucratic amalgamation – and so it is argued, heightened organizational sophistication (a trend which in terms of size means that several Canadian municipalities can be equated with Swiss cantons – in terms of population and socio-economic activity) that suggest a heightened role in local development and governance. The challenge for these localities, however, is to develop both stronger public authorities, learning from Swiss and Scandinavian examples (potentially experimenting, for example, with separate forms of taxation to replace the now dubious and outdated system of property tax which hamstrings local capacities of Canadian municipalities) and smarter state capacities. By “Smarter” capacities, we mean recognition of the growing importance of flexibility, collaboration to institutionalizing positive processes of synergistic governance.

Conversely, the challenge for localities in Switzerland is to re-deploy the strength of public authorities in efforts to collaborate more effectively with private and civic sector organizations. While the present performance of most Swiss cantons suggest no obvious cost to the particular traits of more autonomous sectoral activities, the permeating logics of collective action local – so prevalent across both North America and Switzerland, suggest that an ongoing absence may reduce capacities to sustain competitive advantages (particularly when this point is coupled with the characterization of industrial embeddedness discussed below).

In Canada, the growing emphasis on local collaboration may is certainly at least a partial result of limited state capacities within local systems, a characteristic which has spurred the search for new forms of public-civic partnerships in many cases. The case of Canada`s Technology Triangle (CTT, an alliance of four municipalities in South Western Ontario) is illustrative. While its initial impetus over ten years ago was a public sector effort undertaken to pool limited resources and better promote the area in a more exogenous fashion, more recent efforts to strengthen and add governance mechanisms have been largely horizontal, and largely driven by both industry and community actors.

This relationship is not a claim that weak local government is advantageous and localities move forward, as here again the CTT example is indicative: more aggressive pursuits of CTT-based governance (as opposed to municipal-based action) are not clearly being stymied by the political logics of weak and parochial municipal forums. Yet, the implicit question arising from this discussion is to what extent has weak local government contributed to collaboration by providing incentives for joint action (or simply incentives for action in either the private or civic realm, as actors become impatient for more aggressive local strategies)?
The second proposition, then, is the role of local ties and effective collaboration synergies in nurturing adaptive, and effective systems of governance. The argument of this paper suggests that for all localities, irrespective of location, size and socio-economic make-up, endogenous growth strategies must take precedent over the more traditional forms of exogenous action that have been so prevalent in regional development in Canada. The point which merits further reflection and attention is the extent to which state structure and autonomy at the local level impacts the nature of business involvement and civic engagement in local governance processes – and how such interdependencies shape, and will shape local growth.

In terms of the private sector, there are two inter-related issues. First, there is the question of how the characteristics of local government might foster incentives or disincentives for business leaders to want to participate in joint activities. The local activism and loyalties of industry leaders have been shown to be important intangible factors in differentiating the socio-economic performance of subnational regions across different European countries [Rudolf 1999]. The second issue is the degree of local embeddedness of companies. The shift from exogenous to endogenous strategies which is evident in both countries suggests a deepening of these types of linkages (or at least a greater awareness as to their importance), as local public authorities spend relatively less time and resources attempting to “attract” major investments by fleeting multinational enterprises and more time cultivating local conditions for innovation and learning, building on existing strengths. In other words, the local focus is inward.

Yet, at the same time a new form of exogenous structure is emerging which may present a critical factor for the locality’s evolution. The transnational marketplace, and the corresponding acceleration of mergers and acquisitions designed to create global corporate units, may result in the largest and most successful firms becoming less locally rooted and more globally centric. While such a characterization will generally be a low priority in an expansionary economic climate, the real danger is that in the event of a global recession, the logics of industry rationalization and local concertation will be completely disconnected.

In all countries (and continents), the inter-relationships between local, national and multinational enterprises are undergoing important shifts. While the logics of transnational market forces downplay the importance of nationally controlled companies (and more so in small and relatively open and trade dependent countries such as Canada and Switzerland), there is a countervailing tendency toward local control and identity. This latter emphasis is due, of course, to the localizing nature of governance, where an emphasis on flexibility and as a result, small enterprise and entrepreneurship closely tie to local conditions of finance, culture and politics.

The emphasis is also tied to the growing sophistication of global corporations, and their network structures that result in multiple implantations – the selection being based more on local conditions than national ones (particularly in developed nations, and even more particularly in OECD federations). To what extent do such private formations of industrial networking serve as reliable and responsive partners in localizing forums for both successful and sustainable forms of competitive advantage, and what are the consequences of the response for debates about local and regional development.

In responding, the starting point must to both embrace the importance of local conditions in shaping local growth and development and underline the need to differentiate between various localities in terms of their needs and their strategic actions. For the emerging local centres of excellence in a globalizing knowledge economy, for example, the best local strategy is clearly endogenous; cultivating ongoing success in leading-edge clusters (itself a complicated challenge) is the surest way to an effective exogenous strategy. In other words, local success – more than traditional cost considerations will breed external interest and inward investment. For less developed localities, or those faced with a unique or acute
form of socio-economic transition (i.e. the sudden collapse of a major industry) new answers are required.

The third proposition, then, suggests that it would be naïve to plead for an exclusive focus on localization, ignoring the ongoing presence of national and subnational structures and cultures that shape local action. Going beyond general assertions that national governments matter – and therefore they must be accounted for, there is some evidence to suggest the emergence of a renewed form of urban/rural divide which is perhaps more sensitive to, and dependent on forms of inter-governmental co-ordination that may or may not exist.

Specific examples of highly-industrialized locales, such as that of CTT, may be partially removed from the regional development discussion that has impacted localities in other parts of the country (i.e. Atlantic Canada) in more pronounced ways. Yet, there may be lessons here as well. First, the CTT example is closer to the local resilience of Swiss cantons in the sense that adaptive capacities locally have seemingly been developed by local action primarily, and higher-order governments in a secondary or supportive fashion.

Perhaps more importantly, many commentators in less resilient zones of Atlantic Canada (as measured by an absence of new firm creation and diminished levels of innovation) put forth the view that the large federal apparatus (its formal structures and informal identities) have served as a powerful disincentive for stronger, more local strategies. In short, the assertion is that direct assistance breeds ongoing dependence, and while this view is espoused often by political, industry and civic leaders alike, it is important to underline that this shifting rhetoric is also shaped, and constrained by a federal system producing a more mixed set of incentives.

Yet, geography continues to matter. In a knowledge-based economy, there is a clear, and perhaps intensifying bias in favour of urban zones that can exert at least a minimal degree of presence in industrial clusters, education, infrastructure, and public resources. The lack of many of these ingredients in rural settings is a unique quandary that cannot be easily dismissed. In fact, there is an important divergence here between Canada and Switzerland. Many rural localities in the latter continue to be supported by a national system of agriculture protectionism that, in turn, is perhaps the key variable in explaining the Swiss rejection of EU membership. In some cases, under-developed areas of Atlantic Canada are zones that have suffered from a quasi-total collapse of their natural resource industries (i.e. fishing). In such instances, national governments – with their considerable resources – may be called upon to respond to such special circumstances. Our findings suggest, however, that such action, if warranted, should take place via inter-governmental transfers that empower local processes to respond to local circumstance with greater resources (i.e. greater investment capital for new businesses and community endeavours) rather than through a federal effort to directly intervene in such areas via duplicating and costly bureaucratic infrastructures.

6. Lessons For (and perhaps from) The EU

In the past, we have argued that in comparison to North American governance, the institutional architecture of the EU carries a greater nurturing capacity for local models (via the principle of subsidiarity) and inter-locality linkages (via EU mechanisms such as The Committee of Regions [Paquet and Roy 1997]. In the public sector, for example, whereas Canadian municipalities struggle to realize any degree of autonomy from their provincial masters and federal counterparts, there is, at least, more diversity in approaches and local autonomy across the EU [Blais 1995], even as one must caution against sweeping generalities.

The main opportunity for EU in the regional policy field is to recognize that this source of potential advantage lies in the
emergence of an intra-European set of learning networks via the EU itself. Of more value than stark choices between
countries and regions as the central actors of the EU of tomorrow is the realistic set of interdependencies which exist in
multi-level frameworks across the EU, particularly those in federalist regimes. Thus, political forums and policy
mechanisms at the EU level that bring together local actors in strengthened dialogues on local growth prospects are
central elements of the EU project in the new millennium.

Despite its peculiar circumstances in areas such as agriculture protectionisms (hardly foreign to EU member states),
Switzerland becomes an important reference point for regional policy-makers and local leaders in Europe. Switzerland is
a federation that practises subsidiarity, and its more direct forms of democratic engagements and highly devolved
governance structures across cantons of varying sizes provide evidence against the argument that only national systems
are sophisticated enough to manage key dimensions of every day life such as education and health care. With economic
development and prosperity becoming increasingly integrative and multi-jurisdictional processes, the cities and regions
most likely to benefit the most are those with strong local capacities to act in such an integrative fashion [Stoker 1996].

Yet, regional policy is also about recognizing and responding to exceptional circumstance. There are clearly dangers of a
growing rift between the urban and knowledge-intensive locales of the information age, and those areas limited by
geography, history or more recent socio-economic transitions. In this sense, both Canada and Switzerland provide their
own examples – but the contrast between the two is what is most noteworthy. In the latter case, assistance arrives via
mechanisms and approaches designed with a significant degree of local input, and subsequently administered via a
significant reliance on local actors. The Canadian inertia is of a different sort.

Here lies a crucial lesson for EU regional policy-makers. While research may not be conclusive as to how best to
ascertain local growth, particularly in environments struggling with socio-economic transition, the evidence is
overwhelming that meaningful renewal cannot be ordained from technocratic structures of strong centralized state
systems. Accordingly, EU regional policy must remain dispersed administratively and accountable locally – and in the
digital era of the 21st century, the new opportunities for inter-governmental collaboration carry significance for regional
policy in this regard. Technology must be harnessed as a force of empowerment for strengthening local capacities and the
processes by which local input and action define EU approaches. In this sense, technological innovation can couple with
the political innovations of the EU, such as The Committee of Regions, in order to ensure that subsidiarity is respected.

In this regard, the cautionary note from the Swiss experience is that strong state capacities locally bring their own set of
challenges – if autonomous government becomes insular government. In a networked world, local governance must be
fluid and relational, and there is some evidence that a paradoxical impact of a weaker public sector locally in Canada has
been a greater degree of innovation horizontally, in terms of multi-sector collaborative arrangements. Thus, both sets of
governance dimensions – vertically and horizontally – must be carefully accounted for in formulating regional policy.

7. Conclusion

Any recognition of Swiss peculiarities cannot replace the lessons emerging from the stark contrast between Swiss and
Canadian federal contexts. Swiss national unity is maintained by a respect for subsidiarity and flexibility (even with its
implicit costs of cross-canton competition and duplication a dynamic which also carries offsetting benefits of
experimentation and learning). Similarly, Swiss economic development is by and large a local affair, replicating the nature
of democratic engagement and civil society that is also highly diverse and localized. Unquestionably, the historical legacy
of such a system matters, as it shapes the expectations of citizens, as well as the attitudes and actions of industry and
community leaders.

In contrast, Canada is a relatively decentralized federation that continues to crowd out the importance of the local by an over-riding dominance of the federal and provincial levels – and the interplay of these latter two levels. The future may not be the same, however, as city-regions in large urban areas emerge as important laboratories of governance innovation and authority. Yet, historical legacies are not easily overcome, and clearly any local determination to reduce dependency in areas such as Atlantic Canada will be tested by a solid dose of political and economic pragmatism in the face of a new $800 million regional initiative. The optimistic portrayal of this new initiative is to plead for a careful and open deliberation as to how best to deploy these funds, re-enforcing rather than replacing local strengths, and accounting for acute peculiarities of those remote areas truly in distress. In terms of consequences for Europe, the EU should be looking carefully at both Switzerland and Canada for their contrasts in governance arrangements and the lessons that result.
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