The OECD’s Local Turn: ‘Innovative Liberalism’ for the Cities?

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The OECD and Transnational Governance
Contents

Acknowledgments / viii

Introduction / 3
Rianne Mahon and Stephen McBride

Part 1: The OECD and Transnational Governance

1 From Reconstructing Europe to Constructing Globalization:
The OECD in Historical Perspective / 25
Robert Wolfe

2 Role of the OECD in the Orchestration of Global Knowledge Networks / 43
Tony Porter and Michael Webb

3 Inversions without End: The OECD and Global Public Management
Reform / 60
Leslie A. Pat

4 Towards Complex Multilateralism? Civil Society and the OECD / 77
Richard Woodward

5 Making Neo-Gramscian Sense of the Development Assistance Committee:
Towards an Inclusive Neoliberal World Development Order / 96
Arne Ruckert

Part 2: Governance and Economies

6 The OECD and Foreign Investment Rules: The Global Promotion
of Liberalization / 117
Russell Alan Williams
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These global trends affect us all but require businesses and governments to adjust their strategies to the specific context of their societies so as to generate the right action on the ground. Hence urban and rural policy, and local and regional policy – what we here at the OECD have called territorial development – have attracted increased attention as the injunction to “think globally and act locally” has taken hold. Central government policies can be reinforced by measures at the grass roots to stimulate entrepreneurship and innovation.

– Donald J. Johnston, OECD Secretary-General
(OECD 1998b)

But cities also fall victim to what is sometimes called the “urban paradox” – alongside high concentrations of wealth and employment, they also tend to concentrate a high number of unemployed and marginalized people. Cities have to deal with the challenges of economic adjustment, poverty and social cohesion, and in many cases with higher criminality.

– Angel Gurría, OECD Secretary-General
(OECD 2007a)

Over the last decade there has been growing awareness that many of the most urgent public policy issues are playing out in cities. Geographers studying innovation in the knowledge-based economy now emphasize the importance of localized clusters of economic actors for national prosperity. Analysts of social inclusion focus on the multiple barriers that individuals and families face living in distressed neighbourhoods that limit access to the services and opportunities of the surrounding city-region. Most recently, environmentalists have documented major ecological stresses in urban centres, demonstrating that decisions taken locally about land use, transportation, and development are crucial for global sustainability. Common to all of these perspectives is appreciation of how local geographic contexts – the form and nature of places – shape challenges and opportunities. National governments increasingly work from the ground up, tapping local knowledge and connecting central resources with local action to solve complex policy problems (Polise and Stren 2000; Hambleton et al. 2002).

The “local turn” has not been without controversy, however. While some envision new opportunities for community building and economic innovation, others describe an intentional retreat by government from the universal commitments that remain the foundation of “socially sustainable cities” (Bradford 2007a). Indeed, the policy substance of what has come to be known as the “new localism” remains contested. A host of think tanks, research institutes, interest associations, and social movements have advanced their own interpretations and prescriptions.

This chapter focuses on one such idea generator, the Organisation for Economic Co-operation and Development, which in the past decade has dedicated considerable resources to policy analysis of territorial issues through an urban lens. Arguing that the OECD is a significant player in contemporary urban debates, we explain its influence through analysis of two specific organizational strategies adopted by the Territorial Development Policy Committee (TDPC). First, the TDPC has not sought to impose narrow or overly abstract “solutions” on member states. Instead, through its extensive research networks, we find that it has creatively woven insights from the three most prominent narratives of the new localism into a distinctive urban policy paradigm. Second, in its urban policy dissemination activities, the TDPC has pursued a model of “contextualized learning” that pays close attention to conditions on the ground in different cities (Hemerijck and Visser 2003). In the process, the OECD’s urban agenda has remained close to the aspirations of the two Secretaries-General cited above: holistic in its policy attention to multiple urban realities, as Gurría envisioned, and attuned to the need for the “right action on the ground,” as Johnston proposed. Of course, whether these research and advocacy qualities have enhanced the OECD’s capacity to actually shift member states’ urban policies in line with its thinking is another matter. The chapter closes with some reflections on this larger question of influence and the prospects for embedding new paradigms.

The argument is developed in three parts, building on Bengt Jacobsson’s description of different modes of “soft policy regulation” that apply to international organizations such as the OECD (Jacobsson 2006). First, in the meditative stage, we explore the substantive content of the OECD’s urban ideas, identifying a new hybrid paradigm of “innovative liberalism.” Second,
we track the inquisitive processes whereby the OECD monitors the member state policies and practices in relation to its chosen paradigm. The case of Canada is used to illustrate the review process, and especially the domestic institutional/political factors that shape local reception of international policy frameworks. Third, we add to Jacobson’s twofold framework a third mode of soft regulation – exhortation. It brings into focus the dynamics of global-local policy transfer. Across each of these three stages, the analysis is informed by the OECD’s major urban policy study, Competitive Cities in the Global Economy, published in 2006 (OECD 2006). Taking stock of the OECD’s entire urban agenda, it supplies an excellent foundation for our analysis.

The OECD and Policy Learning: Soft Regulation
As other chapters in this volume make clear, the OECD is an international organization that lacks the authority to issue commands or directives compelling member states to act. Its core business is knowledge production and the dissemination of policy frameworks. Its methods are those of “soft regulation,” a collective learning process for generating shared understandings that inspire policy change and institutional reform. Member state compliance does not flow from threats of legal sanction but from analysis, deliberation, and review. In exercising such ideational power, the OECD deploys three interconnected modes of soft regulation: meditation, inquisition, and exhortation.

Meditative activities involve research and discussion of international trends and national policies. Organizations engaged in policy meditation “function as arenas where all kinds of experiences can be transmitted and compared, where ideas are generated and shared” (Jacobson 2006, 208). Meditation involves recruiting experts to map directions and convening dialogue among such experts and policy practitioners in government. Ideally, meditative processes result in new policy paradigms that identify problems and solutions, and that clarify roles and responsibilities for implementation. These ideas provide the templates – standards, indicators, and benchmarks – for monitoring member state performance.

Inquisitive activities occur as OECD officials, in conjunction with member state representatives, apply policy paradigms to assess national policies. The process typically involves production of country reports based on site visits by OECD officials, expert study, and peer-to-peer dialogue over the performance of the state that is the subject of inquisition. The point is not simply to monitor behaviour but to drive change along lines consistent with the paradigm. In addition to detailed country reviews that include specific reform recommendations, the inquisitive activities often generate cross-national rankings that expose gaps in national policies, or outcomes lagging behind the international standard.

Exhortation seeks policy change. It packages the ideas and lessons from the meditative and inquisitive stages into concrete action plans that inform OECD advocacy in specific countries, regions, or cities. This means transferring “experiential knowledge,” marketing “good practice,” and encouraging appropriate policy reform. As such, this form of soft regulation raises important questions about precisely how ideas circulate. Is the route one of “fast policy transfer,” meaning “importation of off-the-shelf program techniques from other locations” (Peck 2002, 344)? Or is the interaction more iterative and reflexive? In the urban field, these issues are particularly salient given that cities have long been the site for a great variety of policy experimentation and demonstrations orchestrated at national and international scales (Beer et al. 2003).

While these three modes of soft regulation are usefully distinguished for purposes of analytical clarity, in practice the interconnections are most important. Meditative work in the realm of ideas establishes a conceptual foundation. Inquisitive activity is the “field work” that bridges meditation and exhortation. And exhortation translates the learnings from meditation and inquisition into actionable recommendations. Jacobson and Sahlin-Andersson aptly describe combined modes of transnational regulation (2006, 256): “Sometimes one regulation mode paves the way for others and sometimes one mode of regulation serves as a means of authorizing and strengthening other modes.”

The rest of this chapter tracks the OECD’s urban policy work across the meditative, inquisitive, and exhortative stages of soft regulation. To begin, the OECD’s local turn must be situated in its larger discursive context. Indeed, the OECD’s meditative work generated a new urban policy paradigm that drew ideas from each of the three most prominent new localism narratives.

The New Localism: Three Discourses of Development
The new localism is a discourse resonating across a multidisciplinary literature analyzing how globalization’s most important flows – of people, capital, and ideas – now intersect in urban centres around the world (Gertler 2001; Clarke and Galle 1998). An eclectic body of research advances some basic claims: first, city-regions, with their population density and organizational synergies, are the engines of national economies; second, these same city-regions are also the places with the most concentrated poverty and entrenched socio-spatial polarization; and third, when issues of such national consequence play out in cities, then upper level governments require an urban lens to frame their policy making. Urban centres must be recognized as strategic policy spaces where collaboration across sectors of society and between levels of government can tackle the so-called wicked problems, ranging from homelessness and economic restructuring to urban sprawl and distressed neighbourhoods.
While the above three claims represent a shared departure point for the new localism, contributors have gone on to interpret the dynamics of devolution and collaboration quite differently. By the time the OECD formally engaged the urban agenda in the late 1990s, three key discourses of development were contesting the implications of the new localism for economic and social well-being.

The first discourse has been labelled roll out neoliberalism (Brenner and Theodore 2002). It views the urban agenda in the context of the capitalist global economy and the associated market competitive regulatory framework that severely limits the policy discretion of national states. Constrained by the neoliberal nexus of international investment agreements and transnational financial networks, central governments are increasingly hollowed out as authority and capacity shifts upward, outward, and downward. Local actors – both municipal officials and community organizations – find themselves with massive new policy responsibilities, from social service provision to economic restructuring. The new localism signals a belated recognition by central governments and international organizations that local actors require aid if the neoliberal project is to survive. A series of supports are thus “rolled out” from above, helping local actors to cope. The roll out has economic and social dimensions. For the local economy, “urban locational policies” are implemented to strengthen the business infrastructure of global city-regions caught up in the high-technology competition (Brenner 2004). In social terms, local partnerships are mandated for strategic planning in labour force development, neighborhood renewal, cooperative housing, and so forth. The retooling of localities, however, effectively obscures the wider structural dynamics and macro-level choices that are the root cause of the urban pressures. Rollout neoliberalism is about managing the excesses of globalization manifest at the local scale. It is not about contesting its logic or appropriateness in different places, and local adaptation relies on “off-the-shelf policy fixes” (Peck 2002).

The second discourse finds in the new localism a promising model for the learning region (Wolfe and Gerlert 2002). Focused on economic development in the context of knowledge-based production, this discourse identifies limitations in both dirigiste and neoliberal frameworks in grasping the “new competition” and the potential of city-regions. Dirigiste planners wrongly assumed that they possessed the expertise to pick winners and the resources to bail out declining regions. For their part, neoliberalists naively believed that unleashing an investment competition among localities was sufficient to grow the high value-adding enterprises of the new economy. Neither perspective understood the new competition and the potential of city-regions. Economic innovation – the building of new business competencies and connecting them with markets – is now the foundation of prosperity, and it occurs “specific places through social learning that pools knowledge among firms, researchers, financiers, and governments. Urban centres are the critical scale for innovation because their density and diversity generates and, more importantly, rapidly circulates the knowledge – often tacit and informal – that drives innovation. Yet not all cities are learning regions; governance systems must cultivate networks and establish an innovative milieu through appropriate infrastructural investment. While this discourse often showcases the same few high-tech hot spots, its message is different from rapid policy rollout. Learning regions are encouraged to follow the process for creating an innovative milieu. This is distinct from trying to replicate the exact cluster profile of global leaders such as Silicon Valley or the Third Italy.

The final new localism discourse is organized around social strategies for community development (Amin et al. 2002; Orr 2007). Front and centre is the high concentration of socioeconomic inequality and growing spatial segregation of residents by class and race in large cities. The community development version of the new localism aims to empower residents in order to improve social services, transform neighbourhoods, and open housing and labour markets. Here, the community development narrative identifies three fields of engagement for local action: strengthening third-sector capacity to design holistic services, developing labour market intermediaries to address employment challenges from immigrant recognition to social enterprise growth, and giving voice to civil society representatives in urban governance. A range of generic tools and techniques is prescribed – asset mapping, neighbourhood vitality indexes, and collaboration protocols. The community development perspective also insists that local organizing must be supplemented by national governments, investing in social infrastructure and empowering their own “street-level bureaucrats” to work alongside local actors.

Across the 1980s and 1990s, these three discourses of development gained considerable influence among scholars and practitioners of the new localism. When the OECD formally launched its urban project in 1999, the terms of debate were established. Below, we discuss how the OECD created its own discursive space in a crowded field.

Joining the Debate: The OECD’s Meditative Regulation

In 1998, Secretary-General Donald Johnston explained the rationale for the OECD’s entry into urban policy. The overarching concern was to support effective implementation of the macroeconomic and structural policies that were at the heart of the OECD’s work. Rehearsing standard themes from the new localism, Johnston elaborated:

Complementarity among macro-economic, structural and territorial policies is important for several reasons: structural economic changes depend for maximum success on stimulation of regional and local entrepreneurship...
and innovation; central government policies rely on dynamic communities in which business, public authorities and civic society can establish new partnerships and follow approaches adapted to their circumstances; dynamic communities can strengthen social cohesion by, for example, facilitating “welfare to work” policies to integrate the unemployed and excluded, and by pioneering new forms of democratic participation. (Johnston 1998)

Johnston’s invocation marked a turning point in the OECD’s treatment of the local scale in policy analysis. Since the early 1990s, an Urban Working Group had been instrumental in drawing attention to particular themes, such as the prospects for local partnerships, the role of women in cities, and the plight of distressed urban areas (OECD 1996c, 1998b). A new program was launched on “Local Economic and Employment Development” (LEED), with a mandate to investigate how decentralized strategies might advance the OECD’s macro-level structural reforms in employment and labour market policy. The LEED program produced a series of studies on area-based governance in different countries, concluding that local partnerships could better coordinate economic development, labour market, and social welfare policies (OECD 2001a). It thus explicitly linked the local turn to improved structural policy and introduced a context-sensitive method of policy learning and transfer (OECD 1996c, 2001b).

In 1999, this initial local research was expanded with the formation of a Territorial Development Policy Committee as part of the OECD’s Public Governance and Territorial Development Directorate. The TDPC addressed two principal themes – metropolitan governance and urban competitiveness – and their interdependence. As a forum for international research and dialogue on “new territorial development policies,” the TDPC was mandated to review approaches and assess progress by partners at national, regional, and local levels. Three working parties were formed: Territorial Indicators, Territorial Policy in Rural Areas, and Territorial Policy in Urban Areas.

Over the next several years, the TDPC published a stream of urban research reports exploring different ways in which increasingly localized dynamics affected member state macro-level policy performance. In 2001, the committee published Cities for Citizens: Improving Metropolitan Governance, underscoring the need for balance between urban policies for economic competitiveness and social cohesion. The key was enhanced governance capacity in metropolitan areas, and Cities for Citizens developed a number of principles “to define the adequacy of systems of governance for metropolitan regions in the twenty-first century” (OECD 2001c, 18). The animating vision was policy coherence achieved at the city-region scale through vertical collaboration among governments and horizontal networks bridging public and private sectors. Surveying institutional and financial arrangements in numerous metropolitan areas, the report concluded that existing policies were “outdated and not well adapted to the tasks they face” (OECD 2001c, 12). This negative assessment was reaffirmed at the TDPC High-Level Meeting on Innovation and Effectiveness in Territorial Development Policy in 2003. Policy fact sheets for that gathering catalogued the problems when “spatial-economic changes have outpaced institutional reform” (OECD 2003f, 10). Inadequate local governance capacity implied that “even well-designed policies can miss their objectives” (OECD 2003f, 14).

To assist in closing the institutional gap between current policy practices and the new conditions, the TDPC organized four conferences in 2004 and 2005 to specify the links between national competitiveness, urban governance, and quality of life. The series began in Paris, examining central government perspectives on urban fiscal challenges, and continued in Spain, Japan, and Montreal, addressing, respectively, the topics of local economic innovation, city physical attractiveness, and the social dimension of city competitiveness. Each conference featured expert papers from leading urban scholars, and roundtables and panels included the political, bureaucratic, and non-governmental sectors.

All of the meditative work was drawn together in the landmark 2006 report Competitive Cities in the Global Economy. Subtitled a “horizontal synthesis report,” this document constitutes the most comprehensive and mature expression of the “organizational discourse” on urban affairs that structures the TDPC’s activities (Dostal 2004). As such, it is the authoritative reference for interpreting both the OECD’s substantive ideas about the new localism and its advocacy strategy in member states. In Competitive Cities, we find a discursive hybrid that blends themes and concepts from each of the three existing new localism frameworks. At the centre of the TDPC hybrid was the learning region. But it was framed by the neoliberal and framed by the community development perspectives.

To begin with the neoliberal framing, established views of globalization’s competitiveness imperatives set boundaries on the urban thinking. At the macro level, the appropriateness of the economic and structural policy agenda was given. National governments act within neoliberalism parameters by embracing non-inflationary growth, respecting existing property rights, and shifting territorial policy from “equitable geographical distribution of resources” to “focus more on mobilizing local resources to build competitive strengths” (Johnston 1998). The same globalization logic reaches down to frame local innovation and restructuring strategies. Local strategies react to trade and investment liberalization, and regional measures should reinforce labour market flexibility through the movement of productive factors from less to more dynamic places. The TDPC’s neoliberal framing was explicit: “With the irreversible trend of global economic integration, there is growing recognition among policy planners that the only way that cities can secure competitive advantages over their perceived competitors
in an ever intensifying inter-city competition is by pursuing entrepreneurial strategies" (OECD 2007c, 1-2). The goal was always effective adaptation and adjustment to global imperatives, not resistance to, or questioning of, those forces.

Within the neoliberal framing, however, there remained considerable discursive space for adaptive strategies beyond "a pure laissez-faire approach" (OECD 2006), 100. In other words, the neoliberal framing did not extend to the rollout of neoliberal adjustment measures. Instead, the bulk of Competitive Cities was devoted to formation of a "public strategic vision" for urban competitiveness and livability (OECD 2006).

At the centre of the TDPC organizational discourse was the city as a learning region. Competitiveness depended on proactive metropolitan strategies to help firms access research and innovate on the basis of product quality. Government's contribution was investment in both the physical infrastructure of the knowledge economy—transportation, communications, facilities—and the soft infrastructure of human and social capital that cultivates and connects talent. Metropolitan areas were the ideal social space and geographic scale for knowledge creation and diffusion. But only those places that transformed their knowledge resources and competitive assets into an innovation system were learning regions. Such an innovation system supplied "local collective competition goods" to favour business growth and help clustered activities flourish" (OECD 2006), 118. These collective goods were typically not available through the market, and they included networks for sharing tacit knowledge about design concepts or sector-specific links between university research and science-based industry. According to Colin Crouch, on whose research the report drew, such public goods "give the firm competitive advantage over competitors who lack such access and either have to go without the good in question, or must pay for it" (OECD 2006), 320). Context-sensitive policy was the key: "tailor-made cluster development approaches should be adopted to accommodate cluster and metropolitan peculiarities" (OECD 2006), 115). Reflecting the neoliberal frame, however, Competitive Cities emphasized the importance in all learning regions of cultivating export-oriented clusters. Globally oriented local clusters "are what are really fundamental to building metropolitan competitiveness" (OECD 2006), 105).

At the same time, the report attended to the social consequences of the learning region framed by neoliberalism. It recognized the "urban paradox" whereby "certain characteristics of dynamic post-industrial cities produce increasing socioeconomic inequalities that increase segregation and its consequent discontent" (OECD 2006), 76). Two dimensions of inequality associated with the cluster strategy were acknowledged. On the one hand, between cities, it was recognized that not all places can become high-tech hot spots and that many will struggle with less dynamic niches. On the other hand, within cities, it was observed that even the global clusters have large populations in low-end service work. Further, it was noted that exclusion results in spatial segregation of poor people and that distressed neighbourhoods are increasingly home to racial minorities and recent immigrants. Socio-spatial divisions constituted a "drag factor that reduces the competitiveness of the region as a whole" (OECD 2006), 145). Competitive Cities concluded that "metro-regional economic and social development need to be elements of a single coherent strategy" (OECD 2005d, 145). Familiar neoliberal prescriptions for tax-free enterprise zones were rejected on the grounds that the firms attracted by such fiscal privileges were unlikely to stay long, and were almost always engaged in "down-market activities" ill-suited to the learning region (OECD 2006), 144). Instead, the learning region's menu of collective competition goods could be expanded to include more firms and workers through strengthening of the social economy and employment standards (OECD 2006), 133, 146).

In sum, the TDPC created a hybrid policy discourse for competitive cities. The synthesis report envisioned integrated local development strategies for globally competitive high-value-added clusters and labour-intensive community-based development. For each, the public policy formula was the same—macro-level interventions that lined up with locally identified priorities.

Joining vision and practice, this hybrid constituted a new paradigm for policy and governance in cities. Peter A. Hall proposes that policy ideas become paradigms when they announce new policy goals, identify strategies to attain them, and set instruments for their implementation (Hall 1989b). The TDPC's meditative work meets the test. Its goal of the self-reliant learning region departed from both Keynesian equalization and neoliberal adjustment. Its design was based on a novel instrument mix privileging customized interventions in hard and soft urban infrastructures, replacing command-and-control regulation and direct spending with a variety of incentives and supports. Finally, implementation would occur through multilevel negotiation responding more to community rhythms than bureaucratic mandates.

We call the TDPC's urban policy paradigm "innovative liberalism." Respecting the broad imperatives of the current global order, the paradigm remains rooted in liberal economic ideas about competition and adjustment. At the same time, it reflects substantive engagement with arguments demonstrating significant market failures in relation to urban well-being. The TDPC created from existing approaches to local development a new framework for place-based policy and collaborative governance in a learning-driven economy. Of course, Peter Hall also emphasizes that a paradigm's internal coherence or novelty reveals little about its actual influence over government policy. The power of ideas is always mediated by institutional and political factors,
and this is nowhere more apparent than with internationally generated paradigms. The next section takes up these issues, examining how the TDPC's paradigm travelled through the OECD's inquisitive regulation.

**Testing the Field: The OECD's Inquisitive Regulation**

In the course of preparing *Competitive Cities*, the TDPC undertook a series of territorial reviews at the national and metropolitan scales. The reviews were described as audits of structural and territorial policies for improving competitive advantage and combating social disparities, and assessing the distribution of competencies and resources among different levels of governments (OECD 2002c, 3).

The TDPC inquisitive regulation is typically an eighteen-month process based on quite intensive interaction between the OECD and the territory in question. In the case of a metropolitan review, local authorities make several commitments, including co-financing and arranging a local team with whom the OECD directorate can work. The local team further assumes responsibility for preparing a background report, guided by a questionnaire provided by the TDPC, outlining the main socioeconomic trends, governance frameworks, and particular challenges and opportunities. With this report in hand, the OECD organizes a study mission in the metropolitan region to interview government officials, experts, and business and third sector representatives. An interim report is prepared, including preliminary evaluation of the local policies and practices. The OECD then recruits international experts who use their comparative knowledge to deepen the assessment, provide tailored policy recommendations, and assist in preparation of a report that will be discussed by representatives of all OECD member states at a high-level meeting. Upon their approval, the report is submitted to the local authorities and published in the OECD series, often in conjunction with an international conference to consider its recommendations.

The OECD's inquisitive regulation of cities actively encourages participating governments to adopt the policies and practices generated at the meditative stage. Compliance is neither automatic nor assured, however. In these terms, the recent Canadian experience with OECD territorial reviews is instructive. Long known for Keynesian-style regional development initiatives delivered through complex federal/provincial deals, Canadian policy communities in the early 2000s expressed concern about the absence of any coherent urban strategy or place-based policy thinking (Bradford 2002). The OECD's two territorial reviews in the early 2000s—a country study in 2002 and a metropolitan study of Montreal in 2004 (OECD 2004c)—were timely interventions in an emerging national debate.

The country review asserted that Canadian public policy was in the midst of a "paradigm shift in territorial policies" from redistribution to lagging regions towards identifying growth opportunities based on maximizing local assets in urban settings (OECD 2002c, 12). The review then catalogued the obstacles to such a paradigm shift, declaring that Canada's "whole approach to urban areas and their role in economic growth needs rethinking" (OECD 2002c, 113). Outdated constitutional arrangements that left municipalities without any recognition or standing were compounded by a litany of anti-urban policies. Federal cutbacks in transfers and infrastructure investment had led provincial governments to offload responsibilities to municipalities and impose top-down, one-size-fits-all institutional restructurings. The OECD opined that long-standing Canadian advantages in urban quality of life over their American counterparts were at risk. There was growing evidence of the TDPC's urban paradox: Canadian city-regions with the most innovative clusters also exhibited the greatest income polarization and spatial concentrations of wealth and poverty. A "sharp increase in the number of very poor neighbourhoods" was reported in Toronto and Montreal. The review cited United Nations commentary on the growth of homelessness in Canadian cities, and even referenced "a growing trend towards the development of segregated ghettos" (OECD 2002c, 54, 128). Canada's "disjointed approach" was not sustainable in the new globally competitive context. The country's future prosperity was jeopardized by "a failure to draw up an integrated urban policy" (OECD 2002c, 133).

Of course, the review not only documented barriers to the paradigm shift but also mapped a positive course. Questioning the federal government's long withdrawal from urban affairs, the review called for a new strategy encompassing fiscal, governance, and policy reforms. The magnitude of the change called for concerted federal leadership, and the review emphasized that the "Constitution does not prohibit the federal government from engaging in productive relations with municipalities, while fully respecting provincial jurisdiction" (OECD 2002c, 136). It described a "growing understanding that limited resources can be used more effectively through an integration of strategies, policies, and programs" (OECD 2003c, 131). Clarifying a legal basis and policy rationale for renewed federal urban engagement, the review recommended that Ottawa "set national objectives and provide a national framework for urban competitiveness." It was, however, "essential that the strategy development and implementation be led locally" (OECD 2002c, 137). Three federal/local policy pathways were proposed to balance these principles. First, institutional mechanisms were needed to allow the largest urban centres to deal more directly with the federal government in matters such as economic competitiveness and infrastructure, housing, immigration, Aboriginal people, and the environment. Second, more formal agreements among the three levels of government were needed for "area-based partnerships" to meet the challenges of spatially concentrated poverty or to exploit the opportunities of clustered technology assets. Third, federal and provincial governments needed to negotiate "legislative change that
would allow cities to raise revenue beyond the property tax” (OECD 2002c, 137). All three pathways involved new forms of multilevel governance in Canadian federalism, and the review recommended a federal coordinating body to drive reform.

As a national-level territorial study, this review did not address in detail development strategies in specific cities. Of course, the neoliberal framing was familiar – Canadian cities “increasingly compete with one another, and with other cities around the world, to attract investment and knowledge activities” (OECD 2002c, 19). However, it was the second territorial review, in 2004, that explored the details of local economic development and urban governance, focusing on Montreal. This review probed Montreal’s efforts to develop a regional innovation system for strengthening its traded clusters in high-technology products. Documenting the city’s lower productivity, the review argued that a barrier to Montreal’s economic competitiveness was inefficient, or at least overly complex, governance. A highly fragmented institutional environment had prevented formation of a coherent plan – or what the TDPC called a strategic public vision – to make Montreal a learning region. A new metropolitan governance framework was urgently required, and the review applauded the recent formation of the Montreal Metropolitan Community as well as the provincial amalgamation of municipalities. Both institutional innovations were seen as better aligning Montreal’s administrative boundaries with the functional economic unit. Not surprisingly, concern was expressed about any “disamalgamation” that would recreate the “over-complicated institutional mosaic of the metropolitan area” (OECD 2004d, 4). Similar problems of fragmentation and isolation characterized the existing cluster-building efforts in Montreal. Relationships between knowledge producers and firms were disjointed. Access to venture capital was limited. The city-region lacked a unified brand for marketing itself to global investment and talent.

The review’s main message to all levels of government present in Montreal was better co-ordination and more focused metropolitan economic planning. It recommended improved intergovernmental relations for cluster support and infrastructure investment. Two multilevel governance models were identified as promising. The provincial/municipal “City Contract” signed in 2003 that provided five-year funding for social investments, granting considerable autonomy to the city in implementing its priorities, and the federal/provincial/municipal Urban Development Agreements in western Canadian cities that joined economic innovation and social inclusion activities in a single governance structure were favourably referenced. For maximum policy coordination, the review emphasized the importance of such multilevel governance encompassing the entire city-region, as opposed to discrete deals for particular municipalities or neighbourhoods.

With these two territorial reviews, Canada was a leading site for the OECD’s inquisitive regulation in urban policy. Canada’s national territorial review intervened in a growing debate about the problems of Canadian cities. An urban policy coalition of big-city mayors, the banks, community organizations, and think tank experts had mobilized behind a “New Deal” for cities (Bradford 2007b). In this context, the OECD review brought conceptual order to a still quite diffuse national discussion. It described a framework for multi-level urban governance within the federal system and showed how an urban policy lens could work. Moreover, the OECD review arrived at a strategic political moment, as power was passing from Prime Minister Chrétien to Paul Martin. Where Chrétien was wary of the constitutional and fiscal entanglements associated with a national urban agenda, Martin saw the cities file as his “signature issue” (Simpson 2004). He actively sought out ideas for his “New Deal for Cities,” which he termed a “national project for our time” (Martin 2003). In 2005, he established a federal department to coordinate urban interventions, negotiated revenue transfers for municipalities, promised a seat at the policy table for big-city mayors, and promoted tri-level Urban Development Agreements as the most promising intergovernmental model for tackling complex, localized problems. Each of these initiatives had been recommended in the 2002 OECD review.

Subsequent implementation of the Martin New Deal, however, also reveals how domestic factors condition the impact of international paradigms. For example, whereas the OECD had recommended a federal focus on large cities (and especially Toronto, Montreal, and Vancouver), the original New Deal for Cities was soon extended to include all municipalities. And the OECD’s strong call for federal leadership on the urban agenda quickly bumped up against political constraints on the ground; simply put, the provinces asserted their rights in mediating any direct federal engagement with municipalities. Thus, progress on the New Deal was incremental in the two years of the Martin government, and whatever momentum was building came to a near standstill when the Harper Conservatives won power in 2006. Declaring that the federal government had “stuck its nose into provincial and local matters,” the new prime minister emphasized that his government’s policy priorities did not include urban affairs (Bradford 2007b).

Similar dynamics were at play in relation to the OECD’s Montreal review. Certainly, the study conformed to the TDPC’s paradigm of innovative liberalism. Competitiveness in the global economy depended on transforming Montreal into a learning region, with some attention to social inclusion through targeted federal and provincial community investments. And the OECD study laid the conceptual groundwork for the city’s 2005 economic development strategy – the Metropolitan Innovation Strategy – built around learning and clustering. But the OECD’s call for cohesive metropolitan
governance to consolidate the learning region fell flat when the new Liberal provincial government supported a “demergers” movement. Further, the OECD’s recommendation for three-level mechanisms like an Urban Development Agreement in Montreal failed to inspire the provincial government in Canada most resistant to an active federal urban policy.

In sum, the OECD’s inquisitive regulation in Canada at both the national and metropolitan scales followed a common trajectory. A coherent policy paradigm was elaborated, and specific recommendations were made for reform. But follow-up depended on domestic institutional and political factors, and obstacles surfaced in both cases. This interplay between international ideas and national contexts is central to the third form of soft regulation — exhortation.

Making the Case: The OECD’s Exhortative Regulation

The 2006 Competitive Cities synthesis report made the case for the paradigm of innovative liberalism, but in so doing paid particular attention to the complexities of transmitting policy ideas. Notably, it identified seven “dilemmas with which policy-makers (either national, urban or both) are confronted” (OECD 2006), 17. These dilemmas were presented as “strategic choices” that demanded careful reflection on “the scope for creative compromises around them, and also initiatives which have sought to transcend the need for choice” (OECD 2006), 80. The synthesis report acknowledged that the territorial reviews had not delivered simple or direct answers to the challenges. As such, the TDPC was advancing its paradigm but in a way that recognized knowledge gaps and encouraged “reflexive experimentation” by member states. Case examples were liberally cited but caution was the watchword when it came to borrowing ideas and applying lessons: “Cases are quoted, not because they serve as models to follow, but because they illustrate themes and provide examples. The actual paths chosen in specific contexts will depend on political criteria, the particular balance of issues at stake, and the creativity of individual groups of policy-makers” (OECD 2006), 80.

What were the specific dilemmas that Competitive Cities highlighted? Among the seven, three addressed broad policy design issues and four considered the practicalities of new governance arrangements.

With policy design, the first dilemma involved deciding whether cities, in fact, were the engines of national economies. At issue was whether big cities, on balance, take more resources (people and investment) from outlying regions than they return through “positive spillovers.” It was possible in some countries that national urban policies could limit overall growth by hindering regionally differentiated competitive strategies. The second design issue flowed from the first. Recognizing the extraordinary fiscal and infrastructure needs of the large cities, how might these costs be optimally shared? The appropriate mix would balance devolution of revenue streams to the largest municipalities to better meet their special needs with retention of the national policy capacity for investments in lagging regions. However, the territorial reviews demonstrated that “the structures of governance in place in many metropolitan areas of OECD are not well adapted to the tasks they face” (OECD 2006), 156.

For governance reform, Competitive Cities identified four areas of strategic choice. First, tensions were acknowledged between the OECD’s preferred metropolitan scale of governance for the learning regions and the democratic need for citizen responsiveness and accountability through local government. A variety of approaches to city-region governance were profiled, with a caution against imposed amalgamations and a preference for “lighter forms of governance” that were more flexible and institutionalized with public support (OECD 2006), 26). The second governance issue concerned the need to create a “public strategic vision” and planning capacity that still remained market forces. Appropriate flexibility could be maintained through devolution to arms-length authorities — “competitiveness councils” with a developmental mandate and tools (OECD 2006), 129). The third governance dilemma arose, however, when the local development bodies become dominated by particular business interests or trade associations. The risk was twofold: emerging clusters might not be represented in development strategies, and civil society organizations might find themselves excluded.

The final governance challenge was central to the entire TDPC urban project. With urban affairs being increasingly critical to national well-being, how can upper-level governments best intervene in cities? Multi-level governance pursues seemingly contradictory goals: local autonomy and national standards, innovation and inclusion, horizontal networks and vertical collaboration, metropolitan planning and voluntary cooperation. Effective multi-level governance, the synthesis report strongly argued, required a negotiated rather than hierarchical approach: “The contract formula would allow government mechanisms to be adapted to local characteristics and replace traditional hierarchical relationships with contracts based on negotiation and a learning process” (OECD 2006), 206; emphasis in original). The report went on to list general principles of multi-level governance, such as structured negotiations with clear timelines, incentives for participation among different governments, and specific monitoring and assessment protocols. To illustrate the range of multi-level frameworks, several member state contractual models were highlighted: the French Metropolitan Contracts, Canadian Urban Development Agreements, and Swedish Local Development Agreements. The importance of this approach to the TDPC’s overall territorial agenda was further confirmed in a 2007 publication investigating multi-level contractual arrangements in five countries (OECD 2007).

In sum, the TDPC’s exhortative strategy was sensitive to local context and receptor capacity. The main message was that there is “no best practice
or one size fits all solution” (OECD 2006j, 191; emphasis in original). In identifying seven urban policy dilemmas, Competitive Cities cautioned: “It is important for policy-makers to recognize the reality of these conflicts and tensions and not to avoid them through functionally neat formulae that succeed only in hiding them” (OECD 2006j, 199). This style was evident in its call for cluster strategies that warned against quick-fix solutions based on widely celebrated Silicon Valley or Third Italy successes. Learning regions grew over the long term based on social networking and customized investments in urban infrastructure. Similarly, policies to deal with the social consequences of cluster building would be shaped by country-specific welfare state traditions and local civil societies. Rather than imposing a finished or fixed model on member states, the TDPC looked to inform purposeful and reflexive action around the common dilemmas revealed through its territorial reviews.

Conclusion: Innovative Liberalism for the Cities?

This chapter has interpreted the work of the OECD in urban policy and governance. In the late 1990s, it joined a flourishing debate around the new localism. Analyzing different modes of soft regulation, we argued that the OECD created a new hybrid urban policy paradigm. The Canadian experience was used to illustrate how the paradigm influenced domestic policy agendas but also was reshaped by national and local factors. This attention to the complex interaction across scales in the transmission of policy ideas was fully reflected in the TDPC’s exhortative approach. It described a series of urban dilemmas and counselled caution in the face of limited policy knowledge and tentative lessons from the territorial reviews.

What about the future prospects for implementing the TDPC’s innovative liberalism? For guidance, we can return to Peter A. Hall’s discussion of policy ideas. In addition to providing criteria for identifying policy paradigms, Hall proposed that their effective power depends on securing viability in administrative, political, and discursive terms (Hall 1989a). In relation to the OECD’s soft regulation, Hall’s three criteria can be tracked along two dimensions. First, *internally* within the overall context of the OECD’s public policy work, the question arises as to the discursive fit of the urban paradigm with the larger macroeconomic and structural policies. Second, and *externally*, the ultimate fate of the TDPC’s paradigm depends on administrative and political factors particular to member states.

As to the first issue, it is clear that the OECD, in the words of Secretary-General Gurria, recognizes that “the development of dynamic cities depends as much on national framework conditions as on an effective urban policy agenda” (Gurria 2007b). Much less obvious is whether the OECD’s preferred macroeconomic and structural policies actually support implementation of the urban paradigm. The TDPC’s organizational discourse addresses several market failures in economic development, and calls for flanking social and community development investments. Yet, neither the market failures nor the flanking investments are included in macroeconomic and structural policies celebrating restrictive budgetary measures and labour market flexibility. Moreover, the fiscal and income security policies central to the OECD’s macroeconomic and structural discourses are mostly the preserve of national governments (and central banks), with little consideration given to input from below. Without more inter-scalar integration across the OECD’s macroeconomic, structural, and territorial policy paradigms, the TDPC’s innovative liberalism remains a bounded project.

In relation to the second dimension of viability – implementation in member states – it is clear from the territorial reviews and inquisitive regulation that nationally specific administrative and political legacies are critical determinants. As such, more action research around the seven policy and governance dilemmas should reveal institutional/political configurations that facilitate or hinder innovative liberalism in urban settings. Here the preference for contextualized learning is welcome. It is notable that many of the main ideas that have informed the TDPC’s policy work emerged through connections with the urban agenda of the European Union (EU). This cross-fertilization is highlighted in many OECD publications and conferences. Moving forward, the EU/OECD dialogue should include modes of policy transfer. The EU, through its employment strategies and methods of coordination, has pioneered cross-national processes of contextualized learning (Noaksen and Jacobsson 2003). As this chapter has shown, the TDPC is well positioned to embed such sophisticated dissemination frameworks into all of its urban policy work.