

SIMON LEE

STRANDED ON THE COMMON GROUND?

Global Governance and State Power in England and Canada

1. INTRODUCTION: BRINGING THE STATE BACK IN

During the past decade, the traditional dominant discourse within the discipline of political economy about the appropriate roles for the state and market respectively has been displaced by a near fixation with the nature, impact and implications of globalization for the exercise of state power, and the need to conform to the policy and institutional conventions of competitive neo-liberalism. Despite these external constraints, states have retained significant policy autonomy to mediate the effects of globalization because globalization can act as an enabling force as well as a constraint on economic governance. Indeed, 'rather than national states being generally constrained, hollowed out, and transformed by global markets, domestic institutions – especially, *but not only*, political ones – are key to understanding the effects of openness and where interdependence may be heading' (Weiss, 2003: 4). As a consequence, the character of domestic institutions has remained decisive in determining how state power has been used to enhance the competitive advantage of nations in global markets.

This chapter explores the viability of national policy models, in the face of globalization, through a comparison of innovation policy in England and Canada. Innovation policy has been chosen because major studies of best practice in this field have emphasized the importance of devolved institutions as a prerequisite for networking for competitive advantage. The chapter contrasts the effectiveness of Canada's federal polity with that of England which, despite the onset of directly elected, devolved government to the other nations of the United Kingdom (UK) and to Greater London, rivals France for the status of the most centralized polity among the major industrialized economies. The chapter seeks to establish whether the consequences of globalization for domestic state power and international competitiveness are better mediated through a centralized or federal polity.

There are at least three other reasons for comparing Canada with England. First, England (as 85 per cent of the UK's population and economy) and Canada are two of the most open economies in the global economy, and are facing important

choices in terms of their future relationship to regional integration with the European Union (EU) and the United States (US) respectively. They therefore provide a very useful context for assessing the relationship between the exercise of state power and global governance. Second, a prominent feature of the discourse on competitiveness has been the tendency to compare rival Anglo-American models of capitalism with continental European or East Asian developmental state models. These dichotomies have tended to conflate the national capitalisms of Canada, the United Kingdom and the United States into a single Anglo-American model. The effect has been to overlook the major differences between and the distinctiveness of national capitalisms, particularly in relation to its domestic policy choices and institutional structures. Despite Canada's status as a G8 economy, the Canadian model in particular has been overlooked in comparative studies of economic performance (e.g. Graham and Seldon, 1990; Coates, 2000; Weiss, 2003). Third, like Canada, the political economy England has equally been overlooked in studies of economic performance, because of its having been conflated with either the United Kingdom or Britain. However, with the onset of devolution to the other constituent nations of the United Kingdom, England alone has been subjected to a nationalized style of 'constrained discretion' and 'earned autonomy' in policy design and resource allocation (Lee, 2008).

To provide some tentative conclusions about the viability of national capitalisms in Canada and England, the article is divided into three further parts. First, the literature on competitiveness is explored to note that the ubiquity of the entrepreneur has become so widespread as to occupy the common ground of political economy. However, at the heart of this literature, the seminal work of Michael Porter has tended to overlook the importance of domestic democratic institutions for competitive advantage. Second, policies for fostering innovation in England and Canada are compared to contrast the competitive advantage to be derived from a centralized and decentralized polity respectively. Third, the Canadian superiority, on almost every measure of economic performance, not only in terms of innovation and entrepreneurship, is noted. Fourth, the conclusion drawn is that the political economy of England remains stranded on the common ground of devolution to the entrepreneur, consumer, and the discovery process of the market, accompanied by increasing centralized prescription over policy and resources. By contrast, the political economy of Canada remains wedded to the discovery process of a more pluralist and decentralized federal polity.

2. THE COMMON GROUND: BRINGING THE ENTREPRENEUR BACK IN

One of the most important developments in public policy during the past two decades has been the transition from government to governance (Pierre, 2000). This in turn has reflected a transfer of power over policy and resources away from