

Policy Path dependency and the Strategic Adaptation of Cities in Federal Systems:

Comparing Canada and the United States

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Introduction

This paper seeks to contribute to the extant literature on literature on urban politics, institutions and governance by drawing conceptual frameworks from the discipline of public policy to investigate economic development policy governance in city-regions. The paper investigates the institutional resilience and adaptability of mid-sized cities in the face of structural changes in the global economy since the Great Recession. The focus of the discussion will be on exploring and comparing a sub-set of cases in Canada and the United States. Cities are experiencing realignments of power relations across levels of government as globalization creates new opportunities and imposes new challenges for industrialized economies. These power realignments are rooted in frameworks of public policy governance that give a vital importance to “local spaces,” not only as geographic but also as institutional constructs. A closely related implication of this realignment is the building strategic alliances among a wide range of public and non-governmental actors in implementing policies in highly politicized environments. The discussion focuses on a sample of cities in Ontario and New York to illustrate the institutional infrastructure of governance underpinning the economic landscape of city-regions and the challenges of reform that such local regions face in an age of unprecedented global socioeconomic change.

The paper will utilize the concept of path-dependency in public policy formulation and change as an analytical framework for understanding the challenges and complexities of institutional adaptation at the subnational level. The notion of path dependency is rooted in the well-established research tradition of historical institutionalism. However, the discussions in the academic literature have tended to focus on the national level of analysis (Lowndes, 2010; Kay, 2005; Thelen 1999). Local jurisdictions such as cities and regions have been largely ignored in the literature, except for the pioneering work of a few

scholars (Stone 2015; Rast 2012; Wolfe 2010; Amin 2008). The first and main objective of this paper, therefore, is to address this oversight and contribute to the nascent research applying concepts of path dependency at the local level.

This paper particularly focuses on the Niagara region in Ontario and the Finger Lakes Region in New York, critically assessing their adaptability in the face of structural changes in the global economy. The central research question is as follows: Why and how has the governance of economic development policy in Niagara and Rochester changed – or failed to change – to adapt to the imperatives of global economic upheavals and restructuring over the past forty years? The concept of adaptability as used in this paper refers to the ability of a city to transform its institutions of local economic development governance to fit the changing imperatives of global economic restructuring. This paper particularly problematizes the adaptability (or lack therefore) of governance structures in explaining the adjustment (or stagnation) of city-regions to the change pressures of global economic upheavals.

The second but no less significant objective of this paper is to deepen to our understanding of the institutional infrastructure of governance underpinning the economic landscape of city-regions. The aim is to contribute to the current discourse of urban studies by applying concepts and frameworks from the field of public policy to shed light on the growing complexities urban policies. The term city-region is used in this discussion to denote a metropolitan area and its surrounding hinterland. City-regions would often consist of one or two relatively large cities forming a conurbation or urban zone along with many smaller towns and rural areas sharing resources like a central business district, transport network and a common labour market. A city-region does not presuppose a single administrative unit since most entities tend to be characterized by multiple administrative districts such as municipalities. However, to enhance the administrative efficiency of managing common resources and economic interdependency most city-regions in Canada and the United States have over the years developed regional administrative

arrangements aimed at enabling such geographic zones to function as a single unit. It is the complexities and challenges associated with this effort that forms the substance of the present discussion.

The significance of the study is underscored by the fact that mid-sized cities tend to be most vulnerable to the emergent global economic transformation because they are smaller, less economically diversified, and possess less institutional and professional capacity (Wolfe 2010). Major changes in one industry (e.g., General Motors in St Catharines, Ontario) can be economically and socially devastating to the local community (Conference Board of Canada, 2013). Moreover, mid-sized regions like Niagara and Rochester and others across North America have been combating economic stagnation, industrial dislocation, demographic decline, youth outmigration, citizen apathy, and loss of business confidence with often very limited resources (compared to their larger counterparts) to stem and reverse the tide of these devastating trends. Their unique challenges thus justify special analytical attention.

The rest of the discussion is structured as follow: The next (second) section lays out an explication of the conceptual framework of path dependency that serves as the analytical lens for answering the central question of this study. This section will clarify the conditions in which "path dependent" processes occur as well as specify the key mechanisms involved. The fourth section then delves into the case study, using the conceptual framework to examine the key features and challenges of economic governance in the Niagara and Rochester regions. The focus here is on highlighting the empirical indicators that demonstrate the nature of path dependence processes in the case study. The fifth and last section concludes with some theoretical inferences and practical policy lessons that should deepen our appreciation for the institutional challenges and prospects of economic governance in mid-sized city-regions in Canada and around the world.

Conceptual Framework: Path Dependency

The analytical framework of path dependency is rooted in the well-established research tradition of historical institutionalism (Lowndes, 2010; Hall and Taylor, 1996; March & Olsen, 1984). In this regard, the aim of this discussion is to develop a synthetic theoretical framework of path dependency which incorporates several elements of relevant concepts within historical institutionalism. In so doing, the discussion clarifies the conditions under which "path dependent" processes occur as well as specify the key mechanisms involved. A core thesis of historical institutionalism is its emphasis on how institutions emerge from, and are embedded in, concrete temporal processes (Hall & Taylor, 1996; Steinmo, 2001). For analytical clarity, we restrict the use of the term "institution" in this discussion to formal institutions and rules. Some historical institutions list have included in their conceptualization of institutions a set of practices and attitudes embedded in structures of meaning and resources as well as deeply informal conventions, norms, and attitudes within the system they are observing. However, the problem with this approach is that if institutions include these things, then it becomes difficult to persuasively specify the causal mechanisms within institutions that produce the path-dependent processes in a policy subsystem. In this regard, the emphasis in this discussion will be on formal institutions and policies.

The intuitive appeal of path dependency in political science can be ascribed to the fact that while politics involves some elements of contingency and chance as manifest in the strategic behavior and choices of agents, there is a tendency for most policy subsystems to be locked in specific patterns of institutional configuration and collective action over time (Thelen 1999). Once such patterns consolidate, major actors within that subsystem will tend to adjust their strategies to adapt to, and maximize their interests in, the status quo (Beland 2010; Hall 1986).

Two key concepts that explain the conditions in which path dependent processes occur are as follow; "critical junctures" and "policy feedbacks mechanisms" (or "developmental pathways")

(Mahoney and Thelen 2010; Beland 2010; Ikenberry 1994). The combined insights from the mechanisms involved in critical junctures and developmental pathways (or policy feedback mechanisms) provide a lens for empirically explaining processes of institutional continuity and change over time. Rather than emphasizing a dichotomy between institutional stability and change, the concepts of policy feedback and critical junctures can integrate the two and highlight their tensions within a given policy subsystem over time (Sabatier and Weible 2014). The concept of punctuated equilibrium in particular captures and elucidates this tension at work within this mechanism (Howlett and Cashore 2009; Baumgartner and Jones in 1993) in its emphasis on the complex coexistence of stability and change by which extended periods of stasis can be punctuated by sudden shifts. Such shifts, however, need not be radical since systems change only incrementally due to the "stickiness" of vested interests, accumulated patterns of behavior, and the bounded rationality of actors.

The mechanism of "critical junctures" consists of seminal moments of institutional reconfiguration that establish specific trajectories of governance. Pierson and Skocpol (2002: 6) stress that "outcomes at a 'critical juncture' trigger feedback mechanisms that reinforce the recurrence of a particular pattern into the future." Accordingly, path dependency does not rule out change but assumes such change to be the result of exogenous shock to the equilibrium of a policy subsystem (Peters and Pierre, 1998; Hall and Taylor, 1996; Thelen, 1999; Hay 2002). Exogenous perturbations such as international events and processes could potentially break the otherwise endless cycle of institutional reproduction. Domestic political changes are thus contingent upon the mechanism of external shocks (Jacobs and Weaver 2015; Lecours, 2005).

However, because critical junctures by their very nature emphasize exogenous shocks and the strategic interaction of actors, they often fail to specify how these mechanisms morph such seminal moments of change into enduring legacies. The concepts of developmental pathways and policy

feedback on the other hand identify and explain these mechanisms that are actually producing the path-dependent processes that the scholar observes. Paul Pierson (1993) has provided a detailed illustrations of the self-reinforcing positive feedback mechanisms by which actors recalibrate their strategies in ways that reinforce the “logic” of the status quo. A significant characteristic of the concept of developmental pathways is that it makes allowance for the fact that even while on a specific trajectories, institutions tend to continue their evolution in response to changes in environmental conditions and the ceaseless strategic actions of agents who still hope and endeavour to maximize their preferences while at the same time adapting their behavior to existing institutions.

A closely related characteristic of this feedback mechanism (or developmental pathway) is the distributional effects of institutions (Ikenberry 1994; Kay, 2005; Lowndes, 2010). In addition to actors adapting their behavior to existing institutions, these same institutions reproduce and consolidate particular structuration of power in a policy subsystem. However, to the extent that institutions rest on a set of ideational and material foundations that can be shaken, change is possible (Thelen 1999; Beland 2010). It is in this respect that the mechanism involved in critical junctures enriches the explanatory power of the framework of path dependency. It draws attention to issues of sequencing and timing, focusing on the nature of the interaction between ongoing political processes and the effect these interactions are having on institutional configurations and trajectories.

Therefore, to overcome the problem of deterministic or overly mechanical accounts, scholars working in the tradition of path dependency tend to highlight the specific configuration of timing, sequencing and interaction of political and economic processes that would explain exactly how enduring patterns have distilled in a given subsystems. They would also explain how such patterns constrain or narrow, if not foreclose, certain choices even while allowing for some variation in governance trajectory over time. In this regard, the framework of path dependency need not strip actors of their agency (Kay

2005). In fact, it is the tension between actors' adaptation to prevailing institutions and their ongoing attempt to exploit contingent events to reconfigure these same institutions that makes path dependency a rich and complex analytical framework for understanding collective action (Kay, 2005; Peters, 2009). Once institutions are created they take on an autonomous life and drive politics and policies (Lecours, 2005).

Path dependency is already proving to be a promising analytical framework in urban politics and local political economy (Amin, 2008). This small but growing literature on path dependence can be found in David Wolfe's (2010) work explaining patterns of innovation trajectories in mid-sized Canadian cities. Similarly, Joel Rast (2012) has used path dependency to explain varying patterns of politics in urban systems. Clarence Stone's (2015) work is also a noteworthy pioneering effort at observing and explain mechanisms that produce path-dependent outcomes in local or regional contexts. This paper seeks to contribute to this literature but with a particular focus on the institutional configuration of local economic development governance. The next two sections below examine the institutional infrastructure of economic governance in the Niagara and Finger Lakes regions through the lens of path dependency. The concluding section draws some theoretical inferences and also offers some practical policy lessons.

Economic Governance in Niagara, Ontario

The Niagara city-region, like other major regions in Canada, has been struggling to revitalize its local economy after massive industrial restructuring (including plant relocation and downsizing) in the automobile and other hard manufacturing industries. The region's manufacturing sector has been particularly affected by intense global competition from low-cost jurisdictions and environmentally loose

regimes in the emerging markets of developing countries. The Niagara's other challenges include: slow population growth, aging population, and mass youth exodus; lower than average number of post-secondary graduates; low relative earnings, high property taxes; and no interregional transportation network (Niagara Community Observatory, 2013). The region has lost almost 8,000 manufacturing jobs between 1996 and 2005. The median income is \$23,400— taking last place on a list of 11 census metropolitan areas in Ontario. Employment growth is less than one per cent per year, compared to an Ontario average of 17.5 per cent (Niagara Workforce Planning Board, 2010)

In the face of its changing economic fortunes, the region has been subject to increasing political and economic pressures from a wide range of domestic actors, especially the private sector to respond to the new threats from international competition and demographic shifts in the region. Over the past decade, Niagara has been engaged in collaborative effort involving a large swathe of its community working together around the themes of growth and prosperity (Niagara Region, 2009). In this regard, the region has developed several Economic Growth Strategies, with the first dating back to 2005. Central to the strategic plan documents is a recognition of fundamental shifts in the region's economy away from its branch-plant based manufacturing and dependence on primary agriculture, toward smaller-scale and innovative advanced industries.

The broader context of Niagara's regional economic adaptation and reinvention outlined above is the province of Ontario's twenty-five-year Growth Plan for the Greater Golden Horseshoe region (released in 2006) (Government of Ontario, 2006). Under the government of Ontario's Places to Grow Act of 2005, the Growth Plan for Golden Horseshoe has several aims to revitalize major cities and smaller communities to become vibrant and convenient centres of environmentally-friendly growth and development. The Growth Plan also projects twenty-five centres (or cities) in the region as urban growth centres and economic generators. The significance of the Growth Plan is that it signals that the Ontario

government acknowledges the need for active policy leadership to be vested within municipalities in the region for defining the future of economic development in the region. This development serves as a catalyst to the policy ambitions of municipalities in the region which have, to varying degrees, relatively well institutionalized policy engagement in economic development activities within their local jurisdictions. Niagara was thus experiencing a critical juncture or seminal moment of institutional reconfiguration that would establish a specific trajectory of economic governance in the region. The Ontario government's initiative provided a broader policy platform for the region to engage in strategic industrial restructuring to combat the globally-induced economic perturbation confronting the region.

The latest strategic plan (2012) of the Niagara region is the result of broad and extensive consultation with regional stakeholders such as Niagara's governments, businesses and community activists. During this process, the regional authority deliberately shifted its mandate from directly delivering programs and directing outcomes to horizontally facilitating, coordinating, and empowering non-state actors, especially the private sector. Deliberations over the past decade have focused on strategies to support traditional industries and nurture new ones (Niagara Region 2012). Some of the principal policy instruments employed by the region broadly consist of leveraging productive capital to target emerging sectors, encourage entrepreneurship, support skills development, and facilitate the interaction between talents, entrepreneurship, capital, and commodity markets This strategic shift led to the emergence over the past few years of self-sustaining networks of public-private actors in various sectors of the local economy, especially the digital industry and the bio-life sciences)..

During the phase of this economic crisis, the Niagara region went through several institutional reconfigurations in its economic development governance arrangements (Niagara Community Observatory, 2013). As we noted in the previous section, a critical juncture such as an economic crisis triggers feedback mechanisms that reinforce the recurrence of a particular pattern into the future. The

Niagara Economic Development Corporation (NEDC - a now defunct a semi-autonomous corporation) was the first agency that embarked on an ambitious drive to address the region's economic woes (Niagara Region 2009). Its mandate was to promote Niagara on a global scale and work in partnership with the region's twelve municipalities to provide services that encourage investment in and travel to the region, along with business support services to attract, maintain and increase jobs in the region. However, the NEDC largely failed in engaging the region's twelve municipalities and their respective economic development offices (EDOs). This failure itself, a function of age-old fissures in the local politics of the region, led to the final demise of the corporation. The region recently disbanded the semi-autonomous NEDC and created an economic development department, the Niagara Economic Development Department (NEDD), within its regional administrative structure. Path dependency as a concept does not rule out change but assumes such change to be the result of exogenous shock to the equilibrium of a policy subsystem.

The NEDD serves as the main conduit through which the joint policy actions of economic development agencies operating in the region are channeled. It is mandated to work closely with 12 local area municipalities and other partners in the region as well as from the provincial and federal government in pursuit of the region's economic development aspirations. Compared to its predecessor, the NEDD has been careful to court the goodwill and support of municipal EDOs in its plans and deliberations. In terms of mandate, the principal focus of its activities is economic restructuring in the region through support for a range of activities related to the retention and growth of existing companies and encouragement of new businesses to relocate in Niagara. The NEDD provides several information and services to facilitate business relocation and expansion in the region.¹ It serves as the main conduit

¹ Interview with a senior official at the NEDD, March 2016

for helping businesses with advice on potential relocation sites as well as providing general information on infrastructure, market intelligence in the Niagara region. The NEDD, in partnership with private sector associations, post-secondary institutions and agencies from levels of government provide the typical range of business support services, such as registration, financing, marketing and the like. The exogenous perturbations of global economic restructuring have thus given birth to new institutional processes of local economic governance..

The Niagara region's leadership in vision casting has given the regional government – and by extension the NEDD - a central role in facilitating a networked local economy. In fact, the institutional infrastructure of local economic restructuring in the Niagara deviates from the vertical structures of formal inter-governmental relations across levels of government in Canada's federal system. By virtue of its mandate as the main conduit of a city-region's economic aspirations, the NEDD commands a legitimacy that is out of proportion to its size or level of authority within the jurisdictional hierarchy of Canada's federal structure.

The NEDD's strategic engagement in the region includes a range of other actors working in the region in pursuit of the goal of economic reinvention (Niagara Chamber of Commerce, 2013). The federal government's main agency of economic development in Southern Ontario is the Federal Economic Development Agency for Southern Ontario (FedDev) (Government of Canada 2017). FedDev runs several programs, and the most critical among them for Niagara and similar regions include the Advanced Manufacturing Fund; Investing in Business Growth and Productivity; Investing in Business Innovation; Investing in Commercialization Partnerships; and Investing in Regional Diversification. FedDev often either directly funds projects in partnership with the province and municipalities or works through its Community Futures Development Corporations (CFDCs), three of which operate in Niagara.

The main provincial organization responsible for economic development, and with which the NEDD shares a similar policy mandate is the Ministry of Economic Development and Growth (MEDG) (Government of Ontario 2017). The agency engages the Niagara region through its core economic development programs that include "Advice and services for Small Businesses", its funding for local governments and community organizations as well as its Small Business Enterprise Centres (SBEC) located across the Niagara region. These agencies from the federal and provincial governments seek to engage with their local counterpart at the regional and municipal level to provide a joint platform for supporting local economic restructuring across regions and cities.² A key characteristic of feedback mechanisms (or developmental pathway) in the concept of path dependency is the distributional effects of institutions. In addition to actors adapting their behavior to existing institutions, these same institutions reproduce and consolidate particular structuration of power in a policy subsystem.

There are also non-state actors such as multinational corporations, private sector associations, post-secondary institutions and other hybrid agencies embedded within the region and having direct stakes in the process and outcomes of local economic restructuring. Organizations such as Innovate Niagara, the Chambers of Commerce, Business Improvement Areas (BIAs), Brock University, Niagara College, Collège Boréal, BioLinc, Niagara College Innovation Centre, Rankin Technology Centre and Vineland Research Centre are some of the principal non-state actors within the local policy subsystem of Niagara's economic development ambitions. In this regard, the institutional boundaries of local economic development governance in Niagara are very porous as non-state actors such as post-secondary institutions exercise greater policy influence as knowledge generators in innovation-driven

² Interview with one of the Local Economic Development Officers in Niagara's 12 municipalities

local economies. These emergent complex networks consisting of public and non-state actors defy the neat constitutional boundaries that separate the state from society.

Given the failure of its predecessor, the NED is keen to foster strategic ties with all relevant actors within its sphere of operation. The agency thus seeks to synthesize top-down and bottom-up approaches to policy making and implementation. NEDD's engagement with these range of actors reflects a context of policy governance mechanisms that emphasizes building of strategic alliances among a wide range of public and non-governmental actors in pursuing the goal of economic adaptability and resilience. The complexity of Niagara's political and economic environments also points to the processes of local economic development policy implementation as characterized by inter-organizational and inter-jurisdictional cooperation. While the process of economic governance in Niagara still involves some elements of contingency and chance that allows for the strategic behavior and choices of local agents, there is a growing tendency for the region to be locked in the emergent trajectory (or path) of institutional configuration and collective action.

The Niagara case study illustrates how ongoing turbulence in the global economy and the attendant industrial restructuring across urban centres are impacting on the fundamental structures of city-region's economic prospects and challenges. Out of these crises, however, are emerging opportunities for economic reinvention by regions that position themselves to exploit change. The Niagara region has seen a decline in traditional manufacturing while also witnessing an increase in some kinds of specialized manufacturing. The decimation of traditional industries has run parallel with the emergence of new clusters, markets and levels of innovation. The swings and transformations in the region's economy are directly linked to the forces of increased global competition, accelerated technological innovation and a changing workforce. As the traditional industrial base of the region shifts in response to global, national and local pressures, these exogenous and endogenous forces created

opportunities and threats to which the region was compelled to respond. Its response includes seeking to build on its strong manufacturing, agricultural and tourism roots to encourage new and innovative processes focused on adding value. Central to this strategy is the effort to transform its traditional sectors into more knowledge-based industries. The concepts of developmental pathways and policy feedback provide us an analytical lens to understand and explain the nature and mechanisms of path-dependent processes of economic governance in Niagara.

The Finger Lakes Region, New York

The city-region of Finger Lakes has been through a difficult transformation over the past two decades from an economy based on a small number of leading manufacturing firms to an increasingly successful and diverse knowledge-based economy. For much of the 20th century, the region's economy was dominated by four large manufacturing-based companies. Over the past two decades, the region was decimated by an exogenous perturbation of international industrial restructuring that resulted in large-scale relocation of major employers from the region. This period marked a seismic break in a cycle of economic reproduction as these companies have lost tens of thousands of jobs. For instance, back in 1982, Kodak, one of the leading companies, had 60,400 employees in the region. Today that number has been reduced to 7,000 (Finger Lakes Regional Council 2011).

Against the backdrop of this economic crisis, the Finger Lakes region pursued an ambitious vision of economic renewal, with a commitment to accelerate its transformation to a diverse, knowledge-based economy by building on strengths that include renewable natural resources, a talented and highly educated workforce, a historic commitment to innovation, leadership as the state's top agricultural region, international recognition as a center for optics and photonics, and national leadership in per

capita intellectual property and degrees in higher education (Greater Rochester Enterprise, 2015). While the region's economic transformation has been painful for many, it has successfully remade itself into a more dynamic, diverse, and stable economy based on multiple sectors that have tremendous potential for future growth.

Since 1980, total employment in the Finger Lakes Region has increased by 21 percent during a period of relatively flat population growth. The region's endogenous assets lend themselves to its highly successful transformation. The Finger Lakes region boasts 18 universities and colleges and ranks at or near the top in the nation in per capita degrees in the sciences, engineering, and mathematics. Like the Niagara region in Canada, the Finger Lakes region also has an international reputation in viticulture; and is New York leading producer of agriculture products. Most importantly, the region is an international center for optics, photonics, and imaging – a legacy with deep roots in the region's economic structure. Together, these endogenous assets constitute the region's resiliency and position it for the seismic transformation it has experienced over the past two decades.

Today, the Finger Lakes economy is driven by technological innovation and the region was just named one of 35 national "Innovation Hubs" by *The Atlantic* (2014). Many of the companies in the fields of advanced manufacturing, optics, imaging, photonics, fuel cells, and computer technology emerged from the research and development labs of Kodak, Xerox, and Bausch + Lomb and were founded by executives, engineers, and technicians who were trained at these firms. These sectors have been further strengthened by a close partnership with the region's universities and colleges, which have provided industry with a steady supply of innovative technologies and highly skilled workers. University-based research also has helped propel the growth of new sectors, including life sciences and alternative energy. Such cross-fertilization extends beyond technology-driven sectors. For example, the

region's expanding agriculture industry – specifically the rising international reputation of Finger Lakes wines – has in turn propelled growth in tourism (Government of New York, 2011).

The capacity of Finger Lakes city-region to actualize its vision rests on a culture of collaboration that emerged over the past two decades between public and private institutions to optimize the region's performance in advanced manufacturing, the arts, tourism, and basic and applied research in medicine, science, engineering, and technology. The strategic behavior and choices of local actors to reconfigure their institutions into a space for greater collective action made the critical difference. The greater collaborative ethos that emerged since the 1990s was eventually locked into a pattern of economic governance that has distilled and consolidated over time. Once such patterns consolidate, major actors in the region, including upper tiers of government, adjusted their strategies to adapt to the “logic” of the new status quo.

It is worth noting that the institutional context of US federalism (compared to Canada's more structured hierarchy) lends itself to a greater adaptive capacity for local government in the sense that the federal presence at the local level tends to be quite passive. While several funds from federal departments support various sectors of the economy from which the Rochester region benefits, these departments tend to be largely absent from the policy subsystems of local urban geographies. State-level agencies, however, are quite engaged in local economic restructuring, with the most principal player in New York being the Empire State Development Corporation (ESDC) (Government of New York, 2015). Local governments thus have a relatively greater autonomous space to reinvent their economies in the face of seismic global industrial perturbations.

At the regional, county and municipal levels are a whole constellation of actors such as the Finger Lakes Regional Planning Council, the Greater Rochester Enterprise (GRE), the City of Rochester Economic Development Department (EDD), and the Industrial Development Agencies of the nine

counties within the Finger Lakes region. Economic governance in the Finger Lakes thus consists of joint policy initiatives consisting of authorities, organizations and personalities drawn from various levels of government – local, state/provincial and national.

Another facet of the governance arrangement is the central role of non-state actors. The main non-state organizational actors within Rochester economic development policy subsystem consists of the University of Rochester and the other seventeen post-secondary institutions in the Finger Lakes region. The University of Rochester is the principal player among these post-secondary institutions, with key knowledge generation and dissemination activities by its affiliates such as the University of Rochester Medical Center. Other influential non-state actors within the region's economic development policy system are the Rochester Business Alliance, Digital Rochester, High Tech of Rochester, the Rochester Regional Photonics Cluster, and the Rochester Institute of Technology. The critical role of these non-state actors is indicative of the increasing prevalence of third-sector engagement in co-production whereby economic policy governance is framed as an intrinsically horizontal process consisting of joint action and deliberative discourse rather than the sole prerogative of government.

Amidst these constellations of actors, the GRE is the main regional economic development organization and acts as the primary conduit for supporting business attraction and expansion, entrepreneurship and innovation in the Finger Lakes region. It has a distinct characteristic compared to the NEDD in Niagara in the sense that it is a form of hybrid organization created and funded by a pool of private and public sector organizations in the region. This public-private partnership is supported by more than 120 local business, government, and non-profit organizations. While all the main partners from all level of government and non-state actors within the region's economic development policy subsystems acknowledge the GRE as the main policy conduit for pursuing the Rochester city-region's

economic restructuring ambitions, the agency, however, must constantly navigate conflicting needs and tensions between urban and rural interests.

Nevertheless, the GRE's hybrid status as a public-private entity positions the organization to mediate these tensions with its external environment in the pursuit of its mandate. It serves as a bridge organization and facilitator of collaborative governance directed at managing change in the Finger Lakes region. The GRE's hybrid character grants it a strategic advantage is cultivating strong self-sustaining networks across sectoral boundaries.³ The GRE banks and invests heavily on pursuing collaborative and locally embedded and integrated processes of strategic visioning, planning, and implementation. It mobilizes key local actors from the public, private, and non-profit institutions to foster creativity.

The strategic embrace of collaborative governance in Finger Lakes is a less pronounced departure from path dependent processes of institutional continuity over time than the Niagara case in Canada. Given the historic role of non-state actors at the local level, the greater thrust towards more horizontal collective action reflects a mid-range manifestation of the tensions between institutional stability and change rather than a radical departure. The concept of punctuated equilibrium captures and elucidates this tension at work in Finger Lakes in its emphasis on the complex coexistence of stability and change. As noted in the previous section, shifts in the institutions and processes of governance need not be radical since systems change only incrementally due to the "stickiness" of vested interests, accumulated patterns of behavior, and the bounded rationality of actors. Nevertheless, the Finger Lakes had its seminal moment or "critical juncture" of economic crisis in the 1980s and 1990s – an exogenous shock to the equilibrium of the region's policy subsystem – that triggered a new trajectory of institutional reconfiguration towards greater collaboration. Feedback mechanisms, especially from an enthusiastic

³ Interview with a Senior GRE official

private sector, reinforce the recurrence of a particular pattern that has consolidated over the past two decades.

Discussion and Conclusion

There is a growing recognition of the significance of cities and local regions as the main engines of socio-economic change in the current age of seismic global economic perturbation (Scott, 2012; Florida, 2012; Storper, 2014; Wolfe, 2011). Cities, along with their economic opportunities, cultural resilience and ecological fragility, command a visceral claim on the collective consciousness and identities of individuals and communities across the world. The salience of cities as organic engines of human civilization and socioeconomic wellbeing has been particularly evident in the mushrooming of an interdisciplinary academic literature on the subject over the past four decades (Clark, Feldman and Gertler, 2000). However, conventional analyses in this literature have focused on issues related to easily observable phenomena like the logic of settlement patterns, the structure of trade in various economic landscapes within the broader context of global economic shifts and changes. Nevertheless, some of the extant literature on institutional political economy has shed some light on the local and regional scale of economic governance. This includes the work of scholars in the tradition of regime theory and development coalitions. While the combined insights from a growing and multi-faceted literature of local political economy (Stone 2014; Keating 2014; Bradford and Bramwell 2014; Wolfe 2015; Morgan 2012; Sancton 2008; Kantor and Nelles 2015; Young and Horak 2012) provides a relevant backdrop for the discussion in this paper, however, there is still a gap in our understanding the institutional configuration and behaviors of cities and local regions as strategic spaces of economic governance. Using the concept of path dependency, this paper particularly sought to explain the strategic adaptation of local economic governance structures to the change pressures of global economic upheavals.

The concept of path dependency has commanded a prominent place in explaining the processes and outcomes of political events and public policy decisions (March and Olsen, 1984; Lowndes, 2010). However, it has been mostly applied at the national level and increasingly at the international level. This paper contributes to a small but growing body of scholarships that breaks from this tradition and endeavours to apply the concept at the local level. The framework of path dependency provided a useful analytical lens for understanding why and how the governance of economic development policy in Niagara and Finger Lakes regions were adapted to the imperatives of global economic upheavals over the past three decades. The concept of adaptability as used in this paper refers to the ability of a city to transform its institutions of local economic development governance to fit the changing imperatives of global economic restructuring.

What we observed was that the trajectories of economic development governance in Niagara and the Finger Lakes regions were each perturbed at critical junctures by exogenous economic shocks. The effects of the economic crisis shook the equilibrium of their local policy subsystems. Actors recalibrated their strategies to embrace the new environmental imperatives. The Niagara and Finger Lake case studies thus manifested the simple but profound mechanisms of “critical junctures” and “development pathways” in the path dependency literature, as evident in the political and institutional interplays at specific junctures of decision making in both cases.

The significance of this paper is more than theoretical. At a concrete level of practical policy lessons, the Niagara and Finger Lakes regions, like other mid-sized city-regions in North America and the industrialized world, have been striving to adapt to global economic changes. The extant literature has provided a compelling and multi-layered portrait of cities within the global economic landscape as engines of growth and prosperity in the world’s shifting economic geography (Clark, Feldman and Gertler, 2000; Storper 2014; Amin, 2008; Scott, 2012; Storper, 2014). One of the missing pieces in this

research tradition, however, is a lack of clear explanation of the processes of institutional change in local economic landscapes.

The key focus of this paper, therefore, has been to deconstruct the shifts and continuities in the institutional infrastructure underpinning the economic landscape of economically challenged city-regions. Rather than assuming governance structures to be an undifferentiated 'black box', this paper problematized the configuration and adaptability of such structures as key features that can explain the successful response of certain regions to the currents of change in their socioeconomic environment. In this regard, the Niagara and Finger Lakes regions serve as crucial lessons for similar regions in North America and around the world. Finally, this research endeavour is a modest contribution to the growing effort of scholars to pay closer attention to the institutional dimension of the strategic adaptation of cities in an age of unprecedented global industrial restructuring.

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