

**Local Government and Cluster-Related Innovation Policy:
Two Industry Clusters in the City of Toronto**

Submitted by Patrick James Galvin to the University of Exeter
as a thesis for the degree of
Doctor of Philosophy in Politics
in October 2011

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ABSTRACT.

The literature on innovation policy and innovation suggests that cities are becoming an increasingly important site for innovation. Yet despite this claim, there is relatively little focused academic literature on local government per se and its role in developing cluster-related innovation policy. The purpose of this dissertation is to help fill that gap by undertaking an analysis of how cluster-related innovation policy development occurs in the City of Toronto. The analysis focuses as much as possible on cluster-related innovation policy in order to differentiate it from other broader and earlier conceptions of innovation policy.

This dissertation makes two main research contributions. First, it offers a more focused critical empirical examination of cluster-related innovation policy development at the municipal government level in Canada through two Toronto cluster case studies, the Toronto Aerospace Cluster and the Toronto Fashion Cluster. The second contribution is the local government-relevant analytical framework that is developed which draws needed analytical attention to the particular interwoven dynamics of three variables involved, as a way of understanding cluster-related innovation policy development within two different kinds of clusters.

The primary research question explored is: How have the concepts and practices of cluster-related innovation policy at the local level changed in the City of Toronto roughly in the last twelve years? In order to answer this question three main arguments are advanced and examined.

The *first argument* is that cluster-related innovation policy at the local government level, though it has the potential for eventual success, and though it is often touted as providing a very effective mechanism for leveraging a city's limited amount of fiscal resources, suffers from a lack of conceptual clarity because it is embedded in a range of other related policies described and promoted in other ways including economic development policy, prosperity policy, competitiveness, and industrial sector policies.

The *second argument* is that cluster-related innovation policy at the local government level is likely to have only limited efficacy and impacts unless there are explicit sources of multi-level governance financial support and strong multi-level governance coordination.

The *third argument* is that cluster-related innovation policy at the local level cannot be based on a one size fits all approach given that mega-cities such as Toronto face different challenges of scale and coordination, and given that clusters such as aerospace and fashion exhibit diverse innovation characteristics and coordination and cluster formation challenges.

A qualitative research methodology is employed which is built around the analysis of two case studies using both documentary evidence and sources and also confidential interviews. The first technique consists of a systematic exploration of existing documentation from the City of Toronto on their clusters. Federal and provincial documents are also utilized in the case study analysis. The second complementary technique employed consists of semi-structured confidential interviews. These interviews are used for a detailed investigation of participant views of cluster-related innovation policy, and policy processes, during the twelve-year period in the two case studies. The analysis is also placed within historical context through the development of two historical

chapters. Two chapters showcase the development of these industries under earlier kinds of industrial, trade and social public policy prior to the case study analysis of each cluster.

When the evidence for this first argument is examined, it seems to indicate that cluster-related innovation policy could have provided a very effective mechanism for leveraging the City's limited amount of fiscal resources but fell well short of doing so, and thus this first argument is borne out empirically. The evidence for the second argument suggests overall that the federal government is not a focused cluster development player. Moreover, it is not engaged in terms of policy development, or coordinating policy development, among the three levels of government. Instead, the federal government tended to take a business climate approach rather than a focused cluster development approach, which does not help the city or municipality per se. The evidence for the third argument suggests that this argument is borne out broadly speaking. Several of the interviewees indicated that Toronto has to be treated differently when it comes to the development of such cluster policy, given the fact that it has to deal with issues of scale and coordination. And this does not mean just the City of Toronto proper, but also the Greater Toronto Area, the GTA. This is the case because arguably it is only in the major cities that one truly finds all of the necessary critical ingredients that can come together to produce a cluster-related innovation policy.

Thus the results of our empirical research clearly indicates that Canada's innovation and related cluster policy architecture is going to have to change if Canada is to live up to its innovation policy and cluster development potential in the 21st century.

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