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In recent years, governments everywhere have been preoccupied with the complex economic and technological challenges accompanying globalization. Aware that the living standards of their citizens depend ultimately on the capacity of all economic actors to "adjust through innovation," governments are searching for new policy approaches. No strategy has attracted greater interest than *governance through public-private partnerships*, which effectively devolves authority and responsibility from the state and instead relies on the policy networks found in civil society. Despite widespread enthusiasm, there is disagreement over the purposes of such decentralized collaboration. For some, the intent is public sector rationalization achieved through a combination of programme cost-sharing and the transfer of corporate management practices into the bureaucracy. For others, the aim is to address problems of social exclusion in the new economy by encouraging associative dialogue among diverse representative groups. Still others emphasize how decentralization can revitalize local democracy and empower community-based development. Hence while economic governance has become a growth industry, it remains an unsettled field informed by different logics of devolution and partnership.

The purpose of this article is to advance the understanding of governance and public-private partnerships through a contextual, comparative analysis of two economic innovation strategies recently launched in Ontario. The time frame is the1990s, when the province faced intense economic restructuring pressure in a turbulent political climate shaped by the

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dramatic mid-decade change in government from the social democratic New Democratic party to the Conservatives. Our argument is that while both provincial governments addressed the challenges of the knowledge-based global economy by embracing public-private partnerships, they did so in very different ways, suggesting the existence of two distinctive economic governance paradigms.

The article begins with a conceptual discussion of economic innovation, public-private partnerships, and the learning region. It then explores the two governance paradigms in effect in Ontario in the 1990s, unpacking their respective political logics and tracking their policy expression in key economic development fields. In each case, attention is paid to three issues of structural design and policy content: participation in the partnerships; the public purposes assigned to them; and the geographic scale or institutional level to which governing authority is devolved. The article assesses the viability of these experiments, highlighting the opportunities and obstacles each government encountered in institutionalizing their paradigms. The article closes with a discussion of Ontario's pattern of "bounded innovation" in economic development policy making (Weir, 1992).

Constructing the Learning Region: Two Paradigms of Provincial Economic Governance

The 1990s in Ontario was a turbulent decade characterized by intensive policy debate and bold institutional experimentation. To capture the breadth and dynamics of change, we use the concept of a governance paradigm. A governance paradigm describes the intellectual framework *and* institutional relations that structure public policy making in a particular field. As Peter A. Hall (1993) has elaborated, such paradigms define the broad goals behind policy, the problems to be tackled, and the instruments to deploy, as well as mapping the respective responsibilities of the state, market and citizens in meeting societal challenges. Once institutionalized, a governance paradigm channels the thoughts and actions of a range of state and societal actors, reflecting shared policy knowledge and habitual decision-making routines. The result is broad continuity in both the content and process of public policy.

However, periods of normal policy making are sometimes interrupted. New and different problems rapidly converge, confronting policy makers with developments "that were neither anticipated nor fully comprehensible in terms of the prevailing paradigm" (Hall, 1993: 68). The accumulation of such anomalies can trigger policy failures and a recognition that the paradigm's organizing principles no longer match real-world conditions. Its authority fragments and the demand for innovative ideas rises; experts and officials once exercising a virtual monopoly over legitimate options are challenged by policy entrepreneurs such as opposition

Abstract. In recent years, many governments have embraced new modes of economic governance that rely on public-private partnerships. These forms of governance effectively devolve authority and responsibility from the state, and instead rely on the policy networks found in civil society.This article argues that despite the general enthusiasm for such decentralized collaboration, there is significant variation in its meaning and practice. Comparing the public-private partnership strategies of two governments in Ontario in the 1990s, the article analyzes the origins and progress of two distinctive governance paradigms, looking for signs of economic innovation.The case studies demonstrate that each of the social democratic and neoliberal paradigms contains its own specific representational logic, organizational design, and policy purpose. The article underscores the analytical importance of linking the study of decentralized policy networks at the meso or local scale to macro-level political and economic factors that condition their operation and effects. It concludes with a discussion of the obstacles to institutional innovation in Ontario, and the conditions that facilitate successful public-private partnerships in economic governance.

Résumé. Au cours des dernières années, plusieurs gouvernements ont adopté de nouveaux modes de gouvernance économique fondée sur des partenariats entre le public et le privé. Ces formes de gouvernance remettent à l'État, de manière efficace, autorité et responsabilité, et s'appuient plutôt sur des réseaux d'action publique au sein de la société civile. Cet article montre qu'en dépit de l'enthousiasme général pour une telle collaboration décentralisée, sa définition et son application varient substantiellement. À la recherche de signes d'innovation économique, l'auteur compare les stratégies de partenariat public/privé de deux gouvernements en Ontario dans les années quatre-vingt dix et analyse les origines et le progrès de deux paradigmes distincts de gouvernance. Les études de cas montrent que les paradigmes social-démocrate et néolibéral contiennent chacun une logique de représentation spécifique, une structure organisationnelle et un objectif public. L'auteur souligne l'importance, au plan analytique, de la mise en relation de l'étude des réseaux d'action publique décentralisée à l'échelle méso ou locale avec des facteurs politiques et économiques qui conditionnent leur fonctionnement et leurs effets au niveau macro. En conclusion, l'auteur propose une discussion sur les obstacles à l'innovation institutionnelle en Ontario et les conditions qui facilitent la réussite de partenariats public/privé dans la gouvernance économique.

political parties or new social movements that mobilize support for alternatives. Experimentation may result in a paradigm shift if the new ideas and practices are institutionalized. Indeed, Hall and numerous other analysts have used these concepts to account for major policy transformations in the 1980s and 1990s that led many countries to break with the reigning Keynesian economic orthodoxy (Hall, 1989).

While this analytic framework has been applied almost exclusively to national-level dynamics, its insights are equally applicable to the subnational policy contexts of provinces or states. In the 1990s, Ontario politics featured a protracted struggle over the terms of a post-Keynesian paradigm shift. The trigger was a series of shocks beginning in the 1980s that challenged core assumptions guiding postwar economic management in Ontario and Canada. As Thomas Courchene has described, in the three decades after the Second World War, economic governance in "Tory Ontario" was distinguished by a series of basic orientations (Courchene with Telmer, 1998: chap. 2). To begin, Ontario decision makers supported the federal government's embedded policy paradigm: Ottawa's commitments to Keynesian stabilization policies and east-west trade flows secured Ontario's position as "Canada's industrial heartland." As such, caution and incrementalism were the policy watchwords in Ontario, with the provincial government never becoming an innovator or leader in social or economic development policy within the federation. Policy making was consensual and technocratic, substantively controlled by an expanding civil service enjoying the confidence of a remarkably successful Conservative electoral machine that delivered more than 40 years of one-party government. In sum, in this period of paradigm stability, it was assumed that the national scale was pre-eminent in policy development, that policy knowledge was a bureaucratic preserve, that the public and private sectors functioned as distinct realms, and that the key economic challenge was stabilization of demand rather than innovation or adjustment of productive capacity.

In the 1980s, most of the assumptions guiding the Keynesian-based paradigm unraveled. Economic globalization and technological change placed intense competitive pressure on Ontario's manufacturing industry, largely foreign-owned and typically without robust adaptive capacity. Many Ontario branch plant operations were vulnerable to closure or southward rationalization, especially following continental trade and investment deals that integrated North American economic space. Indeed, a pillar of the postwar paradigm suddenly fell away as the federal government implemented its own ambitious economic restructuring strategy, one perceived in Ontario as compounding the province's adjustment difficulties (Cameron, 1994: 109-34). By the late 1980s Ontario politicians, far from quietly supporting the federal government, began to voice concerns about Ottawa's trade and monetary policies, and especially intergovernmental financing of social programmes. In the first half of the 1990s, these concerns crystallized into concerted provincial opposition, as the Ontario economy plummeted to depths not reached since the Great Depression. The search was on to define a more autonomous and aggressive provincial economic strategy that would reposition Ontario's firms and workers for success in continental and global competition.

A central issue was the proper role of the state in driving economic renewal, and especially the prospects for new public-private partnerships that would bridge long-standing divides in order to marshal the necessary resources to meet complex restructuring challenges (Bradford, 1998a; Wolfe, 1997). Here, a post-Keynesian consensus of sorts emerged in Ontario policy communities, stressing the importance of transforming Ontario into what many observers described as a learning region (Morgan, 1997). Learning regions are subnational spaces where geographically proximate economic actors come together to diagnose the internal strengths and weaknesses of the region, and collaborate in upgrading core competencies for knowledge-based production, ranging from labour force skills to telecommunications linkages and the commercialization of scientific research.

To this end, the provincial state substitutes its traditional bureaucratic command and control regulations—which presume an in-house monopoly on policy expertise—to allow for more flexible interventions and two-way relations with private sector "stakeholders." The government leads "socially organized learning processes" that mobilize the ideas, expertise and money of various societal groups for collective problem solving (Gertler, 2000: 34). Relevant stakeholders include business associations, labour unions, research organizations, community-based movements, and municipal authorities. Public-private partnerships come to be seen as an indispensable foundation for the learning region in a global age, offering solutions to state and market failures in economic innovation. On the one hand, states draw on the *contextual intelligence* of the stakeholders themselves to design appropriate public policies to assist firms and workers in upgrading their competencies. On the other hand, the resultant collaboration mitigates the market-based barriers individual firms or workers confront in making the large-scale, risky investments required for success in the new economy.

Yet, within this common discourse highlighting the global-regional nexus and the benefits of provincial economic governance through public-private partnerships, many questions remain unanswered and open to controversy (Linder, 2000). Who among the many societal actors are recognized as legitimate partners and invited to participate? Should the partnerships strive for representation of societal diversity or narrow their reach to streamline dialogue and decision-making processes? Which public policy tools are most conducive to productive interaction among the partners? Should the state rely on exhortative measures to facilitate collaboration, or should it be more prescriptive in steering the process toward outcomes? What is the optimal geographic scale for such institutional arrangements? Should the operative subnational setting be local communities, metropolitan areas, or industrial sectors that could span the entire province?

We find answers to these questions through analysis of the political construction of Ontario's learning region (Daugbjerg and Marsh, 1998). In Britain, as Peter A. Hall (1990: 67) argues, "the breakdown of the Keynesian paradigm initiated a wider societal debate that soon became bound up with electoral competition." Similarly, in Canadian economic development policy, provincial political parties are well positioned to act as change agents for paradigm shifts. The constitution assigns to the provinces, rather than the federal or local governments, pre-eminent policy capacity in industrial assistance, education and training, corporate governance, and labour-management relations, all legislative matters central to economic development. Further, the majoritarian biases of Westminster-style cabinet government and the first-past-the-post electoral system offer governing parties considerable autonomy in setting policy agendas and legislative priorities.

Indeed, in studying paradigm shifts, the Ontario experience in the 1990s is of interest precisely because two governing political parties launched their own distinctive post-Keynesian projects. Although each government made similar general claims about positioning Ontario as a dynamic learning region in the global context, their governance and partnership approaches differed in essential ways.

As we shall see in detail in the next section, the NDP government introduced a social partnership approach extending participation to a wide cross-section of interests and devolving substantial policy discretion to new multipartite bodies at arm's length from government. Taking a broad view of the economic development agenda, the NDP looked to integrate different perspectives on innovation, specifically merging equity and efficiency concerns in comprehensive frameworks for labour market adjustment and industrial innovation. Ongoing deliberation among diverse representatives would build what Charles Sabel (1992) termed "studied trust" as formerly adversarial leaders became more familiar with one another and learned to recognize the benefits of compromise on productivity-enhancing strategies. From this perspective, the most innovative firms in the new economy were also those most open to dialogue with their own workers, and to collaboration with other firms in their sector facing similar competitiveness challenges. Given time, the argument ran, social partnerships would not only improve the fortunes of all firms and workers in a particular industrial sector, but they would also shift the larger provincial economic culture toward an ethos of collaborative learning. With its concern for inclusive participation, representative accountability, business-labour co-operation, and the merger of economic and social goals, this approach constitutes a *social democratic partnership paradigm* (Healey, 1997).

As will also become clear later, the Conservative government sponsored an alternative approach to public-private collaboration. It conceptualized partnerships more narrowly, both in terms of their institutional design and policy mandate, reflecting wariness about interest group representation and launching open-ended, deliberative policy making. Issues subject to collective negotiation in the social democratic paradigm, such as worker training or technology upgrading, were seen as better decided by competitive market forces or managerial prerogative. The Conservatives had no interest in experimenting with novel institutions at the provincial or sectoral level that would empower multiple stakeholders for policy development. Instead, they valued a more circumscribed form of social learning that transmitted private sector values and practices to the public sector, enabling the latter to become more business-like in brokering deals to harness private investment to rebuild the province's fraying physical infrastructure, especially in urban centres. Such partnerships privileged business elites over labour unions, social movements, or community groups, since the former were the only partners with the resources to share the costs of the major capital projects mandated by the state. With emphasis on local business leadership in decentralized economic development, this approach expresses a *neoliberal partnership paradigm* (Courchene, 1999).

In sum, we propose that the 1990s in Ontario were a decade of party-led policy experimentation with two novel economic governance paradigms. The broad differences are encapsulated in Table 1. The case studies below explore in more detail the efforts of the NDP and Conservatives to institutionalize their own version of public-private partnerships.

TABLE 1

Ontario Regional Economic Governance Paradigms

	Social Democratic	Neoliberal
Partnership Rationale	Social learning and sectoral innovation	State retrenchment and competitive city-regions
Participation and Representation	Mulipartite: State business, labour, and social movements	Bipartite: state/municipalities and business
Policy Scope	Provincial labour market and industrial policy	Municipal infrastructure and urban clusters
Scale of Action	Meso-sectoral	Micro-local
Partnership Form	Sector-wide productivity coalitions	City-region growth machines
Provincial State's Role	Facilitate consensus among partners	Prescribe contributions from partners
Institutional Logic	Bottom-up negotiation	Top-down rules
Learning Process	Deliberative dialogue	Contractual exchange

Facilitating Sectoral Social Partnerships, Ontario 1990-1995

The election of a New Democratic party government in 1990 was a significant event in the political history of the province. It was a remarkable breakthrough for the social democratic third party after decades in opposition (Rachlis and Wolfe, 1997). While the incoming government was rather vague about governing plans, its commitment to charting a new course was apparent. In the NDP's social base, an absence of business community linkages was paralleled by formal partnerships with organized labour and informal connections to a host of new social equity movements that were gathering momentum in national and provincial politics. In economic policy, the party had long been interested in a more activist and collaborative approach to "structural adjustment" than was contemplated by either previous Ontario governments or the state bureaucracy. And the NDP had added its voice to the growing Ontario critique of the federal economic development agenda. In short, the NDP came to power seeking policy ideas beyond the traditional channels and discourse. They pushed hard for public-private partnership institutions that could build consensus and lead change. Three such bodies were especially relevant to economic governance: the Premier's Council was a province-wide body mandated to generate longer-term visions of a prosperous future, while the Ontario Training and Adjustment Board (OTAB) and the Sector Partnership Fund (SPF) were sector-oriented initiatives for reform in specific policy fields.

The Premier's Council was created in 1986 by Liberal Premier David Peterson as a 28-member advisory body to "steer Ontario into the forefront of economic leadership and technological innovation" (Bradford, 1998b: 160). In launching the NDP's version of the Council in 1991, Premier Bob Rae called for a major cultural change in the provincial economy and society. "[W]e have to create a new culture, a new sense of shared values," he declared, adding that the "notion of creating a shared value is difficult to do, but it is critical" (Rae, 1991a). He encouraged the Council's members to lead change from a "low trust" economic culture "to one of high trust." The future of the Premier's Council, Rae suggested, resided not principally in providing policy advice to the cabinet or line ministries as it had done under the Liberals, but in members engaging one another in dialogue about common challenges and strategies for joint action. Consistent with the notion of using the Council as a vehicle for transforming the provincial policy culture, Rae greatly expanded its membership beyond the original 28 business, labour and educational leaders. A broad cross-section of societal actors, some prominent in local communities and others occupying representative positions in sectoral associations, were invited to participate in multi-partite task forces to find ways to meet the new economy's challenges of lifelong learning, high-performing workplaces, and knowledge-based production. Rae's hope was that the Premier's Council could become a focal point in building the province's social capital and networking capacity. As one labour participant reflected, the Council engaged in "a degree of social bargaining" among different interests hitherto unknown in Ontario public policy (Martin, 1995: 100-02).

The NDP government appreciated the kind of broad social partnerships organized through the Premier's Council as both an electoral coalition formula and a power-sharing policy formation model. As the premier put it: "This government recognizes the fact that there must be a marriage and an understanding between those who are involved in the creation of wealth and those who are preoccupied with issues of social justice" (Rae, 1991b). A number of assumptions about economic governance followed: an insistence that competition and co-operation between firms were complementary; that input from workers and unions contributed to the productivity of business investments; and the "conviction that sustainable prosperity is achieved on the basis of increased equity and co-operation" (Ontario Ministry of Treasury and Economics, 1991: 87). In its first budget, the NDP government described itself as the "facilitator of structural change, not only to minimize the costs of transition and distribute them more fairly, but actively to promote the development of high value-added, high-wage jobs through strategic partnerships" (Ontario Ministry of Treasury and Economics, 1991: 87). The so-called "progressive competitiveness" strategy envisioned a knowledge-based, export-oriented economy that also advanced the interests of groups politically aligned in varying degrees with the NDP: organized labour and such newer social equity movements as feminists, visible minorities, and anti-poverty and environmental activists (Ernst, 1995). Aware of the policy dilemmas and legitimacy problems of traditional postwar social democracy, the Rae government attempted to position its broad-based social partnership approach as an alternative to both welfare statism and exclusionary corporatism.

To implement this agenda, NDP policy intellectuals serving in the government—such as David Wolfe and Peter Warrian—recommended an associative infrastructure for negotiated policy making at the *meso-level of industrial sectors* (Gunderson and Sharpe, 1998). Wolfe drew lessons from the writings of Michael Best (1990) and other European scholars who described successful sectoral adjustment strategies, while Warrian referenced his own direct experience in a sectoral council to manage restructuring in the Canadian steel industry. The findings from this blend of research and practical knowledge were attractive to Ontario's first social democratic government. The sectoral approach promised both better policy intelligence rooted in the expressed needs of the economic agents themselves, and greater co-operation among their representatives as they came to appreciate, through ongoing dialogue, their common stake in the industry's long-term productivity.

The showcase policy fields for this strategy were industrial policy and labour market policy, with new partnership structures proposed to engage firms, unions, educators and other relevant stakeholders in mutual learning and planning processes. Ultimate policy responsibility remained with the government but much discretion in programme design and delivery would shift outward. In 1991, OTAB was announced to overhaul the $442 million spent annually by the province on labour market upgrading, followed in 1992 by a three-year $150 million SPF:[1] For the rest of its mandate, the NDP expended considerable political capital and administrative resources in putting these partnerships into practice.

In its approach to labour market policy, the NDP emphasized the integration of economic and social issues as well as the need for inclusive representation of all stakeholders. Accordingly, the government proposed a multi-partite governing body for OTAB that would privilege business and labour, but also feature representation from other communities—people with disabilities, visible minorities, women and francophones. Within this structure, a separate council was mandated for sectoral training and adjustment policy. Proclaiming that "never before in North America has any government shared so much responsibility for the policy and direction of programmes with the community it serves," officials envisioned a "roundtable of diversity" where "participation will breed creativity" (Ontario Training and Adjustment Board, 1995: 3; Steed, 1993).

However, the government faced a number of obstacles in moving forward. With the exception of organized labour the represented groups had little history of collective action, much less experience with delegated public policy responsibility and the collaboration it demanded. For the most part, Ontario's business interests lacked cohesive inter-firm associations at the sectoral level. The organizational fragmentation reflected a larger provincial economic culture valuing individualistic competition between firms more than networking or co-operation (Wolfe and Gertler, 1998: 124). Similar problems of weak organizational capacity for interest representation and policy participation were evident in the social equity community, where lack of resources was also an issue. As part of its consultation process, the government directed a special project team of civil servants to assist the various societal representatives in coming to grips with the dual demands of constituency accountability and consensual public policy decision making.

Compounding the organizational difficulties, each of the putative social partners invited to lead OTAB came with their own understanding of the basic purposes of labour market policy and priorities for programme reform. Specific questions about the new agency's mandate, its decision-making protocols, the place of unorganized workers, and indeed the definition of "good training" soon became mired in acrimonious and drawn-out debate. The various stakeholder groups caucused separately before board meetings, signaling that no unifying organizational culture was emerging at OTAB to move group interests toward common ground (Klassen, 2000: 123). In fact, the business community never fully embraced OTAB's deliberative model, anticipating that the degree of power-sharing would result in labour-social equity alignments on controversial issues affecting either managerial prerogatives in the workplace, or the corporate training budget. Business representatives argued that the multi-partite OTAB would have "a more important social than economic focus" and that their priority of economic competitiveness would be relegated to a "secondary status" (Province of Ontario, 1993: 1597).

By contrast, social equity groups "welcomed the integration of social and economic policy in the OTAB legislation," and believed that the optimal labour market strategy would ensure "social equity objectives are first established, then achieved and maintained within a training system that promotes social justice as well as economic objectives" (Province of Ontario, 1993: 1,711). Thus, while business remained a reluctant social partner wary of decentralized governance, labour and equity groups valued OTAB's delegated authority since it allowed input in economic and organizational matters not possible in traditional market-based or bureaucratic decision making. As D'arcy Martin, a labour representative active in both the Premier's Council and OTAB, put it: "[B]y linking arms with other firms in the same economic sector," local unions gained "technical support and clout with government funders and educational providers as well as with head offices in other countries" (Martin, 105).

Not surprisingly, government officials became frustrated with the ideological differences, protracted disputes and slowness of policy progress. Aware of the complexity of the issues at play, and with much political capital invested in the social partnership model, they remained uncertain about how to orchestrate productive dialogue. The strategic challenges in facilitating mutual learning among societal interests, and knowledge exchange across what still amounted to class boundaries even in the new economy, proved daunting for both politicians and administrators. These disputes became increasingly heated, and, from the government's perspective, unmanageable, as the provincial economy plummeted into a debilitating recession. Pressure for economic policies with more immediate job creating effects were demanded by labour while business protested the government's mounting deficits.[2] OTAB was launched amid high expectations about the benefits of public-private policy partnerships, but the lack of tangible results in the face of a rapidly deteriorating economy eventually relegated it to the margins of the government's agenda.

The NDP's second major partnership initiative was also conceived ambitiously, in the words of one of the programme's architects, "to alter the business culture of the province in the direction of creating *socially* organized, firm-based systems for learning, collaboration, co-operation and regulation—in other words to move it in the direction of a networked and associative model" (Wolfe, 2002). Departing somewhat from its approach at OTAB, however, the government reserved a larger place for itself, specifying more concretely its expectations for both the partnership process and policy outcomes. The Social Partnership Fund's core goals were threefold: to increase investment in sectoral infrastructure that was beyond the means of any single firm but which would upgrade the competitiveness of all; to tailor government industrial expenditures to the particular product, market and organizational conditions prevailing in different sectors; and to restrict the public commitment "to creating capabilities and promoting winning activities," as distinct from trying to pick the winning companies of the future (Ontario Ministry of Industry, Trade and Technology, 1992: 12-18).

Reflecting the NDP's overarching desire to connect economic and social development agendas, the SPF was available to networks in less conventional industrial sectors such as the environment, culture and health care. In all cases, sector representatives were invited to develop action plans that diagnosed problems, identified opportunities and proposed collaborative projects. Possible initiatives included research in new products and processes, development of sector-wide training standards, inter-firm associations for knowledge diffusion, and sector promotion and global marketing. To qualify for provincial support each sector required a forum or council representative who could speak on behalf of all relevant stakeholders, and an action plan reflecting consensus among those interests. As with OTAB, capacity-building money was available to help the sector partners create or strengthen their collaborative organizations.

Close observers of the SPF have judged the results as decidedly mixed (Wolfe, 2002; Ernst, 1995). On the one hand, it catalyzed an impressive network of sectoral councils and strategic plans, encompassing numerous industries and involving many firms, unions and researchers (Ontario Ministry of Economic Development and Trade, 1995). On the other hand, little evidence is available to suggest that this associative infrastructure altered the province's competitive business culture, institutionalized collaborative attitudes between stakeholders, or even implemented many concrete initiatives. The SPF annual budgetary allocations were consistently underspent, and it remained uncertain whether the various partnership initiatives implemented would survive once public funding ran its course. At OTAB, ideological divisions and a complex agency structure combined to stall progress; with SPF, the problem was stakeholder indifference, or at least an unwillingness to commit the resources necessary to join with the state in translating plans into action.

Either way, it was clear by the end of the NDP's mandate that public-private partnerships were not flourishing in Ontario, despite the government's intentions and investments. Bob Rae later reflected that his government was "right to put bankers and brokers and social workers and union leaders in the same room and ask them to work to a common goal…and a respect for partnership" (Rae, 1996: 286). Yet, if the NDP's social partnership strategy was to survive its multi-faceted growing pains then far more time for social learning on behalf of all the partners, including the state, was a minimum requirement. Only a robust commitment to "negotiating order" could ride out the inevitable disputes and setbacks, allowing that a certain degree of failure was a necessary part of partnership development (Wolfe, 2002). However, the NDP's window of opportunity, never open very wide, slammed shut in 1995 with the election of the Conservative government. Drawing very different lessons from Ontario's initial foray into associative governance, the Harris government pursued a radically different conception of public-private partnerships.

Retooling Urban Growth Machines, Ontario 1995-2001

The "Common Sense Revolution" platform on which Mike Harris, leader of the Conservatives, became premier has been aptly termed a neoliberal manifesto for change in public policy and economic governance. The emphasis was on smaller government and greater reliance on market forces in public decision making and resource allocation. In their campaign manifesto, the Conservatives promised to reduce the number of public servants by 15 per cent and politicians by 25 per cent. Clearly, the incoming government rejected the NDP's associative model of policy development, through which the state had attempted to facilitate a dense network of organized interests and draw on their collective knowledge to merge economic and social goals. In fact, the Conservatives sought to restrict the state's policy discretion and civil society's input into public decision making. Among the measures proposed to discipline the state and rein in group influence were: balanced budget requirements for government, citizen referenda before any tax increases, and corporate self-regulation in aligning the private and public interest. As Thomas Courchene has observed, Ontario since 1995 has been "in the throes of a series of internal socio-economic revolutions that have no subnational parallel anywhere in the world and, arguably, may even compare with the revolutions in Thatcher's UK and in New Zealand" (Courchene, 1999: 12).

In fact, there were two interlinked components in the Conservative government's neoliberal revolution: fiscal retrenchment and institutional-municipal restructuring. The fiscal retrenchment occurred in the form of a rapid and large shrinking of the public sector powered by a 30 per cent cut to the personal income tax rate. In economic development policy, this retrenchment translated into unprecedented reductions in ministerial budgets achieved through an across-the-board termination of the NDP's flagship industrial assistance, training and job creation programmes. More broadly, the Conservatives were concerned with asserting greater centralized control over the public education system, which they viewed as captured by a spending coalition of elected school trustees and public sector unions. At the same time, they aimed to rationalize the local government system that they perceived as rife with duplication, overlap and overspending by too many politicians.

In this context, institutional-municipal restructuring took the form of a sweeping realignment of roles and responsibilities between the provincial state and municipal governments, featuring boundary amalgamations to create stronger local authorities to manage a host of new programmes and services formerly run by the province (Graham and Phillips, 1998). In order to achieve its takeover of the provincial education system, the government downloaded to municipalities financial and administrative responsibility for such services as social housing, welfare assistance, public health and childcare subsidies. In engineering this realignment, the Conservatives apparently had a number of strategic goals in mind: a reduction in the size of the provincial bureaucracy; a shift in the tax burden from provincial income tax to local property taxes; a limitation on the influence of public sector unions, specifically in the education sector, which would now deal directly with a hostile provincial government; and an appeal to the party's core suburban electoral base in the Greater Toronto Area where suburban municipalities would be less pressured than the inner city by the downloaded social responsibilities in housing and welfare.

A unifying theme across the fiscal and institutional-municipal components of the Conservative agenda was the reduction in interest group political influence as it had developed through the NDP's social partnerships.[3] Legislative amendments were made in labour relations, employment equity and social assistance to limit the resources and policy voice of unions, social equity movements and anti-poverty activists. In turn, the Premier's Council, the SPF, and OTAB, structures that had institutionalized a policy role for civil society representatives, all disappeared in the government's first year. When unions and social movements protested the pace and direction of change in a series of "Days of Action," Premier Harris repeated that "no special interest group or lobby will stop us" (Harden, 1999: 178). Abolishing the NDP's meso-level associative networks that had combined policy formulation and programme delivery, the Conservative government sought a new division of labour for the two functions. With its state retrenchment and service realignment, it enhanced the policy control of the cabinet while transferring much responsibility in programme administration and financial management to local actors, ranging from amalgamated municipalities and merged school boards to informal alliances of business and community leaders.

If the Conservative government's primary motivation in their institutional-municipal restructuring was to shrink the state, there were also evident connections to a new provincial economic development strategy. As John Ibbitson (1997: 241-42) has reported, in his first year in office Premier Harris completed global trade visits where he "stumbled into the modern world of city-states, of economic zones dominated less by national government—and far less by provincial or state administrations—than by conurbations, a world economy realized through great urban hubs." The premier "discovered the importance of large powerful cities as engines of the late twentieth century economy" (Ibbitson, 1997: 241-42). The government's interest in the potential of city-regions as strategic economic spaces, and the policy leadership inherent in urban-based private sector coalitions, found its formal expression in the "bold visioning exercise" that the premier chaired in the final years of the government's first mandate, with the formation of the Ontario Jobs and Investment Board (OJIB) in 1998 (Ontario Jobs and Investment Board, 1999: 1). Composed of business and government elites, the OJIB conducted a series of regional consultations on economic growth and innovation policy in the province under the direction of the premier's long-time advisor David Lindsay. The purpose was to generate an "action-oriented plan—not just for the government, but for all sectors, all communities and all citizens of Ontario" (Ontario Jobs and Investment Board, 1999: 1).

In the end, the OJIB exercise produced a substantial public policy blueprint, *A Roadmap to Prosperity*, identifying a series of longer-term destinations for the provincial economy and society while specifying the responsibilities of various actors in the innovation process. OJIB's economic development recommendations placed new attention on the role of cities and their governance arrangements: "Municipalities are key in implementing the philosophy central to Ontario's economic success: Think Globally, Act Locally" (Ontario Jobs and Investment Board, 1999: 55). It exhorted the provincial government to "develop through local leadership groups, urban-centered, globally-competitive regional economic development approaches" based on the realization that "around the world, cities are focal points for creativity, innovation, production and the supporting infrastructure" (Ontario Jobs and Investment Board, 1999: 49, 64). The OJIB approvingly reported that many municipal governments were already teaming up with local business, community and education leaders to realize the power of local approaches to economic development. In this framework, the provincial government's responsibility was to deploy its legislative resources for the supply of "more effective local governance arrangements to support local economic development leadership" (Ontario Jobs and Investment Board, 1999: 48). The rationale was straightforward: "Local governments need the right flexibility, scale and tools to support the growth and competitiveness of businesses, economic clusters and industry sectors in their communities and region—and to be competitive with other cities and regions around the world" (Ontario Jobs and Investment Board, 1999: 48).

The OJIB recommended numerous specific provincial actions to facilitate greater inter-municipal and region-wide collaboration. Two specific priorities were the continued amalgamation of local governments and a modernized *Municipal Act* that would "provide local governments with the tools to manage their responsibilities and plan for economic development more effectively" (Ontario Jobs and Investment Board, 1999: 49). The goal was to enhance the capacity of the newly consolidated governance bodies to mobilize private sector partners in matters ranging from urban infrastructure financing, regional service delivery, and the formation of "economic clusters—the geographic concentrations of interconnected firms and institutions in a particular field" (Ontario Jobs and Investment Board, 1999: 29). As OJIB put it, municipal governments needed to recruit "local 'champions' to galvanize their communities around an action plan for economic competitiveness, growth, and success"

(Ontario Jobs and Investment Board, 1999: 46). Chambers of commerce, municipal economic development corporations and ad hoc business alliances were all identified as potential focal points for the government's model of decentralized economic governance.

With the OJIB blueprint as its conceptual reference point, the government began to explore concretely the synergy between its institutional-municipal restructuring and the economic model of clusters. While many advocates of urban regeneration have embraced municipal amalgamations to advance social redistribution and tax sharing between poorer inner cities and fiscally flush suburbs, the government's motivation was different.[4] It emphasized provincial economic competitiveness in the global context. Streamlined metropolitan governance, the argument ran, would attract footloose firms to Ontario city-regions by simplifying regulatory approvals for land use zoning and industrial development, and by providing lower infrastructure costs and property taxes achieved through economies of scale in services and elimination of a layer of government. Such rationalized governance arrangements were seen to be conducive to growing export-oriented economic clusters in leading edge sectors. For example, officials in the newly amalgamated city-regions of Toronto and Ottawa retained the cluster strategy experts, ICF Consulting, to advise on economic development strategy. The consultants emphasized that Ontario's "competitiveness strategies need[ed] to be developed and implemented in a regional context, and overcome or remedy if necessary institutional weaknesses that inhibit that" (Toronto Economic Development Office, 2000: 7, 8). The city-region was the appropriate geographic scale for cluster growth, and the provincial government would target its development policy interventions at this metropolitan space between province-wide sectors and purely local communities or individual municipalities.

Following its re-election in 1999, the Conservative government launched numerous policy initiatives that expressed the OJIB vision of economic innovation. The vision was one of decentralized economic governance anchored in urban public-private partnerships privileging business interests. "Economic development," the minister of municipal affairs and housing proclaimed, "is one provincial priority where local governments, developers, builders and business can and do play a crucial role" (Association of Ontario Land Economists, 2000). The most ambitious follow-up was the Ontario SuperBuild Corporation established by the Ministry of Finance in 1999 (Ontario Ministry of Finance, 2001): a five-year $20 billion initiative mandated to lead and co-ordinate public-private partnerships while also advising the cabinet on privatization opportunities. The Corporation's approach was to lever private sector monies and technical expertise to build and operate public infrastructure, ranging from highways and water treatment to "*new economy* infrastructure" such as biotechnology research centres (Ontario SuperBuild Corporation, 2001a). The provincial government would invest $10 billion and seek another $10 billion or more in investment from the private sector and the broader public sector.

The central element of the strategy targeted infrastructure gaps in the province's largest urban centres. SuperBuild proclaimed the urban-focused Millennium Partnerships Initiative as the government's "flagship" for partnerships between public and private sectors, a model for all other infrastructure projects across the province. Under the Millennium Partnerships, the province's eight major urban areas competed for provincial investments, with priority given to those projects whose partnerships featured maximum possible private sector investment and savings to taxpayers, and a sound business case to justify the initiative (Ontario SuperBuild Corporation, 2000). In communicating the purposes underlying its partnership approach, the SuperBuild Corporation made clear the priority on cost-savings, private sector incentives and the economic development rationale in all public infrastructure investments:

> [I]mposing the discipline of the market on the ambitions of governments and pressure groups reduces the number of white elephants that get built. Says Russell Goodman, senior vice-president of Price Waterhouse Coopers Securities, and an expert in public-private partnerships: "If a project cannot be made financially attractive within a reasonable period of time, it probably should be shelved. Social analyses do not pay debt service on a project."(Ontario SuperBuild Corporation, 2002: 39-40).

Alongside its infrastructure partnerships, SuperBuild examined other ways of "enhancing municipal capability" to position "large urban areas or city regions, as dynamic centres of innovation, production and consumption" (Ontario Ministry of Finance, 2001: 25). It has proposed legislation to remove impediments to brownfield redevelopment, that is, reinvestment in dilapidated buildings or derelict lands. It has recommended new economic policy tools that would help Ontario cities compete more effectively with metropolitan economies across the United States. Such tools could include "urban development corporations, new powers to allow municipalities to be full partners in public-private partnerships and tax incentives for private investment in infrastructure" (Ontario Ministry of Finance, 2001: 26).

In this context, the Ministry of Municipal Affairs and Housing reinforced SuperBuild's urban focus and placed new emphasis on city-region economic competitiveness. As the minister expressed it in 2000, "municipal economic development is a 'hot topic' in municipalities across Ontario" (Association of Ontario Land Economists, 2000). Following its amalgamations, the Ministry explored ways to equip municipalities with greater economic development policy capacity. An overhaul of the *Municipal Act* included approvals for municipalities to set up development corporations and involve private sector partners in the financing and undertaking of public infrastructure. While the overall provincial legislative framework remained highly prescriptive, municipal officials would gain broader authority in economic development services. Through "Business Improvement Areas" (BIAs), the Ministry supported downtown revitalization projects led by local coalitions of business people and property owners to organize, finance and carry out physical improvements and economic development. With more than 230 such local networks in operation across the province, the government showcased the BIAs as a self-help approach to revitalizing business districts (Ontario Ministry of Municipal Affairs and Housing, 2001). The Ministry prepared guidebooks for local actors to benchmark and augment their "Readiness for Economic Development."

As part of its "Smart Growth" initiative in 2002, the Ministry also established five public-private advisory panels to help plan provincial economic development at the city-region scale (Ontario Ministry of Municipal Affairs and Housing, 2001a). Consistent with the government's cluster formation strategy, the councils would advise the province and municipalities on "zone-wide" infrastructure and planning "across municipal boundaries" and on a "long-term vision for economic growth" (Government of Ontario News Backgrounder, 2001). Finally, Harris' successor as Conservative leader and briefly premier, Ernie Eves, endorsed and extended the province's urban economic development thrust. In September 2002, he unveiled plans to enable selected municipalities to create tax-incentive zones to entice companies, and more broadly to allow municipalities to finance their economic infrastructure through provincial "opportunity bonds" that would subsidize 50 per cent of interest costs for borrowing (Ontario Ministry of Finance, 2002).

For its part, the Ministry of Economic Development and Trade also signaled "the importance of urban-centred regional economies as key economic growth engines and centres of innovation in Ontario" (Ontario Ministry of Economic Development and Trade, 2001). A new bureaucratic unit for urban economic development co-ordinated information brokerage and partnership-building services for the province's seven largest urban centres. The unit led the "Ontario Competitive City Regions Partnership" to "galvanize community commitment" and "support local strategic change" (Ontario Ministry of Enterprise, Opportunity and Innovation, 2002). Such initiatives reflected the shift in the Ministry's policy focus from the sectoral partnership orientation that had been at the forefront of provincial industrial assistance under the NDP. In following the OJIB road map, the Ministry also implemented the Prosperity Development Fund "to support locally driven partnerships that demonstrate innovative ways of advancing prosperity by promoting the strategic goals of the OJIB" (Ontario Ministry of Economic Development and Trade, 2001). Consistent with the Conservatives government's partnership philosophy, provincial monies were available only if the applicants included a business partner prepared to match any public funds.

In sum, the Conservative innovation strategy may be viewed as an attempt to retool Ontario's "urban growth machines."[5] The growth machine concept has been invoked to describe city-based economic development coalitions led by business elites seeking to enhance local property values and rents in fierce competition with other localities. Whereas the growth machine framework originated in the United States, with its greater local autonomy and business activism, the concept has been applied recently to jurisdictions exhibiting a more centralized and controlling state presence in local affairs, such as can be seen in the United Kingdom (Jessop, Peck and Tickell, 1999: 154-59). Indeed, the British Conservative governments of the 1980s and 1990s supplied the template in their approach to urban regeneration. "Urban growth machines" in the UK, it has been argued, appeared as the national economic development strategy emphasized local infrastructure investments made conditional on public-private partnerships, maximum business participation and competitive bidding among localities for funds tightly controlled from above. Ontario's version of the urban growth machine took shape as local business networks were exhorted by the provincial state, on the one hand, to lead the formation of economic clusters, and, on the other hand, to finance and operate the urban infrastructure that municipal governments were unable to supply. To this end, SuperBuild and the Ministry of Municipal Affairs and Housing joined forces in conducting workshops on public-private partnerships to help municipal officials and local private sector leaders mount successful projects. As the SuperBuild Corporation explained: "The demand for public infrastructure has outstripped the ability of current revenues to pay for them, and municipal leaders are stuck with the unenviable task of explaining that fact to their communities unless they can find a better way to do things. The better way is public-private partnerships" (Ontario SuperBuild Corporation, 2001). David Lindsay, who moved from OJIB to serve as the president and CEO of SuperBuild, aptly summarized the government's overall economic development strategy:

> Clusters are the key to regional economic growth and success because they enhance productivity, foster innovation and spur new business formation. Their strength comes from the proximity of and synergies between like competing firms; interconnected buyers, suppliers and workforces, and anchor institutions such as a university, college or research institution....The new approach should be locally led—not necessarily by local mayors or local bureaucrats, but by top executives and entrepreneurs from the region's fastest growing firms, by presidents of the region's universities or community colleges, or by other community leaders. (Lindsay, 1999)

Discussion: Paradigm Shift and Bounded Innovation in Ontario

The above case studies have linked macro-political and meso-policy levels of analysis to compare two provincial government strategies for public-private partnership (Daugbjerg and Marsh, 1998). The NDP and the Conservatives used their electoral mandates to legislate significant alterations in economic governance, deploying different packages of supports, disciplines and incentives to non-state actors to participate in economic development. It followed that there was significant variation in the *scope, composition* and *scale* of public-private partnerships. The NDP worked at the scale of economic sectors, where it sought to facilitate multipartite policy consensus to generate a range of bottom-up adjustment strategies. The Conservatives abolished that networking infrastructure, shifting the arena of action in economic development policy to the local scale, where the provincial state sought financial partners while exhorting business leaders to work together for cluster development. The NDP approach was to join with representative societal organizations to plan and implement broad innovation strategies, where the Conservative approach was to join with individual firms or informal business associations, and municipalities, in contractual arrangements to fund and operate specific components of the urban economic infrastructure.

In launching these projects, both governing parties also curtailed in some measure the lead role of the public service in Ontario policy formulation. They drew on economic ideas circulating outside regular ministerial channels. For the NDP, policy blueprints and governance models developed at the Premier's Council advocating sectoral strategies and multipartite dialogue meshed with the party's evolving social democratic orientation stressing broad social partnerships. The Conservatives came to power with their own electoral manifesto, and made it known that the bureaucracy's main policy contributions would be in implementing the party's agenda. Subsequently, they used the OJIB consultation to engage the ideas and commitment of their preferred private sector partners—principally, business leaders, local economic development officials, and scientific researchers—for the technology cluster and urban infrastructure strategies.

Both governments thus departed in significant ways from embedded economic policy ideas and long-established state decision-making routines. What assessments can be made of these two ambitious attempts to institutionalize partnership-based paradigms of economic governance in Ontario?

The NDP encountered problems early in the process, and never really progressed to a full implementation of their paradigm. The OTAB bogged down at the policy formulation stage; the government was unable to engage the social partners in joint planning, much less action. As Bob Rae reflected, three years into the debate about labour market policy at OTAB: "I've certainly expressed concern at a number of meetings that this is all taking quite a lot of time. But, I think it's important that we get the process right" (Klassen, 129). In the case of the SPF, similar, albeit less pronounced, difficulties with the partnership process were evident. When the NDP left office their partnership structures remained fragile, and still without champions from either the public or private sector who could place the inevitable growing pains in a broader context of social learning and institutional evolution. The social democratic economic development legacy is notable less for sectoral partnership innovations and more for traditional labour market and industrial policy approaches: wage subsidy programmes and public works projects for short-term job creation as well as bail-outs of individual companies in steel, pulp and paper, and aerospace industries (Rae, 1996: 137-58).

In contrast, the Conservatives managed to implement much of their public-private partnership agenda. Clearly, their efforts were aided by the upturn in the North American economy that contributed to rapid growth in Ontario in the second half of the 1990s. The timing of the business cycle favoured neoliberal over social democratic innovations. At the same time, the Conservative local growth machine strategy for cluster building effectively capitalized on Ontario's long history of "municipal boosterism," the co-operation of local political and business elites for the "profitable development of private property" (Andrew, 2001: 109). Where the NDP was inventing wholly new sectoral institutions, the Conservatives looked only to catalyze existing business-dominated associations such as local boards of trade, chambers of commerce, and urban economic development corporations or regional growth councils.

In this regard, the Canadian Urban Institute's director of applied research catalogued the positive economic development opportunities that might flow from the municipal amalgamations, including greater regional co-operation and infrastructure investment (Miller, 2001). Along the same lines, recent economic development studies of Toronto, Kitchener-Waterloo and Ottawa have documented the growth of clusters of knowledge-intensive firms in information and communications technology, and highlighted the leadership of local champions (Wolfe, 2002b; Leibowitz, 2001). Further, SuperBuild's streamlined model of public-private partnership has generated considerable infrastructure investment; in its first two years of existence, commitments were made to 3,300 projects worth over \$13 billion, with \$1.5 billion dedicated over five years to partnerships in urban centres.

The Conservatives, therefore, realized greater policy returns than the NDP from their investment in public-private partnerships. Such neoliberal success and social democratic failure in Ontario confirms, and takes further, an influential line of argument in the comparative political economy literature on the prospects for institutional innovation in economic policy making. Peter A. Hall and David Soskice (Hall and Soskice, 2001) adopt a "varieties of capitalism" perspective to analyze variation in economic institutions across national (or subnational) political economies that influence development trajectories (Haddow, 2000). Mapping the organization of business associations, labour unions, corporate governance and industrial relations, Hall and Soskice argue that country-specific institutional configurations decisively shape the innovative strategies of firms *and* the innovative capacities of governments. The central distinction is between Anglo-American "liberal market economies" (LMEs) and continental European "co-ordinated market economies" (CMEs).

In CMEs, the private sector is characterized by robust associations and dense networks of inter-firm interaction from the local to the regional and national scales that supply a durable context for ongoing collaboration in business innovation challenges such as labour force development, technology transfer and venture capital formation. As Hall and Soskice (2001: 8) put it, firms depend on "non-market relationships to coordinate their endeavors with other actors and to construct their core competencies." In CMEs, corporate adjustment to globalization has proceeded through deliberation, negotiation and co-ordination in various public-private partnership institutions. In contrast, in LMEs, it is the historic absence of such networks and structures that leads firms to adjust by other means, specifically through "arm's length exchange of goods and services in a context of competition and formal contracting" (Hall and Soskice, 2001, 8). In place of institutionalized partnerships, firms in LMEs rely on market signals, legalistic contracts and state regulations to guide their investment choices.

Hall and Soskice's particular concern is to demonstrate how these different institutional legacies condition the innovative strategies of firms in adjusting to globalization. But their reasoning also sheds light on the ability of different governments to implement new public-private partnership paradigms. Simply put, the extensive facilities for inter-firm and cross-class collaboration in CMEs align with the social democratic paradigm. In LMEs, however, social democrats confront daunting challenges: establishing partnership bodies; enhancing the representational and deliberative capacities of the social partners; and finding incentives for business to participate in collective processes that imply new limits to their autonomy in the workplace or their influence on policy. Indeed, in their study of the "Political Economy of Neoliberalism" in Britain and the United States, Desmond King and Stewart Wood (1999: 377) conclude that "the absence of coordination strongly implies that policies premised on forms of 'corporatist collaboration' are structurally doomed in the context of LMEs."

The implications for the Ontario experience are evident. Soskice and Hall properly place Canada in their LME category, reflecting the country's limited institutional capacity for non-market co-ordination of innovation challenges (Bradford, 1998c). And Ontario, the country's economic heartland, has contributed much to the historical pattern. The policy environment is without strong representative organizations or associational networks at either the provincial or sectoral scale (O'Grady, 1993). From this perspective, the NDP's foray into social democratic partnerships proceeded with little institutional infrastructure in place to assume the significant policy responsibilities implied by the sector-based partnership paradigm, nor could the government rely on bureaucratic expertise or experience in devolving governance authority to the private sector. At a minimum, the experiment demanded more time than the five-year electoral cycle allowed, first, to permit the government to fine-tune the design of institutions such as OTAB and the SPF, and second, to enable the social partners to learn their new roles.

By the same token, the Conservatives' neoliberal governance paradigm, with its narrowly construed partnerships, resonated with the provincial institutional landscape. In facilitating metropolitan economic clusters, the government relied mostly on pre-existing urban business networks; with Superbuild, the public-private interface has been tightly controlled from above by a regulatory state. Given the lack of economic collaboration at wider geographic scales or higher institutional levels, the local approach to partnerships avoids the organizational rivalries and ideological disputes that helped derail the NDP. In Margaret Weir's (1992: 189) evocative phrasing, Ontario's recent policy history is one of "bounded innovation": neoliberal partnerships secured a foothold whereas the social democratic option "steadily lost ground."

Yet it would be wrong, or at least premature, to conclude that this functional fit between Ontario's economic institutions and the neoliberal governance paradigm ensures the latter's longer-term stability. If the NDP failed to sufficiently push the policy formulation process, then the Conservatives may have moved too boldly and unilaterally. In the words of cabinet minister, Tony Clement: "The way we've decided to run the government is revolutionary. It involves change first, then consolidation" (Ibbitson: 147). But as Weir (1992: 193,194) also reminds all policy innovators, "tactics useful in passing a policy can actually undermine the emergence of long-term political coalitions and enduring institutions needed to sustain a policy direction." Implementation problems, she continues, "can erode support for policy by giving force to arguments that unwanted side effects outweigh benefits, even if the policy is inherently desirable."

The Conservatives were hardly insulated from such unwanted side effects. Even those sympathetic to the government, such as former Toronto mayor and long-time party member David Crombie, warned that the Conservative localizing approach jeopardized the fiscal and social sustainability of municipalities when new responsibilities were downloaded without adequate resources (Dale, 1999: 55). Rather than empowering local coalitions to lead economic development, the government may set in motion a zero-sum competition among cash-strapped municipalities, hardly an outcome conducive to the region-wide unity of purpose understood as crucial for dynamic cluster growth (Wolfson and Frisken, 2000: 376). Furthermore, cash-strapped municipalities may find it impossible to meet SuperBuild's matched-funding requirement. Finally, to maintain public confidence in an enhanced private sector role in the financing and operation of municipal infrastructure, SuperBuild will need strong capacity to oversee the performance of its investment partners, and to enforce contractual obligations for public service at an appropriate standard. Neoliberals, keen to mobilize local actors as part of a broader commitment to provincial state retrenchment, need to ensure that their fiscal policies actually enable local collaboration, and that their regulations protect the public interest, as private sector partners seek profitable opportunities in rebuilding cities and communities.

Conclusion

This article has described the origins and progress of two ambitious institutional reform projects that aimed to position Ontario for competitive success in the knowledge-based global economy. In tracking their fate, the analysis contributes three interrelated points to understanding innovative dynamics in learning regions.

First, contrary to much conventional wisdom about the technocratic rationality of governance through public-private partnerships, there are at least two distinctive versions of this strategy, with choices informed by the political priorities, partisan strategies and ideological dispositions of governing parties. It is also noteworthy that these partnership approaches reveal how contemporary social democratic and neoliberal policy thinking has evolved beyond traditional nostrums celebrating *either* state *or* market. Clearly, both the New Democratic and Conservative parties were experimenting with new governance structures that crossed the public-private divide. For the Conservatives, greater private investment in public infrastructure could be achieved by supplementing the outcomes of the free market with government incentives. For the NDP, *dirigiste* modes of bureaucratic intervention were rejected as ill-suited to the innovation policy challenges of the knowledge-based economy, such as chronic underinvestment in collective goods, free riding and poaching on collective investments, and adversarial labour-management relations.

Second, and related to the above, the Ontario case studies underscore the analytical importance of linking interpretation of decentralized policy networks to macro-level institutional factors that fundamentally shape their operation and policy consequences. On the one hand, the province's Westminster-style political institutions placed party competition at the centre of policy innovation processes. The two governing parties defined the terms of the public-private partnerships, deciding who would be at the table, what issues would on the table, and the expectations and accountability of the partners. On the other hand, as Hall and Soskice demonstrate, provincial economic institutions heavily mediated the viability of competing governance paradigms. The organization of the Ontario political economy conforms to the logic of the LME, and this institutional reality underlay the relative success of the Conservative party's governance paradigm.

Finally, Ontario's recent experiments with public-private partnership foreground questions not often asked about the dynamics of governance failure. Much is known about the limits of bureaucratic and market mechanisms in co-ordinating economic innovation and the corrective allegedly supplied by public-private partnerships. Yet the above case studies reveal that these devolved governance arrangements carry their own frailties, even dysfunctionalities. Governments pursuing partnerships must assess the "fit" between their preferred paradigm and the prevailing institutional landscape. And they must find the policy tools to ensure effective implementation of public-private partnerships, whether launched at the scale of industrial sectors or urban regions. Scholars and policy practitioners alike still require more knowledge of the factors enabling states and societies to share power effectively.

Notes

1 In addition to OTAB and the SPF, the NDP pursued sectoral training initiatives in partnership with the federal government in the steel sector, the electrical/electronics sector and the autoparts sector. In the broader public sector, the government established a multipartite Health Sector Training and Adjustment Panel to administer programmes for laid-off workers. The role of OTAB in co-ordinating these various sectoral initiatives was a key institutional design challenge for the government in its devolutionary strategy (Bradford, 1998b: 173-74).

2 By 1993 a ballooning provincial deficit focused the government's attention on public sector restructuring. It introduced a Social Contract that proposed a sectoral process for negotiating cost-savings in the public service and broader public sector. Aspects of the NDP's social partnership model were in evidence as the government invited the sector stakeholders themselves to develop adjustment plans to meet the fiscal targets. (For contrasting interpretations of this social democratic approach to deficit reduction see McBride, 1996; Rae, 1996: 193-216.)

3 Concerning the Harris government's relations with civil society representative organizations, Ian Urquhart summarized: "Unlike his predecessors, Harris does not appear to reach out to the major interest groups in Ontario for input. It is well known that he froze out the unions.... Less well known is that Harris has also shut out the official representatives of doctors, hospitals, universities, teachers and school boards.... In contrast... Bob Rae scheduled regular meetings with these and other groups, even at the risk of hearing unpleasant criticism. Rae, for instance, met frequently with business leaders who were unfriendly to his government" (Urquhart, 2001).

4 This thrust is particularly evident in the debate in the United States about the "new regionalism." (See Rusk, 1996 and Orfield, 2002.)

5 The growth machine concept was introduced in Molotch, 1976. A retrospective assessment of its continued explanatory value can be found in Jonas and Wilson, 1999.

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