ECONOMIC CHANGE AND CITY REGION GOVERNANCE:
THE CASE OF TORONTO

by

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A thesis submitted in conformity with the requirements
for the degree of Doctor of Philosophy
Graduate Department of Geography
University of Toronto

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ABSTRACT

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This thesis explains why the Toronto city-region underwent a policy transformation in its governance structures, functions and jurisdictional boundaries between 1994-1998. What forces precipitated this change? How had Toronto earned its reputation as the ‘city that worked’? Why did it stop ‘working’? Are the policy proposals of the past four years capable of resolving emerging contradictions in the region’s economic development?

These questions are explored in both an historical and contemporary context by drawing on insights of regulatory theory, urban regime theory, and an analysis of Canada’s changing fiscal federalism. This approach informs the role that institutions (regardless of origin or territorial scope) play in sustaining a local accumulation system, and how this ‘local’ accumulation grounds a national regulatory mode and regime of accumulation. The approach also explores the relationship between regime and regulation theories in the context of policy formation and institution building.

While postwar Toronto developed within a Fordist regime of accumulation, its elements of regulation at the city-region scale were distinctive. Toronto benefited from national regulatory
policies, but its economic dynamism also constituted a cornerstone of the nation’s economic and social viability. Moreover, its localized regulatory structures had a unique institutional richness, which accommodated many of the crisis tendencies felt by other industrial regions in the mid 1970s and early 1980s. Toronto’s own ‘structural crisis’ did not fully manifest itself until the late 1980s and early 1990s, when free trade, restructuring, and other globalization forces emerged. These also influenced the policies and institutions of Canadian federalism, which affected the governance of Toronto. Institutions (such as ‘Metro’) that had regulated the city-region during the Fordist regime of accumulation were now implicated in its crisis. This led to a demand for change in Toronto’s governance structures and functions.

This study concludes that the policy set now being implemented is incapable of resolving the region’s crisis tendencies. Policies of regional competition based on cost reduction clash with the quality-based strategy that was a cornerstone of Toronto’s past success. Notwithstanding external forces, the current policy set is not inevitable. Globalization does not predetermine all spatial-economic outcomes.
ACKNOWLEDGMENTS

I am deeply grateful to my Ph.D. supervisor, Professor Meric S. Gertler, for his support and direction throughout the doctoral program and in the preparation of this dissertation. He is an outstanding scholar and teacher and I am fortunate to have worked with him. My intellectual debt to him is evident throughout the following pages.

I would also like to thank my committee members for their ongoing interest and incisive comments: Professor Carl G. Amrhein, Professor Gunter H. K. Gad, Professor Robert D. Lewis, and Professor Susan M. Ruddick. Professor Larry S. Bourne and Professor Jim T. Lemon also provided direction on earlier versions of this dissertation for which I am very thankful.

I would like to acknowledge the financial support of The Social Sciences and Humanities Research Council of Canada Doctoral Fellowship as well as the University of Toronto Connaught Doctoral Entrance Scholarship. The Department of Geography also provided me with research grants and teaching opportunities. In particular, I am grateful for the opportunity to have worked with Professor J. Robert S. Prichard in his capacity as Commissioner on the Golden Task Force.

Thank you to the many policymakers, businesspeople, social activists and citizens who agreed to be interviewed for this research, to the helpful staff at the Metropolitan Toronto Archives, and to my colleagues for their wise advice.

Finally, I would like to acknowledge the support of my family, and in particular my parents, Jim and Marie Donald, who have always encouraged me to pursue higher education. Most importantly, I would like to thank my husband, Doug Morrow, whose unending love, intelligence and inspiration makes it all possible. Doug, you are wonderful.
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INTRODUCTION

The Issue

The social dimension of contemporary capitalism has altered the city-region landscape, both figuratively and literally. New modes of production and accumulation brought about by the changing nature of capitalist competition are reorienting social and economic activity at a local level, thereby challenging existing approaches to governance. In response to these forces, many urban policy-makers are beginning to re-examine the role of both public and private institutions that operate at the local level. In doing so, they search for ways to facilitate economic growth and planning in turbulent times and for ways to resolve some of the contradictions inherent in economic development.

These capitalist transformations have prompted an academic renaissance in the study of city-regions. This renaissance is attributable in part to an increasing awareness of the importance of institutions to the economic success of city-regions. In that sense, this study is part of that renaissance. It seeks to inform the academic literature not only by its analysis of a particular city-region — the Greater Toronto Area — but also by its review, analysis, and synthesis of broader theoretical approaches in urban political economy. Drawing on the strengths of those
theories (in particular, regulation and urban-regime theories) and an analysis of Canada’s changing fiscal federalism and intergovernmental relations, I have sought to present a synthetic approach to institutional governance at the city-region level that is capable of informing further study. My primary objectives in this work are to address the following questions:

1. Why did Toronto earn the reputation in the immediate postwar years as the ‘city region that worked’? To what extent is this perception linked to political structures of local and metropolitan governance?

2. What economic, social and political changes in recent years led to the perception that this previously innovative and successful governmental form had stopped ‘working’?

3. To what extent were the forces associated with globalization producing the motivation to restructure the region’s mechanism for governing urban development and economic vitality?

4. Are any of the policy proposals advanced in the past four years capable of resolving emerging contradictions in the region’s economic development?

The Setting

Toronto plays a key productive role in both the provincial and national economies, accounting for 50 per cent of Ontario’s economy (by GDP) and almost 20 per cent of Canada’s; yet it also has recently experienced major economic trauma and continues to face economic challenges. This has come to quite a shock to a region that has for many years been viewed in the academic literature and public discourse as a centre of successful institutional innovation in order to meet
its economic and political challenges over most of the postwar period.

For the purposes of this thesis, I define the Toronto region broadly to include the Greater Toronto Area (GTA), a now-generally accepted term which encompasses the new City of Toronto (i.e., the former Municipality of Metropolitan Toronto (Metro)) and the four surrounding regional municipalities of Durham, York, Peel and Halton. This area covers some 7200 square kilometres, contains a total of 26 local area municipalities, and has a population of 4.5 million, making it one of the largest metropolitan areas in North America. Toronto is one of the most multicultural regions in the world, with most regions (America, Europe, Africa, Asia, and Oceania) still supplying a steady stream of immigrants to the GTA (Table 1). Over 100 countries were each the place of birth for more than 1,000 current residents, with countries such as Sri Lanka, China, Hong Kong, the Philippines and India, supplying the highest numbers of Toronto's recent immigrants. Approximately 20 percent of GTA residents belong to visible minority groups.

Much of the statistical data on the region for this thesis have been derived from Statistics Canada's definition of "Toronto", the "Toronto Census Metropolitan Area" (CMA), which corresponds to Toronto's commuter-shed because it takes in all the areas in which residents rely heavily on the city for jobs and income. The CMA is slightly smaller than the GTA, home to about 3.9 million people and encompassing approximately 5,600 square kilometres. In total, some 14.3 per cent of Canadians live in the Toronto CMA.
The old City of Toronto (which ceased to exist as of January 1, 1998) was a 97 square kilometre tract, one of six lower tier municipalities within the former Metro, with a population of approximately 600,000. The new City of Toronto (formerly Metro) has a population of approximately 2.3 million and an area of about 630 kilometres. Over the past two decades, the population of Metro has grown by fewer than 200,000 people, whereas the surrounding communities within the GTA added 1.5 million residents within the same period.

The Argument

While city-regions are not impervious to macroeconomic forces or the prevailing winds of global change, they are not inert historical objects merely swept from epoch to epoch by external forces. Each city-region is a subject, with a unique past and future, and with more control over its destiny than some theorists might allow. How do city-regions exercise their control? I argue that the key to understanding economic change in a city-region lies in its institutions\(^1\) (in all their various formal and informal, public, private, or hybrid forms). I further argue that in the case of Toronto, institutions play a fundamental role, not only in shaping economic activity but, more

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\(^1\) In this thesis, the term "institutions" is used to denote economic, political or social forms and practices. Economic institutions serve to produce and distribute goods and services. Political institutions regulate the use of, and access to, power. Social institutions are practices that are regularly and continuously repeated, or sanctioned or maintained by social norms, and have a major significance in the social structure. Institutions are not static, but rather are changing entities. Changes in social, political and economic practices both modify existing institutions and create novel forms. In that way, individuals have a role-making function in addition to their role-playing function. The institutional type referred to at a given point in this thesis should be obvious from the context. However, it should be noted that often institutions have more than one function and thus constitute more than one institutional type (e.g. Metro was a political institution but it also performed an economic function as a re-distributor of goods and services).
importantly, in determining its economic growth and success and its social stability.

In developing my argument, I have relied upon four main literatures. First, I was drawn to those regulation theorists, particular Painter (1995; 1996) and Tickell and Peck (1992), who assess local government and governance restructuring within a larger political economic context. Because their case studies are drawn from the British context, their direct applicability to the Toronto context is limited. Therefore, I drew on a second body of work, spearheaded by Jenson (1989), who argues that Canada’s particular form of postwar economic development was tied, not only to continentalism, but also to the politics and institutions of federalism. Next, I look to Canadian political scientists, most notably Cameron and Simeon (1997), who provide a detailed, contemporary account of how globalization, the restructuring of the nation-state, and the changing institutions of federalism are affecting the province of Ontario. Finally, to understand the process of policy formation and institution building at the city-region scale, I have employed the approach of Lauria (1997) and Goodwin and Painter (1997), the latter of whom suggest ways of bringing urban regime theory into a regulation approach. This is particularly helpful for understanding the process of policy formation and institutions building at the city-region scale.

The review and discussion of both regulation theory and urban regime theory is set out in greater detail in the next chapter. This includes a more general discussion of changes in the nature of capitalist competition and of the wider literature across the social sciences which now recognizes that institutions and social norms are critical in shaping economic prospects. The spatial level of analysis is the city-region, for it is at this level that much of the dynamic aspects
of capitalism are found. This in turn has revived interest in mechanisms for regional governance and the role that they play in facilitating economic growth and social stability.

Having laid the theoretical and spatial groundwork, I then proceed, in Chapter 3, to review the history of the institutions and institutional instruments developed at the urban-regional scale. Drawing on the work of Jenson (1989) and Cameron and Simeon (1997), I determine which key institutional and policy innovations at scales of governance ranging from the local to the national were instrumental in laying the basis for Toronto’s extended period of economic prosperity. Here, I focus attention on both the production and consumption capabilities of the region and the institutional arrangements that kept production and consumption dynamics in rough balance with one another. At the same time I also point out the inherent contradictions that were starting to emerge in the particular institutional and social forms operating at the urban scale. In Chapter 4, I explain how the Toronto region entered a period of economic instability as forces both internal and external to the region came together to undermine the foundations of the region’s earlier postwar success.

Finally in Chapter 5, I show how this instability created the necessary conditions for a major re-examination of the structures, functions and jurisdictional boundaries of government in Greater Toronto during the 1994-98 period. The re-examination exercise that serves as the major focus of my discussion is that of the Greater Toronto Area Task Force (the Golden Commission), although the response of the Government of the day is also discussed in detail. In drawing upon the theoretical underpinnings laid out in Chapter 2, and the historical analyses in Chapters 3 and
the discussion in Chapter 5 attempts to set this recent re-examination of the Toronto city-region within a broader context. I argue in that Chapter that the particular policy set now being implemented by the Harris Government is incapable of resolving the crisis tendencies in the region. I advance the case that these policies, predicated on the objective of inter-regional competition based on cost reduction, are starkly at odds with the quality-based strategy that had been a cornerstone of Toronto’s success for decades.

Notwithstanding the undeniable impact of external forces, I argue that the Harris policy set was neither inevitable nor predetermined. Many policy issues (such as the inequitable property tax system throughout the region, municipal-provincial reorganization, and GTA-wide governance) had been festering for years. Other policy outcomes (such as the centralization of education financing and social service downloading) were in part shaped by a particular political response to declining real wages in Ontario (i.e., a thirty percent cut in provincial income taxes). These governance issues helped shape the Harris Government’s political platform regarding Toronto. The platform was also influenced by the Progressive Conservative Party’s strong support base in suburban GTA, small-town central Ontario, and more rural parts of the province. Thus as others have observed, the spatial fight between the suburban power base of the Harris government and the recent liberal dominance of the inner city played a significant role in the process. However, I argue that economic geography — not purely politics — was the major consideration for local and provincial policy determined to prevent the ‘hollowing out’ of the inner suburban fringe. While Harris campaigned on a promise to eliminate Metro (a politically viable platform), it became apparent that to do so would have had grave consequences for
Metro's constituent lower-tier municipalities. Ironically, although politics and ideology originally motivated the Harris Government to reconfigure Toronto, in the end it was economic geographical considerations that carried the day. But rather than proceeding further with significant GTA-wide re-configuration, the Government once again responded to political rather than economic geographical exigencies and (aside from the GTA Services Board currently in the works and some property tax initiatives) opted to limit significant change to the former Metro region. Thus many of the GTA-wide governance issues remain unresolved at the time of this writing.

The Method

The case study approach employed in this thesis relies on several forms of data collection: participant observation; secondary document review; and finally primary interviews with a variety of stakeholders. These are described in more detail below.

Participant Observation

From March 1995 to February 1996, I served as a policy advisor to the Task Force on the Greater Toronto Area and as Executive Assistant to Commissioner J. Robert S. Prichard (president of the University of Toronto). As a member of the policy team, I was involved with all top level activities and decisions and worked closely with stakeholders from a variety of interests in the city. The stakeholders included members from the Greater Toronto Area Task Force; federal,
provincial and municipal governments; business; labour; environmental and planning groups; academics; consultants; real estate industry representatives; culture groups; community and social activists; and the media.

I believe that my role and my understanding of the policy context enhanced my awareness, knowledge, and sensitivity to many of the challenges, decisions and issues encountered as a participant observer in the field. At the same time, I am aware that I have also brought certain biases to the study, which have shaped the way I viewed and understood the data I collected and the way I interpreted my experiences. Although every effort has been made to ensure objectivity, I cannot dismiss the fact of my own participant observer bias and the effect it may have had on my conclusions. Nor can I overlook the kinds of difficulty that might arise through the use of this approach. If private information to which the researcher has access cannot be reported, the researcher has an obligation to respect the needs or desires of the informants. This is of particular concern in this study where the informants’ positions in institutions are highly visible and recognizable and the subject matter politically sensitive. Notwithstanding these difficulties, however, I feel that the insights which I have gleaned from my close involvement with high profile and well respected authorities on urban economics and governance outweigh this study’s shortcomings and in that way provide a significant contribution to the field.

As a policy advisor to one of the Commissioners, I was privy to all meetings of the Golden Task Force and also meetings held in the region with other stakeholders, including
meetings of the GTA Mayors Committee and Metro Council meetings. Following publication of
the final report of the Task Force, I continued to attend public meetings on GTA governance
reform. I also made a deputation speech to the House Committee meeting on Bill 103, City of

Secondary Documentary Review

I undertook a content analysis of newspaper reports on GTA governance reform, covering the
period from November 1994 to November 1998. I was particularly fortunate to have access to
the Ministry of Municipal Affairs Clipping Services over this period. This allowed me to follow
important media closely over an extended period of time. Newspapers, including feature articles,
editorial/opinion pieces and letters, also proved to be a good vehicle for exploring the policy
dynamics surrounding governance reform. They provide an important source of information
because they present an analysis from a variety of viewpoints over an extend period of time. Of
course writers' own biases may not always be evident. Moreover, there is undoubtedly a
complex relationship between the content of newspaper articles and the political and social
events they describe. In other words, newspapers may help set agendas as much as describe
them. Nevertheless, content analysis of newspaper analysis has been used by credible
researchers to gauge public opinion or the political climate surrounding certain issues (see for
example Filion, 1995, Creswell, 1994).

I also undertook an analysis of a variety of official and unofficial policy documents on
the subject of governance reform. These include: government documents (such as legislation; policy statements; policy guidelines; briefing notes; draft policy statements; background papers; ministry memoranda; and promotional material); and stakeholder documents (such as policy position papers; written submissions; research reports; newsletters and brochures; and correspondence). This material provided the backbone for understanding both the history of Toronto governance reform as well as the current perspectives of various policy interests within and outside government. Included in my review was a content analysis of the over three-hundred submissions to the Golden Task Force from a variety of sources. This remains one of the few official records at one point in time of the perspectives of all those who considered themselves to be stakeholders in the reform of governance and finance in the Greater Toronto Area. The unique advantage of this process was that the selection process of who is a stakeholder (and thus has legitimate input) and who is not is made by the stakeholders themselves rather than by the researcher. It also provided a good opportunity to follow, over the next few years, how historically antagonistic interests came together into uneasy alliances and how traditional allies drifted apart on key issues. This process was a case study in policy-making dynamics.

Finally, I engaged in extensive archival research at the Metro Archives and Records Centre. According to staff, I was the first researcher to make extensive use of the archived material on the activities of the Toronto Area Industrial Board since that material was received from the Toronto Harbour Commission in 1995. This review shed light on an important but heretofore largely forgotten institution. Furthermore, through my Freedom of Information (FOI) requests I was able to access finer grained analysis on the dynamics of economic policy
development (including briefing notes, internal correspondence between the Toronto Area Industrial Board and Metro's senior decision-makers, including the Chairman, between 1976 and 1984). This was key in my analysis of the institutions of economic governance in Toronto. My FOI requests have enabled subsequent researchers to access this rich resource on postwar Toronto.

*Primary Interviews*

I supplemented the research described above by conducting semi-structured face-to-face or telephone interviews with a variety of stakeholders in the region, including provincial and local policy advisors, and others. Interviewees were encouraged to talk freely about their interpretations of particular events or actions and related concerns. As Babbie (1979, pp.205-206) notes, "as a field researcher you will seldom approach your task with precisely defined hypotheses to be tested. More typically, you will attempt to make sense out of an on-going process that cannot be predicted in advance — making initial observations, developing tentative general conclusions that suggest particular types of further observations, making those observations and thereby revising your conclusions, and so forth." This describes the process engaged in for my primary research in this case study. In the course of this field work, elements of the policy process became visible that had not been apparent in my secondary literature review. In addition to these longer semi-structured interviews, many more shorter, unstructured interviews were conducted with officials holding specific information that was needed in order to round out the case study. Altogether, I interviewed over 50 people (see Appendix). However,
because of the political sensitivity of some of the issues, much of the information was given to me on the condition that I not identify the interviewee in this thesis. Therefore, I have not attributed specific remarks or arguments to specific individual sources. Nevertheless, much of my analysis in Chapter 5 contains a consensus view of the issues canvassed in it, and where divergent views emerged, I have attempted to link these to specific interests.
Capitalism is changing big time. Few would disagree that the technological, market, social and institutional forces that have dominated the Western industrial economy since the Second World War have been and continue to be transformed into an entirely new economic order — one that poses profound challenges to all levels of government and even the nation state as a sovereign entity. These changes to capitalism have shaken the very foundations of otherwise stable economies and fuelled unprecedented growth and development in previously stagnant regions. Modes of both production and consumption that had prevailed only a few decades ago are transforming or withering, yielding to entirely new modes the final form of which has yet to be seen (Amin, 1994; Petrella, 1996).

Generally speaking, in the postwar period, North American production was based on systems of mass production, in which firms competed predominantly on the basis of cost more than on quality. This gave rise to the vertically integrated and inflexible firm structure with a relatively stable labour pool based on institutionalized labour-management relations. The consolidation of this mode of production across a variety of key industries and sectors was

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2 The account that follows is somewhat of a simplification; indeed some dissent from this version of the story exists. See for example, M. Webber and D.L. Rigby (1996) The Golden Age Illusion: rethinking postwar capitalism (New York: Guilford Press).
compatible with a constellation of social practices and systems of consumption, in which redistribution of wealth in society was considered to be an important state objective. Indeed, it was a fundamental tenet of Keynes’ economic theory (which enjoyed considerable profile in the immediate postwar era) that the state could and should play a role in stimulating aggregate demand and generating economic activity in times of downturn. The postwar period was characterized by extraordinary economic stability in the Western world; however this stability was not to last forever. By the early 1970s, events and circumstances (such as global problems of supply and demand of oil, competition from newly industrialized countries, the decline in productivity growth, slowdown in aggregate demand) were starting to threaten that stability (Lipietz, 1992; Glyn et al., 1990; Harvey, 1989a).

Responses to the economic conditions of the 1970s were varied, but some are particularly noteworthy for the role they played in ushering in the changes in capitalism now sweeping the globe. These responses include heightened demand for financial deregulation, freer trade and freer investment in other economies. At the firm level, approaches to competition were beginning to shift from cost-based to quality-based (which includes cost, product quality, market flexibility, and service), with an increasing value placed on innovation, in particular incremental innovation from production engineers, technicians, and the shopfloor (Freeman, 1997). At the same time, technology in all aspects of product and process development was marching forward, bringing with it profound changes in all aspects of the economy. Technological advancements have spawned to new products and services, which in turn have accelerated the changes in capitalism (Archibugi and Michie, 1997).
Efforts to explain some of the profound changes that have swept our social and economic landscapes in the past two decades have given rise to new concepts and theories. Terms such as 'post-fordist', 'post-industrial' and 'post-modern' have entered academic discourse, and theories such as 'new institutional economics', 'regulation' and 'urban regime' have provided new lenses though which we view the emerging world order, with a view to comprehending the social and economic era we find ourselves in.

One perspective, which I share, is that the global economic forces do not necessarily determine the structure and function of social and economic orders to which they pose an incessant challenge. Across the social sciences there is now growing recognition that institutions and social norms are critical in shaping economic reality (Berger, 1996; Hollingsworth and Boyer, 1997; Hirst and Thompson, 1997). Academics in international political economy, for example, have been exploring the role that global institutions and international social movements have played in the evolving economic order (Hollingsworth and Hanneman, 1982). At the same time, sociologists have been investigating how core social relations, such as family, religious and ethnic ties, contribute to the development of the most essential but volatile ingredients in market relationships: trust and cooperation (Granovetter, 1985). Economists are also exploring the role that non-market institutions play in shaping economic landscape. Unlike neo-classical and Marxist economists, the new institutional approach provides an important counter to the currently fashionable view of universal convergence to one type of capitalism (North, 1990; Hodgson, 1998).
In the economic geography literature, there is also a burgeoning literature focussing on institutional forms within firms or between firms tied together in relations of exchange within regions (Cooke and Morgan, 1991; Gertler, 1995; Saxenian, 1994; Storper, 1994). Storper (1994), for example, explains how firms regulate their relations in diverse ways, through the exercise of market or monopolistic power, vertical integration, and networks of trust. Urban geographers, on the other hand, have tended to focus on the “modes of organization through which agents, public and private (and primarily place-dependent stakeholders and coalitions), come together to mobilize local institutions of the state to further their own interests” (Cox and Wood, 1997, p. 66; see also Stone, 1993).

The common thread running through the perspectives referred to above is that social and economic institutions matter. Broader global economic forces do not predetermine spatial-economic fate. These institutions include not only the traditional institutions of the state and the market but also mechanisms that coordinate economic activities outside the formal workings of the state and include public-private partnerships, strategic alliances, and joint ventures, among others. The role of these institutions in their various forms include such things as generating and coordinating economic activity, facilitating innovation and, to a greater or lesser extent, redistributing wealth in society at a number of spatial levels, including local (e.g., social assistance to individuals within the region), national (e.g., through contributions to federal transfer payments to poorer regions within the nation) and global (e.g., through contributions generated locally for the benefit of causes in other parts of the world).
One level that is of particular interest to urban and economic geographers is the city-region. There is an increasing body of literature that recognizes the important role that city-regions, like the GTA, play in the global economy (Amin and Thrift, 1994; Blais, 1994; Gertler, 1996b; Mayer, 1994, Pierce, 1993; Sancton, 1994). City-regions have been construed “as places where capital, workers, institutions, and infrastructure (soft and hard) come together to provide the foundations for successful economic activity” (Gertler, 1996b, p.124). Although the idea that the city-region is the locus of dynamic economic growth is not new, what makes it important to economic geographers is the fact that the scale and interdependence of both the economy and society is most intense at the city-region level. Changes in modes of competition, which place a premium on “time-space compression”, have altered the city-regional landscape, both figuratively and literally (Harvey, 1989a; Schoenberger, 1997).

Economic time-space compression occurs on two levels: product development and development process. At the product development level, the imperative for firms to be innovative has encouraged their location or relocation in geographic areas that present particular competitive advantages. For example, firms that are intensely innovative tend to cluster in areas in close proximity to seedbed institutions and research and development facilities (such as universities, hospitals, and public and private research centres). Proximity to competitors creates a symbiosis that spurs further innovation. Clustering also facilitates face-to-face interaction with related and support firms and suppliers, and creates an attractive job market for a highly-skilled and educated work force (Gertler, 1995; Schoenberger, 1997; Cooke and Morgan, 1995).
Time-space compression also occurs at the level of the production process. Competitive
demands of the marketplace have led to firms adopting vertical disintegration strategies,
shedding middle management and engendering greater horizontal integration within the firm. At
the same time, strategic alliances and refocusing on core product centres has increased the
flexibility of firms and encouraged their specialization. As for inter-firm processes, we now see
greater emphasis placed on out-sourcing, strategic alliances and ‘just-in-time’ production, much
of which (particularly ‘just-in-time’ production) necessitates proximity of suppliers and other
support firms (Schoenberger, 1987; 1997)

Geography is clearly an important common feature of both product development and
production process. It spawns “network relations”, which have been defined as “stable, long
term relations based on openness and information sharing, all of which are underpinned by the
trust arising from frequent, face-to-face interaction (both formal and informal, planned and
unplanned)” (Gertler, 1996, p.13; see also Cooke and Morgan, 1991). Institutions play a key role
in fostering network relations. Private institutions, such as industry associations, maintain ties
within sectors and help promote interaction with related industrial players, thereby resulting in a
social division of labour at the regional level. Institutions, both public and private, help foster
network relations within firms, particularly with respect to labour and employment relations.
Publicly funded infrastructure (such as surface transportation and telecommunication) provides a
foundation for industry cluster development, and public educational institutions at all levels,
aside from providing an attractive labour pool, serve as the gardens which sprout long-lasting
professional relationships.
Obviously, many of the institutions mentioned above occur at the city-region scale, although important institutions still operate at other spatial scales as well (Hollingsworth and Boyer, 1997). In any event, the awareness of the importance of institutions to economic success of city-regions has led to a renewed interest in mechanisms for regional governance and the role that they play in facilitating economic growth and social stability. In the United States, the group of academics pursuing these interests have been dubbed "the new regionalists" (see, for example: Rusk, 1993; Orfield, 1997; Savitch and Vogel, 1996; Dodge, 1996; and Downs, 1994). They acknowledge that their arguments (such as the justification for regionalism for the purposes of economic competitiveness and social equity, environmental protection, efficient and effective provision of infrastructure and services) are not new, in and of themselves. However, they maintain that it is the scale and degree of interdependency of metropolitan economies that makes it all the more significant to conduct the review at this spatial level. The new regionalists, and others, currently advocate for regionalism on the basis of the threat they perceive is posed by globalization, which allegedly reduces the significance of nation states and focuses greater attention on city-regions as basic geographic units of competition (Wallis, 1995; Peirce, 1993; see also Mayer, 1994). In my view, this group, in overemphasizing the capacity of city-regions (and by extension regional governments) to control their own destinies, may be criticized for occupying the opposite end of the spectrum from those who maintain an overly deterministic conception of global economic forces and the impact those forces have on the structure and function of city-regions.

A body of literature that may bridge the divide between macroeconomic determinism and
the new regionalist view of city-regions as masters of their own destinies is the blend of regulation theory and urban regime theory at the level of the city-region. Before discussing how the two theories have been brought together, it is necessary to take each one in turn and survey some of the central concepts of each.

**Regulation Theory**

*Main Concepts: Structural Forms, Regimes of Accumulation, and Mode of Regulation*

The regulation approach starts with the assumption that the 1970s and 1980s appear, in retrospect, to have been a turning point in the development of advanced capitalist societies. Regulation theory originated in France in the early 1970s in the work of Marxist economists including Michel Aglietta, Robert Boyer and Alain Lipietz, who were struck by what they saw as the relative stability of economies throughout the 1950s and 1960s. This was in contrast to both the earlier 20th-century economic development and the period of the 1970s and onwards. The French regulation school of political economy was born largely from their interest in the relative stability in this earlier period.

The seminal text in regulation theory is Michel Aglietta's (1987), *A Theory of Capitalist* 

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Regulation: the US Experience. In this work, Aglietta (1987) seeks to explain how capitalist social relations came to be reproduced across time and space when at the same time they were marked by contradictions challenging their ongoing reproduction. Neoclassical models take the continuation of capitalism for granted. By contrast, regulationists start with an explicit rejection of market equilibrium as the central organizing force within capitalism. Rather, they posit social reproduction as the central imperative underlying capitalism. This reproduction of social relations is not smooth. There are periods of crisis, during which conditions are such that it is very difficult to achieve the reproduction of social relations. Alternatively, there are periods of stability, during which conditions are such that capital is able to accumulate in a relatively stabilized way. In any event, the reproduction of capitalism is not inevitable. If it is to occur, its internal contradictions must be regulated. It is from this notion that "regulation theory" takes its name.  

Structural Forms

Drawing on his case study, the economic history of the United States, Aglietta (1987) identifies a number of public and private institutional forms, social practices and norms which he labels

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4 According to Aglietta (1987), the term "regulation" refers to more than state regulation, although the state is of central importance to the regulation of the contradictions of capitalism. (Indeed, some confusion surrounds the nature of regulation, partly because in English, the term "regulation" refers to regulation in the sense of rule making usually by the state, whereas in French it refers to "contingently emerging regulatory efforts". Thus, it has been suggested that a better translation of the term "regulation" in the context of regulation theory might have been "regularization or normalization" in order to convey this sense of on-goingness). Nevertheless, I will use the term "regulation" which I take to mean more that just state regulation (although this is of considerable importance) but also to include private institutional forms, social practices, habits and norms which induce individuals to act in the interest of achieving overall economic stability.
"structural forms" and which act to regulate and stabilize the accumulation of capital and the reproduction of capitalist social relations. He maintains that these "structural forms" are neither automatic nor inevitable, but rather develop during periods of crisis, which are also periods of great creativity and experimentation. While some of the regulations of the crisis and contradictions of capitalism may have been undertaken deliberately, others emerge perhaps for other reasons as a result of social struggle:

We shall use the term structural forms for the complex social relations, organized in institutions, that are the historical products of class struggle. We intend to show...how the regulation of capitalism must be interpreted as a social creation. This theoretical position will enable us to perceive crisis as ruptures in the continuous reproduction of social relations, to see why periods of crisis are periods of intense social creation and to understand why the resolution of a crisis always involves an irreversible transformation of the mode of production (Aglietta, 1987, p. 19).

He goes on to note that not all structural forms developed during crisis will necessarily promote the renewed reproduction of capitalism. Some may regulate the system for some time, others may collapse as a result of the inherent contradictions in capitalist development or to the development of contradictions in the structural forms themselves. Structural forms will not necessarily act together to promote stable accumulation and whether one structural form turns out to be functional for the reproduction of capitalism depends on how it interacts with others. "None of these structural forms can play its role in the mitigation of social contradictions without the simultaneous operation of all the others. But this simultaneous operation is in no way something inherent in the logic of accumulation" (Aglietta, 1987, p. 383).
Aglietta assumes that if the ensemble of structural forms acting together do not promote the continued reproduction of the system, then the system will continue in a state of permanent instability and flux. This flux will continue until either the ensemble of new structural forms acting together arise in which to stabilize capitalism or until capitalism is replaced by a different system altogether.

*Regime of Accumulation*

The general principle that regulation is neither completely automatic nor necessarily intended or inevitable in its actions or consequences is further developed by Aglietta's concept of "regime of accumulation". The concept was initially introduced as a fairly abstract concept of a particular relationship between production and consumption, and then introduced in his text to denote a particular period in history which he calls the "Fordist regime of accumulation".

At the abstract level, Aglietta (1987) identifies two possible regimes of accumulation that have developed in the twentieth century: the "predominantly extensive" regime, and the "predominantly intensive" regime. The "predominantly extensive" regime of accumulation refers to when capital accumulation is organized on the basis of the dominance of absolute surplus value, whereas the "predominantly intensive" regime of accumulation is when capital accumulation is organized on the basis of the dominance of relative surplus value (see also Tickell and Peck, 1992, for a discussion on these two regimes). He then introduces the concept of "Fordism" to denote a regime of predominantly intensive accumulation within a particular
historical period in a particular place, namely postwar USA, which he sees as the "archetype". However, Aglietta also argues that "Fordism" also developed in other advanced capitalist countries. Since his writing, many scholars have identified various versions of Fordism in most advanced capitalist countries. Jenson (1989), for example, identifies Canada's particular form of Fordism as "permeable" because of the continentalism of the resource-based economy and the way in which economic and social stability was organized around, among other things, the institutions of federalism (discussed further in Chapter 3).

*Fordism*

"Fordism", then, refers to the relatively stable (albeit short) period of accumulation in postwar USA (and other Western democracies) which emerged after the depression in the inter-war period. The term is derived from the Italian Marxist Gramsci, who originated "Fordism" in the 1930s and used it in his 1971 book *Americanism and Fordism* to describe Henry Ford's strategy of reorganizing shopfloor production while forging a new relationship with his workers. Briefly, Ford sought to exploit economies of scale in assembly-line factories, by means of specialized machinery and unskilled and semi-skilled labour making standardized goods for mass markets. Ford also thought that by paying his workers a higher wage and shortening their work day to eight hours a day, he could create a more stable and hence more efficient and productive workforce. Moreover, his workers would have enough money to buy the very products they themselves were producing.
Most often the term “Fordism” is used to describe mass production techniques developed by Henry Ford. However Aglietta (1987) and other regulationist writers, use it to refer to the broader set of social relations transcending the practices of a particular firm owned by Henry Ford. What was significant about Henry Ford’s innovation was the fact that accumulation now proceeded on the basis of a transformation of the conditions of life for the working class in the United States and other Western democracies. In other words, competitive-driven developments in the technology of production enabled a qualitative transformation in the labour process in key wage good sectors. This simultaneously overcame some of the limits and contradictions of the previous regime and allowed for the mass production of some standardized consumer goods. When these were combined with the regular real wage increases which the concomitant productivity increases could finance, the stage was set for the steady progress of accumulation on the basis of mass consumption (Painter, 1991, p. 191).

Aglietta (1987) notes that these processes operated through the emergent structural forms which included, among other things: (1) the institutionalization of collective wage bargaining which allowed for rising real wages to sustain demand; and (2) the social security and welfare system which acted to maintain sections of the working class in the positions as consumers during periods of economic downturn.

*Mode of Regulation*

Aglietta (1987) introduced the concept of ‘regime of accumulation’ and argued that a particular regime of accumulation is regulated by a certain set of ‘structural forms’. Lipietz (1987) then introduced the concept of “mode of regulation” which included the specific local and
historical collection of structural forms or institutional arrangements which secure (or stabilize) the regime of accumulation. Lipietz (1987) saw it necessary to introduce the concept in order to distinguish between structural forms and the collection of structural forms. While Aglietta (1987) had suggested that structural forms lay primarily in the forms and functions of the capitalist state, Lipietz (1987) introduced the concept of “mode of regulation” in order to emphasize that regulation theory does not wish to reduce all forms of social regulation to the forms and functions of the capitalist state. Nevertheless, Lipietz (1987) does still recognize the state as the most important element in the mode of regulation.

Tickell and Peck (1992, p. 192) call the mode of regulation "the principal contribution of the regulation approach" because it allows for the integration of political and social relations into economic analysis. In other words, the Fordist mode of regulation comprises the set of norms, practices, habits and political frameworks that supports the co-stabilization between production and consumption in the regime of accumulation. In effect, these are the supports of the co-stabilization and operate through particular norms, networks and institutions which are themselves the outcomes of social and political conflicts. Painter (1995, p. 279) lists these supports in the Fordist mode of regulation as the following: (1) the form of the wage relation; (2) the character of social organization within and between firms; (3) a system of money supply based on national central banks and private credit; (4) mass media and mass advertising, marketing and retailing to promote the connection between mass production and mass consumption; and (5) the Keynesian welfare state which manages aggregate demand through fiscal policy and generalizes the norm of mass consumption through collective provision of
certain services and transfer payments to the un-or inadequately-waged.

As previously mentioned, the mode of regulation can never permanently resolve the contradictions of capitalism: eventually the build-up of contradictions prevents the mode of regulation from operating to promote economic growth. It is at this stage that regulationists have begun to explore those contradictions and ways out of the crisis. More generally, however, the 1970s is recognized to be the period of breakdown for Western economies, which resulted from falling aggregate demand, a serious slowdown in productivity growth, uncontrolled inflation, energy supply problems and competition from newly industrialized countries. The 1980s is usually characterized as the period of (often conflicting) political strategies adopted in attempts to resolve the problems. If some of these strategies, or some combination of them, succeed in securing a coherent new set of relationships and a new phase of economic growth, then it may be possible to identify a new "post-Fordist" phase.

Post-Fordism

Post-Fordism, however, is a more difficult concept than Fordism. As Jessop (1995) notes, the concepts of Fordism and post-Fordism are not completely symmetrical, mainly because no agreement exists on what fully-fledged post-Fordist social relations are or will be. As a result, it is very difficult to discuss components of post-Fordism with the same degree of confidence and consensus that exist around the concept of the "Fordist" era.
However, the literature on post-Fordism does have persistent themes and concerns. As Tickell and Peck (1992) note, most of the work in the post-Fordist literature has focussed on the labour process, in particular, on the use of advanced machinery technology to increase flexibility in the production process. Moreover, new communication and information technologies have allowed for or enhanced firms', particularly small firms', ability to achieve flexible specialization in niche production.

While some regulationist writers have gone so far as to equate flexible accumulation with post-Fordism (King, 1990), this as Lipietz, Jessop and others have noted, is only one development which may work towards resolving (for a time) Fordist contradictions; less attention has been paid to other aspects such as the regime of accumulation, and mode of regulation. Jessop sees the 'mode of regulation' concept as having the most purchase on resolving the contradictions of capitalism. While a mode of regulation can only be identified definitively in hindsight, Jessop (1993) argues that some possible post-Fordist trends are already apparent in advanced industrialized economies. He maintains that these trends are found in the wage relation, corporate organization, new types of financial instruments and changes in the role of the state.

With respect to a post-Fordist wage regulation, Jessop (1993) suggests that the new emerging flexibility within labour markets has led to a polarization of the workforce into a multi skilled (or at least multi tasked) core workforce and an unskilled "peripheral" workforce recruited from politically marginalised social groups. The enterprise organization is shifting from
relatively hierarchical bureaucratic forms to leaner, flatter structures, while work is increasingly contracted out to smaller firms. Money may be supplied at least in part through such financial instruments as floating as opposed to fixed exchange rates and become increasingly internationalized. The link between production and consumption is becoming a matter of segmented, niche markets rather than mass markets promoted by mass advertising and retailing.

Finally, Jessop (1993) hypothesizes about the state in the post-Fordist mode of regulation, maintaining that, with the internationalization of financial and productive capital, the state will play a stronger role in promoting competitiveness, both of specific firms and of the overall socioeconomic system. Jessop argues that these changes would accompany the decline of the postwar "Keynesian Welfare State" and the emergence of "Schumpeterian Workfare State". The state will become more involved in supply side interventions of various kinds, including in the labour market, while at the same time becoming "hollowed out". Some of its powers will be passed upwards to supranational bodies, such as the European Union, on the assumption that these have greater capacity to act in a globalized economic system. Other powers may be devolved downwards to local or regional tiers of the state (Jessop, 1993). Hay (1995, p. 21) has gone so far as to extend the Schumpeterian Workfare State to the local level, and to declare the emergence of a "new regime of the local state".

For some regulationists writers (most notably Peck and Tickell, 1994), one cannot simply assume that post-Fordism will take the form hypothesized above: neo-liberalism is not automatically the "mode of regulation in waiting" because its rise has coincided with the
breakdown of Fordism and the Keynesian welfare state. Hence, Peck and Tickell (1994), prefer to view the existing period as a transitional one, rife with numerous experiments in economic development. Thus they label this period "after-Fordism," from which no clear stable regime of accumulation has yet emerged. They take the refreshing view that regulation theory can be used to assess critically the sustainability of various development options and to propose new, alternative, more sustainable development options rather than simply legitimize the now-prevalent neo-liberal model.

*Regulation Theory at the City-Region Scale*

Goodwin and Painter (1996; 1997) and Goodwin (1996) also take the refreshing view that regulation theory can be used to assess critically the sustainability of various options. They are particularly interested in the options that are possible at the city-region scale. This is not to suggest that local regulatory and institutional practices in themselves constitute a mode of regulation, which by definition, according to Goodwin (1996) and Peck and Tickell (1994), must be constructed at the level of the nation state. Their reason is that the nation state has not been supplanted as the spatial level at which the social and political infrastructure supporting accumulation exists and at which the fundamental redistribution of wealth occurs. Therefore, when one examines the changing nature of local regulation at the city-region scale, it is only really possible to examine the extent to which local institutions and regulatory instruments have regulatory capacity. At the same time, it is necessary to look beyond the local institutions and regulatory instruments in order to properly understand a local accumulation system and how the
economy is regulated in a particular place. Goodwin (1996, p.14) suggests we ask the following question: "What kinds of possible regulatory arrangements could both resolve the contradictions of Fordism and promote the stabilization of economic activity over the medium term and over a given geographic space?"

One clue is to look back in time and examine the role that particular regulatory arrangements operating at the city-region scale played in the context of the development of Fordism and in Fordism’s crisis. This way, we may have a better understanding of which institutions and regulatory instruments were key in sustaining the object of regulation, the economy, and which ones were then implicated in crisis. According to Painter (1995, p. 283), there exists no comprehensive account of the role that particular institutions (especially local and regional government) played as part of the mode of regulation under the Fordist regime of accumulation. He maintains that the main reason for this is the acceptance as a given of both the Fordist system and the role of local institutions within it by regulation writers such as Stoker (1990), who are too quick to declare the emergence of a post-Fordist mode of regulation. This is disappointing, in as much as "the concept of Fordist mode of regulation represents one of the richer products of regulation theory" (Painter, 1995, p. 284).

As a result of this relative lack of work, I can provide only some very general ideas about the character of key elements of the mode of regulation operating at the city-region scale within a broader regulation framework and in the context of the Fordist mode of regulation. The first general principle concerns the key role of local government institutions in the Keynesian welfare
state. Local government was often instrumental in providing a part of the social wage — that is providing goods and services such as housing and education — collectively to all or to those unable to afford them privately (Painter, 1995). Local government also regulated many of the activities of businesses and citizens through land use and infrastructure planning (Filion, 1995; 1996). Related to government's role in local infrastructure planning was the provision by more senior levels of government of other human and physical infrastructure, such as transportation, environmental improvement and health care. While these infrastructures under Fordism were vital for the private sector, they were often unprofitable for individual firms to provide, at least on a universal basis (Painter 1995). And while more senior — federal and provincial — levels of government may have provided the majority of funds required to finance such investments, these were often funnelled through local governments who added their expertise in the process.

Indeed, the application of the regulation approach at the city-region scale of analysis has been heavily criticized. One of these criticisms stems from applying terminology of regulationist language. Several writers, for example, have documented the practices and processes of regulation at the urban scale (see for example Stoker and Mossberger (1995) on the internal management of urban government) without understanding how these practices might be connected to the regulation of economic activity. This work has been heavily criticized by such writers as Jones (1997) and Cochrane (1993) who question how new forms of local government organization and management most often labelled as "flexible" are in fact key to resolving any of the contradictions inherent in economic development. Local government theorists, such as Stoker (1989) and Stoker and Mossberger (1995) are, it seems to me, running the similar risk of
equating internal management based on the labour processes with the emergence of a post-Fordist local state. This leap in logic resembles the mistake made by many theorists of equating the general emergence of flexible specialization in the private production process with a post-Fordist regime of accumulation. As mentioned above, the essential point of the regulationist's project is to understand which institutional forms arise in particular places and how these forms relate to and are influenced by patterns of accumulation.

Other criticisms, however, stem from the difficulty of applying more abstract theory to an empirically grounded case study. Most notably, applications of the regulation theory have been criticized for being too structuralist and static, and not spending enough time exploring the regulatory processes per se, most notably the informal processes of negotiation and political conflict which go along with the formation of any institutional form (Cochrane, 1993). This has led to a renewed interest in theories which concern themselves more with the mechanics of local politics, such as urban regime theory.

**Regime Theory**

**Main Concepts**

Urban regime theory focusses on the way different local political actors (including business, 

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I derive much of the material from this section of this Chapter from M. Lauria's (1997) excellent review of regime theory and local government and politics.
labour, and other stakeholders) shape the development of city-regions. The theory was developed in the late 1980s as a reaction to the older debates between, on the one hand, those who subscribe to the view that elites determine urban development, and on the other hand, those who see such development as the product the interaction between multiple interest groups (see for example Judge, 1995; Harding, 1995). It was the original project of urban regime theorists to examine specific urban structural features in specific historical geographic and temporal contexts and relate them to changes in the global economy. The structural features of interest include such things as the level and types of property investments (and the resulting tax base) in urban regions, as well as the extent to which the state facilitates the private control of production, accumulation and private investment in the region. Their goal was to determine the conditions under which various types of governing coalitions emerged, merged and assumed dominance at their local spatial level.

There has been an effort in the literature to typologize urban regimes. For example, Fainstein and Fainstein (1983) posited three postwar regimes in the US: (1) “directive” regimes, which endured from about 1950 to 1964, were characterized by large-scale redevelopment planned by governing coalitions directly sponsored by local government; (2) “concessionary” regimes, which emerged in the succeeding ten year period, shared the large-scale redevelopment of the directive type regimes but with the added social and political forces of lower economic class urban residents in the mix of actors. The economic expansion of the postwar period coupled with the rising “rights” based social movements and the demographic bulge of baby boomers at an activist stage of life facilitated the new coalitions that characterized concessionary
urban regimes; (3) “conserving” regimes replaced their predecessors in about the mid-1970s and, it has been argued, have continued to the present. The essential characteristics of this type of regime are the retraction of the concessions attained by the local social and political forces with fiscal stability, all in an unstable and ever-changing global economy.

It has also been suggested that the structural features which define an urban regime stem from “the division of labour between market and state”, that is, between the “private controllers of productive assets” and public authorities (Elkin, 1987). This division of labour is characterized by the particular organization and external relations of public authorities, particularly their relations with capital (in Elkin’s terms, the “private controllers of productive assets”). Elkin believes that these structural features were politically constructed during the urban (governmental) reform movement of the late 19th and early 20th centuries in the US, and that these structural features have shaped the manifestations of the present day regime in a particular urban region. Moreover, they suggest three political axes, “public and private growth alliances”, “electoral politics” and “bureaucratic politics” (Elkin, 1987), which to some extent parallel the three regime types posited by Fainstein and Fainstein (discussed above). It is the unique temporal and geographical blend of these axes — “constellations” — which define a particular urban political economy.

Elkin has even gone so far as to suggest that certain geographical regions are characterized by certain constellation types. Harvey (1989a) has countered that, whether or not they were at one time, they are certainly no longer so. Lauria (1997) insists that the connections
between urban regimes and global economic structural changes are extremely complex and not easily reducible to Elkin's or Fainsteins' typological profiles.

Stone (1989) argues that these connections are mediated by local political and economic actors, and on that basis he advances a "social production model" aimed at answering the following question: "How, in a world of limited and dispersed authority, do actors work together across institutional lines to produce a capacity to govern and to bring about publicly significantly results?" (Stone, 1989, p.8-9). For Stone, the coalitions that are formed at the urban region level are the product of an informal process in which the influences are uncertain and varied. These coalitions are maintained by an equally informal cost/benefit analysis by the actors involved. Because of his focus on local coalition building to the theoretical exclusion of external forces at play, such as the larger global economy, Stone has been criticized for confining his theoretical insights to behavioural microeconomic explanations of the social production of cooperation and political coalition building (Lauria, 1997). This pitfall may be avoided by considering an approach which focuses more — but not exclusively — on the connections to external political economic relations.

My Approach

Because of the importance of considering the broader economic and political context, I use regulation theory as a springboard to a greater understanding of the Toronto city-region. I am less interested in examining local politics for its own sake. Rather, I see local politics as an
important part of the dialectic between, on the one hand, geographically and historically grounded urban regimes, and on the other hand, the broader global economic forces. Local regions do not operate in a vacuum because they are not immune to ideological currents and new economic orders. At the same time, they have a broader range of choice than some regulation theorists might recognize to generate regionally specific responses to the pressures that bear upon them from outside. Thus neither regulation nor urban regime theory can in and of themselves adequately illuminate the dynamic transformations that occur within city-regions.

Drawing upon the strengths of both regulation and urban regime theories, I have formulated an analysis that situates an historically and geographically specific urban subject into a framework that highlights the importance of institutions in an ever-changing economic climate. In this respect I introduce elements of regime theory into a predominantly regulation theory oriented analysis, which is perhaps the mirror approach of Lauria (1997), who brought regulation theory into his urban regime theoretical analysis. In this respect, my approach is closer to the work of Goodwin and Painter (1997), who similarly suggest ways of bringing urban regime theory and regulation theory together into the analysis of local governance transformations by providing insight into how the notion of an urban regime may be linked to the ideas from regulation theory:

Urban governance is produced in and through institutions, including but not limited to, decentralized state institutions. At the same time, it involves the production of institutions. Practices are institutionalized, whereas institutions are constituted through (partly routinized) social practices. Because many of the practices of urban governance are situated in institutions, these become sites of regulation. One can see here where the notion of an urban regime may be linked into these ideas of regulation. The regime itself would comprise many such sites,
some governmental, some private, and some deliberately organized around
public-private partnerships. The regime itself may even develop new sites and
help to institutionalize new forms of social and political practices. Although, by
definition, regulatory practices have effects that are spatially wide-spread, or more
wide-spread than the boundaries of the institution, their effects are rarely
ubiquitous: There are sites of resistance and disruption, as well as sites of
regulation. At the same time, the production of regulatory processes through
social practices can depend on quite particular institutional contexts. Again, both
conterns can be investigated through concrete research (Goodwin and Painter,

The awareness of the importance of institutions to the economic success of city-regions
has led to renewed interest in the mechanisms of regional governments and the role that they play
in facilitating economic growth and social stability. The policy world is rife with experiments in
economic development exercises, each conceived within specific circumstances. In the case of
Toronto, I begin by asking which elements of the mode of regulation operating at the level of the
city-region were key to sustaining the economy in the postwar period. My interest is not so
much centred on what those experiments were, but rather how these various elements have
sustained city-regional economies in the postwar years, and how they are affected by the present
global economic forces. To what extent were the forces associated with globalization producing
the motivation to restructure the region's mechanism for governance? What regulatory
capacities, and consequently what institutional options, exist for the region — and at the city-
region scale in particular — that might resolve some of the problems imposed upon the region by
the new and emerging modes of capitalism? Since an important part of understanding
transformation is an appreciation of that which is being transformed from, it is perhaps most
appropriate to go back to the immediate postwar years. Using that as my starting point, I review
some of the significant institutional developments at the city-region level of Toronto.
Introduction

Before examining the contemporary context, we cannot help but be struck by what it was that inspired scholars to call Toronto North America’s premier “city that works” in the postwar period (Lemon, 1985; Frisken, 1994; Bourne, 1997; Frisken et al., 1997; Sharpe, 1995). What was it that enabled Toronto to prosper for so long while at the same time maintaining a relatively stable and progressive social environment? Toronto’s postwar invention, the Metro form of government, is often credited by political economists and planners as playing a major role in the shaping of postwar Toronto. But there has to have been something more than this. How does Toronto’s postwar trajectory fit within the larger context of “Fordism”? And what were the concrete actions taken and expenditures made to provide a rational platform for Toronto’s particular postwar economy?

As mentioned in Chapter 2, a critical way into these questions is to examine Toronto’s historical development from a regulationist perspective. But not simply by cataloguing a series of changes which seem compatible with some researcher’s account of "Fordism", "Fordism in Crisis" and "Post-Fordism" (as is often done), but rather by actually using a regulationist
perspective to understand which regulatory and institutional forms arise in particular places and how these forms relate to and are influenced by patterns of accumulation. As discussed in Chapter 2, several studies have documented the practices and processes of regulation at the urban scale, but few studies have considered how these practices might be connected to the object of regulation, the economy (Goodwin, 1996). Moreover, there has been a tendency by some researchers to examine local elements of the mode of regulation as if they were somehow isolated from national and international ones. The challenge is to determine which specific elements of the modes of regulation — regardless of their origin or territorial scope (local, regional, provincial, national, international) — are essential to sustaining the local accumulation system in a particular place. How 'the local' accumulation system constitutes the foundations for a national regulatory mode and regime of accumulation is also a key part of the question.

Toronto, as a regional economy, provides an interesting case study for this challenge. Three dimensions in particular are notable. First, the region's economic structure is unusually diverse, which is not surprising for a large, metropolitan centre. At the same time, it is unique, in that the region has developed and maintained a highly varied industrial base and highly developed service sector which have provided a strong foundation for the prosperity of its citizens, and these have played a key productive role in the national economy. Second, the region is largely viewed in academic and political discourse as the main beneficiary of federal economic development strategies from Confederation through to the mid-1980s (Cameron and Simeon, 1997). Third, the forms of regulation developed in the region, in particular its public institutions such as the metropolitan form of government, have been an object of intense
academic study and praise\(^6\), with several regions actually seeking to "reproduce" this model. The connection has not been made, however, between the key elements of the mode of regulation operating at the urban level and the local production system.

In this Chapter, I hope to show that, while postwar Toronto did develop within the context of a Fordist regime of accumulation, the particular elements of the mode of regulation it developed at the urban scale were distinctive and important in providing the conditions underlying its economic success. Toronto may have benefited disproportionately from national regulatory policies. But its economic dynamism also constituted one of the cornerstones of the nation's economic and social viability. Moreover, its more localized regulatory structures had a specific institutional richness which, in concert with its highly developed economic structure, served to stave off many of the crisis tendencies being felt by other industrial regions in this period. Although the region was not immune from the common structural dynamics of the mid-1970s and early 80s, at the same time, its own 'structural crisis' did not fully manifest itself until the late 1980s and early 1990s, in response to the signing of the Free Trade Agreement and other forces, discussed further in Chapter 4.

In this chapter, my goal is to determine which key aspects of the mode of regulation provided support for the accumulation system and helped to stabilize the connection between production and consumption. At the same time, I shall also attempt to pinpoint the inherent

\(^6\) See for example Barlow (1991); Bourne (1997); Frisken (1994); Frisken et al., (1997); Hobson and St.-Hilaire (1997); Kaplan (1967); Lemon (1985); Lightbody (1995); Rose (1972); Sharpe (1996); Smallwood (1963).
contradictions that were starting to emerge in the particular institutions operating at the urban scale which eventually led, as shown in Chapter 5, to the simultaneous overhaul of the structures, functions and jurisdictional boundaries of Toronto by the mid 1990s. Before turning to those institutions, however, I shall first give an overview of the character of the Toronto area economy in the period (1945-1988). This way, we may better understand which institutional forms, habits and norms were key in sustaining it. But first, an overview of how the regulation approach has been applied to the Canadian context.

The regulation approach and the Canadian context

As mentioned in Chapter 2, the essential point of the regulationist's project is to understand which regulatory and institutional forms arise in particular places and how these forms relate to and are influenced by patterns of accumulation. As Tickell and Peck (1992, p. 193) argue, it is the 'coupling' of the mode of regulation with an accumulation system and their temporary 'costabilization' that lies at the heart of the regulationist approach:

Consideration of this nexus in capitalist development is important because it focuses attention on 'the complex interrelations, habits, political practices, and cultural forms that allow a dynamic and consequently unstable, capitalist system to acquire sufficient semblance of order to function coherently at least for a certain period of time'(Harvey, 1989a, p.122, in Tickell and Peck, 1992, p.193).

Also argued in Chapter 2, many students of the regulationist approach fail to appreciate this distinguishing feature: social reproduction as the underlying imperative of capitalism. Since reproduction can be achieved through a combination of public and private institutional forms, habits and norms (referred to as a 'mode of regulation'), it can exhibit different characteristics
through time and across space. And because reproduction is seen as being produced through active human struggle, many different modes of regulation can, in theory, support a given regime of accumulation. The concept of the mode of regulation, then, (with its implicit emphasis on the role of structural forms in regularizing practices and institutionalized compromises) provides us with a method with which to link agency and structure and to explore the dialectic among different spatial scales of economic and political organization (Jessop et al, 1996).

In the case of Fordism, adherents to the approach refer to it as the 'long boom' in Western development, roughly between 1945 - 1975, in which modes of regulation and a given regime of accumulation came together in a more or less stabilized way. Fordism was a form of 'regulation' based on the extension of mass production industries which in turn were dependent on the extension of markets (primarily domestic) for their goods. Thus, mass consumption of many kinds of goods, particularly automobiles and consumer durables, was an integral part of Fordist regulation. The regime's 'success' involved two key components: first, the social compromise struck between capital and labour around a wage relation which granted unions collective rights in exchange for leaving production decisions to capital; and second, Keynesian macro-economic policy that sought to provide a sufficient level of income in order to ensure sufficient demands for manufactured products.

Of course, the implementation of the Fordist model varied greatly across industrial democracies and within them. As noted earlier, Jenson (1989) has labelled Canada's particular form of Fordism as "permeable", since it was designed domestically, but "always with an eye to
the continental economy" (Jenson, 1989, p. 70). Canada's high rates of growth after 1945 were based to a significant extent on mass production and consumption industries but more heavily on the country's traditional reliance on the export of staple products. In addition, Canada's welfare state and other Keynesian macroeconomic policies were not based on a political compromise between labour and capital organized through a class-based party system (as was the experience in more social democratic societies of Western Europe). Rather, "the wage relation was more privately organized while the state institutions which fordism implicated were those of federalism" (Jenson, 1989 p. 71).

Canada's Fordist regime of accumulation took shape as a result of a deliberate federal strategy and trends in the international economy (Jenson, 1989, p. 79). The federalist role included five key components: (1) an emphasis on resource staple exports, organized by multinational corporations; (2) a commitment to increased international trade (especially through GATT); (3) an effort to ensure full employment and reasonable price stability through the use of macroeconomic fiscal mechanisms; (4) the establishment under federal leadership of a developed Canadian welfare state; and finally, (5) the satisfaction of pent-up consumer demand through imports of manufactured goods or goods produced in Canada by American corporations investing in branch-plants (a large proportion which settled in the Toronto region). Smiley (1975) has labelled this set of federal policy initiatives as the New National Policy. Jenson (1989, p. 80) suggests two other aspects of the federal package: (1) imbalances in trade resulting from goods imports were offset by the import of capital (in both resource processing and consumer-based manufacturing) and by the export of resources; and (2) the federal government's
continued practice of underwriting expensive infrastructure to move the staples goods, including the Trans-Canada Highway, the Trans-Canada Pipeline, the St Lawrence Seaway, ports, airports, railways, and more.

Because of the 'permeability' of the economy, Keynesian-inspired macroeconomic policy tools were severely limited. Jenson explains how:

Repatriation of profits and the global strategies of multinational corporations meant that the employment-creating or sustaining effects of high growth were never guaranteed to the Canadian economy; countercyclical interventions were less likely to work as Keynes had predicted. Moreover, state spending to reduce unemployment could never completely overcome the profound structuring effects of a resource-based economy in which natural wealth was distributed by geographic lottery (Jenson, 1989, p. 80).

Uneven regional development was the inevitable result. Consequently, Keynesian-inspired macroeconomic policy had to be supplemented by a range of regional development programs to deal with long-term structural unemployment in certain 'staple-producing' regions and to keep capital flowing into the economy. All this had the effect of almost guaranteeing what Jenson referred to as a "Canadian politics centred on conflicts over regional strategies and continentalism" (Jenson, 1989, p. 80). From this she predicted increasingly complicated federal-provincial arrangements.

The federal government sought a strong interventionist role in the postwar economy, but the provinces had most of the power upon which the regime of accumulation depended. The constitutional division of powers gave the provinces responsibility for the regulation and management of property and civil rights, which included natural resources, labour relations, as
well as matters of a local and civic nature, including all municipal operations. Further, most areas of social spending on which the welfare state depended were matters of provincial responsibility, either exclusively or shared with the federal government.

State expansion was primarily provincial expansion. Therefore, the Canadian state's involvement in the institutionalization and stabilization of both the mode of regulation and paradigm of fordism was an involvement embedded in the institutions of federalism. To the extent that regional conflicts also came to occupy federal-provincial relations, the two consequences of permeable fordism were tightly linked. As a result, the crisis of fordism would be expected to touch those institutions in profound ways (Jenson, 1989, p. 80).

Jenson's insights into the role played by the institutions of federalism in sustaining Canada's form of Fordism are important for understanding Toronto's particular form of postwar economic development and how the region's trajectory was tied, not only to international forces, but also to the needs of the whole nation and of the federal system (in particular to the complex system of intergovernmental transfers). Further, when Canada's 'crisis of Fordism' appeared in the 1970s, the institutions of federalism were also under stress, and this stress had profound implications for the governance of cities like Toronto (discussed further in Chapter 5).

The Toronto Area Economy in the Postwar (1945-1988)

The Toronto area economy in the period 1945-1988 passed through three definable eras:

(1) the immediate postwar era: planning Fordism (1945-1964);
(2) the prosperity with equity era: full-swing Fordism (1965-1975);
(3) the era of increasing contradictions: unravelling Fordism (1976-1988);
1945-1964: Planning Fordism

What was most distinctive about the Toronto economy in the immediate postwar era (as compared to the period which came before) was the impressive growth in population and jobs, the conversion of war-time plants to peace-time manufacturing, the rapid growth of import substitution and branch-plant manufacturing, a boom in housing construction, massive public spending on infrastructure and high levels of immigration (Boston Consulting Group, 1995; Lemon, 1985). Much of the spatial development occurring during this period was typical of what others have labelled the "Fordist space economy": the organization of production and consumption space through decentralization (suburbanization). Figure 1 provides a graphic example of the changing industrial landscape in the region between 1932 and 1953.

The Toronto region benefitted more so than other Canadian regions from federal tariff and other policies that promoted import substitution industrialization (Wolfe and Gertler, 1998). The region saw the majority of Ontario's foreign branch plants locate there, a trend that was most pronounced after World War II and continued up until the 1980s. In 1958, for example, the Toronto area boasted over 400 foreign industrial companies (mostly U.S.), making it home to the

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7 The organization of production and consumption through decentralization (suburbanization) is generally thought to be a spatial manifestation of the Fordist age; although as Tickell and Peck (1992) note, there is by no means consensus over the characteristics of the Fordist 'economic space.' See also Hirst and Zeitlin (1991); Hudson (1989); Jessop (1990); Lewis (1996); Williams et al., (1987); Sayer, (1989).
largest and most diverse concentration of branch plant operations of any city in the world.\(^8\)

Many of the branch plants produced characteristically 'Fordist' goods such as automobiles (like the auto assembly plants in Oakville, Oshawa and Brampton) and household consumer durables including refrigerators and other electrical appliances. However, because production was geared to supplying the relatively small domestic economy, many of these firms never reached production levels enabling them to benefit from economies of scale (that is, large runs of a small number of standardized goods). Rather, most of the branch-plants were relatively inefficient, producing a wider array of standardized products in relatively small production runs.\(^9\)

In the automobile parts and manufacturing sector, for example, Holmes (1991, p. 156) notes that before the 1965 Auto Pact,

> the long-standing existence of significant tariffs on imported automobile parts entering Canada and a 60 percent Commonwealth content requirement on automobiles manufactured and sold in Canada resulted in a smaller, more inefficient, replica of the U.S. industry, dominated by the same three giant corporations, but designed solely to service the domestic market (Holmes, 1991, p. 156).

The production diversity (and indeed the diversity of the Toronto area manufacturing economy in general) — in terms of goods produced, size, labour needs, network requirements —

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\(^9\) Between 1958 and 1963, only 4% of the plants in the Toronto area employed over 200 workers; whereas the average was 43 (Toronto Area Industrial Development Board. Series 30, Sub-Series 2, File 2. Brochure Statistics and Information 1938-1979. Municipality of Toronto Archives, Toronto, Ontario).
was a distinguishing feature of the regional economy (Spelt, 1973). Thus, the extent to which it is possible to collapse these differing plant structures into a 'Fordist' mould (at least at the factory level) is questionable.\textsuperscript{10}

What is important from our perspective, however, is not to argue whether these plants necessarily exhibited rigid "Fordist"\textsuperscript{11} production techniques but rather to determine the extent to which, as a group, they contributed to the overall health of the regional economy and exhibited characteristic wage structures and locational requirements. Indeed, this has been a challenge for past researchers. Data on foreign plants are difficult to obtain, although Field and Kerr (1968) and Statistics Canada (1976) reported that branch plants, especially those from the United States, provided a significant share of growth in the regional economy in terms of value-added employment and in the export of goods and services outside the region. In 1970,\textsuperscript{12} 61.6 percent of the value of Ontario's manufactured goods and 54.6 per cent of its manufacturing work force were accounted for by foreign-owned companies. Moreover, Kerr (1973, p. 61) found that relative to the existing pattern of population and manufacturing activity, foreign firms demonstrated a strong preference for industrial sites in the metropolitan Toronto area (the reasons for which I will return to shortly).

\textsuperscript{10} Mass production as a paradigm of industrialism has been questioned by Lewis (1996) and is the object of considerable debate in the literature. See also Holmes (1991); Lewis (1994); Sayer (1989); Scranton and Licht (1986); Walker (1988); Williams et al. (1993).

\textsuperscript{11} Fordist at the factory level in the sense of inflexible, dedicated machinery for mass production of a small number of standardized products.

\textsuperscript{12} This data is from the Statistics Canada (1976) report.
In conjunction with the domestic manufacturers, branch plants increased their private investment expenditures between 1950-1965 (Gertler, 1991 p. 12) and employed almost one out of every three workers in the Municipality of Metropolitan Toronto by 1964 (Spelt, 1973 p. 54). Wages were generally high and kept pace with productivity gains (Lemon, 1985), thanks in particular to the institutional arrangements struck between workers and owners to shape the wage determination process — a compromise that by and large was secured by the 1940s. These institutional arrangements played a large part in maintaining the consumption levels of wage-earners by linking annual wage increases to the productivity increases being realized from mass-production techniques.

In Ontario, the chief institutional features of the system were fashioned after the 1932 U.S.-based Wagner Act model of industrial relations.13 Four key elements of the model were incorporated into the Ontario Labour Relations Act: (1) the right to unionize on a workplace by workplace basis; (2) the right to private collective bargaining deals under which was negotiated the wage determination process (that is, the contract); (3) the right for managers to manage unless contractual provisions existed to the contrary; and (4) the right for union members to grieve once the collective agreement had been ratified.

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13 As mentioned in the introduction of this Chapter, labour relations in Canada were within the jurisdiction of the provinces. During the Second World War, however, the federal government assumed jurisdiction over labour relations thanks to its special war time powers as outlined in the Constitution Act, 1867. The federal government used this opportunity to introduce the U.S. Wages Act model of industrial relations. After the war, jurisdiction reverted back to the provinces, which introduced Labour Relations Acts based on this model (O'Grady, 1994, p. 261).
O'Grady (1994, p. 264) argues that this wage determination process was highly compatible with the Taylorist form of work organization which was largely prevalent in Ontario's unionized manufacturing plants during the postwar period. Taylorism was a set of workplace practices based on Frederick W. Taylor's (1911) principles of 'scientific management'. Core concepts included the segmentation of production activities into several constituent parts and the linking together of these activities into a well coordinated production framework. The success of coordination depended primarily on the close supervision of the segmented production sequences and therefore accentuated the separation of conception and execution tasks in the workplace. This in turn resulted in a distinctive occupational division of labour between the unskilled and semiskilled workers and the technical and managerial workers. Larger firms often separated the skilled and unskilled functions in different locations, producing a spatial division of labour (Johnston et al., 1994).

Designed to enhance the overall efficiency of production, this system of workplace organization complemented the particular form of postwar industrial unionism prevalent in Ontario's manufacturing industries roughly from the 1930s through to the early 1970s. It was not until the late 1970s and 1980s that this model of workplace organization and the system of unionized industrial relations started to unravel (discussed later in this Chapter and in Chapter 4).

The institutional stability of the postwar labour relations system was in great contrast to the highly dynamic geography of postwar economic activity. Spatial shifts of manufacturing were obvious, at first to the suburbs within the Metropolitan area, as trucks displaced rail, and
then increasingly outside of Metro's boundaries by the 1970s and 1980s, as the demand for larger industrial land sites increased in part because of the organization of production which in turn was related to the scale of production, and which in further turn was related to the size of the markets (Berridge Lewinberg Greenberg Dark Gabor et al., 1995). Although industrial districts within the original city had lost many of their firms and employees by 1965, industrial clusters still thrived in the city core, most notably the garment district on Spadina and the printing and publishing sector. Other industries such as furniture and food/beverage also maintained a substantial presence in central parts of the region. Nevertheless, the general trend was still for firms to leave their multi-storey downtown buildings in favour of sprawling suburban facilities. New plants, including the proliferating (mostly American) branch plants, located almost exclusively in the suburbs in modern, single-storey, spread-out factory buildings, and used up large tracts of land in the process (Lemon, 1996; Rea, 1985, p. 202).

According to a 1957 study by the Toronto Area Industrial Development Board, branch plants chose the Toronto region for a number of reasons: (1) proximity to major markets (1/3 of

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14 In 1946 more than 90% of all manufacturing firms in the Toronto region (defined then as York County) were located in the City of Toronto, but by 1954 that figure had fallen to 77%. By 1975, the City of Toronto had lost almost half of its industrial firms and their employers (Lemon, 1996).

15 While many of the new plants located in modern, single-storey spread-out factory buildings, the buildings were not necessarily single-use. The multi-use, single storey, spread-out factory building was particularly popular in Toronto during this period since many plants, as previously mentioned, were, when compared to their U.S. counterparts, relatively inefficient, producing a wider array of standardized products in relatively small production runs.

16 The locational logic of manufacturing firms has been an object of intense study. See for example A.E. Le Page and the Research and Planning Division, Municipality of Metropolitan Toronto (1980); Field and Kerr (1968); Kerr and Spelt (1965); Spelt (1973).
Canada's market was situated within a 100 mile radius of Toronto) (Figure 2); (2) Toronto's strategic geographic position as an export base (over 50% of all manufacturers engaged in export for the Province chose Toronto); (3) proximity to the chief purchasing offices of Canada's largest department stores and chains; (4) the fact that Toronto was already an established metropolitan centre with a good network of support services (financial, legal, management etc.); (5) a large supply of intelligent and skilled labour; (6) electric power at low cost, thanks to the development strategies pursued by Ontario Hydro (Figure 3); (7) the availability of serviced industrial lands; (8) good housing for workers and planned neighbourhoods; and (9) an excellent transportation and wholesale distribution system. As one branch plant manager from New Jersey put it, "We chose Toronto because the living conditions, the labour market and the growth rate were better. . . . Toronto had an edge" (Lemon, 1985, p. 121).

Interestingly, cheap rent, public financial aid, low taxes and cheap land were not cited by the studies as primary factors in location decisions." Assuming that an extra $5,000 per acre is paid for the most suitable site", wrote the Commission in a letter to a prospective foreign manufacturer, "this represents a small percentage of combined cost of land, building and equipment, an excellent investment which will appreciate in value, and at an interest rate of 6%, [the] carrying charge is only $300 per year".18


Of course, many of these locational factors were not naturally intrinsic to the region but arose from the conscious efforts of the state. Factors such as the availability of appropriate factory buildings, serviced industrial and residential lands, housing for workers, and transportation systems were woefully inadequate in Toronto in the immediate postwar period. They all had to be planned (directly or indirectly) to meet (among other things) the postwar production requirements of industry. Remarks made in 1946 by then City of Toronto Mayor Saunders revealed that it was up to the state to create the conditions necessary for this postwar, private industrial expansion to occur:

Yes, industry is ready to go ahead . . . . The lack of factory space continues to be, may I say, the [region's] greatest problem, and almost parallels that of housing in vital importance to this community. The people must have a place to work, and they must have a place to live. Service to existing industries is growing in importance and volume . . . . It is my opinion that local manufacturers must be made to feel that the city is seriously interested in their welfare and progress, or they may be attracted, of course, to other cities in these days of unusually widespread competition for industries . . . . The future holds in store opportunities for even greater industrial expansion, if we concentrate on the wise long-term plan.

Indeed, part of this long-term plan involved massive public planning, economic co-ordination and investment in infrastructure, especially to build roads, public schools, upgrade the water supply and waste disposal systems. The question remained: how to achieve it?

At the end of World War II, Toronto's governance and local government organization was similar to that of other city-regions in North America. It had a central city surrounded by a
number of suburban municipalities and a fragmented and uncoordinated structure of local government which was pieced together by various inter-municipal agreements to address more critical metropolitan-wide issues. The Great Depression and World War II had curtailed expenditure on a number of badly needed capital works. The need for the services had not diminished, but only intensified after the War as the population grew and urban expansion ensued.

What distinguished Toronto from other city-regions, however, was the unprecedented population explosion following the war. Due to a number of circumstances, Toronto witnessed one of the largest population booms in Canadian history, a growth led primarily by an unprecedented shift in population from country to city, a rapid increase in the natural birth rate, and a wave of immigration from a badly crippled Europe (Robarts, 1977).

As a well-established urban centre, Toronto became a magnet to immigrants. Between 1945-1950 the regional population exploded with the highest growth rates found in the suburbs, rather than the city (Figure 4). The boom caught Toronto and its adjacent and surrounding municipalities completely unprepared. In some suburbs such as North York, which did not have physical access to the lake, the traditional methods of supplying water from wells and treating sewage by septic tanks or small up-stream plants were incapable of satisfying the increasing requirements. School facilities were seriously inadequate, and badly needed roads could not be provided quickly enough.
Predominantly rural, the suburban municipalities lacked the revenue base necessary to finance essential services for their new residents and industries. Their need to attract industry from other parts in the region did little to engender a spirit of co-operation among other municipalities. Consequently, there was little integration of either policies or service delivery and no integration in the financing of government services. The system of inter-municipal service agreements, which had proved adequate to deal with the moderate expansion between the World Wars, simply collapsed under the strain (Municipality of Metropolitan Toronto, 1974).

Many solutions were offered for the crisis in local government in the metropolitan area. That history has been told elsewhere. What is important for our story here is that the Province, after much discussion and debate, established a two-tiered government structure in 1953. It included a region-wide body called the Municipality of Metropolitan Toronto (also referred to here as "Metro"), and the constituent local councils. Metro was given responsibility for those services supposedly exhibiting economies of scale such as the expansion of arterial roads, sewers, water mains, and public transportation, while the local governments retained responsibilities for planning, zoning and such local services as public health, garbage collection and some social services (although all social services were eventually transferred up to Metro in 1967). Local area governments would remain directly elected, to encourage citizen access and

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Solutions, for example, ranged from the City of Toronto's proposal to annex the 12 suburban municipalities, to the Town of Mimico's proposal for "the joint administration of services" that would have included the city and several suburbs. No one could agree. The decision was eventually referred to the Ontario Municipal Board under the Chairmanship of Lorne Cumming, who in 1950 called for a unique federated form of government. For a more detailed history see for example Barlow (1996); Bourne (1997); Frisker (1994); Frisker et al (1997); Hobson and St.-Hilaire (1997); Lemon (1985); Lightbody (1995); Lemon (1996); Rose (1972).
participation in local decisions, whereas members of Metro Council would be indirectly elected (although Metro changed to direct election in 1988).

At the time, the Metropolitan form of government was considered an experiment in municipal management, only to become, many years later, the most admired and "reproduced" system of regional government in the world (Sharpe, 1996). What made Metro particularly innovative was the fact that it had both the fiscal capacity as well as the administrative and jurisdictional authority to plan, develop and implement badly needed region-wide services and infrastructure. Moreover, the Province (at least for Metro's first 20 years) took an active interest in adjusting the functions and structure of Metro to meet the changing needs of economy and society.

Metro's first ten years of operation generally were viewed as a success in terms of financing, planning and building the necessary physical infrastructure required to meet the region's growth needs, including those of industry. Subsidized by more senior levels of government, Metro constructed, during its first eight years of operation, over 200 miles of trunk

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21 Two aspects of its fiscal capacity deserve mention. First, Metro took charge of capital borrowing not only for itself but also for the lower-tier municipalities and for several boards and commissions including the Toronto School Board, the Toronto Transit Commission, and the Toronto Area Industrial Development Board. Metro was able to borrow at favourable interest rates which previously had only been offered to the wealthier local area municipalities in Metro. Second, Metro had the power to raise its own funds from local area municipalities in order to repay debts and operate its services. As argued by Frisket et al (1997, p. 34), the latter capacity "was of far greater importance to Metro's socio-spatial development than the capacity to borrow money at favourable interest rates."

22 See for example Goldenberg (1965); Robarts (1977); Rose (1972); Smallwood (1963).
sewers and water mains, two new sewage treatment plants (five others were remodelled), 133 new schools, 85 miles of arterial roads, and 101 new bridges. The amount of serviced industrial land (that is, land that was hooked up to basic municipal services such as roads with close proximity to major transportation links, water and sewers mains and hydro lines) increased from 6.0 acres to 16.0 acres (Colton, 1980).

Metro also funded 75% of the budget of the Toronto Area Industrial Development Board (TAIDB), a quasi-governmental agency whose mandate was to promote and coordinate industrial development in the Toronto economic district (Figure 5). The mandate of the Board was to promote the competitiveness of the entire Toronto district, rather than to promote any one

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24 The Toronto Area Industrial Development Board (TAIDB) was originally incorporated as the Toronto Industrial Commission in 1929. Over the years, the financing of the commission was achieved through a combination of public funding from member municipalities and private contributions from manufacturers, banks, insurance companies, law firms and professional organizations, among others. Through the years, subscribers included The Canadian General Electric Company; IBM Canada Ltd.; General Motors of Canada Ltd.; John Labatt Limited, Canadian Imperial Bank of Commerce, The Royal Bank of Canada, Confederation Life Insurance Company, McMillan, Pinch Barristers & Solicitors; Sorbara, Sam Real Estate Inc.; Olympia & York Developments Limited; and the Canadian Manufacturers’ Association. Its Board of Directors was composed primarily of individuals nominated by the Board of Trade of the City of Toronto, and later of Metropolitan Toronto, and by the Canadian Manufacturers’ Association, along with representatives of various public bodies in the area. As the definition of Toronto’s greater economic area broadened in scope, so too did the Commission’s area of concern. In 1955, the Commission became Metro Toronto’s official industrial development agency, and its name was changed to the Metropolitan Toronto Industrial Commission. Its name was changed again in 1975 to the Toronto Area Industrial Development Board (TAIDB), to reflect an interdependent economic association formed between Metropolitan Toronto and the regional municipalities of Durham, Peel and York.

25 The Industrial District was defined as the Municipality of Metropolitan Toronto and the surrounding eight area municipalities for a total of 40 local area municipalities.
particular municipality within the region. One exception was the particular interest the Board had in assisting the City of Toronto with the redevelopment of their old industrial sites, in recognition of the fact that the health of the entire region was dependent on the economic vitality of the downtown core. For the entire region, however, the Board maintained a central register of vacant or available factory buildings and industrial sites and assisted local municipalities in industrial land-use planning and zoning. In the newer suburbs, for example, the Board advised local municipal planning officers on the size and type of serviced industrial land in demand by manufacturers. The Board also provided existing and prospective manufacturers with market research and assisted them in site location. It was one of the few Industrial Boards in North America which provided these latter services free of charge. And the effectiveness of the Board did not go unnoticed. In 1936, an editorial in the *Montreal Gazette* entitled 'Toronto Marches On', conferred credit to the TAI DB for its part in the success of Toronto's industrial development:

> We were to have had an industrial commission in Montreal; indeed, we have got the makings, but apparently not the money. . . . In Toronto they are much more alert in these matters. They have had an industrial commission for some years and it has been remarkably successful, so much so that the Ontario capital is setting a pace which seriously threatens Montreal's supremacy. . . . It looks very much as if Montreal will be forced into the humiliating position of watching its Ontario competitor go by.26

> The overall effect of the coordinated economic development by the TAI DB and the well developed regional social and physical infrastructure was no doubt conducive to attracting

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industry and people to the region. The President's report to the Board in 1970 commented on the
effectiveness of regional coordination:

While we cannot ignore the important role of Toronto's citizens, whether through
the United Appeal, The Board of Trade, the Industrial Commission, the
Redevelopment Advisory Council, to name of few . . . by far the greatest boost
in this region was the creation of Metro itself in 1953. This farsighted piece of
provincial legislation gave the region political and planning coordination for such
widely diverse things as finances and sewage, and put us years ahead of any other
North American community. 27

The immediate postwar era was also characterized by a massive boom in private sector
housing construction, most visibly low-density, detached, single family suburban dwellings.
More than 141,000 single-family homes were completed in Metropolitan Toronto in the years
between 1954 and 61, a yearly rate 103 per cent higher than in the period between 1948 and 53,
making the growth the largest of its kind in Canadian postwar history (Colton, 1980, p.160). Not
only did housing production increase, but it also outstripped the rapid growth in population and
reduced the average number of persons per dwelling to 3.8 in 1961 from 4.1. in 1951 (Colton,
1980, p. 160). Indeed, the most significant aspects of this postwar suburbanization (as compared
to earlier phases of suburbanization) was the amount of land the postwar suburbs appropriated
(fuelled most obviously by the car).

Massive public sector interventions, involving all three levels of government, reshaped
the region so that its form became visually and functionally distinctive from pre-World War II

27 Toronto Area Industrial Development Board. Series 30, Sub-Series 2, File 2. Brochure Statistics
forms of urbanization. At the regional level, it was the job of Metro to service the sites for
developers to build the low-density, spread-out homes, while the local area municipalities zoned
accordingly. The Province supplied grants for expressways, trunk sewers and other
infrastructure projects while the federal government provided financial support to encourage the
purchase of single-family homes through CMHC mortgage activities and loan guarantees.

All these activities had a profound impact on private consumption activity. In the first
place, "the combination of expressways and urban sprawl made the car, the backbone of fordist
consumption, virtually indispensable" (Filion, 1996, p. 6). Second, single-family home
ownership became associated with an appetite for consumer goods such as cars, refrigerators, air
conditioners, washing machines and dryers; and third, the plentiful open space provided lots of
opportunity for the accumulation of possessions. "Low density, car-oriented urban development
thus performed a catalyst for mass consumption, thereby contributing to maintain the fordist
equilibrium between consumption and production" (Filion, 1996, p. 7).

At the same time, private high-rise, semi-detached, row and other attached house-type
development grew rapidly in the region, especially in the suburbs after 1956. For example, from
1953-1964, multi-family dwellings increased by 55%. In terms of design, however, most of
these house types were car-oriented and set into a typical postwar suburban design, with its open
space, commercial plazas, arterial roads, and curvilinear and cul-de-sac streets for residential use,
and thus, like their single-detached family home counterpart, were geared towards private
consumption activity.
The massive public infrastructure needed to transform the region into a successful site of Fordist production was "further eased by widespread support from a public adhering to the ideology of progress and showing faith in the scientific discourse" (Filion, 1996, p. 7). The Metropolitan level of government, for example, was initially invented to increase effectiveness in what was presumed to be "a common and profound interest in rapid urban growth" (Colton, 1980, p. 175). The signal accomplishments of the first 10 years — "the great development, great throughways, great things" — were a deliberate execution of this original mandate. "More, more, more" was the mantra of the day and Metro delivered in its first decade of operation.

Metro faced very little public opposition towards these large-scale planning projects in the first 10 years. Purposefully, Metro was structured so as to remove planning decisions from the political process. Although planning was given great visibility and ample territorial scope (the Metro planning area include Toronto and its 12 suburbs and an additional 500 square miles of adjacent lands), the Municipality of Metropolitan Toronto Act vested primary decision powers in the planning field in a Metropolitan Toronto Planning Board (MTPB), not the metropolitan council. As argued by Colton (1980, p. 152):

This circumvention of politicians and the line of bureaucracy in favour of an appointed committee of public-spirited laymen, advised by a specialized planning staff, embodied a conception of the planning function that was prevalent in Canadian and American cities and was not to be widely questioned until the 1960s. This notion, with roots deep in the ideology of the town planning movement, held that it was possible and desirable to 'take planning out of politics' (in the words of Ontario's minister of planning and development in 1953), to lift it from the sphere of routine conflict and controversy into a realm of loftier and more technically pleasing ends.

Public planning as a technical and scientific profession expanded rapidly after the passing of the
Municipality of Metropolitan Act (Table 2), and by the mid 1960s, it had been fully institutionalized into the metropolitan form of government (Kiernan, 1990).

Indeed, the 1950s and 60s saw the region expand at a rapid pace, and the state was providing the physical infrastructure for private production and private consumption to flourish. This 'flourishing' was most noticeable in the organization of production and consumption space through suburbanization. Yet Toronto, as a local state, was also intent on averting the more privatized, socially-divided suburbanization of postwar U.S.A. Thus, the immediate postwar period saw Toronto's local state make some strategic interventions to mitigate many of the socio-economic disparities among the region. For example, Metro was laying the groundwork for a public housing system that was dispersed throughout the region beginning in 1957, and it was also taking on responsibility for funding a public transit system in order to avert many of the damaging effects of a system relying solely on the car.

Toronto's form of Fordism was further distinguished by a uniquely Canadian brand of politics rooted in Canadian and British democratic institutions. As mentioned above by Jenson (1989), Canada did not have an explicit class-based party system. Nowhere was this more obvious than in the non-partisan atmosphere of urban level politics, though historically most local councillors were conservatives of the 'booster' or 'cutter' type (Lemon, 1996). The conservatives were different from their American counterparts, however. Unlike south of the

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border, Toronto's politics were not crippled by free-enterprise notions nor by excessive localism. What this meant for Toronto (and indeed the province and the nation) was a concern for social welfare and the use of the state, at least to a point, when it was necessary for general well-being.  

1965-1975: Full-swing Fordism

Continued economic prosperity alongside an enhanced commitment to equity and stability marked Toronto's next ten years. The manufacturing sector continued to be a major producer of jobs, especially the automotive cluster, which expanded rapidly after the signing of the Auto Pact in 1965. This period also saw a growth in traded business services, financial services and communications and the emergence of a tourism sector. By 1971, Toronto was acknowledged as having eclipsed Montreal as the headquarters and financial service capital of Canada, although others suggest it was after 1976, with the election of the Parti Quebecois (BCG, 1995; Gertler, 1991).

In any event, it was during this period of accelerated growth that the region developed its international reputation as the ‘city that works’. It was one of the few metropolitan areas in North America whose social environment did not decline with rapid expansion. The ability of

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29 For an account of the role played by conservative "red Tory" politics and ideology in the shaping of Toronto see Lemon (1996).

30 Gad (1985, 1991) argues that it was as early as 1961.
the region's institutions to change and adapt to new and different pressures and circumstances largely was credited with securing the area's social stability. One of the most significant moves was the shift in Metro's role from a relatively narrow provider of capital facilities to a broader deliverer of social services. The move to equalize regional opportunities was part of wider support in Canadian society for the principle of universality and equalization in a range of basic services (most notably health, education, child benefits and old age security). This support was most evident in the creation and eventual 'stabilization' of the welfare state by the late 1960s. Indeed, two trends — centralization of financing from local to provincial and national governments, and the emergence of the concept of universality — were parallel and interrelated.

By 1975, the Toronto CMA economy was ranked as the strongest and most diverse in Canada. It had the highest income, output and invested productive capacity of any CMA in Canada, arising in part from its consolidated position as the country's financial and corporate capital and its location as the hub of Canada's manufacturing system. As well, Toronto's role as a main producer for the national economy was more evident. Table 3 compares the region's economy with that of Ontario and Canada as whole.

Throughout this period, the region's population growth continued to outpace that of Ontario and Canada (as it had since 1951), mainly because of the settlement of a large number of migrants and immigrants. Its diverse and highly developed economic structure continued to produce employment opportunities with good incomes for many of its citizens. Relative to the rest of Canada, Toronto had the highest income per capita in 1974. The region's high income
levels provided the basis for a strong retail sales sector where per capita sales in 1974 were 11% above the national average. The pattern of population growth also continued to provide a varied supply of labour ranging from the highly skilled to the unskilled. Employment in manufacturing, though declining slowly, still ranked first by a close margin to business and community services. Trade was also a major source of employment, although it had remained relatively stable at least since 1917 (Lemon, 1985). Wages and salaries were consistent with those in the nation, while the unemployment rate continued to be below the provincial and national averages (Table 4).

Despite the slight decline in direct manufacturing employment, the sector was still an important generator of wealth and an indirect employer in office activities (clerical, management and head office), and a buyer of goods and services (legal, financial and management). Spatially, manufacturing continued to decentralize, at first to the outer suburbs of Metro, but increasingly to the regional fringe around the Municipality of Metropolitan Toronto. For example, between 1970 and 1975 the suburbs surrounding and adjacent to the Municipality of Metropolitan Toronto had a much higher rate of industrial land absorption and new industrial assessment compared with Metro's rate (and compared with the rate of other areas in the province) (Ontario Ministry of Treasury, and Economics and Intergovernmental Affairs, 1976).

Also noteworthy was the continued integration of the regional economy into the North American market; a trend that had been continuous since the Second World War, but was reflected and promoted in the negotiation of the Canada-US Auto Pact in 1965 (and then later in the 1988 Free Trade Agreement and the 1994 North American Free Trade Agreement). The
1965 deal produced a virtually integrated North America market in automobile and parts manufacturing. It was a major boost to Toronto's regional economy, as plants in Oshawa, Oakville and Windsor no longer produced small runs of several models for sale only in the protected Canadian domestic market; now the American market was open (Cameron and Simeon, 1997; BCG, 1995; Wolfe and Gertler, 1998).

Despite the increasing integration of the Canadian-American economy, the 1973 oil crisis and general worldwide economic slowdown did not affect Toronto (and Canada) as much as it did comparable U.S. city-regions (Lemon, 1996; Wolfe and Gertler, 1998). True, the 1974-75 recession in the U.S. did dampen demand for Ontario manufactured exports, particularly automobiles; and economic volatility and increasing inflation were apparent in Toronto by 1975. However, Canada's own oil and gas supplies in concert with aggressive federal action to keep domestic prices down, meant that many regions of the country (including Toronto) were protected from externally generated oil shocks. Moreover, the country's developed social security system played a role in the steady expansion of consumption and placed a 'floor' under popular consumption, ensuring that during times of economic difficulty, recession did not turn into a prolonged slump. Canada's greater per capita economic growth has also been attributed in part to immigration, and its heavy reliance on export staples like forests, metals, petroleum and hydroelectric power (Lemon, 1996; Albo and Jenson, 1997). All these factors, in conjunction with Toronto's high degree of economic diversification, made it less vulnerable to recession than other parts of the country, and also other U.S. city-regions.
While the economic impacts of the 1973 energy crisis may not have effected Toronto and Canada's economy as significantly as other places, they certainly exacerbated interregional conflict and federal-provincial tensions; thus implicating Canada's Fordist regime of accumulation in other, rather unexpected, ways. The federal government's action to keep domestic prices down and share revenues across the country had enormous political implications for the country, which are still reverberating. In essence, the federal plan pitted the interests of western producers and governments (mostly Alberta) directly against the interests of central Canadian manufacturers, governments and consumers (mostly Ontario's manufacturing heartland, Toronto). Western interests saw federal actions as strongly biased in favour of Toronto. Federal actions, they contended, were taken at the expense of the west: oil prices should be set at world levels, and the western provinces should be able to keep much of the revenues since they owned the resource (Cameron and Simeon, 1997; Jenson, 1989).

For the federal government, it was a no-win situation on regional lines; what benefited one region, deprived the other. Because Toronto and Ontario could not influence the world price of oil, they had to rely on the exercise of federal powers over trade and taxation, and thus strongly supported the federal government's measures to control prices and gain a share of the revenues. Federal actions, which culminated in the federal Liberal government's 1981 National Energy Program, infuriated westerners, who used their economic resurgence to alter the balance of political and economic power, by diversifying their economies and increasing their autonomy from Ottawa and central Canada: the postwar 'nation-building' development strategy was starting to crumble (Cameron and Simeon, 1997; Jenson, 1989; Nelles, 1990).
Returning to the specific Toronto situation, perhaps what was most striking in the 1965-1975 period was the quality of life achieved without the problems often associated with rapid growth. This became a key competitive asset for Toronto in the late 1960s and early 1970s. Ever more people were appreciating Toronto for what it had to offer: its stable and facilitative political and administrative structure, sound physical and social infrastructure, social stability of the workforce, and quality of the natural and built environment.

In the popular media, the metropolitan form of government was largely credited with this success. Reflective of their position, the U.S. based *Business Week* magazine, in its August 19, 1972 issue, carried a story on how the metropolitan form of government helped Toronto shape its growth and enhance its livability while the population had grown by 65% since 1953. It pointed out that, in 1971, new construction permits of $1.2 billion topped New York's with still another $3 billion worth of major construction waiting in the wings. It noted that all this surging growth had come along without the downtown blight, crime, urban sprawl and city-suburban warfare that plagued most U.S. cities. The evidence of Toronto's livability was long. Some reasons they included:

Urban related crime, such as muggings and burglary, is rare. Consequently, people are free of the nagging fear that besets many U.S. city dwellers. Residents ride the city's modern and well-cleaned subways at any hour and the stations are unpolic ed. People have no hesitation about staying downtown at night.

Compared with big U.S. cities, Toronto is free from extensive slums, though small pockets of poor housing do exist. . . . Immigrants have carved out new ethnic neighbourhoods without conflict, bringing the city new verve and color. . . . Toronto's middle class sees little reason to flee the city. In fact, more are electing to live downtown. High-rise apartments are sprouting and residents are refurbishing old row homes into stylish new neighbourhoods. "The managerial
class is moving into the city because that's where the managerial jobs are.'

The objective of promoting 'livability' and social stability as drivers of economic prosperity — and the role of state investments in securing that stability — seemed to have achieved some consensus among the economic actors of the region. Labour, social activists, and housing reformers (among others) had been advocating and working toward better living conditions for years. What was interesting was that the views of the business community, to some extent, were not entirely at odds with the views of these other economic actors.

The following comments are but a small indicative sample of business attitudes towards the importance of quality of life in sustaining Toronto's competitive advantage and the productive role of the state in achieving this. The investment and accounting firm of Wood Gundy, for example, in its 1975 financial and economic survey of the Municipality of Metropolitan Toronto, gave high marks to Metro's strategic investments in social and physical infrastructure as key to the region's competitiveness.

Metropolitan Toronto, in addition to enjoying one of the highest standards of living of any major Metropolitan Area in Canada, also holds an enviable position in the area of basic infrastructure development, such as utilities, housing, social services, education, and an unparalleled environment for culture and recreational pursuits. Consequently, Metropolitan Toronto has developed into a highly desirable centre in which to both live and work. Careful development planning to ensure that expansion of the infrastructure, population and industry are appropriately matched, is serving to retain the character of Metropolitan Toronto. . . . the overall effect of this well developed infrastructure is conducive to attracting commerce, industry and people to Metropolitan Toronto, thereby perpetuating investor confidence in the stability and creditworthiness of Metropolitan Toronto (Wood Gundy et al., 1975, p. 21)

The Board of Trade, too, seemed to have few doubts about the public sector's role in securing
social stability, and the Toronto Area Industrial Development Board had this to say:

Because of their experiences in their own country, many manufacturers in locating a subsidiary operation in Canada initially decide to avoid being close to a large Metropolitan area. The unified metropolitan government and the stable economic and social conditions here permit us to tell a better story when promoting the natural advantages offered by the Toronto location.  

More broadly, these comments were representative of an era in Toronto's development (and indeed the province and the nation as a whole) when "[s]tability and equity amidst growth were cardinal qualities" (Lemon, 1996, p. 253). During this period, Canada followed a path towards universality of basic service provision, and many in Toronto were committed to equalization and accepted its inter- and intra-regional, redistributive role.

Canada's welfare state had been evolving since the 1930s, but was not fully institutionalized until the late 1960s, when it took on some of the more familiar characteristics of a Fordist mode of regulation, as well as a more finely tuned (albeit extensive and complex) federal system of intergovernmental transfers, including rules on national standards. The origins of the welfare state can be traced back at least to the Great Depression when many local municipalities (who then were the primary government providers of social welfare) went


32 By then, as Jenson (1989, p. 79) explains, full employment policies were working to keep unemployment at low levels and to strengthen unions in collective bargaining, while state spending increased in the area of social policy.

33 The origins of Canada's welfare state actually can be traced back to the 1920s when a number of provincial measures (workers' compensation and mother's pensions) and even some federal-provincial initiatives (employment coordination) were established. In any event, The Great Depression really brought to the fore the question of state responsibility for social policy. See for example Norrie (1993); Manga and Muckle (1985).
bankrupt and subsequently pressured more senior government levels for assistance. Initial federal measures were ad hoc and piecemeal, consisting largely of emergency unemployment insurance assistance. Continued public pressure for more active and comprehensive federal involvement led to the 1937 Royal Commission on Dominion-Provincial Relations (the Rowell-Sirois Commission). As one of the key intellectual requisites for Canada's Fordist regime of accumulation (Jenson, 1989), the Commission reported in 1940 with a complex mix of recommendations on taxation and expenditure responsibilities, fiscal transfers and equalization payments.

The following three decades witnessed debate and political turmoil in sorting out which level of government would do what and the degree to which the state should intercede in the affairs of society. The Second World War enhanced the scope for an expanded federal role because success in managing a wartime economy gave federal authorities the confidence to plan for full-scale national programs, and it established centralization of taxing authority. In 1941 the provinces (except Quebec) ceded their authority in the area of collecting personal and corporate income tax in return for a package of federal proposals that included (among other things) Ottawa taking on responsibility for Unemployment Insurance in 1941, then family allowances for mothers with children under 18 in 1945. In 1966, in concert with the provinces, the federal government expanded and universalized old age security, introduced a contributory Canadian Pension Plan (Quebec had their own), and much to the relief of cities like Toronto, devised a

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34 Unemployment averaged at around 30% in Canada during the Depression. In Toronto, unemployment reached as high 35% and all but 2 municipalities (Forest Hill and Swansea) went bankrupt in their efforts to assist the unemployed (Lemon, 1985).
cost-sharing formula to meet the needs of unemployed but employable persons, with the federal government providing 50%, the Province 30% and local governments now 20%. (The provinces provided benefits to the unemployable) (Banting, 1987; Lemon, 1996; Norrie 1993).

Also key were the federal transfers to equalize the fiscal abilities of the provinces for health, education and welfare. The two key federal programs were the Canada Assistance Plan (CAP) for welfare and the Established Programs Financing (EPF) for health and education. Wealthier provinces (like Ontario and the Toronto region in particular) subsidized poorer provinces on a scale of tax-raising capability. Federal transfers enabled provinces to extend welfare entitlements to all those deemed 'in need', expand their network of public colleges and universities, as well as finance a national health care system starting in 1968. While the system was a complicated one of transfers, including rules on national standards, it was more or less 'regularized' by the late 1960s. This is not to suggest that greater participation of provincial and federal governments necessarily brought about equality of service provision across the nation, but it did bring about a greater degree of homogeneity across municipalities. Poverty was still a problem everywhere, although generally living conditions had improved (Lemon, 1996).

As expected, increased state activity in postwar private life led to an increase in state spending at all government levels. The implication for municipalities was more provincial and indirect federal state involvement in local issues. The provinces, for example, increased their

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35 A decline had occurred in local government's role as the primary government player in social services, but paradoxically, local governments were now involved in a far wider range of basic
contribution to local revenues from 25% in 1950 to 50% by 1975, although this varied with need (Toronto received less than other regions).  

By 1975, property taxes accounted for less than one third of total revenue expenditures by municipalities compared to over 80% of local operations at the turn of the century. Conditional grants (for education and roads building) made up a large portion of provincial contribution to municipal revenues. This of course led to increased provincial control over local operations. Although many municipalities bitterly complained about being 'hamstrung' by the Province, they no longer were financing income redistributive programs (at least to the same extent) off an inelastic revenue source like the property tax\(^\text{37}\), and to that end, they were better off. Moreover, dialogue was still finely tuned between the two levels: although the Province to some extent managed local affairs, local actors and initiatives still had a powerful impact on provinces at times (Lemon, 1996, p. 255).

An example of the role of local actors in initiatives having a powerful impact on the province’s decision-making process can be seen in the rise of the central-city political action around the objectives of 'preserving neighbourhoods' and 'controlling growth'. This action challenged the post 1945 pro-development mood that seemed to have eased the transition to a Fordist space economy. Certainly, the rise of urban politics and new social movements around social services than before.

\(^{36}\) In 1975, for example, the Province contributed 31% of the Municipality of Metropolitan Toronto's revenues.

\(^{37}\) Municipalities fought hard in the 1930s, 40s and 50s to have the funding of income redistributive functions like unemployment relief and other social welfare removed from the property tax.
the concern with built environments (among other things, such as a challenge to a corporate society, resistance to authoritarian management, concern for the natural environment, sexual inequality, civil rights, and other social justice causes) of the postwar period is not limited to the Toronto context, but rather was fundamentally linked to broader social changes and the standards of expectations engendered by Fordism. As Esser and Hirsh (1994, pp. 90-91) suggest,

Under conditions of relatively full employment ... institutionally safeguarded labour, and expanded mass consumption, the area of 'reproduction' became the primary field of conflict. Sexual inequality and repression, the environment, living conditions, the prevailing model of consumption and the 'quality of life' developed into important themes.

This area of reproduction had both a spatial and a class dimension. As for the spatial dimension, many of the social movements centred around the inner-city, manifested in neighbourhood activism located in gentrifying districts. In Toronto, it was not long before expressways, high-rise private apartment redevelopment and low-density suburbs gave way to an urban reformist era by the end of the 1960s. The "Stop Spadina" expressway lobby in the late 1960s is the most oft-cited example of how local initiatives began to affect provincial action. Recognizing the adverse effect of inner city freeways on urban neighbourhoods, the Province, in 1971, abandoned its plans to expand expressways downtown after a long and bitter struggle by local citizens to stop it.

The ideological support for action to control growth and save central neighbourhoods is
largely attributed to Jane Jacobs\(^{38}\) and the influx of American draft dodgers promoting American-rooted, civil action. Yet, as Lemon (1996) argues, this American-rooted civil action had to find expression within the context of Canada's own politics. Rather than rejecting planners and public institutions, solutions were seen in reforming them to be more sensitive to the needs and wishes of the local urban community; this was evident with the election of the 1972 City of Toronto reformist council which had the likes of then-alderman John Sewell and then-mayor David Crombie. High on their agenda were the protection of older neighbourhoods, mixed-land use zoning and European-style mixed-income public housing projects (e.g. the movement away from "public housing" to "social housing"), the most prominent being the St. Lawrence neighbourhood on reclaimed industrial land in downtown Toronto.

As for the class dimension of social reproduction, the rise of the professional-managerial sector that emerged in the early 1970s was tied, in part, to a growing downtown labour market oriented towards office employment, and more broadly to a breakdown in Fordism (discussed below). This social class, commonly referred to as the "new middle class" (Ley, 1996), is characterized by its resistance to postwar society (e.g. "Fordist compact of urban government" and the authoritarian fusion of business and politics (Ley, 1996)), and has been fundamentally involved in the remaking of central Canadian cities from the early 1970s on. Ley and others (see also Harvey, 1989a; Filion, 1996) attribute much of this remaking to a new post-modern cultural sensibility, in which many of the ideological commitments of the 1960s were carried forward in a

\(^{38}\) The most notable 'Jane Jacobs' example of saving central neighbourhoods is her fight in New York against the Lower Manhattan Expressway.
modified form. For example, the process of local area planning that not only recognized the existence of neighbourhoods as places of post-modern design (e.g. buildings that were ground-oriented and modest in size to ensure neighbourhood compatibility), but also brought them a measure of political empowerment (Ley, 1996, p.371).

One way governments responded to the intensification of urban civic action was through institutionalizing citizen participation into the decision-making process, thus rejecting the notion that 'planning was beyond politics'. Not only was this evident in urban land use planning, but also at more senior government levels in their management of an increasingly pluralistic society. Federal funding of multicultural programs, for example, played an important role in an increasingly polyethnic and multiracial Toronto city-region (especially during the 1980s immigration wave). These federal programs (whether administered directly or through local school boards or the dense network of public/private and non-profit agencies and associations) helped to integrate various ethno-cultural communities into city life, which in turn promoted a more tolerant social fabric. Although ethnic and racial tensions have not been eradicated, Toronto remains one of the most multicultural and tolerant cities in the world, which, to a large extent, is attributable to its public institutions and their richness within the urban core.

Indeed, much of the social stability of Toronto can be attributed to the ability of the region's institutions to change and adapt to new and different pressures and circumstances. The role of the Municipality of Metropolitan Toronto within a two-tier local government represented an important synthesis in the spatial dialectic between tensions, on the one hand, to have local
control over the design and delivery of programs and services, and on the other hand, to have certain programs and services delivered more broadly in the interests of scale, efficiency and equity. Metro was created and recreated on this basis, at least during its first 20 years of existence.

When Metro was established in 1953, the Province had emphasized the experimental nature of the institution and committed it to an external review every 10 years\(^{39}\) to ensure it was functioning to meet changing conditions and anticipated problems.\(^{40}\) The Province revised the boundaries and powers of the federation several times throughout the first two decades, and the local area municipalities were more or less were willing to evolve. Most notably, the Province adopted a restructuring of Metropolitan Toronto in 1966. The area was reorganized from 13 municipalities to six. Education and social services were the most important of the new powers and responsibilities assigned to Metro.\(^{41}\) The Metropolitan School Board was given complete responsibility for financing school construction and operation, through a Metro-wide mill rate for education, thus lessening financial disparities among the local boards and making it possible to equalize educational opportunities for every child in the area.

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\(^{39}\) The Province also stipulated that Metro should be reviewed after the first five years of operation. However, this first review by Cumming (1958) was not as thorough as the Royal Commissions under Goldenberg (1965) and Robarts (1977). Both Colton (1980) and Smallwood (1963) have argued that since Mr. Cumming originally had been the one who had recommended the establishment of Metro, his review was biased in favour of maintaining the status quo.

\(^{40}\) Major Provincial reviews included Goldenberg (1965) and Robarts (1977).

\(^{41}\) Other new responsibilities included waste disposal, the establishment of a Metropolitan public ambulance service, the financing of regional libraries and authority to participate in urban renewal in conjunction with the local area municipalities.
Metro also took over the local area municipalities' funding portion for public welfare under *The General Welfare Assistance Act* and related legislation. This shift served to equalize the burden of costs for welfare service which had been largely borne by the City of Toronto. This provincial move, in particular, has been largely credited with preventing a "hollowed-out" urban core; it provided an important element in the social wage which helped to underwrite the consumption norm. At the same time, however, it also led to an escalation of costs for Metro, particularly during the decade of the 1980s; the cost and scope of social services increased greatly and Metro became caught up in a web of rapidly increasing expenditures but with a fixed revenue source, slower economic growth, and an outdated and inequitable assessment base. These fiscal problems which were becoming more apparent by the late 1980s and early 1990s in fact fed into a future crisis of regulation, discussed further in Chapter 4 and 5.

In any event, by the mid-1970s, Toronto had gained its international reputation as the "city that works" and this, among other things, spawned a major tourism industry, especially from tourists south of the border.42 "Toronto is almost mystically attractive because it offers a trip back in time and forward in space," wrote an American lawyer in a 1970 *Toronto Life* article on why he loves the city. And a visiting American industrialist had this to add: "It is one of the few areas in North America where the social environment has improved rather than regressed

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42 1974 was a record year for Toronto tourism. It was the only Canadian city to report an increase of American visitors, with an estimated 19% of the 18.5 million visitors being from the U.S. It was the leading convention city in North America, with 494 conventions and trade shows.
during its dynamic expansion."\textsuperscript{43}

Of course, it is easy to idealize the past. The region still faced formidable challenges: poverty, air pollution, lack of affordable housing\textsuperscript{44}, sprawling growth, racial tensions and gender inequities (among others). Yet Toronto, as a region, seemed for a time to have successfully minimized many of the contradictions inherent in economic development through the elaboration of a set of important institutional fixes. It did achieve some balance between growth and stability as well as a more general equilibrium between public and private interests in city and society. Interestingly, the real heyday of Toronto's particular form of "Fordist" local governance came at the end of a broader western "Fordist" phase, roughly when several other city-regions, in Europe and the United States, had already entered their period of crisis and instability. Even still, cracks were beginning to appear in Toronto's seemingly impermeable form of "Fordist" local governance.

\textit{Emerging Contradictions}

By the early 1970s, Metro's usefulness as a regional body was beginning to wane, largely because growth was expanding beyond the 1953 boundary. Rather than extend the boundaries


\textsuperscript{44} The lack of affordable housing in the downtown core in particular was a problem, which as Ley (1988) has demonstrated, was fundamentally linked to the process of middle-class settlement in the older neighbourhoods of Toronto (such as Donvale and the Annex). This social class, which on the one hand, was attributed to revitalizing the downtown core also played a role in displacing blue-collar workers to areas outside the central city (see also Harris, 1986).
outward, however, the Province announced its intention to establish new metro-style
governments around Metro. Many in the region (somewhat presciently) thought this would only
exacerbate regional tensions between Metro and the suburban fringe. The Board of Trade, for
example, observed that the Province' proposal would result

... not in regional governments but in large municipalities, and that the
balkanization of Toronto's effective urban region into five or six areas with
independent planning and administrative powers would lead to disruptive rivalries
and competitive planning, whereas the vital need was for coordination and
cooperation (Board of Trade, 1968).

The Toronto Area Industrial Development Board, too, weighed in and lobbied the Province to
reconsider present political boundaries. Despite pleas from the business community, however,
by 1974, the new metro-style governments around Metro were in place. With structures and
functions similar to those of Metro (with their own planning, administrative and taxing powers),
these governments seemed only to further entrench differences between the fringe and Metro,
increasing economic fragmentation and setting the stage for future urban-suburban warfare
(discussed further in Chapter 4 and 5).

Although there was another Provincial attempt to try to plan for the entire Toronto region,
the process was somewhat disconnected from the mainstream of government and thus had a
short-life. Back in the mid 1960s, The Department of Regional Development in the Ministry of
Treasury, Economics and Intergovernmental Affairs, became interested in the growing scale and
complexity of transportation needs in the broader region around Toronto. This gave rise to the
initiation of a comprehensive regional transportation study within the department. As the
Metropolitan Toronto and Region Transportation Study (MTARTS) pursued its work program,
however, it soon became clear that long range transportation planning depended on the future pattern of urban growth. Hence, in 1966 MTARTS gave way to the Toronto-Centred Region (TCR) concept, a provincial regional planning policy which was officially adopted as policy in 1970. The TCR concept eventually withered, however. Deterioration in the economic conditions of the province; that fact that the plan was a very top-down bureaucratic approach in a very bottom-up non bureaucratic era; its lack of integration with other ministerial regional planning policies (such as the Metro-style regional governments); and its failure to become an integral part of the government system, all led to its demise (Richardson, 1981; 1984).

Frisken (1994) has argued that these provincial actions (or lack of them) were one of the first signs of a new kind of provincial apathy to the needs of the Toronto economic region. One plausible reason is that the Province was not interested in expanding Metro's boundaries for fear of affording the region too much power when compared to the Province. More generally it was also a result of the needs of the Province to equalize interregional disparities.

This was evident in the new type of inter-urban competition for new manufacturing industries which was emerging in Canada. Before choosing a location for a plant, manufacturers were exploring not only some of those municipalities which might normally be considered for

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46 Also, Nigel Richardson (who at the time of the TCR's demise was the Chief Planner, Regional Planning Branch, Ministry of Treasury, Economics and Intergovernmental Affairs of Ontario), personal conversation with the author (December 19, 1997).
economic reasons, but also those communities ‘designated’ by the Federal Department of Industry. The incentive to establish in such ‘designated’ areas, which might otherwise be uneconomic, took the form in federal government capital grants and provincial loans and loan guarantees.

Indeed, these new federal and provincial programs to distribute manufacturing wealth seemed especially odd at a time when more people were beginning to sound the alarm about the overall competitiveness (in terms of technology, quality, production costs and scale economies) of Canada's manufacturing industry relative to other major trading partners. By the mid 1970s, limits to industrial productivity growth were evident. In 1975, for example, the Canadian index of industrial productivity declined by 4 1/2% from the previous year. This was the first decline in productivity since 1958 and the worst decline in productivity since 1946. In Metro, although a small increase occurred in the number of employees in the services industries, the total number of employees in manufacturing decreased by 18,000 or 5% from the previous year.47

Searching for answers, many turned to the high degree of foreign ownership of capital. Until the 1970s, foreign-owned manufacturing capital generally was viewed as a progressive force in Canada and Toronto's industrial development, with its attendant job opportunities, balance of payment advantages, and tax collection by various levels of government (Gertler, 1993). By the mid 1970s, however, Toronto was at the centre of widespread concern over the

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Americanization of the economy and in particular the "branch plant society". At the fore of this development was Mel Watkins, a Torontonian, who chaired a Federal Task Force on Foreign Ownership. In the final report of the Task Force, he warned of the job-dislocating effects of imported machinery as well as the limiting capacity for indigenous technological innovation. The next decade would see a host of studies on the Canadian manufacturing industry, as producers, governments and consumers began struggling with the slowdown of industrial activity. The 'golden age' of Fordist production was unravelling.

1976-1988: Unravelling Fordism

The next period in Toronto's history was marked by widening contradictions in economic growth and governance. The Toronto area economy rebounded between 1976-1979 after the mid 1974-1975 slowdown. It then entered a period of economic stagnation in the early 1980s. This was followed by a remarkable economic boom from 1983 to 1988, fuelled by automobile exports, domestic consumption, and in the final years, real estate and business investment. Throughout the period, there was a general consensus that the government should play an active role in managing the contradictory pressures inherent in the capitalist system. At the same time, however, municipal and provincial governments also became bound up in crisis by increasing their spending and borrowing, by misunderstanding the economic changes, and by overlooking the planning and servicing needs of the region.

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Manufacturing exports to the United States led the 1976-1979 recovery. Measured in terms of jobs, the manufacturing sector continued to dominate the economic structure of the Toronto region in terms of direct jobs and as a user of other goods and services produced both within and outside the region. In 1979, over three out of ten jobs in Metro's private sector (34%) were in manufacturing, totalling some 296,000. Trade, including both wholesale and retail establishments, was the second largest employer with 20.5% of all private sector jobs in the region, while the Finance and Service sectors combined, employed 31% or 268,000 of the private sector jobs. Although the region experienced a net increase in manufacturing jobs during this period, employment growth in the service sector (business, and personal services) provided the greatest number of new jobs compared to any other individual sector (Gardner, 1983). Personal savings rates climbed, partially because of large gains in disposable income and the expansion in federal tax deductions for registered retirement savings plans (RRSPs). Even so, the growth during this period was much slower than it had been in the previous 'golden age' expansion, as domestic demand components (consumption, government, housing, business investments) grew more slowly than in the first half of the 1970s.

The 1980-82 recession was the worst to date in Ontario since the Great Depression. During this recession, Ontario's real output fell an average of 0.4 per cent (Figure 6), while nominal GDP slowed to an average growth rate of 9.6 percent. Also, inflation moved up to more than 10%, fuelled by higher commodity prices, higher wage settlements (which were now no longer offset by productivity gains) and another round of energy price increases. Canadian interest rates, which had been climbing since 1977, reached historic highs in 1981, while
unemployment increased substantially (to a high of 12.9%) and job creation was weak (Gardner, 1983; Ontario Ministry of Treasury and Economics, 1988). The combination of high unemployment, inflation and high interest rates put home ownership out of reach for many modest-means and first-time home buyers (Harris, 1986).

The greatest decline in jobs was in the durable goods sector, which was largely due to a decline in real net disposable income throughout the country; hence less money was available for spending on consumer-based items like cars, homes and electrical goods. The cutback in consumer spending coupled with high interest rates explain, at least in part, the job layoffs that occurred in the region. These job layoffs, however, were not even across the social strata; blue-collar workers generally fared poorly (Harris, 1986).

More broadly, employment losses in the manufacturing sector can also be explained in the context of a more fundamental restructuring in manufacturing which was only barely underway in Canada by the end of the 1970s, although it had been occurring in the world economy at least since the late 1960s. Major structural changes in the global economy were creating new competitive conditions for virtually every manufacturing industry. These included an increasing globalization of production and changes in technology, which in part were creating new forms of industrial organization and the organization of work. A recurring theme in the discussions of these changes was the need to increase the "flexibility" of methods of

49 Durable goods include wood, furniture, metal fabricating, machinery, transportation equipment, electrical products, primary metals, non-metallic minerals.
manufacturing and marketing, including the greater externalization of manufacturing functions. In fact, much of the growth of the services sectors has been attributed to the shedding by manufacturers of many functions they once performed in-house and were now acquiring through market transactions (Gertler, 1988; 1991). As mentioned earlier in this Chapter, these changes in technology and workplace organization were starting to effect the stability of the labour relations system in general. The late 1970s and 1980s witnessed increased labour strife in factories around Toronto as changes in technology began to affect trade union bargaining leverage over wages and job security. The collective bargaining institutions which had regulated Ontario’s labour market since the 1940s, were not only unable to adjust to intense restructuring pressures, but also, became bound up in crisis (O’Grady, 1994).

It was during this period of more fundamental restructuring, that concerns heightened over the weakness of Canada’s national system of innovation. Relative to its trading partners, Canada invested a minimal amount in advanced research and development, had an imported technology process and underdeveloped education and training program. Britton and Gilmour (1978), for example, reaffirmed the problems noted in the Federal Task Force on Foreign Ownership concerning technological dependency in stifling indigenous growth in the manufacturing sector due to a poorly developed local market for supporting goods and services. Clement (1978) commented on the job loss problem. More recently, Gertler (1991; 1995) has expressed concerns with the impact of technological dependency on the successful adoption of new technologies. Generally, this group of authors advocated national and provincial policy solutions which focussed on addressing the above mentioned weaknesses in the national and
regional systems of innovation. Others however, most notably Macdonald (1985), were more inclined to focus on increasing free trade as one solution to the new competitive pressures facing the Canadian manufacturing industry (discussed further in Chapter 4).

Returning to the specific Toronto context, the 1980-82 recession was severe, although the unemployment rate in the Toronto region throughout the 1980-82 recession was less than that of the country as a whole (between 7% - 10% in Toronto compared with 10% - 12% nation-wide). This was in part due to the greater diversity in Toronto's sectoral composition of employment and its greater production of less cyclically sensitive non-durable consumer goods\(^{50}\). Even still, the crisis in the strategic auto and auto-parts sector and the general contraction in demand spurred new fears (according to Cameron and Simeon, 1997) that the region was losing its dominant economic position (a theme I will return to shortly).

The trend toward decentralization of population and employment (especially manufacturing employment) became particularly noticeable in the Toronto economic region in the late 1970s and 1980s (although, this had been underway for some time). In 1961, Metro's share of the region's population was 77% whereas by 1986 it had dropped to 59% (Frisken, 1990). In 1975, Metro had 68% of the region's job production whereas it was 63% in 1980\(^{51}\). The relative decline of Metro's manufacturing role was also reflected in a slower rate of industrial

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\(^{50}\) Non-durable goods include food and beverage, tobacco processing, rubber, leather, textiles, knitting, clothing, paper and allied, printing, petroleum, chemicals, miscellaneous manufacturing.

\(^{51}\) The Toronto region here is defined as the Toronto Census Metropolitan Area (CMA) 1976 Census Area Definition.
land absorption and industrial assessment compared to the outlying fringe of the regional municipalities of York, Durham and Peel (Gardner, 1983). A parallel trend was the continued concentration of office-based employment in the central city, and also the development of office-based nodes in suburban centres (Bourne, 1991; Gad, 1991; Gertler, 1991).

The overall changes in central city employment in terms of occupation and sectoral and spatial change triggered Metro's reassessment of its economic development strategies. Until the 1980s, Metro's economic development strategy had consisted mainly of managing growth through planning department functions and through the funding of the Toronto Area Industrial Development Board. However, new concerns over the loss of its employment base to the suburban fringe beyond its borders, broader deindustrialization fears, and the rise of office-based sectors, all motivated Metro's re-examination of its economic development policies.

In 1975, the Chairman of Metropolitan Toronto, Paul Godfrey, sought the Toronto Board of Trade and the Labour Council input into establishing a Metropolitan Employment Board to seek solutions to unemployment, and for the next three years, Metro tried to work out a coordinated approach with the provincial and federal governments; this strategy, however, was ultimately unsuccessful. Thus Metro made a decision in 1978 to undertake an economic development fact finding study to see what Metro could do on its own. By 1979 Metro had started to question the usefulness of the Toronto Area Industrial Development Board. In briefing

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See for example, the studies by Croker (1980) and Gardner (1983).
notes to Mr. Godfrey regarding the Toronto Area Industrial Development Board, it was noted that the TAIDB was "a critical agency" to the economic development of the greater Toronto area. However, the TAIDB was not doing enough for Metro in the greater Toronto region:

TAIDB is industrially oriented, not aggressive, staff and resources limited. Service economy will be increasingly important to Metro: head offices, tourism, finance, insurance, real estate; communications & knowledge industries, consultants, business services; health technologies and services; specialized commercial and trading functions. Metro will have to be more aggressive in attracting and fostering economic growth in the future.

Several options were laid out for the Chairman to consider, including (1) broadening the scope of the TAIDB to focus not just on industrial development, but also services-oriented businesses; (2) establishing a new Metropolitan Economic Development Commission with public/private cooperation and a focus solely within Metro's geographic boundaries; and (3) setting up a Metropolitan Department and pulling out of TAIDB. While the Chairman's Office preferred the second option, the latter was the end result. A combination of poor financial management in the last few years of the TAIDB's operation and Metro's desire to go it alone resulted in Metro establishing, in 1981, its own economic development department, with responsibility for attracting and retaining investment within its borders. That same year, Metro withdrew its funding from the Toronto Area Industrial Development Board. Other area and regional municipalities soon followed with their own economic development bodies. Hence,

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public funding for the Board began to dry up and eventually withered to the point where, in 1984, the Board was dissolved.

The rise of local economic development departments and the corresponding disbanding of the Toronto Area Industrial Development Board did nothing to engender a spirit of cooperation among the municipalities in the region. With the Board's dissolution, an important source of institutional support for regional coordination of economic development was lost. By the early 1980s, the Industrial Board had become the only remaining entity that regarded the region as one integrated, economic unit, and offered a single, coordinated approach to economic research, investment attraction, expansion and problem solving.

The value of the regional perspective was lost in the economic uncertainties of the mid-1970s and early 1980s, but it reemerged again in the 1990s as part of a new and wider appreciation for the competitive advantages of regional economies and new industrial spaces. In particular, the local institutional context (such as regional coordination) and corporate forms which shape a region's capacity for innovation were gaining wider recognition among economists and analysts of industrial competitiveness\(^55\) (discussed further in Chapter 4). While the Industrial Board was far from leading the charge to create the conditions to support a new regional system of innovation, at least it had an infrastructure (both formal and informal) to monitor regional change. Unlike in previous decades, the Province showed little interest in monitoring and

\(^{55}\) The most notable examples were Silicon Valley in California, the 'Third Italy' in Emilia-Romagna, and Baden-Wurttemberg.
responding to the economic changes taking place in the region.

The 1980-82 recession, provincial apathy, and the accompanying westward flow of jobs
and investment, all raised new fears that Canada's great industrial "engine of growth" was
shifting westward (Cameron and Simeon, 1997). However, fears that Toronto was losing its
dominant economic position in Canada were short-lived. Unlike many other regions in Canada,
Toronto quickly recovered. Oil prices collapsed and Ontario (including Toronto) witnessed a
remarkable economic boom from 1983-1989. In both absolute and relative terms, Ontario's
growth was remarkable during this period. Real Gross Domestic Product (GDP) rose by more
than 33% between 1983-1988. In fact, real annual average output growth was 5.9 percent, which
exceeded that of most other industrialized countries (Nelles, 1990). The Toronto CMA's share
of overall Canadian employment rose in this period from 14.5% in 1977 to peak of 16% in 1988,
and Toronto's unemployment rates averaged around 4%, the lowest in the country, while
personal income per capita was the highest (Bromley, 1994b and Metro Annual Reports, 1976-
1988).

Motor vehicle exports to the United States were an important ingredient in the region's
recovery. The fortunes of the auto industry quickly turned around from the hardships of the late
1970s and early 1980s. In 1984, 1985 and 1988, new records were set for the total number of
automobiles assembled in Ontario; total employment in 1988 was 17% higher than the previous
peak in 1978; and substantial new investments had occurred in auto assembly both by North
The growth of the financial (investment, banking and insurance) sector also was an essential component of the region's recovery, in part because of financial deregulation, the aging population and the inherent attractiveness of high order functions in a metropolitan region. During the boom, the Toronto region added about 120,000 jobs in financial and business services; 100,000 jobs in public services, 60,000 jobs in other private services, 60,000 jobs in wholesale and retail trade, and 45,000 in construction (Bromely, 1994b, p. 7-8). Almost every sector witnessed job gains; few lost jobs.

The region's population was growing much faster than the provincial and national rate, mainly through immigration and interprovincial migration. Lured by the booming economy, 30% of Canada's total immigrant population was settling in the Toronto region. Immigrants brought with them investments (especially those immigrants from Hong Kong) and ties to places around the globe. From 1980-1989, 71% of the total immigrant landings in Metropolitan Toronto were from source countries in Asia, Africa, the Caribbean and Latin America. According to the 1986 Census, 59% of the Municipality's population had origins in countries other than Britain and France; which was a gain of 28 percentage points over the 1951 figure (Municipality of Metropolitan Toronto, 1989).

It had always been somewhat of a caricature to describe Toronto society as 'British'; certainly its elites and institutions were. However, immigration was beginning to transform the

56 This compared with Toronto's historic average of having received approximately 20% of Canada's total immigration population.
social character of Toronto, as was the growing diversity in society in general. The racial and ethnic composition of the population, new occupational and class structures, new forms of family life, changing religious practices, patterns of sexual preferences, and a range of non-traditional lifestyles were all part of a broader change (Banting et al., 1997). As discussed earlier, Esser and Hirsh (1994, pp. 90-91) have linked these broader social changes to the standards of expectations engendered by Fordism.

In the Toronto case, what increasing social diversity meant for governance, was growing demand for government involvement in a much broader range of services than had been seen previously. The Province and the local governments not only had to service growth, but also mediate conflict between a wide range of interests (Nelles, 1990). For Metro, the new demands — whether engendered by economic growth, social diversity or both — led to a great increase in social service spending. Between 1980-89, Metro added almost 7,000 child care spaces, 400 beds in homes of the aged, twenty-five new hostels and more than 4,000 subsidized housing units. The number of agencies receiving Metro social service grants increased from 176 to 363 (Municipality of Metropolitan Toronto, 1993). As already mentioned, this social service spending was an important part of the social wage, but its increase also fed into the future crisis of regulation in two ways. First, Metro's social welfare functions occurred without corresponding changes in avenues of financing. Second, as Metro became increasingly involved in a wide range of social programs, there was less and less agreement over which programs Metro should be funding and how they were to be delivered.
Generally, obtaining a consensus over the funding and delivery of social programs is difficult. However, these fiscal realities made consensus particularly difficult to achieve. This was in stark contrast to the Metro of previous decades, which had to be able to respond to service needs without concerns about determining priorities among competing demands. Moreover, there was general agreement on Metro's role in hard services, and to some extent, an indirectly elected Metro council was justified. When Metro's budget evolved along with its responsibilities, there was increasing pressure to elect the councils directly. Robarts (1977) had recommended direct election in his 1977 review of the Municipality of Metropolitan Toronto for the Provincial government, but it was not implemented until 1988. Ironically, while direct election was implemented to increase the government's accountability to the electorate, in fact it constituted a crisis of democracy, as the general public became increasingly confused over which level of government was doing what. To that extent, local democracy was weakened. At the same time, direct election of Metro also created much confusion over why there were so many layers of government. Metro eventually became a scapegoat in the 1990s rhetoric of government overspending and "too much government" (discussed in more detail in Chapter 5).

Interestingly, many of the policy responses and ideological underpinnings of Toronto and Ontario's governance during this era were out of sync with the political response to the Fordist crisis sweeping though much of North America and elsewhere. The variously labelled neo-conservative and neo-liberal agendas of Reaganism, Thacherism and Mulroneyism — which focussed on the benefits of freer trade, the need to control growing government debts and deficits, the necessity of downsizing and rethinking the role of government generally, and the
preeminence of fiscal and monetary policies designed to restrain inflation — were the emerging and dominant international fiscal objectives. However, these ideas seemed to have had little resonance for Ontario governments, which (as Cameron and Simeon, 1997, argue) were "ideologically offside". At the same time, however, it can also be argued that local and provincial governments (like Ontario) were left with having to fill the "spending vacuum" left by federal cutbacks to the welfare state which had begun under Mulroney in 1985 (the implications of which will be discussed further in Chapter 4 and 5).

For example, unlike their federal or international counterparts, Toronto and Ontario governments, were not cutting back on spending, but increasing both spending and borrowing. Moreover, the Ontario government (at least formally) was pursuing a policy in contradiction to the rest of Canada on the Canada-United States Free Trade Agreement. The entire Province and the Toronto region, were among the most ardent opponents of the Free Trade Agreement. There were fears of deindustrialization, massive job loss in the manufacturing sector, and the loss of Toronto's status as Canada's dominant economic centre. Toronto had always considered its economy as being relatively impermeable to international forces (Duffy, 1995), and community and business interests had generally been content with overall regional governance and its level of services.

Some saw Ontario's formal political response to freer trade as a last ditch effort to save the National Policy, whereas others noted the gulf between Ontario's official response and the more informal lobbies of business. Although the Ontario Liberal government, under Premier
David Peterson, formally voted against the Canada-U.S. Free Trade Agreement, there were powerful economic actors in the region who strongly supported increasing free trade with the United States. These supporters saw tremendous benefits for Ontario and Toronto from increasing integration into the North American economy. Notwithstanding the opposition to the Free Trade Agreement, Toronto was still far from crisis in the late 1980s. Although fears began to surface about the adjustment costs of free trade and the effect on the non-productive aspects of the economy (such as the real estate market), few predicted an economic crisis.

What Made it Work

Over the 44 year period from 1945 to 1989, the Toronto region underwent a significant transformation which completely altered its character. From a rather sedate image in the immediate postwar years, the region not only consolidated its position as the dominant financial and industrial centre of Canada, but it also acquired a reputation as a safe, equitable and vibrant city-region in which to live. Despite its rapid ascendance in stature it did not succumb to many of the social and economic disparities besetting other large North American city-regions.

While many external and unforeseen forces have made the region 'work', a crucial part of its success can be attributed to key elements of the mode of regulation operating at the urban scale. These elements created the right conditions for production, and for a new and positive balance between production and consumption, on which stable long-term economic growth arguably depends (see Table 5 for a summary).
One of the principal and unique institutional innovations was the Municipality of Metropolitan Toronto, which can be regarded as a key component of the Canadian Fordist regime of accumulation. True, Metro was assisted by federal and provincial initiatives and numerous private actors, yet Metro was the primary institution through which land use planning and urban infrastructure development most conducive to Fordist production and consumption took place. Moreover, Metro played an essential role in the functioning of the welfare state: not only as a beneficiary of federal and provincial programs, but also as a innovator of unique urban-based postwar development policies. In tandem with federal and provincial welfare state policies, Metro welfare expenditures and policies also helped to underwrite the consumption norm and promoted a climate of confidence in which regular, long-term productive investment was feasible.

As we saw in the planning stages of Fordism, the Metropolitan government (in concert with the Provincial and Federal governments) made a conscious decision to invest in the infrastructure (such as arterial roads, airports, trunk sewers, water mains, bridges, waste disposal systems and schools), which was vital to the growth of the private sector but often unprofitable for the private sector to undertake without public involvement. Metro also deliberately managed regional land use planning and economic coordination, partly through its funding of the Toronto Area Industrial Development Board (one of the few regional economic institutions like it in North America), and partly through its liaison with local area municipalities. It was these municipalities that were the primary actors responsible for zoning the type of industrial land that was in demand, most notably large tracts of highway-accessible serviced industrial land on which
low-density, spread-out, single-level industrial buildings could be built and expanded.

As we saw throughout the period, Toronto's industrialization was shaped (both inter- and intra-regionally) by a broad range of economic, industry and government forces. Industrial land use patterns were linked to the organization of production which in turn was related to the scale of production, and which in further turn was related to the size of the markets. Over time, the gradual shift of manufacturing industry to more suburban parts of the region was partly a result of increased public investments in suburban infrastructure and partly the result of an increased tendency of producers to mechanize (use more machinery and equipment per dollar of output). This in turn resulted in a demand for larger land parcels followed by a move to the more suburban parts of the region, or to areas outside the region. Protected tariffs also shaped Toronto's industrialization, first by fostering domestically owned manufacturers which were dependent on tariff protection, and second by encouraging foreign-owned (particularly U.S. owned) companies to establish branch plants behind Canada's tariff walls.

What this meant for Toronto's particular form of industrialization was that most of the branch plants never fully hit their Fordist production stride in this period. Most were relatively small and produced a diverse range of products for the domestic market. To that end, these plants were relatively inefficient when compared to their U.S. competitors with superior technology, better quality products, cheaper production costs and larger scale economies.

The automotive industry was the exception. Certain features of this sector made it unique
among Canadian industries, including its two-stage transition from a branch plant industry to a competitor in the global economy. As we saw, the first major change occurred in 1965 when the Auto Pact forced the rationalization of the industry and its further integration into the North American economy. The Auto Pact, as a key element of the mode of regulation, was international in scope, but more importantly, it was the active creation of two national governments and contained key safeguards to guarantee a minimum level of automobile production in Canada. These safeguards were of particular benefit to the Toronto regional economy throughout the late 1960s and 1970s. The industries’ fortunes changed during the late 1970s and early 1980s, however, when the industry was thrown into crisis by fundamental restructuring occurring in world markets. Most of these changes had sorted themselves out by the 1980s, however, as investment in new technology and plants in the Toronto area (particularly investment by Asian auto firms) gave an enormous boost to the regional economy. While there were now new economic forces at work which attracted substantial new investments to Toronto in auto assembly, to some extent, the conditions secured in the Auto Pact had also played a role in the auto industry turnaround.

In other ways, however, the Auto Pact also contributed to a future crisis. As a formal agreement, it both reflected and promoted a fundamental realignment of the Ontario economy, easing the path towards the elimination of protected tariffs in other industries. Proponents of free trade in the 1980s used the Auto Pact as an example of how free trade would work, but the Auto Pact, as an international mode of regulation, was much more "managed" than anything proposed in the FTA (Holmes, 1991).
On the consumption side, Metro, in concert with more senior levels of government, provided the infrastructure necessary for private housing production to flourish, albeit low-density, dispersed car-oriented suburban development. This type of development was particularly suited to the mass consumption of durable goods such as cars, electrical appliances and recreational equipment, thereby helping to maintain the equilibrium between production and consumption, even while this spatial pattern of development would later be viewed as increasing the fiscal stress on the local state in the Greater Toronto Area.

The consumption needs of the region's workforce were met in other important ways as well. First, at the firm level, these needs were met through the institutional arrangements struck between workers in the private collective bargaining process. This played a part in maintaining the levels of consumption of wage earners. Later on, Canada's form of Fordism was extended to workers outside the factory in the form of an expanded welfare state, which had more or less been regularized by the late 1960s. Because they were secured in a federal system, "national standards" for welfare, education, health care, old age security and child benefits were crucial manifestations of the rights of national citizenship (Albo and Jenson, 1997).

Metro was itself an important part of the Canadian welfare state. More than just a conduit through which federal and provincial social programs were delivered, Metro was also setting urban social policy. By the 1960s, Metro had already begun to address social and economic inequities that were more specific to the unique spatial needs of urban areas and had taken steps to prevent the formation of a "hollowed-out" urban core so prevalent in many other
North American cities. Metro's contribution to the social wage through its legislative ability to pool property taxes and redistribute educational and social service programs on a city-region-wide basis was especially effective during times of economic downturn (such as in the 1970s and early 1980s), mitigating the effects of recessions and thereby enhancing the overall competitiveness of the region. Other institutions of federalism also benefited Toronto. These included the Canadian state's investment in programs to support an increasingly pluralistic, multicultural and multiracial society which contributed to a social fabric characterized by tolerance and diversity.

Not only did the region benefit from national welfare spending and benefits of federalism, but Toronto, as a local state, was also an important contributor to the nation's economic and social viability, through interprovincial equalization payments and the resulting interregional income redistribution. Toronto also helped advance the political arrangements of federalism through the region's contribution of tax revenues to both Ontario and Ottawa. There was a spatial compromise, then, between Toronto and the needs of the whole nation: throughout this period, Toronto generally accepted its inter- and intra-redistributional role, so that while Toronto may have benefited from the national system, it also contributed significantly to it.

As we saw, the economic profile within the region was perhaps less stable than the institutional arrangements during this period. For example, the impact of the relocation of the manufacturing sector to the urban fringe was offset to some extent by Metro's contribution to the social wage. However, near the end of the 1980s, neither the local nor provincial governments
were addressing the full consequences of this spatial dynamic. In fact, the state made decisions
which actually fed into the looming regulatory crisis by contributing to the municipal
fragmentation of economic development and ignoring the servicing and planning needs of the
region as a whole.

In the next two Chapters, we will see how the region entered into a period of crisis and
instability as the forces — both internal and external — came together in such a way as to
undermine the foundations of its earlier success. This constituted a major challenge to existing
regional structures, functions and jurisdictional boundaries. Those same institutions that had
regulated the region's contradictions would be soon implicated in its crisis.
Introduction

In Chapter 3, I demonstrated that links between the mode of regulation and the accumulation system helped to stabilize the connection between production and consumption during Toronto's particular form of Fordist postwar development. After 1975, I suggested that the links between the forms of regulation operating at the urban scale and the local accumulation system began to unravel, but nevertheless were linked, although more weakly than in the previous 30 years. At the same time, I pointed out the inherent contradictions that were starting to emerge in the particular institutions operating at the urban scale which eventually led to the simultaneous rethinking of the structures, functions and jurisdictional boundaries by the mid 1990s (which I examine further in Chapter 5).

In this Chapter, I provide further context for the 1995-1998 Toronto governance reexamination and reorganization. I will suggest that it was accelerated by the severe economic downturn and slow and uneven economic recovery which Toronto experienced between 1989-1994. Evidence exists to suggest that this economic downturn was more than cyclical, but rather a fully manifest structural crisis in which external forces (such as national fiscal, monetary and
trade policy; globalization and progressive continental integration) came together in such a way as to increase both the volatility of the Toronto economy and its vulnerability to external forces (Gertler, 1998).

I will argue that these external forces had an impact on the politics and institutions of Canadian federalism which in turn affected the governance of the Toronto region. The relative difficulty with which the region recovered from the previous 1980s boom lent itself to a more vocal questioning of the role of the state in managing the economy. One persuasive argument (especially among traditional economists) was that the forces associated with globalization were placing more limits and constraints on national governments while at the same time rendering the policy tools traditionally associated with provincial and local governments (such as education and health care) more important. Such thinking led to a growing conventional wisdom among politicians — of all political stripes — that the most appropriate response to these forces was, among other things, to further decentralize responsibilities in the Canadian system (Cameron and Simeon, 1997; Peck, 1996).

As a political strategy, decentralization also appealed to federal politicians because it was seen as an effective way of finessing the “distinct society” or “provincialist” aspirations of Quebec, of meshing nicely with the traditional orientations of many other provincial

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57 Jessop also makes this argument. As mentioned in Chapter 2, Jessop (1991, 1994, 1995) suggests that the forces associated with globalization are linked to a progressive "hollowing out" of the nation state while at the same time placing additional pressure on local governments in what he refers to as the ascendance of the "Local Workfarist State".
governments, and of appearing more in tune with the implementation of aboriginal self-
government. Furthermore, it was strongly supported by leaders of the business community who
equated it with the necessity to "shrink" government 58, particularly in light of their concern over
the deficit and debts situations of federal and provincial governments (Gibbins, 1996). In that
respect, it was also conveniently consistent with the neo-conservative ideology sweeping many
parts of the Western world.

Indeed, one implication of decentralization in a federal system with a highly complex and
advanced system of intergovernmental transfers, was the tendency for more senior levels of
government to off-load fiscal problems onto other levels of government and other transfer
agencies such as hospitals and school boards. For example, the unilateral decision by the federal
government under Brian Mulroney's Conservative government to place a cap on the growth
payments under the Canadian Assistance Plan to those provinces not receiving equalization
payments (British Columbia, Alberta and Ontario) had enormous financial consequences for the
provinces, especially Ontario. When the federal Liberals came to power in 1993, they continued
this policy and in 1995, the Federal government decided to wrap its Established Programs
Financing (EPF) for health and education and the Canada Assistance Plan (CAP) for welfare into
a smaller block fund transfer, the Canada Health and Social Transfer (CHST). The program gave
provinces more flexibility in program design, but reduced cash transfers by 15.2 per cent, or $7
billion for 1996-97. The program began on April 1, 1996, and the obvious result has been the

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58 Ten provincial programs in conventional political discourse are often believed to constitute less
government than one national one. However, as Gibbins (1996) notes, decentralization should not
necessarily be equated with the "shrinking of government".
continued downsizing of the federal government and the downloading of financial responsibilities from the central state to provincial, regional and local government. However, decentralization of responsibilities also has resulted in a decentralization of major delivery systems to local or subregional levels which do not necessarily correspond to provincial or municipal mandates and responsibilities. This has, in some instances, led to an offloading of financial and social responsibilities from the state to the family and local community.

Added to these decentralization and downloading trends has been an increase in the social diversity of many dimensions of social life (both empirically as in the case of Toronto and perceptually among the Canadian public). This in turn brought with it a great many more highly specialized and targeted social programs and a much greater mix of delivery systems, including more public/private partnerships regarding the delivery of social insurance programs (Biggs, 1996).

The challenge for city-regions like Toronto, then, has not only been how to accommodate this social diversity in an era of fiscal restraint, but also how to govern the city-region in light of trends like the decentralization of service delivery systems, the downloading of (some) financial and social responsibilities, and also the offloading (in the sense of the state) of responsibilities to the family and community. Almost overnight, local governments have witnessed a change in the traditional rules of postwar governance, but not necessarily the policy, financial or monitoring instruments to sort out new and emerging problems.
In the case of Toronto, I will argue that during the initial stages of the early 1980s recession, Toronto, as a local state, was able to manage the increased burdens placed upon it. However, because no corresponding initiatives were forthcoming from more senior levels of government or non-state actors, the ability of the local state to support the increasing demand for social services eventually collapsed. By the beginning of the 1990s, state fiscal problems had become more apparent. This in turn heightened local concerns about the extent to which the local state could manage the economy and affairs of Toronto society. For example, a number of regional actors began expressing concerns about the regional property tax system and governing structure. First the business community (Board of Trade of Metropolitan Toronto, 1993; Trimmer, 1994) began to question the efficacy of regional government; then the general public began to express concern over the necessity of regional government. This became particularly evident in the City of Toronto's non-binding referendum result during the municipal election of November 1994, in which a majority voted to abolish the metropolitan level of government (discussed further in Chapter 5).

It was in this five year period (1989-1994) that the region entered into a period of true crisis and instability, as the forces — both internal and external — came together in such a way as to undermine the foundations of the region's earlier success. The next two sections of this Chapter will provide further evidence to support this argument. I will first examine features of Toronto's particular Fordism in crisis from the production side. Then I will review this same period from the consumption side, in which I also address some of the governance issues emerging out of this period in Toronto's history. But first, an overview of some empirical
evidence on a regional economy in crisis.

Features of Toronto's Fordism in Crisis

As discussed in Chapter 3, Toronto witnessed a remarkable economic boom after the 1980-1981 recession. All industries participated in the expansion and job growth occurred in all occupations. Estimated real annual metropolitan growth rates remained above 5% between 1984-1988, while the unemployment rate shrank from a high of 11% in early 1983 to a low of 3.2% in 1988 (Municipality of Metropolitan Toronto, 1989).

By the end of 1988, few questioned Toronto's economic dominance in the national system and its status as Canada's preeminent urban centre. The region was home to one-seventh of Canada's population, but one-fifth of its economy, and one in six Canadians found employment in the region. Toronto's share of the nation's manufacturing jobs approached one-fifth, while financial service jobs were at one-fourth of that sector's national employment (Gertler, 1994a). The region consolidated its reputation as a national and international transportation and communication hub. Nearly 40% of the largest 500 companies in Canada were headquartered in the region, including most of Canada's investment houses, banks, pension funds and trust companies. In 1988, the region generated about 75% of Ontario's and about one-fifth of this economic analysis of the Toronto region, the author relied heavily on the aggregate work of the Boston Consulting Group (1995); Bromley (1994a, 1994b); Gertler (1991; 1994a; 1996a; 1996b; 1998); the Municipality of Metropolitan Toronto, Metro Economic Development Division Economic Information Year-End Reviews (1992-1997); and the Ontario Ministry of Finance (1995a; 1995b).
third of Canada's cultural sector revenues (Ontario Ministry of Finance, 1995). By all accounts, the Toronto region was a dominant economic force in the nation.

However, the end of the 1980s brought a sea change which began to threaten the region's continued prosperity and challenge its economic dominance in the Canadian system (Gertler, 1994a). In late 1989 the region (and indeed the country) plunged into deep recession. Between 1989 and 1992, more than 180,000 jobs were lost in the Greater Toronto Area, which was over half of all jobs lost throughout Canada during this period. Between 1990-1992, Toronto lost nearly 10% of its employment base. By September 1992, the Toronto CMA unemployment rate had reached a high of 12%. 60 Most of the occupational loss was in the clerical, processing and construction sectors, although higher-value added occupations, such as middle management positions were also "downsized."

The recession lasted formally until the end of 1992, after which time, Toronto began to show signs of economic recovery. Productivity levels in 1994 began to return to 1989 levels, but the consumer sector showed few signs of life. The unemployment rate in the Toronto CMA was still higher than Ontario and Canada as a whole which, according to Gertler (1994a), was the first time this had happened since the Federal government began recording labour force statistics for urban areas. Moreover, the types of jobs lost were full-time and being replaced by part-time and less stable ones. In fact, the percentage of part-time employment between 1989 and 1996

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60 The Toronto CMA unemployment rate went from a low of 3.2% in 1988 to a high of 12% in 1992.
increased from 16% to nearly 21% (Municipality of Metropolitan Toronto, 1997). More disturbing was the BCG (1995, p. 4) finding that much of the GTA’s workforce was sitting idle. In 1995, 8.7% of the labour force between 20 and 60 were unemployed, with another 130,000 people “no longer seeking work”. While the process may have been ongoing since the mid 1970s (according to the Social Planning Council, 1992), it was really after 1994, that the gaps between export growth and local domestic spending, good jobs and bad jobs, and the rich and the poor became evident. It was in this period that the regional economy began to clearly exhibit the existence of a split between the production and consumption spheres of the economy.

Production Dynamics

As mentioned above, output and productivity in 1989 declined in most sectors, however the manufacturing and construction industries were the hardest hit.61 Gertler (1994a) has shown that the manufacturing sector actually went into recession before the other sectors in the Toronto region. Total manufacturing employment reached its post-1982 peak of 427,500 in 1987 and then declined 30% to an employment total of 303,100 in 1993. His analysis of employment change by major industry suggests that this rate of decline was particularly rapid since 1990.

That the decline in manufacturing employment was to some extent out of sync with the business cycle suggests that the manufacturing sector was undergoing more than a cyclical

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61 Between 1989 and 1992, 50% of all lost jobs in the Greater Toronto Area occurred in manufacturing (Ontario Ministry of Finance, 1995).
downturn. As discussed in Chapter 3, manufacturing in the Toronto region had been undergoing fundamental restructuring at least since the early 1980s. Part of this restructuring was linked to broader changes in the nature of capitalist competition which had been ongoing for at least a decade; and part of it was either triggered or accelerated by more recent foreign and domestic macroeconomic events, including initiatives under Brian Mulroney's Conservative government in trade, monetary and fiscal policy.

The signing of the 1988 Canada-US Free Trade Agreement and the increasing degree of global competition and continental integration it represented, certainly had an impact on the Toronto economy. It would be an oversimplification to suggest that the FTA (and later NAFTA) was responsible for all plant shut downs, relocations or major corporate rationalizations; however, most regional economists now agree that the removal of tariffs in previously protected sectors was at least in part responsible for setting in motion a series of industrial and corporate restructurings (see for example BCG, 1995; Bromley, 1994a; Gertler, 1994a, 1996c, 1998; Slack, 1995).

US-based branch plants in previously protected sectors became much more vulnerable to closure or 'downsizing' after the signing of the FTA, especially those between 10-15 years old in mature, labour-intensive sectors producing a wide range of standardized products in relatively small production runs. As demonstrated in Chapter 3, many of the region's pre-FTA
manufacturing plants\textsuperscript{62} were geared to supplying the small domestic economy and were relatively inefficient when compared to US companies with pre-existing competitive advantages based on superior technology, cheaper production costs or scale economies. Therefore, with tariffs removed under FTA, US multinationals with Canadian branch plants suddenly had more options. In some instances, they chose to close their relatively inefficient Canadian operations and serve the Canadian market from their US-based location. In other cases, they reconfigured their Canadian operations to be part of a continentally rationalized production system. This often involved narrowing the line of products they manufactured in Canada and thus the number of jobs in the region as well (Gertler, 1994a). In many cases, decisions to close down, relocate or rationalize plants were further eased because branch plants tended to rely less heavily on local suppliers than did their Canadian counterparts; hence they were freer to seek locations (either within the region or beyond) with cheaper production inputs (such as cheaper labour, inexpensive industrial land, and lower corporate and property taxes) (Gertler, 1991).

Canadian-based firms also began to decline after the signing of the FTA. Some closed because they were simply unable to compete against their stronger, more efficient US producers (or defend their own domestic market against foreign producers). Other firms, particularly those in labour-intensive industries such as food processing, clothing, electronics and automotive parts, closed down and relocated either to suburban locations within the region (or just beyond) to take advantage of cheaper industrial land in larger parcels, or to sites outside the country to capitalize

\textsuperscript{62} The exception was the automobile sector which had restructured earlier after the signing of the 1965 Canada-US Auto Pact.
on cheaper labour costs available in such places as the Southern US or Mexico.\(^{63}\)

Indeed, the plant shutdowns and relocations had a significant impact on the spatial organization of manufacturing firms within the region (and beyond it). A study conducted by Berridge Lewinberg Greenberg Dark Gabor Ltd. and Gertler (1995) found that the majority of temporary and permanent layoffs in manufacturing between 1981-1994 (with the majority of those being between 1989-1994) occurred in the City of Toronto proper (primarily) and the older suburbs of Scarborough, North York and Etobicoke. Thus those same suburban municipalities (North York, Scarborough, York and East York) which had boomed during the postwar branch-plant era, were now left with a larger than desired inventory of older industrial sites (and a declining tax base).

While some of these plants may have relocated on their own accord, others were wooed by business recruitment offices from other jurisdictions. A 1995 study on the Toronto area economy by the Boston Consulting Group found that since about 1989, several state and provincially funded economic development offices had moved into the region with the sole aim to convince new and expanding local businesses to relocate to their jurisdictions. These offices typically targeted key sectors like auto parts, plastics, food processing and biotechnology. For example, the Toronto-base State of Michigan business recruitment office claimed to have helped

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\(^{63}\) A recent (1998) study by the US International Trade Commission found that the number of Canadian-owned duty-free maquiladora plants more than tripled from nine to thirty since the NAFTA came into effect. See McKenna, B. (1998). “More firms flock to Mexico.” *Globe and Mail.* (Wednesday July 8: A;1A9).
150 businesses to move in Michigan between 1989-1994. Other state business recruitment offices in the region included the Florida Department of Commerce, the Georgia Department of Industry, Trade & Tourism, the State of Illinois Canadian Office, the State of New York and the State of Ohio Canada Trade Office (BCG, 1995). This type of inter-urban competition or what Harvey (1989b) considers evidence of "entrepreneurial urban governance" was a relatively new phenomenon in Toronto. Up until the late 1980s, Toronto, as a local state, had more or less taken its key sectors for granted. By the same token, Toronto's economic development agencies had not themselves engaged in this particular type of urban entrepreneurialism (although there were other types discussed below) which was practised much more aggressively by US city-region and state economic development agencies. This was in part because of the legislation governing Ontario municipalities. In particular, the Municipal Act which prohibited municipalities from expressly offering tax breaks to businesses or other incentives such as free serviced industrial land to lure business to their municipalities (although often this was done, see below).

Aside from business recruitment functions, the BCG (1995) study also found that many US city-regions had taken a much more coordinated approach to regional business attraction and retention, marketing, and research than had been done in the Toronto case. The Greater Richmond Area Partnership and the Greater Phoenix Economic Council (GPEC) were offered as two examples of regional bodies offering a single, coordinated approach to investment attraction, including a central agency for providing information to prospective industry. The fact that the Board of Directors of these regional bodies included both public and private sector representatives was seen as an important way in which the city-region could leverage new kinds
In contrast to the more coordinated approach of these bodies, BCG (1995, p. 31) found that the Greater Toronto Area had “no identifiable voice” for economic development and that the region’s profile was severely “diminished by fragmented and uncoordinated economic development efforts.” Out of the then 30 municipalities in the GTA, 25 had full-blown economic development departments focussing on the full spectrum of economic development activities (“everything from small business incubators to full-blown international marketing campaigns”). Total staff amounted to over 156 full time employees and a total annual budget of $17 million. These municipal level activities were in addition to the over $600 million annually that the Province’s various ministries spent on economic development activities in the GTA and the 1,150 provincial staff involved (GTA Task Force, 1996, pp. 67-69).

Toronto’s hodge-podge of economic development efforts was actually contributing to unproductive intra-regional competition and what BCG (1995) called “subscale operations that provide little opportunity to develop specialized expertise.” BCG made recommendations for the GTA to adopt a public-private partnership modelled after the US examples. Since the BCG report was published, the Provincial Office for the Greater Toronto Area has revised the Greater Toronto Economic Partnership model which was originally established in 1992 and initiated the Greater Toronto Marketing Alliance, a public-private partnership with the aim to “attract jobs and investment in the GTA” (discussed in more detail in Chapter 5).
Harvey (1989b, p. 7) interprets the (re)formation over the last decade of these types of public-private partnerships as the centrepiece of the "new entrepreneurialism" in which "traditional local boosterism is integrated with the use of local governmental power to try and attract external sources of funding, new direct investments, or new employment sources". Of course, the formation of public-private partnerships for the purposes of local economic development is far from new. As we saw in Chapter 3, the Municipality of Metropolitan Toronto funded over 75% of such a partnership in the form of a grant to the Toronto Area Industrial Development Board (TAIDB) for the purposes of attracting and retaining branch plant manufacturers throughout the postwar era. The fact that these public-private partnerships are now receiving much theoretical and political attention has more to do with the disenchantment with the state in the 1970s and with markets in the 1990s than it does with their novelty, because such institutions had never really disappeared.64

In Toronto the recession certainly had an impact on the confidence of local government to facilitate local economic development. By 1994, there was still little understanding of what leverage local government had in terms of fostering or retaining economic development. High property tax levels were still the focus of much debate in local planning and business circles (discussed further in Chapter 5), while local area municipalities began revisiting traditional free market approaches to local economic development. For example, in 1994, the City of Vaughan, a suburban municipality on the fringe of the Municipality of Metropolitan Toronto, began an

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64 Jessop (1998) makes this point in a recent article on governance and economic development.
aggressive advertising campaign to lure business away from other parts of the GTA; in particular Metro. Armed with a slogan, “the City above Toronto”, Vaughan took out a series of aggressive (and, to many, offensive radio ads) running down Toronto and trumpeting Vaughan’s low property tax advantages.

In the same year, the Board of Trade of Metropolitan Toronto published an influential report, *Killing the Golden Goose: how high property taxes are suppressing Metropolitan Toronto’s economic recovery*, in which the Board argued that taxes on business in the Municipality of Metropolitan Toronto were high when compared to businesses in neighbouring municipalities and that this tax gap was suppressing the economic recovery of the region. The report recommended reforming the assessment system to bring a greater balance between the different classes of property tax within the region, providing a uniform provincial business property tax rate for education, and removing all welfare funding from the property tax. Further, the Board recommended the launch of a provincial task force on Metro’s competitiveness. The report and its positive reception by the business community and the media proved to be an important factor in the Province’s decision a year later to set up the Task Force on the Greater Toronto Area (discussed further in Chapter 5).

The Toronto economy, the Free Trade Agreement and later the North American Free Trade Agreement were indeed significant forces. However, other domestic and foreign macroeconomic events were also significant. Gertler (1994a) has noted that the major downturn in the US business cycle, which happened soon after the Toronto region went into recessionary
crisis, hit many of Toronto's producers who were tied to American markets. Further, Canada's monetary policy — the setting of high real interest rates, a persistently high Canadian dollar during the late 1980s, and a new federal Goods and Services Tax — played a part in cooling down Toronto's booming 1980s economy. Over the 1987-1989 period, for example, inflation was running a full percentage higher in Toronto than in the rest of Canada which was one primary reason the Bank of Canada moved to jack up interest rates. Bromley's (1994a) analysis of the capacity constraints and the resulting high transportation, housing, office and labour market cost increases during the 1980s boom, helps in part explain the Bank of Canada's high interest rate policy which contributed significantly to Toronto's deep and prolonged recession.

Added to these events was the influence of longer-term changes taking place in the nature of capitalist competition (see for example Piore and Sabel, 1984; Scott, 1988; Gertler, 1992, 1996, 1998; Best, 1990; Schoenberger, 1997; Storper, 1997). These changes were discussed in Chapter 2. However to briefly summarize, they refer to the widely documented move away from an old style competition in which firms compete more on cost for a limited number of standardized products, to a new type of competition in which firms compete more on product quality, on-time delivery, time to get to the market and responsiveness to changing consumer tastes. Cost is still important, but so is quality and product distinctiveness. The drive towards higher quality and quick turnaround has led many firms to adopt more advanced computerized processes to gain a competitive edge. In the case of Ontario, for example, Gertler's (1995, 1996c, 1998) empirical examination of the adoption of more advanced machinery technology in both traditional and resource-based manufacturing sectors (food, plastic products, clothing,
furniture, primary metals) and more technology-intensive sectors (motor vehicles, automotive parts, electrical and electronic products), suggests that Ontario firms\textsuperscript{65} appear to be investing more heavily in upgrading their production processes rather than simply expanding their production capacity. Moreover, Gertler sees this trend as having gathered steam, particularly since 1990 (Gertler, 1998, p. 12).

At the same that many firms are upgrading their production processes, they may not necessarily be engaged in training their workforce. O’Grady (1994) suggests that the narrow range of bargaining options available to labour and management has actually impeded the adoption of new forms of stable, cooperative relations between management and labour; cooperative relations which he suggests are an important part of a firm’s competitive strategy under the “new” competition based on different principles of production.

Aside from technological improvements, interactions based on relationships of trust built up over time are recognized as an important competitive strategy, both at the workplace level and between firms. At the heart of many of these changes has been the idea that innovation and production have become more social (Sayer and Walker, 1992; Saxenian, 1994). Focussing specifically on innovation, for example, several authors (Dosi, 1988; Lundvall, 1988; Freeman, 1988), have pointed to the importance of understanding network based social interactions as a key part of the innovation process. Many incremental improvements in products and processes

\textsuperscript{65} Although Gertler’s work focuses on manufacturing firms across Ontario, his research findings can be extrapolated and applied to the Greater Toronto Area given that many of the industries he studies (with the exception of resource-based manufacturing) are well represented in the GTA.
can be realized through close and long lasting ties between workers, between buyers and suppliers and even competitors. Thus in some cases firms have come to realize that long-term, trust-based and interactive relations with their specialized suppliers are necessary in order to facilitate the free flow of proprietary information which is an important part of the innovation process (Gertler, 1998).

To facilitate this type of collaboration, many firms have moved to make greater use of such institutional arrangements as strategic alliances, joint ventures and subcontracts and the just-in-time (JIT) system. The JIT system, for example, yields several benefits to a firm, including reducing inventory costs and space requirements, reducing labour time in production, and compressing order-delivery cycle times. Closer geographical clustering, then, becomes a much more fundamental requirement for JIT (and indeed network relations in general) to operate effectively (Schoenberger, 1997).

How, then, have these changes affected producers in the GTA? Clearly the evidence is mixed and contradictory: some firms and industries have upgraded their technologies and/or adopted more network-based relations, while others have exhibited little evidence of this. Despite the contradictory nature of the evidence to date, it can be argued that the changing nature of competition has had implications for the geography of the Toronto region at three different spatial scales: the inner city, the metropolitan region and at the region-international interface.

At the scale of the inner-city, for example, there is evidence that changes in the nature of
capitalist competition are in part responsible for reproducing a unique economic geography in the central core. The prominence of financial and business services locating in the central area of Toronto is by no means a new phenomenon; however the study by BCG (1995) confirmed the importance of these activities to the region's gross metropolitan product and the study suggests that, if anything, higher-order financial and business services have become more centralized over time. Between 1989 and 1994, BCG (1995) showed how in fact, business and financial services were one of the fastest growing industries in the downtown core, despite a temporary slowdown during the 1990-1992 recession. Technological change and increased productivity had already led to geographical reorganization of the finance industry in the early 1990s, as call centres and back-office functions consolidated to less expensive sites. The Canadian Imperial Bank of Commerce, for example, moved its call centres to Halifax and Regina while the Royal Bank relocated theirs to Moncton, New Brunswick. However Toronto’s financial core retained many of the higher-order corporate and head office functions. This is because the central core of Toronto (similar to other downtown districts like London and New York) continued to offer many strategic advantages for the higher-order functions of financial and business firms. Face to face contact, access to human capital, institutional support and proximity to key clients, suppliers and competitors are all key factors in determining where these firms locate and where they can be successful (see also Gad, 1985, 1991; Sassen, 1991; Lizieri and Dobilas, 1995).

In addition to the growth of higher-order finance and business activity in the central core, recent evidence suggests that several unique industrial and quasi-industrial uses have begun to emerge in the older industrial sites located adjacent to the financial district. These include such
specialized and creative activities as film/television/video production and post-production companies, specialized computer software firms, graphic design, animation and fashion studios, and a variety of firms in the emerging multimedia industries. Brai’s (1998) study on the emerging multimedia industry in Toronto, for example, confirms a strong pattern of geographic clustering of the multimedia industry in these older industrial districts. Brai’s (1998) Toronto findings are consistent with patterns of clustering found in other older inner-city industrial district in North American centres such as San Francisco and New York.

At the scale of the larger metropolis, the automotive and electronic industries have shown a strong imperative to cluster at this geographical scale. In the automotive sector Holmes (1991) and BCG (1995) have demonstrated the establishment of more collaborative relations between buyers and suppliers. The automotive assembly plants in the GTA now rely more heavily on suppliers to conduct research and development as well as work more closely with them to develop new automotive parts and assembly. For example, two of Ford’s GTA-based plants have plans to contract a single supplier to finish the interior of one of its new year 2000 models (Gertler, 1998). To facilitate this type of collaboration, Ford, along with other producers in the GTA, have moved to adopt the just-in-time (JIT) system with their suppliers of material inputs. In the GTA, executives in the automotive industry have identified the importance of a more efficient regional transportation system to facilitate just-in-time delivery. Ready access to the US market and a good highway and railroad system are essential for just-in-time to operate effectively and these are factors in which the GTA has a significant geographical advantage over other places (although surface transportation woes cannot be ignored). The fact that the GTA
automotive cluster has become more collaborative and transaction-intensive can be seen in the fact that distributive services in the GTA (including all modes of transportation service, warehousing and telecommunications) were the fastest growing sector in the GTA between 1984-1994, expanding by 52%.

Indeed, the network linkages between firms and their suppliers were not geographically limited to within the Greater Toronto Region, but were also intensifying beyond the region, the country and around the world. Gertler (1998) and Wolfe and Gertler (1997) document the increasing linkages between Ontario and the US border between such industries as automotive, aerospace and telecommunications in what is fast becoming known as the Great Lakes Region, an industrial area that spans the US-Canada border and contains large, integrated concentrations of industrial firms in Ontario and the states of Michigan, Illinois, Ohio, Indiana, among others.

Courchene and Telmer (1998, p. 276-278) also provide evidence for the increasing integration of the Ontario economy into the North American one. Looking at Ontario’s exports to the rest of the world and its exports to other provinces, Courchene and Telmer (1998)’s analysis found that in 1981, exports to the rest of the world and to the rest of Canada were roughly equal. However, by 1995, international exports had increased to about $140 billion, which was roughly three times the level of the rest of Canada exports. The rest of the world data includes exports to all countries, but most of all of Ontario’s international exports are to the US, with the proportion of US to total Ontario exports having increased over the 1981-1995 period.
In short, then, changes in the nature of capitalist competition in conjunction with other changes brought about by free trade and other forces have had enormous implications for the geographical organization of production within (and beyond) the GTA. While in some key industries (financial and business services), there has been a strong imperative for geographical clustering in the inner-city or downtown core, other key industries, such as the auto and electronic sectors, are organizing some of their key functions to operate within a broader, city-region scale as well as demonstrating increased ties to US markets and US sites or production.

These changes in turn have led many researchers and economic policymakers to examine the necessary strategies required to facilitate new changes in capitalist competition. If indeed, city-regions like Toronto are the sites of dynamic economic growth based on high-skilled workers and high value-added products and services, then surely when it comes to evaluating the inputs necessary to produce a particular good and service cost is not the only issue. The cost of expensive inputs can be offset by higher productivity, which means that a region can pursue an efficient, productive and innovative economic development strategy based on high-wages and high value-added goods and services.

As this applies in the GTA, more and more policy makers are starting to explore some of the institutional supports necessary to facilitate this type of economic development. At the firm level, what are the key institutional supports? What about the role of the local and regional institutional context? What about the Province and the federal government? These questions only intensified as the disequilibrium between sites of production and consumption became more
obvious. Who would look after consumption?

Consumption Dynamics

Indeed, the recession and other internal and external forces had a profound effect on the consumption dynamics of the GTA economy during the period of study. What we began to see during this period was how the sites of consumption were being organized on quite a different scale from those of production. The disequilibrium between the two in turn fuelled a political response consistent with developments in other western democracies.

Needless to say the sharp rise in unemployment, the decline in well-paying, full-time work, and the growing group of people “no longer seeking work”, had a profound impact on the level of consumer spending. Retail sales in the Toronto region slowed down considerably after 1989. Further adding to the cutbacks in consumer spending was the fact that the region experienced a “strong price adjustment” (Bromley, 1994a). The soaring cost of housing, office space, salaries and wages in the late 1980s made Toronto one of the most expensive urban regions in North America (along with Boston, New York and Los Angeles). However, by the beginning of the 1990s, many of those price increases unravelled in light of painful deflation. Gigantic office tower developments (such as the Bay Adelaide Centre) spluttered to a halt as several large real estate development companies went bankrupt (i.e., Bramalea, Olympia & York); many financial institutions ended up owning commercial properties they didn’t necessarily want and in fact some collapsed on the basis of bad real estate loans. On the personal
front, many people’s balance sheets changed drastically as they watched their house value plunge, turning their houses into a liability rather than an asset. The loss of residential real estate values, which Bromley (1994a) estimated to be about $60 billion in the GTA between 1989 and 1994, had a significant wealth effect which rippled down through all sectors of the economy. Although the Toronto CMA still had a significantly higher average household income than Canada as a whole, the region went from having per capita retail spending above the Canadian average in the 1980s to below the Canadian average throughout the first five years of the 1990s.

The planning approach of municipal government had a lot do with Toronto’s real estate boom and subsequent bust. Throughout the late 1970s and 1980s, Toronto, along with other North American city-regions, was seeking to gain a “competitive edge” with respect to a consumerist style of urbanization: consumer attractions (sports arenas, convention centres and shopping malls), large-scale entertainment (temporary and permanent urban “spectacles”), and the physical upgrading of the urban environment (including post-modernist styles of architecture) were all becoming important strategies in local economic development (Harvey, 1989a, 1989b, 1994; Jackson and Thrift, 1995; Miller, 1995; Sack, 1992; Urry, 1995).

In the case of Toronto, the slowdown in economic growth and the 1980-82 recession, had prompted local governments to look for ways in which to attract the consumers’ dollar to their region. The local area municipalities of Toronto and North York facilitated investments to attract this dollar. This was done primarily through their land use and planning functions, such as providing increased flexibility through density bonusing for development proposals.
inconsistent with existing height, setback and zoning requirements. The federal government was also a source of funds for the redevelopment of obsolescent harbour and railway lands under its control (Kiernan, 1990).

This "entrepreneurial" or "speculative" character of urban planning, well documented in the academic literature (see for example, Harvey, 1989b; Logan and Molotch, 1987; Magnusson, 1991) was in sharp contrast to the more controlled, comprehensive and managerialistic style characteristic of the postwar era. Just as a case was made in Chapter 3 for a connection between the managerialistic style of postwar planning and a more rigid "Fordist" production system backed by Keynesian state welfarism along with a growing federal system, so too can a strong case be made that urban entrepreneurialism was playing an important facilitative role in the after-Fordist transitional period (see Harvey 1989a, 1989b, and 1994).

However, unlike postwar planning which seemed for a time to create a sense of stability in the urban system, entrepreneurial planning had the opposite effect. Harvey (1989b, p. 13) explains:

The emphasis upon tourism, the production and consumption of spectacles, the promotion of ephemeral events within a given locale, bear all the signs of being favoured remedies [for economic development]. . . . But they are highly speculative. . . . Put simply, credit-financed shopping malls, sports stadia, and other facets of conspicuous high consumption are high risk projects that can easily fall on bad times and thus exacerbate . . . the problems of overaccumulation and overinvestment to which capitalism as a whole is so easily prone.

Toronto was no exception (Ley, 1996). Much of the new "speculative" planning (whether
it was reducing the amount of property tax to be paid by massive sports arenas like the SkyDome or co-financing an Olympic bid) amounted to a subsidy for the affluent at the expense of collective consumption and the working poor.

This approach may have appeared sound during the booming 1980s, but its unsustainability became more evident once the recession hit. The dramatic increase in the numbers of unemployed placed a heavy burden on the local state and all of the local state's community-based and government delivered social service programs. The financial consequences for local governments were significant upward pressures on expenditures, particularly those related to general welfare assistance and at the same time, a steep decline in economically vulnerable revenue such as transit fares. The fact that senior levels of government were giving no new money to respond further increased local pressures. By 1995, the federal government had reduced its commitment to social welfare programs and the Province, under the NDP government, was cutting programs in its struggle to manage the growing deficit.

Furthermore, the region’s ability to cope with migration from the rest of Canada as well as immigration from other countries was becoming more limited during this period. This was especially the case if those immigrations coming to the region were unskilled or low skilled. Because of the nature of occupational change in the region over the last 10-20 years, prospects for full-time, low-skill work were becoming more limited. This added further pressures to the social welfare system to provide for those who could not support themselves.
Consequently, the burden of supporting victims of economic restructuring and recession, and of responding to social and demographic change, was falling more and more on the Municipality of Metropolitan Toronto. But Metro was caught in a trap as it was not constitutionally, legislatively or financially equipped to address fundamental social problems, like poverty, but was increasingly called on to do so. In the area of homelessness, for example, federal and provincial cutbacks had required Metro to pick up the slack of an increasing case load. From 1986 to 1992, for example, Metro had allowed discretionary funds to assist Welfare recipients with first and last month's rent. However, by 1992, budgetary pressures due to recession had ended this practice (United Way of Greater Toronto, 1997).

The weakened financial ability of the state (at all spatial scales) to cope with victims of the recession also heightened neoconservative ideological responses to the crisis: in particular, local and regional governments became the scapegoats of economic uncertainty. Rather than be seen as part of the solution, the state was now part of the problem. For example, The Board of Trade of Metropolitan Toronto, once a key economic actor in the establishment of the Municipality of Metropolitan Toronto, was now calling for a reevaluation of the "unacceptably high cost of governance in the Greater Toronto Area" (The Board of Trade of Metropolitan Toronto, 1993). The continental economic context helps in part to explain this downward pressure on the 'cost of government', since the FTA and NAFTA had spurred 'tax competition' between inter- and intrastate jurisdictions. Another key source for the Board of Trade, in particular, were the actions taken by the Provincial NDP, elected in 1990.
The first NDP budget, in 1991, sought to address the severe economic downturn with a traditional Keynesian counter-cyclical policy of increased spending, thereby increasing the provincial debt and deficit. This spending policy was in contrast to the increasingly dominant international fiscal orthodoxy as well as federal and other provincial government initiatives to cutback spending and balance the budget (Cameron and Simeon, 1997). By 1993, Premier Rae had become convinced that Ontario was up against the deficit/debt wall (Courchene and Telmer, 1998). His response was a stringent restraint program, which culminated with a three-year ‘social contract’ designed to shave the public sector wage bill while minimizing job losses.

In the selling his ‘social contract’ plan, Rae argued that federal policy change which capped the growth payments under the Canadian Assistance Plan (discussed above) were particularly severe for Ontario because social service spending had escalated thanks to the severity of the recession in Ontario. His arguments were supported by a series of studies done by Infometrica commissioned by the Rae government on the costs and benefits of fiscal federalism. Infometrica found that in Ontario, CAP-eligible expenditures increased from just over $3 billion in 1988-9 to close to $8 billion in 1992-93. By 1995, the federal policy change was estimated to have cost Ontario $7 billion, and the federal share of welfare costs, once at 50 per cent, was down to 29 per cent (Cameron and Simeon, 1997, p. 175).

The Rae government responded to these cutbacks with a theory labelled the “fair shares theory of federalism” or “balance sheet federalism.”. The argument, developed out of the Infometrica reports mentioned above, suggested that Ontario was being discriminated against in
the way federal spending was allocated across Canada. The Province claimed that it was spending more than it should to support other provinces than it was receiving back from the federal government. Unemployment Insurance and Training, in particular, had been an area of intense federal-provincial dispute. The Province claimed that it received back far less than it gave the federal government to make the equalization system work.

The implications of this argument for federalism were clear. As Cameron and Simeon explain (1997, p. 176):

It is a politics that emphasizes a ‘balance sheet’ approach to federalism and a focus on the province’s own immediate interests. It is likely to temper willingness to support redistributive policies. And to the extent that fiscal restraint reduces the federal government’s presence in the daily lives of Ontarians, it is likely to reinforce a shift of linkages and loyalties from Ottawa to the provinces.

Just as growing “cooperative” federalism went hand-in-hand with the expansion of welfare during the era of permeable Fordism, so too a case can be made that the restructuring of the welfare policies can be linked with increased tensions between federal and provincial programs (Peck, 1996).

The politics of redistribution also could be seen at the scale of the Toronto city-region. Interregionally, policy makers and politicians in Toronto began to talk about the importance of keeping “Toronto tax dollars in the Toronto region as opposed to distributing to the rest of the Province”. And within the region, there was increasing resistance from the growing suburban

66 See for example the Greater Toronto Co-ordinating Committee, Rethinking the Fundamentals: Provincial-Local Finances in the Greater Toronto Area (January 13, 1995).
fringe around the Municipality of Metropolitan Toronto against the creation of a Greater Toronto Area government, or for redistribution within the region, especially concerning social programs (discussed further in Chapter 5).

Conclusion

As mentioned in Chapter 3, the Canadian economy had always been permeated by continental effects. However Toronto in the postwar era had been less permeable than other parts of Canada because of its economic diversity and richness of its institutions. Yet with the fundamental realignment of the economy, and a crisis in those institutional and regulatory instruments which had previously regulated it, Toronto's permeability had become more obvious and its effects less benign. Ironically, Toronto was becoming more like other regions in Canada (i.e., based on export-led growth without corresponding consumption, more cyclical and unstable). At the same time, Toronto seems to have retreated from its traditional role in leading Canada's national development, becoming in some ways more like another part of Canada with all the accompanying demands.

Thomas Courchene (1996) had asked the fundamental question about the state of the nation: can we maintain an east-west social and political union on top of a north-south economy? By the end of 1994, the same question could be posed about Toronto, that is: can Toronto continue to be the engine of economic growth for the country through its redistribution and equalization function in a fiscal federal context when its economic fuel is increasingly drawn
from south of the border rather than from the fruits of old national policies favourable to the region since Confederation? Indeed, the question was becoming more than an economic one; it was increasingly political. Perhaps a more contemporary question was not *can* Toronto, but *why should* it?

The spatial compromise, then, between Toronto and the needs of the whole nation was in jeopardy. In some respects, as we will show in Chapter 5, the rest of the nation still needed Toronto’s wealth, but fiscal downloading and the region’s growing ties to the US and beyond in some ways tempered Toronto’s willingness to support redistributive policies, both with the region and outside of it.
RESPONDING TO ECONOMIC CRISIS
EXPLORING NEW INSTITUTIONS
FOR GREATER TORONTO

Introduction

By the end of 1994 the Toronto economic region was at a critical point in its history. It was either going to reinvent its governance mechanisms to address new social, economic and political challenges or risk losing its innovative edge and the social and economic benefits upon which its post-war reputation had been built. Intense political pressure from local Toronto actors and coalitions prompted the provincial government under Premier Rae to announce, in 1995, its decision to establish the Task Force on the Greater Toronto Area. This Task Force was mandated to formulate a comprehensive policy rethink respecting the character and development of the region's economy. As a result of the announcement, there was optimism that this process would "chart a course for the new century" in light of the regions's past successes.

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One of the most significant actors in the choice-making process is the provincial government. Municipalities in Canada have no constitutional status; rather they are created by, and subject to, the legislatures of the provinces by virtue of s.92(8) of the Constitution Act, 1867. This constitutional origin of municipal governments, aspects of which have been fully explored elsewhere, is worth mentioning here because it profoundly influences the inter-governmental aspects of local governance and serves as the playing field for municipal-provincial accommodation and conflict.
Four years later, under the new provincial government of Premier Harris, the region had undergone profound changes in its structures, functions and jurisdictional boundaries. Six lower-tier Metro area municipalities and the Metro regional government itself were amalgamated into a single City of Toronto; a province-wide property tax reform was implemented; a fundamental realignment of service delivery at the municipal level was underway; and a GTA-wide coordinating body for regional services was contemplated.

How we got from the 1995 NDP Government's Golden Task Force initiative to the present policy context that is presently shaping the region was not a predetermined historical fact. Rather it was the product of a particular set of social struggles involving particular actors at the local and provincial level, in formal and informal political organizations and in governing regimes and coalitions.

However, we cannot ignore the larger context and the constraints which make certain developments in the GTA more likely and others less so. For example, macroeconomic trends (such as fundamental shifts in the nature of competition, liberalization of trade and investment and the dominant international fiscal orthodoxy that facilitates them) and the rise in a neo-liberal ideology have had profound influences on the region in terms of spatial production patterns and the changing patterns of consumption (discussed in Chapter 4). At the same time, and largely as a result of the same forces, the ever-present constitutional rumblings in Canada have taken on a new shape owing to fiscal federal issues such as transfer payments, federal spending in areas of provincial jurisdiction, and the consequences of federal cutbacks. These emerging pressures
have helped to fuel the rise of the neo-liberal ideology, which has been manifested in at least three noticeable ways: (1) a declining willingness of Ontarians in general and in the region in particular to continue in the traditional role as redistributor of wealth both within the region, the province, and the country; (2) the increasing privatization of formerly public services delivered on all spatial scales; and (3) the increasing demands for two-tiered social service delivery systems, particularly health and education.

It is important to situate these observations within a broader theoretical framework. Two theoretical perspectives have shaped my analysis of GTA events to date. First, the need to recognize the interspatial dimension of regulation while acknowledging the value of examining regulatory capability at the city-region scale. For example, as I have argued above, in the case of Toronto, Metro had been regarded as one of the key components of the Canadian Fordist regime of accumulation. Not only was it a major beneficiary of federal and provincial programs delivered within the region, but it was also an innovator of major urban-based post-war policies.

Second is the need for historically and geographically grounded research. I maintain that the application of urban regime theory and regulation theory to the analysis of local governance provides critical insights into local government institutions, their processes, and their transformations within a broader macro-economic context. Goodwin and Painter (1997, p.22) have observed that institutions are the locus of much of the city region governance activity, and thus urban regime is linked to ideas of regulation. The particular regimes would comprise a variety of "sites" of regulation, some governmental, some private, and some deliberately
organized around public-private partnerships, and they may even develop new sites and help institutionalize new forms of social and political practices. Building upon these insights of Goodwin and Painter, and the heavy emphasis that both regulation and urban regime theories place on social relations, it is necessary to conduct empirical research on the various "sites" of regulations in the particular regimes. Thus, I have undertaken a comprehensive and detailed empirical examination of governance reform in the GTA over the past three years (as more fully summarized in Chapter 1, above). This was necessary to my analysis. The proper application of regulation and urban regime theories and an analysis of Canada's changing fiscal federalism depends on a sound empirical basis. Furthermore, I have recognized the need to establish a record of events surrounding GTA governance reform, as this has not yet been done to any great extent. In this way, this work may also serve as a basis for further theoretical work by subsequent researchers looking into the reform of the GTA in the past four-year period.

This Chapter explores the context of policy changes affecting the GTA over the past four years. It is organized as follows: (1) review and discussion of the policy context leading up to the decision to appoint the Golden Task Force; (2) a review and discussion of the Task Force recommendations; (3) a review and discussion of the full spectrum of policy initiatives being implemented by the Harris Government as they affect the GTA's governance; and (4) a review and discussion of some of the interpretations of what happened, including my own interpretations of events. Here I make explicit the links between the narrative on policy changes affecting the GTA and more critical political economy interpretations of events.
The events discussed below support my argument that Golden's attempt at regulatory reform would have moved us closer to resolving some of the problems inherent in economic growth at the city-region scale, and that the policy mix of the Harris Government is moving us further away. The problems, briefly described, include: the unevenness in the funding and delivery of local public goods (including the social, economic and environmental costs of sprawl; congestion and crumbling physical infrastructure; entanglement in delivery of public goods); fragmented economic development and intra-municipal competition; and finally the declining urban core, and the consequent effect on the entire city-region. The sheer scale and interdependency of a city-region the size of the Greater Toronto Area compounds these problems and distinguishes them from the problems that faced Toronto in the postwar years (discussed in Chapter 3).

I do not mean to suggest that the Task Force had all the answers. It too was constrained by the intergovernmental context and macro-economic forces discussed above. As well, the Task Force was overly convinced that the way of selling its solution to the regions' economic governance gap was to emphasize the threat to the GTA of globalization and the competitive international economy. This was clearly no way to develop a common vision for the region or to build enduring coalitions. Moreover, and somewhat ironically, the Task Force appears to have been seduced by the "city-region" thesis, and as a result it failed to explore the following theses: (1) that institutional mechanisms at a variety of spatial scales (global, transnational, national, provincial, regional, local) are crucial in the development, functioning and economic success of the regional economy, and (2) that a spatial symbiosis continues to exist between the nation state
and the city-region. These oversights significantly weakened the effectiveness of the Task Force's policy recommendations, particularly in the areas of health, education, cultural and industrial policies as they affect the region.

Setting the stage for governance review in the GTA

As I began to argue above, the circumstances which led the Government of Ontario to act were not predetermined but were rather the result of a culmination of factors. One of the most important factors was the ongoing economic difficulties in Metro (and by extension, the GTA) which impelled a variety of stakeholders in the region to offer their own assessments of the root causes of the problems and the corresponding agenda for reform. Thus, throughout the 1991-1995 period, municipal and provincial governments, business groups, the media, and academics, produced a series of reports on what was thought to be the problem with intra- and inter-regional growth. While the interpretations of the problems contained various themes and subplots, three inextricably interrelated issues and areas for recommendations emerged: (1) the need for property tax reform, (2) the need to re-order municipal and provincial financing arrangements and (3) the need to reduce the cost of government in the GTA. Whether or not these were the actual issues

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which were causing lagging growth is another story (I address broader forces at work in Chapter 4, such as global economic restructuring and free-trade induced pressure for inter- and intrastate tax competition). What is important here is to understand what was perceived to be the major "fixable" problems, as these problems were the ones which drove the policy process on governance and finance reform.

*Property tax reform*

Property tax reform was certainly not a new area of concern for business leaders, municipalities, or the Government of Ontario. In fact, property tax reform had been discussed for about 30 years since the Smith Committee identified inequities within Ontario's assessment system. However, the recent economic challenges facing Metro thrust the property tax issue once again into the forefront of municipal policy debates. Many argued that property tax inequities were driving businesses out of Metro to the GTA fringe, and discouraging new businesses from locating there. Furthermore, the property tax base within Metro was in danger of being seriously eroded by the growing number of successful assessment appeals.

The release of the Board of Trade of Metropolitan Toronto's, *Killing the Golden Goose*:

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70 The Board of Trade of Metropolitan Toronto (1994) *Killing the Golden Goose: how high business property taxes are suppressing Metropolitan Toronto's economic recovery and what needs to be done about it* (October 1994).
really sounded the clarion call for provincial policy makers to do something about property tax reform. The report laid out in detail the various factors contributing to inequities within the property tax system. The first factor was that the entire assessment system (province wide) had not been updated for many decades. The Province took over the assessment function from municipalities in 1970 with the intent to update the entire assessment system, yet it had always backed down because of the political repercussions of making changes: since the inequities in the system were substantial, the financial consequences of the shifts were also considerable (especially for single-family residential dwellings). Consequently, some properties were being assessed at 1940s market values, while others were assessed at levels closer to current market value. This led to massive inequities within the system; inequities that were particularly severe in the City of Toronto because many of the older, gentrified homes downtown had not had their assessments updated for nearly half a century, thanks in particular to the powerful 'new class' resident's associations who had lobbied the Province to keep it that way.

The second source of inequity in the property tax was the provincially legislated differential between the mill rate for non-residential and residential property. Although this legislated differential applied to municipalities across Ontario, research conducted by Dr. Enid Slack, found that the discrepancy between effective tax rates on residential and non-residential properties was larger in Metro than in other GTA municipalities. This meant that commercial

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71 The mill rate on non-residential property was legislated to be 17.6 percent higher than the rate for residential property across the province.

and industrial properties in Metro bore a higher tax burden when compared to commercial and industrial properties elsewhere in the GTA. It also meant that residential taxpayers were more heavily subsidized by commercial and industrial taxpayers in Metro than elsewhere in the GTA. Slack concluded that even though no conclusive studies had been done to determine whether high taxes had pushed businesses out of Metro, it would not be unreasonable to conclude that businesses in Metro did pay more than their share of the property tax bill.

The Board of Trade of Metropolitan Toronto argued that this legislated differential between non-residential and residential property was the key reason for the higher property tax burden on businesses in Metro. The Board also argued (1) that Metro businesses paid considerably more for education costs than businesses elsewhere in the GTA because of differential treatment by the Province (see below), and (2) that social service costs (of which 15-20% of total provincial expenditures were financed from the property tax) were higher in Metro than in other GTA municipalities by virtue of the socio-economic and linguistic composition of Metro's population (and what they thought to be a higher cost of governance in the GTA) (see below).

That social services costs were higher in Metro than elsewhere in the GTA was made clear by empirical comparisons of welfare caseloads, subsidized daycare spaces and police staff resources per 1,000 households between Metro Toronto and the surrounding GTA (Metro, 1995) (and more recently Bourne et al., 1997). In paying for these social and human services, Metro relied heavily on its property tax base, and the accelerating erosion of the assessment base was
further compounding Metro’s problems.

Since about 1990, Metro had witnessed the steady erosion of its tax base. Due to the economic processes described in Chapter 4, business failures, the movement of firms to outlying areas, and the abandonment of older industrial buildings and districts for newer facilities outside Metro, were directly depleting Metro’s assessment base. In addition, the fact that the assessment of properties had become decades out of date encouraged many property owners to appeal their assessments, producing a wave of successful assessment appeals across Metro Toronto. Between 1992 and 1993, over 50,000 assessment appeals were filed, and high profile success stories like the Toronto-Dominion Centre’s $10 million tax triggered further appeals by other banks and major landowners in the City.

The Municipality of Metropolitan Toronto was frustrated with its lack of regulatory capacity with which to address these tax problems. In *Metro Toronto Matters: an agenda for fiscal reform in Metro Toronto*\(^7^3\), the Municipality of Metropolitan Toronto identified its options as either raising taxes or cutting essential services, both of which (it argued) would run the risk of driving Metro into a ‘US-style’ “downward spiral”. Increasing taxes would drive out business assessment to the “tax havens” in the outer suburbs, thus eroding revenues in the short term and driving out employment opportunities, furthering the deprivation of segments of the population base, and therefore increasing costs down the road. However, severely cutting the quantity of

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quality of services would run the risk of accelerating a "middle class flight" to the outer suburbs, leaving behind a poorer and less educated population which would then place a higher burden on the network of human and social services. These options would not only not solve fiscal problems, but they would likely perpetuate and accelerate the underlying causes of the problem: the higher concentration of needs in the central core.

In an unusual show of unity, The Municipality of Metropolitan Toronto, along with other area municipalities in Metro, the Labour Council of Metropolitan Toronto, and the Board of Trade of Metropolitan Toronto wrote a letter in April 1994 to NDP Finance Minister Floyd Laughren, asking the Province to adopt recommendations from its own $11.3 million Fair Taxation Commission that included (1) reforming the assessment system to bring about a greater balance between residential and non-residential property tax classes and (2) imposing a uniform province-wide pooling of commercial and industrial taxes for education. The resulting level playing field, it was thought, would end the artificial "tax haven" outside of Metro's borders.

The Toronto media also played a significant role in raising the level of awareness on property tax reform. Between September 1994 and December 1994, there were some 20 print stories in Toronto major dailies describing the stagnating Toronto area economy, with most attributing Toronto's economic woes to tax disparities between residential and commercial property taxes within Metro, and between Metro municipalities and outlying GTA

74 At a later date, Metro changed its position and argued that the business portion of the education tax should be pooled at the level of the GTA, given that this was the more appropriate geographical scale from which business drew its labour pool.
municipalities. Many of these articles based their analyses on the aforementioned reports by Dr. Enid Slack and the Board of Trade's *Killing the Golden Goose.* Only a few articles even alluded to other reasons for Metro's economic downturn and slow recovery, including structural adjustment brought on by freer trade, problems in surface transportation, broader technological change, workplace reorganization and productivity gains in the financial and service sectors.

**Provincial-Municipal Financing Arrangements**

The "need" to clarify the provincial-municipal financial relationship in terms of which level of government would do what and who would pay for what was also becoming an important policy issue. As discussed in Chapter 4, federal government reductions in transfer payments to the provinces beginning in the mid 1980s had led the provinces, in turn, to reassess their financing arrangements with municipalities. In Ontario, all provincial parties by the late 1980s had agreed that it was time for the Province to re-order the provincial-municipal financing arrangement. The term which came to be used to describe this process was "disentanglement".

Under the NDP, the process to disentangle provincial-municipal financing arrangements

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began in 1991, after the publication of *The Report of the Advisory Committee to the Minister of Municipal Affairs on Provincial Municipal Financial Relationship* (otherwise known as "The Hopcroft Report"). Hopcroft had recommended that the financing of welfare should become entirely a provincial responsibility, and in exchange, municipalities were to have taken over responsibility for such services as local highways and public transit. To many social-policy analysts (NDP, Liberal and Tory), this idea remained a good one: for it meant that those programs that were redistributive in nature would be funded by the income tax, while those that were more property-based (such as roads and sewers) would become a municipal responsibility. The idea was to make each level of government pay for its own area of responsibility, thus in theory eliminating waste and confusion, and ensuring that municipalities didn’t get overwhelmed with welfare payments once recessions hit (as was happening to Toronto’s municipalities).

Under the NDP, however, the disentanglement process was cut short in 1993, primarily because of the political unrest associated with the implementation of the NDP’s social contract (discussed in Chapter 4, see also Graham and Phillips, 1998).

However, in the Greater Toronto Area, the interest in reforming the municipal-provincial financing arrangements only intensified after 1993 thanks to the slowness with which the region was coming out of the recession. In 1995, the Greater Toronto Co-ordinating Committee

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76 Hopcroft is a municipal administrator from the City of London, Ontario, and was the Chairman of the Advisory Committee and also past Chairman of the Association of Municipalities of Ontario.

77 Hopcroft did not offer any recommendations for the unique situations of urban areas.
(GTCC) released, *Rethinking the Fundamentals: provincial-local finances in the Greater Toronto Area.* This report pressed the Province to resume the negotiating process with municipalities for the disentanglement of service delivery, claiming that the GTA was being discriminated against in the way provincial funding was allocated to GTA municipalities. Echoing Ontario’s calls for fairness within federalism, the GTA was also emphasizing a “balance sheet” approach to federalism and a focus on the region’s own immediate interest. In the concluding section entitled, “At What Price Wealth Redistribution?” the report argued that the economic circumstances in the GTA, combined with unique demographic and population pressures, were proving it difficult for Toronto to sustain its traditional role as redistributor of wealth in the province:

At a time when the GTA’s economic health is marginal, the different treatment in terms of subsidy allocation is exacerbating a difficult problem. Trends clearly demonstrate that the GTA burden of outflowing revenues, lower Provincial subsidies and higher property taxes/fees is worsening in relation to the rest of the Province. In 1992 the annual differential totals $7.5 billion or $4,800 per household (GTCC, 1995, p. 8).

Within the GTA, The Municipality of Metropolitan Toronto felt even more discriminated against in the way the Province was allocating provincial grants, subsidies, and other supports between Metro and the rest of the GTA. Education financing was a case in point: Metro argued
that provincial education grants did not take into account the many unique educational costs incurred by Metro Toronto’s school boards including training in English as a Second Language for immigrants and other special needs. As discussed in Chapter 3, Metro had traditionally been the recipient of 20 percent of the total immigration to Canada, although since 1989, it had been closer to 30 percent. According to a 1990 study by the Canadian Urban Institute, about 40% of these immigrants have trouble with official language skills. This is especially true of immigrants whose mother tongues are Chinese, Vietnamese, Punjabi, Spanish or Portuguese. Moreover, the changing immigration pool meant that an increasing number of immigrants were landing in Metropolitan Toronto without official language skills. In 1986, 10,246 immigrants settled in Metropolitan Toronto without official language skills and by 1987 this number increased to 19,327.

Further, other special needs were the result of higher concentrations of poverty in the Metro area. As noted by the United Way of Greater Toronto Canada’s poorer children are more than three times as likely as the wealthiest children to be in remedial education classes, while the wealthiest children are almost twice as likely to be in gifted classes. In 1997, the Metro Task

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Force on Services to Yong Children and Families\textsuperscript{83} found that 36\% of Metro children under age ten live in poverty. This is an increase from 1991, when Statistics Canada reported that 25.8\% of all children in Metro were living in poverty while 22\% of all children in Canada are poor. Metro's percentage of poor children was over double that of municipalities in other GTA municipalities (United Way of Greater Toronto 1997).

Given that Metro had demonstrably higher social service costs per capita than other municipalities in the GTA, Metro also appealed to the Province to consider giving the region its "fair share" of grants or alternatively, to consider the complete transfer of welfare off the property tax. The Board of Trade of Metropolitan Toronto agreed with Metro's analysis, and lobbied the Province to resume negotiations with municipalities for the disentanglement of certain funding and program delivery responsibilities, chiefly social assistance, which they argued was having a disproportionate impact on Metropolitan Toronto (Board of Trade of Metropolitan Toronto, 1994).

\textit{Local Government}

The high cost of local government was also argued to be threatening the overall international

\textsuperscript{83} Municipality of Metropolitan Toronto (1997) \textit{The First Duty: report of the Metro Task Force on Services to Young Children and Families} (Toronto: Municipality of Metropolitan Toronto, May).
competitiveness of Metro and the GTA.\textsuperscript{84} On March 15, 1994, the Metropolitan Toronto Board of Trade wrote to the Premier of Ontario, Bob Rae, urging for action on local government reform:

For the business community, the high cost and effectiveness of local governance is of paramount importance, and is contributing to the need for business to look for all cost efficiencies including reducing the number of employees in order to be competitive.... The Toronto region is perhaps one of the most over-governed municipalities in the world, not necessarily from the standpoint of the number of municipalities, but the amount of process and increasing duplication of government services...it is the opinion of the Board that a formal review of local governance in the Toronto region is required. While business is always reluctant to recommend further studies, we believe that in the present climate such a review is not only warranted, but urgent.\textsuperscript{85}

By the fall of 1994, there was also growing public and media pressure for the Province to tackle this governance issue. The November 1994 municipal elections provided the platform for the media to analyse local governance issues. But the media coverage on the issue was intensified after the City of Toronto’s decision to put a non-binding referendum question on the election ballot asking whether the Metro level of government should be eliminated.\textsuperscript{86}

\textsuperscript{84} Again, whether or not this was the case is irrelevant for discussion purposes here. What is important is that this view drove the policy debates in the review of local government in the Greater Toronto Area.


\textsuperscript{86} See for example, Jane Armstrong, “Toronto sniffs sweet smell of secession”, \textit{Toronto Star} (October 22, 1994); Royson James, “Metro’s demise not necessarily Utopia”, \textit{The Toronto Star} (October 23, 1994); Morley Kells, “Hodgepodge of legislation is failing to shape growth”, \textit{The Toronto Star} (November 10, 1994); Colin Vaughan, “Glimmers in the urban murk”, \textit{The Globe and Mail} (November 11, 1994); John Barber, “The search for a new urban consciousness”, \textit{The Globe and Mail} (November 12, 1994); Dick Chapman, “Coming Soon: megametro: it’s clear municipal government will be redefined”, \textit{The Toronto Sun} (November 12, 1994); David Lewis Stein, “Treating voters as victims”, \textit{The Toronto Star} (November 13, 1994); David Lewis Stein, (continued...
Torontonians voted about 58 percent "Yes" to the question which asked city residents whether they thought Metro should be disbanded.\textsuperscript{87} Metro's elimination was attributed to a range of causes: the feeling that the public is "over-governed", that too many levels and bodies of government bring duplication, "fuzzy mandates," and high costs. It was also attributed to a general reaction against previous attempts by the Municipality of Metropolitan Toronto to implement Market Value Assessment. However, the most consistent media interpretation of the Yes vote pointed to economics: voters had felt there was a dire need for an effective and efficient local government to deal with the city's declining economy, which in their mind meant reducing government layers.

**Provincial Response**

Following the 1994 municipal elections, public debate and media discussion on the three aforementioned issues intensified after the Municipality of Metropolitan Toronto spearheaded a three day *Economic Forum on the Future of the GTA* in late November.\textsuperscript{88} The Forum brought together more than 80 people from different backgrounds — academics, business, labour, bureaucracy and the media — to identify the key issues facing the GTA and to come up with

\textsuperscript{(...continued)}

"Only a couple of models that Toronto can follow", *The Toronto Star* (December 11, 1994).

\textsuperscript{87} P. Mascoll and J. Hall (1994) "Close Metro, Toronto voters say", *The Toronto Star* (November 15, 1994).

recommendations to deal with them. Media stories covering the Forum — more than two dozen print articles over five days and many more reports in the electronic media — echoed calls made at the Forum for the Province to begin tackling immediately the problems within its jurisdiction, namely to investigate the inequalities in tax structures, in provincial grants and subsidies between Metro and other GTA municipalities, and the cost of local government.

What finally prompted the Province to develop a political strategy for issues dealing with Metro and the GTA, however, was the impending provincial election and the perception of the public (and particularly the media) that the Province was not taking serious action on the finance and governance problems of Metro and the GTA. The NDP had 18 seats in Metro, five in Durham and one in Halton, all of which were regarded as vulnerable in the impending provincial election. The Province’s own economic development initiatives had not been that successful at capturing public attention. Major economic initiatives which had focussed on high profile megaproject-style construction projects like subways and the Highway 407 had either stalled or

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had not yet produced any tangible results. Other economic initiatives, such as the sectoral strategies from the Province's Industrial Policy, were either seen as too narrowly-focussed to capture broad attention or not seen as sufficiently Metro-focussed.

By the fall of 1994, it was clear that the Province did not have an economic development strategy for its principal workhorse: the GTA. In an internal memorandum to the Minister of Municipal Affairs dated October 30, 1994, senior policy advisors from the Ministry of Municipal Affairs, the Office for the Greater Toronto Area and the Premier's Office, argued that the Province could no longer continue to respond to the range of pressing GTA issues on an ad-hoc basis, but had to be pro-active and develop a co-ordinated approach:

There is a need to arm ourselves, and particularly our Metro members, with a substantive, credible and coordinated response to these issues — even if this is seen only as a defensive strategy. Currently we have little to say on these issues. Our position is weak, and does not resonate with the voters. We must, therefore, articulate a "Metro strategy", [emphasis theirs]... This strategy would talk about the GTA as a City-Region, in global competition with other City-Regions around North America and the world. It would stress that, in order for us to be successful, we must adopt policies to ensure the strength of the whole region, and this is predicated on a strong and viable core (i.e., we must avoid the drift seen in so many American cities toward a doughnut: strong edge cities, with a rotting and economically depressed core).

The memorandum goes on to suggest a Task Force on Metro's Competitiveness, which a few months later developed into a Cabinet Submission arguing for a Task Force on the Future Vitality of Metropolitan Toronto. Given that Metro’s problems were fundamentally linked with

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92 Ontario. Memorandum to the Ministry of Municipal Affairs (October 30, 1994).
those in the surrounding municipalities which made up the GTA, the Task Force was changed to reflect that. Thus on February 17, 1995, Premier Bob Rae announced that the Province was establishing a $4 million task force to address “the apparent and potential further decline in economic attractiveness of the GTA and to resolve governance and fiscal issues”. Given the public’s weariness of “another Royal Commission that produces a report that lies on a shelf” 93, messages around the launch made it clear that the Province planned to make this an “action-oriented, fast-track task force, with a prescribed time-frame”, and “that studies already carried out will not be re-studied, and that ongoing initiatives to address economic problems in the GTA will continue to be carried out during the mandate of the Task Force”.

The communícations behind the task force launch also made it clear that the Task Force’s “primary focus will be on ways to strengthen and enrich the economic vitality of the central core of the GTA” and that “any examination of governance issues will be done to clarify, simply, and rationalize local governments’ role and functions and bring them to bear on economic development — and not with the aim of changing political boundaries or jurisdictions”. 94

The Golden Task Force

The Task Force was led by Dr. Anne Golden, president of the United Way of Greater Toronto

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93 See for example, Dick Chapman, “Inquiry a royal waste: please, no royal commission on the Greater Toronto Area” The Toronto Sun (November 11, 1998)

(the only full time member) and four other community leaders: Jack Diamond (architect), Thomas W. McCormack (demographer and economist), J. Robert S. Prichard (President of the University of Toronto) and Dr. Joseph Y.K. Wong (physician and community activist). The Task Force was to report directly to Cabinet, and at the completion of its mandate, which was originally set out to be no more than 18 months, it was “to provide direction for the future governance of the GTA, including the potential restructuring of the responsibilities and practices of municipal and provincial governments”. While its terms of reference set out a variety of issues on municipal finance, economic development, infrastructure, municipal management, urban form and environmental issues, the most important issue to be addressed was “the apparent and potential further decline in economic attractiveness of the core of the GTA”. The Task Force was asked to respond to two fundamental issues: (1) the general perception that property tax differentials between Metro and its adjoining regions were causing business relocations and (2) to provide direction on which of Metro’s financial obligations should be the responsibility of a wider region and which should remain local (GTA Task Force, 1996, pp. 230-231).

By many accounts the launch of the Task Force was well-received in the local media.95 There was much anticipation that this was the Task Force which was going to define the system and style of governance appropriate to Toronto for the next century. Predictably, there was much protest from the municipalities outside Metro. While many municipal officials in the regions

95 See for example. “A good beginning on fixing the GTA” Toronto Star (February 16, 1995); J. Barber “Quality of task force pushes cynicisms aside” Globe and Mail (February 21, 1995); A. Ferguson “In search of the vision to break GTA logjam” Toronto Star (March 18, 1995).
surrounding Metro acknowledged the importance of a strong central core to their own economic well-being, nevertheless they were weary of any tax and provincial grant readjustments that would shift financial burdens on to their constituents. One of the most vocal opponents to the establishment of the GTA Task Force was Mississauga's Mayor Hazel McCallion, a long-time mayor of a well-established municipality immediately adjacent to Metro's western boundary. She threatened to boycott the provincial process if the suburban mayors were not more directly involved in the governance processes. In particular, Mayor McCallion wanted to see GTA Task Force panel representation from the Mayors and Regional Chairs. Mayor McCallion called the Task Force panel "too urban-centric" because only one member (Tom McCormack) was from outside Metro. The Task Force panel did display a strong urban bias: the majority of policy staff and Task Force panel members embraced downtown Toronto culture and had little understanding of suburban life; members were also well-connected to Toronto's business and social elite.

Indeed, it was the Government of Ontario's original concern that the GTA's core was declining that influenced the panel member appointments in the first place. But more important was the Premier's desire to appoint a credible group of people with ties to both the Liberal and Conservative parties (but not Mike Harris' neo-conservatives), since the NDP knew it would unlikely be re-elected. Given that the Task Force formally got underway (on April 1, 1995) just

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96 Don Wanagas, "Mayors blast Rae: S4M provincial GTA task force called unnecessary", *The Toronto Sun* (February 18, 1995).

97 Throughout the last three years, the polls had consistently shown the NDP in the high teens with the Tories about 10 points ahead and the Liberals looking to form the next majority government (see B. Rae (1996) *From Protest to Power* (Toronto: Viking, p. 261).
before the NDP called a provincial election on Friday, April 28, 1995, one naturally could jump to the conclusion that the Task Force was simply appointed to deflect the pressure issues so that they would not dominate the election. While to some extent this was true, at the same time, the Premier did appear to prepare the ground so that the Task Force might have a chance to influence policy once the NDP government was gone. "With people such as Ms. Golden, University of Toronto president Robert Prichard and architect Jack Diamond aboard, it has a stature that sets it above the turf and ideological wars of either local or provincial politics," wrote John Barber, urban affairs columnist for the Globe and Mail.  

Certainly no one could argue with the enthusiasm and passion with which the Chair, Dr. Golden, embraced the task. "I've always had a genuine, very deep, passionate interest in Toronto. If you believe in something, you do get involved and you do try to make a difference", Dr. Golden was quoted as saying in a Toronto Star February 19th article. Colleagues described her as a "big picture thinker who can also take care of the details." Her "big-picture", or visionary approach, was what led the Task Force to adopt a vision-based as opposed to a more pragmatic problem-based approach.

Vision-based approaches had recently become popular in the process of making recommendations on the future governance of a variety of other city-regions. Montreal's city-

\[98\] John Barber, "Quality of task force pushes cynicism aside", Globe and Mail (February 21, 1995)

\[99\] Kelly Toughill, "New GTA chief takes on task of miracle-worker", Toronto Star (February 19, 1995).
region had recently gone through a similar exercise (the Pichette Commission), as had
Vancouver (The Livable Region\textsuperscript{100}), New York (A Region at Risk) and Rotterdam (Government for the Future\textsuperscript{101}). Bourne (1996) has queried on where these visions originate. While the purpose of this Chapter is not to delve into this particular question, a brief review of the procedures adopted by Golden would reveal that the vision ultimately embraced by Golden stemmed from a variety of places, geographies, ideologies and professional class biases. Places included: lessons from Toronto's past success (in particular the institutions that ‘made the region work’); lessons from other places (Montreal, Vancouver, New York, Rotterdam); an understanding of the region's evolving geographic, economic and social structure (Gertler, 1991; Bourne, 1995); current influential ideas on competitiveness and “reinventing government” (Osborne and Gaebler, 1992); and the emerging body of literature on the role of city-regions in the new economy (Peirce, 1993). Most of the ideologies came from the urban intellectual elite, including the local media (the Toronto Star and Globe and Mail); Toronto's business and social elite; academics; government bureaucrats; and civil and provincial politicians. From this mixture emerged five insights which shaped Golden's particular package of policy recommendations (obviously some forces were more influential than others): (1) the need to acknowledge the region's past successes, especially the role played by the Municipality of Metropolitan Toronto in managing the region's growth; (2) the principle of subsidiarity as a basis for allocating service responsibilities (3) the recognition of city-regions as key nodes in the global economy; (4) the

\textsuperscript{100} Greater Vancouver Regional District (1994) Livable Region Strategic Plan (Vancouver: Greater Vancouver Regional District).

\textsuperscript{101} Rotterdam Regional Council of Governments (April 1994) Government for the Future: a profile of Metropolitan Rotterdam (Rotterdam: Rotterdam Regional Council of Governments).
internal economic interconnectedness of the regional economy; (5) and the link between "quality of life" investments and the economic prospects of city-regions. Golden (1998) recently summarized some of these insights in a paper she presented to the Canadian Institute of Planners.102

First, the region’s past success was important in shaping the recommendations of Golden. Trained as an historian, Golden was influenced by the region’s past successes, most notably the role that the Municipality of Metropolitan Toronto played in shaping the region’s growth path. The Municipality of Metropolitan Toronto was North America’s first and most admired system of metropolitan government, referred to by Sharpe (1996) as the “jewel in the crown among metro authorities around the world”. Despite the unpopularity of “regional government” in the current political climate, Golden was not prepared to dismiss a new Metro-style government as a possible regional governance option, especially since it had worked so well for Toronto in the past.

Second, Golden was strongly influenced by the writings of De Tocqueville (1969) on local democracy and by her experiences working with local government, most notably in her capacity as President of the United Way, and as past campaign manager for David Crombie’s 1972 mayoral bid for the City of Toronto. Golden strongly believed in the principle of subsidiarity, the idea that services are most efficiently and effectively delivered by the most local

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level of government capable of providing them. Golden was not prepared to sacrifice local area municipalities (particularly not the old City of Toronto) in any new governance re-configuration.

Third, the Task Force was strongly influenced by Neal Peirce’s (1993) book, *CitiStates* and his thesis: “the age of the citistate is upon us. Great metropolitan regions—not cities, not states, increasingly not even nations—are the key competitors in the world marketplace”. The Task Force was also influenced by the academic work documenting the emergence of certain metropolitan areas as key nodes in the global economy (Sassen, 1991). Further, the empirical work on the Greater Toronto Area economy by the Boston Consulting Group (1995) (commissioned by the Task Force) confirmed that the GTA was indeed a powerful economic node in the provincial and national economy (accounting for fully 50% of Ontario’s economy and almost 20% of the Canadian economy).

The fourth insight, closely linked to the second, was the economic interdependence between the different parts of the entire GTA region. Here, the Task Force was heavily influenced by urban policy-makers, particularly in the US, who have been debating this issue for quite some time (see for example Hill, Wolman, Ford, 1995). In particular, the Task Force was drawn to the work of the U.S. National League of Cities, *All in it Together: cities, suburbs, and local economic regions* (1993) which argued that suburban prosperity is inextricably linked with the economic health of the central city. Although people living in suburbs surrounding a declining central city core may be better off than residents of the core, they may not be as well
off as suburbanites living in a region with an economically healthy central city.103 The Task Force’s own research did show a correlation between city and suburban growth measured in terms of income.

The fifth insight was the link between quality of life and economic competitiveness. In particular, the Task Force was struck by The Boston Consulting Group’s study which interviewed business locating firms and 85 chief executive officers about business location decisions. BCG’s (1995) interviews confirmed that Toronto’s “quality of life investments” were the region’s significant competitive advantage. “The vitality, attractiveness and safety of the downtown core, the system that builds human capital, like education, quality health care, and many cultural amenities, together with physical infrastructure all sway location decisions.... We realized”, wrote Golden (1998, p. 4) “that to retain existing business investment and to attract new investment, improving our human infrastructure and quality of life is not just desirable, but essential. Economic, environmental, and social goals are not in conflict, but rather are mutually reinforcing, and must be viewed as part of an integrated strategy to help the city-region prosper.”

These were the intellectual and policy arguments which appear to have had the most influence over the set of recommendations that the Task Force eventually made to the

Government of Ontario. Golden’s 51 recommendations may be condensed and summarized as follows:

- **Economic Development**
  - To treat the entire metropolitan region as a single economic unit with a unified strategy;
  - To invest in the physical, social and human infrastructure necessary to support the key traded goods and service sectors

- **Property Tax**
  - To stop the erosion of Toronto’s municipal tax base by introducing a market value assessment system similar to the one used in British Columbia;
  - To reduce business and property tax differentials between ‘416’ and ‘905’ areas by pooling the education portion of business taxes across the GTA;

- **Urban Form**
  - To have a more compact urban development that contains sprawl, makes transit more viable, and economizes on infrastructure costs;

- **Service Delivery**
  - To clarify provincial-municipal responsibility for service delivery by moving social service costs (soft services) up to the provincial level and downloading hard services to the municipalities;

- **Governance**
  - To simplify local government within the metropolitan region by eliminating Toronto’s upper tier, the Municipality of Metropolitan Toronto, and the four surrounding regional governments, and by reducing the number of local municipalities;
  - To have a new region-wide governmental body to deal with region-wide economic, environmental, and planning issues and to share major infrastructure and social costs;

Golden’s recommendations obviously were also shaped by political reality. Throughout the mandate of the Task Force there was always tension between what was thought to be ‘good policy’ and what solutions were considered to be politically realistic, or “doable”. This tension only intensified after the Tories came to power, less than four months into the mandate of the Task Force.
The enthusiasm for producing a report that wasn’t just going to “collect dust on the shelves” was dampened once the Conservative party was elected on June 8, 1995. Although the NDP were not expected to win, there was much speculation (at least in downtown Toronto) that the Liberal party would form the next provincial government. The urban intellectual and professional elite, especially the media, had more or less dismissed Mike Harris as a radical outsider in the months leading up to the election. Few expected him to win. Perhaps their naivete revealed just how geo-politically distinct Ontario society had become regarding the popular views on the role of government in economic activity. The success of Mike Harris, according to Ibbitson (1997, p.20), lay in his ability to form a coalition between the rural descendants of Ontario’s “settler culture” — self reliance, low taxes, minimal interference by big city politicians — and those in the edge cities and suburbs, including many of the most recent settlers who had immigrated to Canada from Asia and elsewhere. Contrary to popular belief, Mike Harris’ support base was not limited to white Anglo-Saxon males. The immigrant groups, visible minorities and working class suburbanites, who had been stung by declining real wages in the past few years, also supported his Common Sense Revolution. In fact, the 1995 provincial election was the first time in recent memory that the party that formed the provincial government did not take the City of Toronto (Ibbitson, 1997, p.20). In 1990, the NDP won six of nine seats in the City of Toronto and formed a majority government; in 1987 the Liberals won seven out of nine seats and formed a majority government; and in 1981 the Tories won five out of 10 seats and formed a majority government. This geographical divergence between Toronto and the surrounding suburbs and
edge cities was significant not only because of the number of seats that Toronto represented, but because the City of Toronto usually mirrored what the rest of the Greater Toronto Area was voting. "Suburban voters, in other words, were likely to see the world in the same light as their downtown cousins. There was a perceived community of interest between the needs of the core and the needs of the periphery" (Ibbitson, 1997, p.20).

Even though the geographic structure of the Greater Toronto Area had been evolving at least since the Second World War (as shown in Chapter 3), it was the 1995 election that really forged an expressed ideological split between the urban and suburban voters. The media also played into the forming of this split by continually making reference to Mike Harris' conservatives as creatures of the "905" (a reference to the new telephone area code created in 1993 which encompassed all areas of the Golden Horseshoe outside the old Municipality of Metropolitan Toronto, which kept the pre-existing "416" area code).

In contrast to the NDP government, which had appointed the Golden Task Force, the new Conservative government led by Mike Harris had a completely different vision of how government should work and the roles and responsibilities of government and free enterprise. Gaining power at a time when the provincial economy was still only slowly emerging from a painful recession, the Harris Government's view was that Ontario would become prosperous again only if government withdrew from many of the areas it was now involved in, and severely cutback on others. This was evident in the Tories election document, *The Common Sense Revolution* (CSR), which has been called "unquestionably the most ideologically innovative and
politically successful political manifesto in Ontario history" (Ibbitson, 1997, p. 63). The *Common Sense Revolution* begins: "Government isn’t working anymore. The system is broken." The document then goes on to lay out an agenda to guide public action, especially emphasizing reducing the size of government by one third, cutting welfare payments by over 20 percent and introducing workfare, privatizing and stream-lining delivery of many government services, and implementing a 30 per cent income tax cut to be phased in over three years.

With regard to specific urban or GTA policy, *The Common Sense Revolution* did not have much to say. Local governments were characterized by a "cumbersome bureaucracy" that needed to be restructured to "eliminate waste and duplication". However, a content analysis of election documents and statements made by the Progressive Conservative Leader Mike Harris indicated that if the Harris was elected, he would consider eliminating the Metro level of government. On March 30, 1995, Joyce Trimmer, Metro Conservative MP and Chair of the *Mike Harris Task Force on Bringing Common Sense to Metro*, wrote a letter to Mike Harris summarizing the party’s Task Force findings on governance in Metro. The two-page letter indicated that "the current two-level system of government is too expensive, too bureaucratic and too unaccountable" and is "leading us to conclude that the Metro level of government in its present form must go. The Metro level of government must be totally restructured. Responsibility for the delivery of some services should be moved to the local level; others, such as transportation, should be structured on an expanded regional basis beyond the current metro
boundaries. Some services may have to be assumed by the Province." During the Provincial Leaders Debate on the Future of the Greater Toronto Area on April 3, 1995, Mike Harris referred to the "Trimmer Task Force" and indicated he would be following these recommendations and "eliminate the Metro level of government".

The Tories did renew the mandate of the GTA Task Force, but shortened its time frame from the original 18 months to a total of nine. However, as time went on, it soon became clear that the Tories had their own policy agenda and were moving quickly to implement it. Within one month of taking office, the Tories cut welfare payments to needy individuals by 21.6 percent and cut some $2 billion of government spending. Then on November 29, 1995, the Province announced a $69 million cut in subsidies to the Municipality of Metropolitan Toronto in the subsidies over two years. The Province and Metro estimated that this would be a 32 percent cut over two years in unconditional grants, road subsidies and transfer payments to libraries, recycling programs and conservation authorities. The Province also announced that the Toronto Transit Commission's regular budget would be cut by almost $10 million in 1996. Total announced cuts to government spending in the Province's economic and financial statement of November 29, 1995 totalled $8 billion.

104 J. Trimmer. Letter to Mr. Michael D. Harris, MPP on an update to the Mike Harris Task force on Bringing Common Sense to Metro (March 30, 1995).


It is difficult to know whether the Task Force compromised on their recommendations in light of the change of government. However, there were some recommendations that the Task Force members knew would not receive broad popular support, nor would they be acceptable to the new government. First, in a climate of cutbacks, it was going to be difficult to recommend increased spending on public transit even though the Task Force recognized the critical importance of an efficient and integrated GTA-wide transit system to the health and workability of the region. Second, the Task Force wanted the Province to have greater authority in regional planning, including legislation that would encourage compact and efficient land use. The government, however, had clearly indicated a preference for a less restrictive and onerous planning environment. Third, the Task Force agonized over whether to recommend new boundaries for the GTA region, given that the existing political boundaries did not correspond to the actual social, economic and ecological functions of the region. At the same time, it recognized that the political repercussions of altering the boundaries would be great. This issue caused some dissension among Task Force members and the issue was deferred.

In other areas, the Task Force was not prepared to compromise. First, even though the Task Force knew that the Province was planning to cutback and download welfare funding, including Family Benefits Assistance, General Welfare Assistance and social housing, the Task Force recommended that these programs continue to be funded and delivered at the provincial level. Second, notwithstanding that the Task Force knew that the government was considering the complete overhaul of education financing in the province, it maintained its recommendation that school boards should continue to have control over funding so that local special needs and
social and demographic characteristics could be addressed and adequately funded. Third, although the Task Force was aware of the government’s intention to review the Development Charges Act in order to facilitate new urban development, it recommended requirements for incorporating full-cost pricing methods into the calculation of municipal development charges as well as for basing the calculations of education development charges on the different costs associated with the demographic characteristics and needs of households in different unit types.

However, for the purposes of this Chapter, the most important area where the Task Force wanted to make change was in the implementation of a region-wide government with legislative and taxation powers to coordinate the planning of physical infrastructure, including transportation, at the regional level. The Task Force envisioned a broad regional government with substantive development control and taxation powers to encourage efficient land use and compact urban form and to pool funding across the region. The Task Force knew that a new level of government would be a tough sell politically, partly since the Harris government had campaigned on a platform that included the elimination of an upper-tier level of government, and partly because of the resistance in the area and regional municipalities. A content analysis of the 300 submissions received by the Task Force indicated that the suburban and rural communities within the GTA feared a loss of identity and control under what they perceived to be an urban-oriented government. Similarly, urban communities, such as the City of Toronto, feared distortion of their unique urban form and social programs through the influence of suburban decision-makers unfamiliar with the urban context. Follow-up interviews with GTA councillors, policymakers, and mayors throughout the fall of 1998 confirm that these positions have changed
little since 1995.

One of the sharpest criticisms by provincial policymakers responsible for reviewing the GTA report was in the area of governance. The Task Force recommended the creation of "flexible service districts" within the Greater Toronto Council. The proposal involved the delivery of certain municipal services (such as water and sewer, waste, transit, police and conservation) on a local basis but with adjustable boundaries that could accommodate social, economic and ecological sub-regions. At the same time, coordination and financing would occur on a region-wide level. It was thought that flexible service districts would be an innovative approach to governance — and therefore more palatable in an anti-big government climate — while at the same time providing the necessary region-wide coordination of large-scale services and infrastructure. However, the idea suffered from a lack of definition.\(^{108}\)

On January 16, 1996, the Task Force released its report, *Greater Toronto*, with much anticipation and fanfare.\(^{109}\) The report contained 51 recommendations in all. Despite an initially

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\(^{108}\) Sancton (1996, p.39) claims that the fundamental problem of the flexible service district concept was the attempt by the Task Force to maintain two mutually incompatible positions: responsibility to the Greater Toronto Council for the functions the Task Force recommended delegating giving to the flexible service districts, while at the same time dictating how those functions are to be delivered. However, it is clearly possible to delegate discretion within a framework without delegating the discretion to abandon the framework itself. The Task Force proposed a framework for delivery of certain services (albeit one that was not well thought out), and proposed discretion within that framework.

positive reception by the Minister of Municipal Affairs and Housing, Al Leach, it soon became clear that the government had a different agenda in mind. Shortly after the release of Golden’s report, Leach appointed a review panel (chaired by lawyer and prominent Conservative, Libby Burnham), ostensibly to gauge public acceptance of the recommendations of the Task Force (which she found no consensus). A more cynical and widely held view by members of the media, Task Force member policy makers, and provincial policy makers is that the review exercise was intended by the Minister to provide an opportunity for local politicians and citizens’ groups to “pick away” at the recommendations of the Task Force.

Shortly after the Golden Task Force report became public, a group of politicians comprised of GTA regional chairs and the “905” mayors released The Seven Point Plan. This plan attacked the Task Force’s proposal on governance reform and recommended against the

109 (...continued)
The Toronto Star (January 17, 1996).

110 See for example, W. Walker “Leach vows action on GTA by spring: bill planned on key recommendations” The Toronto Star (January 17, 1995); A. Artuso “Leach set to move on report: wants GTA reform done quickly” Toronto Sun (January 17, 1995); J. Walker “Report calls for major Toronto region renewal” Financial Post (January 17, 1996).


113 The seven point plan: the sensible solution for GTA reform (A paper presented by Mayor Peter Robertson, City of Brampton, on behalf of a number of mayors in the GTA, March, 1996).
removal of the regional governments in the GTA. Contemporaneously, the four key mayors in the GTA (Barbara Hall of the City of Toronto, Mel Lastman of North York, Hazel McCallion of Mississauga, and Nancy Diamond of Oshawa) released the *Four Mayors' Report*\textsuperscript{114}, which openly attacked both the market-value system of property taxation proposed by the Task Force, and the proposed Greater Toronto Council to deal with GTA-wide issues, suggesting in its place a weak coordinating body. According to Metro and provincial policymakers, this move on the part of the four most powerful mayors in the GTA to look after their own interests and disregard the needs of the other cities and towns within the GTA was clearly “the straw that broke the camel’s back”. It marked the crucial turning point. Provincial and Metro policy makers realized that the GTA mayors had reached a zenith of inflexibility and that it was unlikely that the mayors would develop consensus on GTA government. Metro, realizing that its original proposal to the Golden Commission (which was to eliminate itself in present form and reconfigure into a larger GTA-wide “Metro” type structure) was not going to fly, did an about-face and favoured the amalgamation of Metro.

From that point on, the province acted more unilaterally. Just when it appeared publically that support for the report was starting to unravel, the government created the “Who Does What” (“WDW”) panel chaired by former Toronto mayor and Conservative, David

\textsuperscript{114} *The Four Mayors Report*, (a report by the City of Toronto, City of North York, City of Mississauga, and City of Oshawa on GTA reform March, 1996).
The mandate of the "Who Does What" panel was to examine issues of governance restructuring in the GTA, municipal financing and provincial-municipal relations. The panel recommended a GTA-wide government structure with legislative and taxation powers similar to the one Golden had recommended. Significantly, it also recommended that welfare and education be moved off the property tax with only hard services funded by property tax. It was unable to come to a consensus on what to do about local area municipalities, and in particular, Metro. It was felt that three levels of government within Metro would be politically unsaleable. At the same time, eliminating Metro would jeopardize some of the inner-city suburbs that had prospered in the postwar boom (such as Scarborough, York, and East York). There was some debate about amalgamating the Metro area municipalities, but no consensus on this point emerged. The municipal finance expert on the WDW panel, Enid Slack, opposed amalgamation on economic grounds, her reasons being that past experiences with amalgamations in other jurisdictions had indicated that service levels tend to rise to the highest level of service among uniting municipalities, resulting in increased costs across the board. While equalizing services at the highest level is not undesirable in and of itself, it is clearly not a cost-saving result if indeed cost saving is the object of the exercise.

Hazel McCallion, Mayor of Mississauga, expressed her opposition to the amalgamation

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116 See Letters to the Honourable Al Leach, Minister of Municipal Affairs on assessment policy reform, disentanglement and GTA wide governance from David Crombie, Chair, Who does What Advisory Panel (August 20, 1996 - January 2, 1997).
of the Metro area municipalities on democratic grounds, arguing that the change would “dilute” the vote of citizens in the Metro area by reducing the number of elected councillors. An underlying reason for her opposition was that the amalgamation of the Metro area municipalities would diminish her political clout in the GTA.

Amalgamation of the local area municipalities in Metro was never championed, or even seriously considered, by any of the GTA review panels or GTA politicians. Even the Provincial Government’s own policy makers, through the Office for the Greater Toronto Area, did not recommend amalgamation when presenting their 19 GTA governance options to the Harris cabinet in the summer of 1997. Amalgamation was clearly the initiative of the Harris inner cabinet, and there has been much speculation as to where this policy option originated. It is widely believed in media and policy circles that amalgamation was the brainchild of Paul Godfrey and the inner cabinet of the Harris Government. Paul Godfrey — ardent Tory, personal friend of Premier Harris and Toronto Mayor Lastman, publisher of the Toronto Sun, and former Chairman of Metropolitan Toronto — was one of the few urban leaders who had supported amalgamation for some time. In fact, of the nearly 300 submissions to the GTA Task Force on GTA-wide governance, his was the only one that recommended amalgamation. Less well-known is the story behind why amalgamation was chosen over the other, more explicit Tory-favoured option, elimination of Metro. According to Metro and provincial policymakers, the inner Cabinet was only interested in two options — elimination of Metro or the amalgamation of the six cities within Metro into one “megacity”. The suburban power base of the Harris Government made it simply too political risky to restructure municipal jurisdictions beyond the Metropolitan
borders. Yet something had to be done. Harris had campaigned in 1995 on a platform to eliminate Metro, but it soon became apparent that this would seriously jeopardize the social and economic health of the inner suburbs like Scarborough, East York and York. Those same suburbs that had prospered during Toronto’s ‘golden age’ of Fordism were not implicated in Fordism’s crisis. The concern that the inner suburban fringe would suffer enormous financial consequences if Metro were eliminated led the Harris Government to favour amalgamation. This policy was justified by the same evolutionary argument that had prompted former Tory Premier William Davis in the 1970s to surround Metropolitan Toronto with regional municipalities that would, in time, constitute an amalgamation of all their inner (lower-tier governments). That vision of six large municipalities (five regional municipalities plus Metropolitan Toronto) was recently advanced by both Premier Harris and Municipal Affairs Minister Al Leach in support of their decision behind amalgamation.

In any event, because there was little consensus on the merits of amalgamation, it came as quite a surprise that, one week before Christmas in 1997, Minister Leach introduced Bill 103, the effect of which was to replace the six existing municipal governments of Metropolitan Toronto with a new single-tier city (the City of Toronto, or “Mega-city” as it came to be popularly known), with a population of 2.3 million people. Opposition to megacity was huge, giving rise to at least ten ad-hoc groups formed to protest the amalgamation across the metropolitan area.\footnote{See for example, Team East York, Annex Residents’ Against Amalgamation, North York Fights Back, City of Toronto’s Fight Against Megacity; Dan Leckie’s Anti-amalgamation Campaign; Citizens for Local Democracy; City of Scarborough against Amalgamation; North York TaxPayers Against Megacity rally; Liberal MPP Joe Cordiano’s referendum motion at Queen’s (continued...)}
The most vocal of these groups was "Citizens for Local Democracy" led by John Sewell, another former Toronto mayor and known NDP sympathizer. Citizens for Local Democracy was well organized, with weekly meetings, a monthly newsletter, high-profile members and a website (http://www.community.web.net/citizens) which provided daily updates on events and information. Martin Horak (1998) recently completed a comprehensive study on the Citizens for Local Democracy and the anti-amalgamation campaign.

Opposition to the Megacity proposal focussed on several key issues. First, it was felt that in such a large political constituency (2.3 million people) with a vast reduction in elected representatives (from 44 down to 16 in the old City of Toronto alone) it would be considerably more difficult for citizens to have their views represented to municipal governments on issues of importance to them, hence undermining the democratic process. Second, the proposal would force together two development styles (urban and suburban) into one cumbersome jurisdiction, and the urbanites in particular were concerned over the loss of identity in their downtown neighbourhoods. Perhaps the most insidious component of Bill 103 was the provision for a local "transition team", which was to make the decisions of elected municipal politicians subject to the veto of government-appointed (and unelected) trustees during the transition period. This led to a

117(...continued)
Park; Ward 7 Say No Committee (Councillors Pam McConnell and Jack Layton; Cabbagetown Preservation Society Against MegaCity.

118 See for example, Citizens for Local Democracy "What's Going On here?" (December, 1996); Citizens for Local Democracy "The Harris Monster: amalgamation, education, down-loading" (February, 1996).

constitutional court challenge which, although unsuccessful, prompted an Ontario judge to express criticism of this aspect of Bill 103. Third, opponents objected that the amalgamation would produce a municipality which was entirely the wrong scale. It would be simultaneously too big and too small — too big to properly address local complex urban issues; too small to properly coordinate services across the whole GTA. Golden called amalgamation the “megacity diversion”, “irrelevant at best and possibly counter-productive”.  

Faced with the barrage of criticism, the government hastily commissioned a report by KPMG in support of amalgamation. KPMG’s report (less than 90 pages long and only a few weeks in the making) was highly qualified. In specific answers to specific questions posed by Minister Leach who commissioned the report, it predicted that there would be a potential savings of $100 million per year from amalgamation. The shortcomings of this analysis were not lost on critics, and the rebuttals prepared for the City of Toronto, one by Wendell Cox, the other by Andrew Sancton, were scathing.

120 Dr. A. Golden. “One Big Government is no solution for Toronto” (a speech to the Canadian Club of Toronto and Empire Club of Canada, February, 1997).

121 KMFG (1996) “Fresh Start: an estimate of potential savings and costs from the creation of single tier local government for Toronto” (a report by KPMG for the Province of Ontario, December 16).


All these concerns eventually culminated into a metropolitan-wide non-binding referendum, held on March 3, 1997, in which citizens in each of the six cities were asked to vote on whether they wanted megacity. Voter turn out was the highest it had been for over 30 years, with 70% of those who voted opposing the government’s plan. Local politicians and citizens were jubilant.

In response, the government amended its original bill to increase the size of the new council from 45 to 57 and to establish six community councils, based on the existing municipal boundaries, to advise on very local planning issues (such as consent and re-zoning applications, etc.). With an annual budget of more than $6.5 billion (larger than eight other provinces), the new city would employ over 50,000 people (larger than the entire bureaucracies of six provinces).

At the same time that Toronto was raging against amalgamation, the government sprang “Megaweek”, a series of major bills introduced into the provincial legislature on four consecutive days of one week. These bills would profoundly alter municipal governance and finance in Ontario. On Monday January 13, 1997, Minister of Education and Training, John Snoblen, introduced Bill 104, the “Fewer School Boards Act”, which cut the number of school boards in Ontario by one half and replaced them with 66 “District Boards”. For Toronto, this meant amalgamating six school boards into one. Moreover, funding was removed from the property tax (although this was later modified somewhat). On Tuesday January 14, 1997, Minister of Community and Social Services, Janet Ecker, announced the shifting of more of the financial
burden for welfare (including “Workfare” and Family Benefits funding) from the Province to the municipalities. Again, this was later modified after intensive opposition and criticism. The Province also proposed downloading the complete funding for social housing to the municipal level. This aspect of the announcement has been maintained. On Wednesday January 15, 1997, Minister of Environment and Energy, Norm Sterling, announced the transfer of provincially owned water and sewage treatment plants to municipalities. At the same time, responsibility for most provincial roads, and for all of GO Transit, ferries, airports, libraries, policing, and municipal transit was also downloaded to municipalities. On Thursday, Finance Minister Ernie Eves pledged to implement full market value assessment by January 1998. This also involved transferring to the municipalities the assessment function, a function that until about 30 years ago was held by municipalities but assumed by the Province in an effort to achieve some uniformity across the province.

The consequences of Megaweek for urban areas, and in particular for Toronto, were severe. Although the Province claimed that the swap would be revenue-neutral, preliminary estimates conducted by the Municipality of Metropolitan Toronto indicated that the fiscal impact would cost Toronto over $300 million annually. Since the public was not receptive to increased property taxes as a result of the province’s meddling, many feared that important services would have to be cut. In conjunction with Bill 103 (amalgamation), the Megaweek announcements triggered opposition of unprecedented proportions from all constituencies within Toronto. Even
ardent Tory supporters questioned the wisdom of the government's measures.\textsuperscript{124}

It was not until the Metropolitan Toronto Board of Trade joined forces with David Crombie, the Municipality of Metropolitan Toronto and the United Way to lobby the government that some relief for Toronto was forthcoming. While this urban coalition succeeded in securing a commitment by the Province to pool some of the social service costs across the GTA (although all the details are yet to be worked out), it was not successful in achieving the original recommendation to have the financial responsibility for all social welfare benefits uploaded entirely to the Province.\textsuperscript{125}

The reception to Megaweek was also intensively negative across the province. Even the Association of Ontario Municipalities, headed by a well-connected Tory, Terry Mundell, argued to the Province that these initiatives posed threats to all municipalities, threats later acknowledged to some extent by the government. Mr. Mundell worked behind the scenes to mitigate some of the more damaging aspects of the proposals, and to a limited extent he was successful. For example, he was able to get the Province to re-think the downloading of social services (Family Benefits and General Welfare Assistance) from the original plan to shift 50% of

\textsuperscript{124} See for example, comments made by Tory backbencher Morely Keels (Etobicoke Lakeshore), "Don't Blame Tory Caucus for Offloading Fiasco" \textit{The Toronto Star} (March 19, 1997, p. A7).

\textsuperscript{125} See Letter dated March 13, 1997, to the Honourable Premier Mike Harris from J. Bossons, D. Crombie, A. Golden, M. Lauber ("There is a better way: an alternative to downloading social services"). See also the Board of Trade of Metropolitan Toronto (1997) "Notes for remarks by George Fierheller, President, The Board of Trade of Metropolitan Toronto (January 23).
the financial responsibility to the municipality to 20%.\footnote{126}

After the dust settled, the most significant governance changes in provincial-municipal relationship, are summarized in Table 6, "Changes in Responsibilities between Provincial and Municipal Governments".

Although the changes were imposed by the Province during Megaweek, the Province did little about GTA-wide governance, an essential recommendation of both the Greater Toronto Area Task Force and the Who Does What panel. A GTA-wide governance structure was perceived by many in the urban policy arena to be one of the cornerstones of governmental reform for the region. Milt Farrow (Special Adviser to the Ontario Government on the Greater Toronto Services Board), who was in the midst of yet another examination of the GTA governance issues, also underlined the importance of some governing structure with legislative and taxation powers in order to adequately fund planning and physical infrastructure initiatives. Even the Harris Government acknowledged it as being essential in order to deal with the region-wide planning and physical infrastructure issues.\footnote{127} However, since Farrow's report was released in the summer of 1997, the legislation creating the Greater Toronto Services Board has only slowly been working its way through the Legislature, and by all indications it will be a significantly watered-down version of what Golden or Crombie had recommended. The version

\footnote{126} For further information on the politics behind the scenes, see S. Noel (1997); Ibbitson (1997) and Graham and Philips (1998).

\footnote{127} James Rusk, "Harris Backs call for new GTA Agency: report recommends board made up of civic politicians for co-ordination of services" The Globe and Mail (June 19, 1997).
spelled out in Bill 56 (called the Greater Toronto Services Board) has no legislative or taxing power, only the power to "recommend" various actions to its member municipalities. Some predict that it will eventually evolve into something meaningful, but as yet there is no indication that the area municipalities around the City of Toronto have any interest in seeing that occur. Outside the City of Toronto, a two-tier system of municipal government still remains, and if the GTSB were to evolve into something more resembling a government, those municipalities would be governed by three tiers in a climate of demand for less government, not more. Thus, it would be difficult to see how these municipalities would concede any meaningful decisions or powers to a new upper tier.

The Golden Task Force had identified the fragmentation of economic development efforts across the region with the observation that intra-regional competition undermined each others' efforts of each individual municipality and diminished the attractiveness of the GTA as a destination for inward investment. The Task Force had recommended a Greater Toronto economic development strategy that would invest in the physical and social infrastructure necessary to support key traded goods and services, although it was criticized for not offering much in the way of detail on point.\textsuperscript{128} Although little has resulted from Golden's recommendation, the Greater Toronto Marketing Alliance was launched in May, 1998. This is a public-private partnership based on a U.S. model of economic development, with the sole aim of "attracting jobs and investment to the GTA". It is purely a marketing body, and outside the

purview of the proposed Greater Toronto Services Board. Some have suggested that this is exactly how local area municipalities want it to be because then it does not infringe on their own local economic development decision-making. As it stands, the GTMA will not replace any of the existing functions; it will merely add to them. Recently, it was given $1 million in seed money from the Province and is trying to raise an additional $2 million from the private sector. Some observers (including members of the Alliance) have noted that the fledgling organization is having a difficult time raising funds because the private sector in Canada is unaccustomed to contributing to initiatives hitherto for funded by the state.

Interpreting the Changes

What forces have been driving these changes? This is the question on the minds of many GTA watchers and urban theorists. Table 7 summarizes the different interpretations on what forces have been behind the changes. There are four main areas of change: GTA-wide government, amalgamation of Toronto, property tax reform, and municipal-provincial reorganization. With regard to why the proposed GTA government was not accepted, there are some (Sancton, 1996) who hold the view that what has transpired in the Greater Toronto Area over the past few years is to some extent predictable because of similar experiences in other city-regions throughout the United States. Not only had the governance changes proposed by Golden been recommended and tried elsewhere, but the result for Toronto would be no different than in the American examples that came before.

Responses to the [Golden] recommendation [for a Greater Toronto Council] were
completely predictable: the outer suburbs portrayed the proposed GTC as remote, costly and unnecessary; central-city politicians were suspicious; and the major existing metropolitan authority, together with the highest circulation metropolitan newspaper (*The Toronto Star*), claimed that the proposed GTC should be stronger. So far, the story is one that could be found in any textbook on North American urban governance, especially ones written in the US in the late 1950s and early 1960s....A few months after the release of the task force report, it looks like the end result will be the same as the countless cases documented in the American texts: the suburbs will successfully resist (Sancton, 1996, pp.38-39).

A popular interpretation of why the Government of Ontario has not implemented some sort of institutional framework for the region sufficient to address key regional issues lays blame on the municipal politicians across a city-region in which no one was prepared to compromise (See for example Golden, 1998; Ibbitson, 1997). Golden herself notes (1998, p.10) that the competition between GTA mayors (urban, suburban and rural) created discord and prevented a common vision and voice from emerging. She quotes Ibbitson who claims that the cooperation between the mayors had reached a "zenith of inflexibility never seen before". One of the challenges for Golden was to create the common vision. She ran out of time, but also thought, naively perhaps, that a common vision based on the perceived threat of globalization would be enough to carry the day and create consensus.

But, as I argue, this to some extent ignores the dynamics of institutional formation in which visioning is an object of social struggles and a result of public and private deliberation. It also ignores the economic dynamics that existed within the region. As discussed in Chapter 4, changes in the modes of production are creating growth nodes in suburban and fringe areas of the GTA. Lower taxes, access to transportation and comparatively cheap land have given these areas
a relative advantage, especially with the rise of just-in-time production. The gain of many of these areas has been the loss of the central core. They also had no interest in provincially initiated regional institutions and shared cost arrangements across the region, since it might undermine the perceived advantages they had vis-à-vis other areas in the region. This type of intra-regional bickering thwarted the emergence of a progressive regional governance structure. The result was that the provincial government was then able to step in and introduce its own plan for the region.

On an interpretation of how amalgamation came about, Golden (1998) also has observed that since all of the suburban seats in the Provincial Legislature were held by Progressive Conservatives, the government was particularly sensitive to the wishes of its suburban constituents. Other analysts have recently emphasized the same point. Keil (1998) has suggested that the amalgamation of Metropolitan Toronto can be interpreted to a great extent “as a territorial fight between the suburban power bases of Mike Harris and liberal dominance of the inner city.” This view is also supported by Ibbitson (1997), who argues that Premier Harris was driven to amalgamation by his frustration over the political decisions within the City of Toronto, most notably, the city council’s decision to ban smoking in restaurants and bars, and then-Mayor Barbara Halls’ decision to allow City of Toronto employees to join the Toronto “Days of Action” protest (organized by the Toronto Labour Council and Network for Social Justice in opposition to Harris’ cutbacks and policies). Many believe that the amalgamation was a neo-conservative conspiracy to punish and destroy an NDP-based stronghold in the old City of Toronto. At a more abstract level, Keil suggests that a class analysis can reasonably be argued, which assumes the hegemony of the suburban middle-
class over the total urban process as the driving force in the conflict. The territorial and social-economic dominance of the 905 over the 416 phone area codes of the Greater Toronto Area appears as the revenge of the periphery upon the inner city. This conflict is expressive of the main social-spatial contradiction of the North American city, that of the city centre and the spatial periphery (Keil, 1998, pp. 150-156).

Isin (1998) takes a slightly different approach, suggesting that amalgamation must be understood in the context of broader transformations of advanced liberalism. According to Isin, amalgamation has brought to the fore the main political fault lines in the city. “The inner city constituency of public-sector professional-managerial classes reacted defensively, invoking a rhetoric of democracy and citizenship. By contrast, the immigrant groups, visible minorities and working classes largely watched all this with indifference.” According to Isin, the old City of Toronto’s new class (i.e., the professional class) never quite understood the latter group, who were not well-off suburbanites but rather groups who had in fact suffered the greatest impact in terms of declining real wages during the last decade in Ontario (Isin, 1998, p. 184).

Still another approach has been that of Todd (1998), who suggests that amalgamation can be explained through insights gleaned from urban regime theory, most notably the local political regime that had been lobbying for amalgamation for many years and that the Tories merely put a neo-liberal stamp on it (Todd, 1998, p. 211).

The current coalition of large downtown firms (banks and consumer retail outlets), media outlets (like the Toronto Star), politicos (such as Paul Godfrey the former appointed chair of Metro and publisher of the Toronto Sun), and politically connected law firms (like McCarthy Tetreault which reportedly helped draft the legislation and which was represented on the province’s “transition team” for the
new city) is organized around the Toronto Board of Trade. In one form or another these interests have pushed for amalgamation since the early 1970s. At present the main concern of this group — has been how to translate the amalgamation victory into further tax reductions (Todd, 1998, p. 207).

Other than this slight divergence, which Todd (1998) ascribes to “purely local forces”, Todd maintains that an “otherwise consistent theoretical tale could be told” about Toronto’s recent governance reform. He then draws on his insights from regulation theory to suggest that global economic forces drove other policy initiatives, and that there was in fact little differentiation between the set of policy mixtures offered up by Golden and the one eventually adopted by the Harris Government.

When the Progressive Conservative “common sense revolution” swept aside the New Democrats in the next provincial election, the time frame for the Task Force was shifted forward, but few changes were necessary in order to make the recommendations contained in Greater Toronto [the report from the Golden Task Force] consistent with the Tory government’s mixture of policy initiatives (Todd, 1998, p. 193). The Golden Report and the policy agenda it sanctioned reflected the political economic context and the dominance of neo-liberal public discourse in the 1990s (Todd, 1998, p. 195).

This is the same neo-liberal public discourse that Todd ascribes to the Harris government. Todd’s view in this respect may be justified by some of the language used in the Golden report, which indeed suggests neo-liberal underpinnings and was perhaps intended to do so. Golden’s references to “broken structures of governance, fiscal inequity, over-government, and jurisdictional gridlock” might well have been found anywhere in the Common Sense Revolution booklet. However, the orientation of the Task Force, as well as the major thrust of its recommendations are fundamentally different. The Task Force set out to build regulatory capacity at the city-region level and to resolve some of the contradictions inherent in urban economic growth, such as unevenness in the funding and delivery of local public goods. It is not
that this orientation was lost on Todd — he contrasted the two different ideological influences informing the renewal of local governance, the “progressive competitive model” and the “neo-liberalism model” (Todd, 1998, p.212) — but he failed to fully appreciate the Task Force’s orientation.

The political response of the Harris government (indicative of a general neo-liberal approach) to declining real wages in Ontario in the last decade has been to cut taxes, as the Progressive Conservatives vowed to do in their Common Sense Revolution platform prior to the last provincial election. The promise of a 30% tax cut profoundly affected what municipalities would eventually be responsible for in the Tory’s strategy of provincial/municipal reorganization. As Walkom (1997, p.414) puts it:

Even before it was officially unveiled, the tax cut drove the agenda. No one — bureaucrat, aide, or politician — could ease up on cost cutting. For unless massive savings in the operation of government could be found, the tax cut would bump up the deficit and create profound political embarrassment for the Conservatives, not to mention confusion among the province’s lenders. The spectre of the tax cut provided a discipline that prevented ministers from backsliding.

Many political commentators have argued that it was this need to take action on cost cutting which eventually drove the Harris government to implement the “Omnibus” Bill 26, the Savings and Restructuring Act, 1996, hailed by some as the most draconian piece of legislation in Ontario’s history (Ibbotson, 1997). Indeed, this Bill, which centralized new powers in the hands of Cabinet (in the areas of hospital restructuring, prescription drug deregulation, pay equity, municipal restructuring, highways, and corporate and income tax policy) seemed rather odd for a government committed to “getting government off the backs of its citizens”. However it had to
be done if the Harris government was to keep its promise of the 30% tax cut, even if it meant re-regulating the state to eventually deregulate it.

It was this issue of the tax cut which seems to have had the most profound influence on the mixture of policy initiatives that the Harris government introduced for the Greater Toronto Area. Two areas in particular were shaped by the tax cut drive. One was education financing, where the Province assumed complete responsibility from the municipalities and then proceeded to cut $1 billion from the $14 billion budget. The second area was social services, the costs of which the Province reduced by downloading responsibility to the municipalities to be financed off property taxes.

I maintain that these reasons cited above indicate not only that the policy mixture implemented by the Harris government was significantly different from the one proposed in the Golden Task Force report, but also the reasons for this divergence. Indeed, the foregoing underscores one of my major criticisms of Todd (1998), who maintains that there is little difference between the policy approaches of the Golden Task Force and the Harris government.

Todd goes as far as to question the extent to which local institutional change, such as regional governance, can have an impact on the economic growth path of the region. “In a context in which the global restructuring of production and the generalized deindustrialization of the Canadian labour market were having such pronounced impacts, it seems doubtful that the governance arrangements of local authorities could be responsible for any more than a marginal
proportion of these sizeable changes in the economy" (Todd, 1998, p. 200). Not only does this statement ignore the empirical economic evidence which suggests that the Toronto region has far from “deindustrialized”, but also ignores the economic literature on the role that local institutions (in concert with institutions at other scales of analysis) play in facilitating dynamic regional economic growth.

Another of my criticisms stems from Todd (1998)'s analysis of what drove the agenda for reform after Golden. “Had the restructuring proceeding as outlined in the Greater Toronto report and a broader set of regional institutions been created,” wrote Todd, “a consistent theoretical tale might have been told of state restructuring as a response to the need for global competitiveness. But the process took a more parochial turn” (Todd, 1998, p. 201). Todd then introduces his concept of urban regime theory, and the amalgamation project as representing “a victory of a particular urban political regime in a conflict over urban space that has gone on for the last twenty five years.”

This emphasis on a particular urban political regime driven to lobby for amalgamation perhaps underestimates the role that other political forces played in the decision to amalgamate the six cities into one City of Toronto. As Golden (1998) and Keil (1998) have emphasized the amalgamation of Metropolitan Toronto can largely be interpreted as a spatial fight between the suburban power base of the Harris Government and the liberal dominance of the inner city. The recent amalgamation and the changes in governance represent the victory of a suburban/rural political regime over a particular urban regime that had dominated politics in the City of Toronto.
for the last 20 years — the old Red Tory/NDP stronghold, or what Isin (1998) would characterize as the old City of Toronto new class (i.e., the professional class). Isin’s point that this latter group never really understood those who had been most stung by declining real wages during the last decade in Ontario in part explains events behind the amalgamation result. But this is only part of the story. Economic geographical considerations also come into play. Local and provincial policy makers were determined to preserve the tax base of the inner-suburban municipalities (most notably Scarborough, East York and York), since without the redistributive functions of an upper-tier government, their diminishing assessment revenues would surely result in fiscal crises for each of them.

**Conclusion**

To summarize, what we have witnessed over the last few years as the Toronto region seeks to “chart a course for the new century” is a period of various political responses to the economic and social challenges facing the region. While we cannot ignore the larger context and the constraints which make certain developments in the GTA more likely than others, the present policy set underway is far from predetermined. Choices of possible futures still exist for regions.
CONCLUSION

There is little debate that the Toronto region underwent a character-altering transformation in the postwar years. At the end of the Second World War, Toronto was a sedate, even bland, metropolis with a branch plant manufacturing economy. In the decades to follow, however, it was transformed into the dominant financial and industrial centre of Canada, with a reputation as a vibrant city-region with a safe and diverse urban core. What is particularly interesting about Toronto is that it did not succumb to many of the social and economic disparities besetting other large North American city-regions despite its rapid ascendance in stature.

Much of Toronto's success can be attributed to the regulatory and institutional forms in place at the urban scale, although clearly many external and unforeseen forces have helped to make the region 'work'. However, the stable long-term economic growth that Toronto enjoyed for so many years was largely due to the interaction of those external forces with the regulatory and institutional forms — an interaction that created the right conditions for a new and positive balance between production and consumption.

One of the principal and unique institutional innovations was the Municipality of
Metropolitan Toronto, which can be regarded as a key (though hitherto underemphasized) component of the Canadian Fordist regime of accumulation. Metro was the primary institution through which land use planning and urban infrastructure development occurred. It was also most conducive to Fordist production and consumption. Moreover, as an innovator of unique urban-based postwar development policies, Metro was pivotal in administering key elements of the welfare state. At the same time, it was a major beneficiary of federal and provincial programs delivered within the region.

Another key institution in the development of Toronto’s postwar economy was the Auto Pact. Other institutions of federalism also benefited Toronto. These included Canadian state investment in programs to support an increasingly pluralistic, multicultural and multiracial society which contributed to a social fabric characterized by tolerance and diversity. However, the flow of benefits was not uni-directional. Not only did the region benefit from national welfare spending and federalism, but Toronto, as a local state, was also an important contributor to the nation’s economic and social viability, through interprovincial equalization payments and the resulting interregional income redistribution. There was a spatial compromise, then, between Toronto and the needs of the whole nation.

In contrast to the institutional stability of the period, the economic profile within the region was more dynamic. For example, the impact of the relocation of the manufacturing sector to the urban fringe was offset to some extent by Metro’s contribution to the social wage. However, near the end of the 1980s, local governments were unable and the provincial
government was unwilling to address the full consequences of this spatially dynamic period. In fact, the Province made decisions which actually fed into the looming regulatory crisis by contributing to the municipal fragmentation of economic development and ignoring the servicing and planning needs of the region as a whole.

By the mid-1970s, major weaknesses were starting to emerge in the world economy, which were also being felt in Canada. However, Toronto was able to sustain relative stability during this period, primarily because of its economic diversity, both manufacturing and service, and because of the richness of its institutions operating at the city-region scale. By 1989 the cracks that had begun to show over a decade earlier were opening up and undermining the foundations of Toronto’s earlier success. The downturn was more than cyclical. Rather it was a fully manifest structural crisis. The converging of external forces (such as national fiscal, monetary and trade policy; globalization and progressive continental integration) occurred in such a way as to fuel Toronto’s economic volatility and to increase its vulnerability to external forces.

The effect that these external forces had on the politics and institutions of Canadian federalism also were manifested in the governance of the Toronto region. Some were starting to question the role which the state should play in managing the economy. In particular, there was widespread belief that globalization was placing more limits and constraints on national governments while simultaneously rendering the policy tools of the Province and local governments (such as education and health care) more important. This belief gave rise to a
prevailing wisdom across the political spectrum that decentralization of responsibilities within the Canadian federal system was the most appropriate response to global forces.

One implication of decentralization in a federal system with a highly complex and advanced system of intergovernmental transfers, was the tendency for more senior levels of government to off-load fiscal problems onto other levels of government and other transfer agencies such as hospitals and school boards. Almost overnight, local governments and institutions experienced a change in the traditional rules of postwar governance. Notwithstanding these changes, they still did not have the necessary policy, financial or monitoring tools to deal with the increased burdens they increasingly faced. Toronto faced the added challenge of accommodating tremendous social diversity in an era of fiscal restraint. It also had to continue to govern the city-region under the new pressures imposed by decentralization of service delivery systems, the downloading of (some) financial and social responsibilities, and also the offloading of responsibilities by the state to the family and community.

During the initial stages of the recession, Toronto was able to manage to some extent the increased burdens placed upon it. However, because no new initiatives from the Province or the federal government, or even from non-state actors, were forthcoming, its capacity to carry the burden of its victims of economic restructuring eventually collapsed. This in turn heightened local concerns about the extent to which the local state could manage the economy and affairs of Toronto society. Toronto’s permeability had become more transparent with the fundamental
alteration of the economy and the crisis in those very institutions that had previously regulated it. Toronto’s response was to assume a character not unlike other regions in Canada, with its export-led growth no longer being closely linked to, corresponding consumption, and the move to a more cyclical and less stable economy. It was also beginning to make the same types of demands within Canadian federalism that had hitherto been associated with have-not provinces.

By the mid-1990s, the region had encountered a critical point in its history. Either it was going to follow the slippery slope of development that had plagued so many American cities, or it was going to reinvent itself to address the constellation of economic, social and political challenges facing the region. One of the comprehensive exercises in the re-examination of governance at the city-region scale was the Golden Task Force. That Task Force produced a series of recommendations which its members believed would have moved the region closer to resolving some of the economic challenges facing the region, most notably uncoordinated and fragmented economic growth and planning, and the unevenness in the delivery of local public goods. If implemented, the Task Force’s recommendations would not necessarily have resolved all the region’s problems because of the interspatial dimension of regulation and the need for a co-ordinated, multi-scale solution. No one expected all of the Task Force’s recommendations to be implemented, largely because many of the recommendations (such as those respecting regional governance) were not fully developed. The Task Force itself envisioned a lively debate and fine-tuning of many of its policy proposals involving various levels of government and citizens. What was not expected, however, was that the Government would so quickly follow up with its own plan for the region which seemed to ignore many of the ideas of the Task Force and
flew in the face of much of the prevailing wisdom on governance of city-regions.

How we got from the recommendations of the Task Force to the policy set implemented by the Harris Government was far from predictable. There is no question that broader economic and political forces (such as dominant fiscal orthodoxy, and neo-liberal ideology) played a role in the transformation. At the same time, not only did specific issues that had been festering for years (such as the inequitable property tax system throughout the region, the need for municipal-provincial re-organization, and ailing GTA-wide governance) also influence the Government’s response, but so did the fact of the Harris Government’s conspicuous support base in rural and suburban Toronto, and the drive on the part of the Government to implement a thirty percent cut in income taxes as part of a particular political response to declining real wages in Ontario. Thus to that extent, the Government’s policy approach was a carefully crafted political response to a perceived crisis, a response, however, which was premised on questionable assumptions. Indeed, the spatial fight between the suburban power base of the Harris government and the recent liberal dominance of the inner city played a significant role in the process, but this dichotomous version of local geopolitics is too simple. Another key condition was the desire on the part of local and provincial policy makers to ensure that the inner suburban fringe would not be “hollowed out” in any new reconfiguration.

None of the policy options on GTA governance presented to the Harris Government (whether presented by the Golden Task Force, The Crombie Who Does What Commission, or the Government’s own Office for the GTA) included amalgamation of Toronto municipalities.
However, the suburban power base of the Harris Government made it too politically risky for it to tinker with governance beyond Metropolitan Toronto’s boundaries, and so notwithstanding the array of options before it, the government only seriously considered two of its own design — elimination of Metro and the amalgamation of the six cities within Metro into one “megacity”.

Although Harris had campaigned in 1995 on a promise to eliminate Metro, it became apparent that to do so would isolate lower-tier municipal structures such as York, East York, and Scarborough without revenue- and cost-sharing advantages of a municipal federation. Those same postwar suburbs that had boomed during the Fordist era were now implicated in its crisis. Eliminating Metro would be too damaging, and so amalgamation was chosen. Ironically, although neo-liberal ideology rather than economic geography originally motivated the Harris Government to reconfigure Toronto, in the end, it was economic geographical considerations that gave the Government its most cogent justification for doing so. Ultimately, however, the Government was unable to fully grapple with economic geography issues across the GTA largely because it had exhausted its political capital in the fight over amalgamation of Toronto. Many of these issues remain unresolved.

At the end of the day, it appears that the approach adopted by the Harris government has underestimated the importance of the institutions and infrastructure operating at the local level to the economic success of the GTA. This list, which includes physical infrastructure (surface transportation and telecommunications), institutions which promote innovative and knowledge-based components (such as the funding of hospitals and educational facilities), social-based institutions (such as labour policies, facilitators of new modes of production), and income
distributive institutions (such as welfare, family benefits, and various other programs), have all faced deep funding cuts at the hands of the Government. The justification for these cuts has been the supposed need to compete in the global economy by cutting tax rates. Unfortunately, there appears to be little understanding of the nature of the competition in which the region is engaged. The underlying assumption of the Harris Government's policy set is that the Toronto region's economic competitiveness is based on low taxes, low wages and low cost production. However, if (as the evidence seems to suggest) city regions like Toronto are the sites of dynamic economic growth based on high-skilled workers and high value products and services, then it seems strange that the government has pursued policies of cutting or elimination rather than investing in education, training, industrial policy and labour-relations. For a region that has enjoyed broad recognition for its institutions and their innovation in shaping the region's economic destiny, the Government's policy approach would appear to undermine the very foundations upon which the region's past successes have stood.

What does the Toronto story tell us about economic change and the governance of city-regions in general? First, it tells us that regions matter in that it is at this level that institutions — formal and informal, public and private — come together to form the foundations of an innovative and dynamic growth centre. We are not only interested in how institutions sustain local economies but also how local economies sustain institutions at various levels including that of the nation state. The Toronto example provides us with evidence of how a regional economy has played an important role in sustaining the national system. The Toronto example also highlights the importance that institutions can have in shaping a region's future. At the same
time, it points to the need to reinvent institutions in times of economic transformation, because institutional structures must evolve to meet the exigencies of the accumulation system.

Second, my approach of applying a regulation and urban regime theoretical analysis to the Toronto region is consistent with the view that, although macroeconomic forces clearly pose constraints on the range of options open to city-regions, their precise responses are still the product of social struggle, conflict and negotiation, coalition building and visioning involving a wide variety of stakeholders across the whole region. The Toronto example exposes the limitations of applying either a purely structuralist or agency-centered approach to the study of city-region governance and underlines the need for a more synthetic approach to urban regions.

Third, my argument that the nation state and federal-provincial politics still play a significant role in shaping city-region governance has enabled me to escape the tired analysis of global-local dichotomy in describing local change. This latter framework, which has dominated academic and public discourse on changes in city-region governance for several years, is too simple and needs to be supplemented by a richer variety of spatial scales.

Fourth, I have shown through my analysis of recent GTA economic policy options, that pinning a city-region's economic development policy set on a notion of global economic determinism without considering the socio-spatial dialectic within the region itself is an exercise in folly because it ignores social and historical forces that exist within the region. The various closed exercises in city-region governance reform in Toronto over the last four years (such as the
Golden Task Force, the Crombie Commission and the Province's own attempts), to the extent that they failed to engage in processes of coalition building and visioning across the city-region, were ultimately unsuccessful in formulating an implementable policy basis. Policymakers and political strategists may have bought into the notion that local politicians and citizens would rally around a common vision of a "city-region all in it together", ready to confront a perceived threat of global competition. However, local politicians and citizens still see their region as a unique place rather than a significant actor on a world stage.

Coordination and redistribution of income and services have long been treacherous political waters for levels of government from the local to the national. Indeed, the extensive, varied, and effective institutions that in the past existed or operated at the local level are responses to the political exigencies of particular spatial and economic circumstances. With globalization, these waters have become even more treacherous because of the greater focus on fiscal restraint and the resulting focus on each spatial unit's (city, region, province, nation) own immediate needs. The tensions that emerged in the early 1990s at the federal-provincial level, (which Cameron and Simeon (1997) suggested are the product of a "balance sheet" approach to federalism) are emerging at the local and regional level in southern Ontario. There is now greater reluctance to redistribute area municipal tax revenues around the GTA. It is not surprising that the politics of redistribution dominated the debate surrounding GTA governance and continues to do so as the Province continues to download responsibility onto municipalities. It is also not surprising, therefore, that none of the policy options put forth adequately addressed this contentious area for the region as a whole. The Greater Toronto Services Board now being
created by the Province is at best a coordinating body for services and performs no real redistributive function. Intra-regional tension is destined to persist unless or until the issues of redistribution are more adequately resolved.

Another product (unintended to be sure) of the amalgamation of Toronto is the heightened tension not only between Toronto and rest of the GTA but between Toronto and the Province. It was undoubtedly predicted that the creation of a new municipality of nearly a quarter of the population of the province would cause a significant imbalance in the intra-provincial power dynamics. What was less obvious, however, was that a unified Toronto might slip from under the thumb of a heavy-handed Provincial government and tip the scales of power in its favour. Toronto is the site of much of the Province’s print and electronic media. Not only does it represent a significant market share for media, it is also produces interesting subject matter, with the effect that Toronto garners the type of media attention that is difficult for the Province to ignore. Mayor Mel Lastman, the flamboyant and outspoken mayor, has also been using his clout to Toronto’s advantage. He successfully lobbied the Province to roll back a provincial business education tax that unfairly penalized Toronto businesses, and received a loan and grant from the province to assist the municipality with its first year budget. Although it is yet to be seen, it is entirely possible that events will turn the prophesies of the revenge theorists on their heads. Toronto may get its own way after all.

In 1996 Thomas Courchene begged questions about Ontario’s role in Confederation owing to the re-alignment of Canada’s economy from east-west to north-south. In Chapter 4, I
suggested that similar questions could be posed about Toronto's role in the region and indeed the country as a result of similar economic reorientations. The "city region as global economic actor" view advanced by the Golden Task Force and championed by City of Toronto Mayor Lastman reflects the combination of Toronto's north-south oriented economy and its new political stature. But while there are limits to this view, as I argued in Chapter 4, nevertheless it remains to be seen over the next decade the extent to which Toronto's economy continues to reorient itself towards the United States (or other globally significant economies) and away from the Ontario hinterland.

My primary objective in this work was to shed light on why the Toronto city region recently underwent a major revision of its structure, functions and jurisdictional boundaries. In so doing, I drew upon the foundations of regulation theory, urban regime theory and an analysis of Canada's changing fiscal federalism, all from an historical perspective (even though events continue to unfold). By merging different literatures (e.g., Tickell and Peck, 1992; Goodwin and Painter, 1997; Jenson, 1989; Simeon and Cameron, 1997; Lauria, 1997) I was able to escape the tired analysis of global-local dichotomy in describing local change. Rather, I have brought into my analysis a richer variety of spatial scales and argued that the nation state and federal-provincial politics still play a significant role in shaping city-region dynamics.

My choice of Toronto as a case study had the dual advantage of capturing the reconfiguration of a major urban region as it happens, while at the same time allowing me to draw upon my background in Canadian history and my own involvement in the policy-making of the
Golden Task Force. In the process, I applied a critical political economic perspective which also provides a framework for assessing more effectively many of the current writings on the subject. I re-discovered an historically significant role for the Toronto Area Industrial Development Board through archival research, and through my ‘Freedom of Information’ application I made documents available to subsequent researchers.

It is premature to explore at this time many of the more recent issues raised in the preceding paragraphs. However, with this study as a foundation, urban scholars will be well positioned to observe events as they unfold and continue to engage the views of significant actors. They will undoubtedly monitor the development of GTA-wide governance over the next decade and the impacts on past and future events on regional dynamics. In particular, they will have a firm basis upon which to test the analogy of Courchene’s north-south national economy at the spatial scale of the Toronto city region with a view to explaining the economic geographical dynamics at play.
### Table 1. Places of Birth of Toronto Immigrants 1996 (Toronto CMA)

<table>
<thead>
<tr>
<th>REGION</th>
<th>TOTAL IMMIGRANTS</th>
<th>RECENT IMMIGRANTS (THOSE WHO ARRIVED AFTER 1990)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Immigrants</td>
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<td>441030</td>
</tr>
<tr>
<td>America</td>
<td>314420</td>
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<td>36370</td>
<td>5860</td>
</tr>
<tr>
<td>Central America</td>
<td>20365</td>
<td>8945</td>
</tr>
<tr>
<td>Caribbean and Guyana</td>
<td>216430</td>
<td>46330</td>
</tr>
<tr>
<td>South America</td>
<td>41255</td>
<td>11275</td>
</tr>
<tr>
<td>Europe</td>
<td>719005</td>
<td>73470</td>
</tr>
<tr>
<td>Western Europe</td>
<td>63160</td>
<td>2935</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>158000</td>
<td>40305</td>
</tr>
<tr>
<td>Northern Europe</td>
<td>176755</td>
<td>7605</td>
</tr>
<tr>
<td>Southern Europe</td>
<td>321090</td>
<td>22625</td>
</tr>
<tr>
<td>Africa</td>
<td>85470</td>
<td>30270</td>
</tr>
<tr>
<td>West Africa</td>
<td>12060</td>
<td>6765</td>
</tr>
<tr>
<td>East Africa</td>
<td>44625</td>
<td>15365</td>
</tr>
<tr>
<td>North Africa</td>
<td>15210</td>
<td>5510</td>
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<tr>
<td>Central Africa</td>
<td>1485</td>
<td>605</td>
</tr>
<tr>
<td>Southern Africa</td>
<td>12085</td>
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<tr>
<td>Asia</td>
<td>647165</td>
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<tr>
<td>West Central Asia</td>
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<td>16550</td>
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<tr>
<td>Middle East</td>
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<td>14615</td>
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<tr>
<td>East Asia</td>
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<td>98295</td>
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<tr>
<td>Southeast Asia</td>
<td>152635</td>
<td>49750</td>
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<tr>
<td>South Asia</td>
<td>181275</td>
<td>83565</td>
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<tr>
<td>Oceania</td>
<td>6030</td>
<td>1440</td>
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</table>

Source: Toronto, City Planning Research (1998)
Table 2. Development of public-sector planning activities in the Metropolitan Toronto Planning Area, 1953 and 1957

<table>
<thead>
<tr>
<th></th>
<th>1953</th>
<th>1957</th>
<th>1953</th>
<th>1957</th>
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<tbody>
<tr>
<td></td>
<td>Met. Area^a</td>
<td>Fringe Area^f</td>
<td>Met. Area</td>
<td>Fringe Area</td>
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<tr>
<td>No. of local Official Plans</td>
<td>3^a</td>
<td>4</td>
<td>5^a</td>
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<tr>
<td>(year end)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of local planning boards</td>
<td>6</td>
<td>8^b</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of local planning boards</td>
<td>4</td>
<td>1^b</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>with permanent staffs</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total Planning Board budgets</td>
<td>$116,400^d</td>
<td>$30,800</td>
<td>$745,700^d</td>
<td>$80,300</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total Planning Board staff</td>
<td>29</td>
<td>3</td>
<td>111</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total population</td>
<td>1,173,000</td>
<td>91000</td>
<td>1390000</td>
<td>130000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Per capita Planning Board</td>
<td>0.10^g</td>
<td>0.34^g</td>
<td>0.54^g</td>
<td>0.62^g</td>
</tr>
<tr>
<td>expenditures</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>


^a Plus partial Official Plan in East York (240 acres).
^b Plus Malton Planning Board (merged to Toronto Township Planning Board in 1957).
^c Does not include expenditures on zoning administration in Toronto and Toronto Township.
^d Does include Metropolitan Toronto Planning Board.
^e "Metropolitan Area" refers to the Municipality of Metropolitan Toronto encompassing the City and 12 suburban municipalities.
^f The "Fringe Area" consists of 480 square miles governed by 13 additional municipalities within the Metropolitan Toronto Planning Area but outside the political boundaries of the Municipality of Metro Toronto.
Table 3. Comparative Economic Statistics\textsuperscript{a} - Metro Toronto\textsuperscript{b}, Ontario and Canada

<table>
<thead>
<tr>
<th></th>
<th></th>
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<tbody>
<tr>
<td>Personal Disposable Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toronto</td>
<td>$6.7</td>
<td>$7.6</td>
<td>$9.0</td>
<td>-</td>
<td>$10.9</td>
<td>$12.6</td>
<td>13.5%</td>
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<tr>
<td>Ontario</td>
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<td>21.6</td>
<td>24.2</td>
<td>$26.9</td>
<td>29.9</td>
<td>35.3</td>
<td>11.3</td>
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<td>50.9</td>
<td>53.6</td>
<td>59.4</td>
<td>66.3</td>
<td>74.2</td>
<td>88.1</td>
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<td>Personal Disposable Income per capita ($)</td>
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<td>Toronto</td>
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<td>3e+11</td>
<td>3.4e+11</td>
<td>-3e+07</td>
<td>4.0e+11</td>
<td>4.64e+11</td>
<td>10.1</td>
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<tr>
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<td>3.4e+11</td>
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<tr>
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<td>Gross Provincial Product of Ontario</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>at 1974 prices</td>
<td>32.5</td>
<td>35.0</td>
<td>37.8</td>
<td>41.9</td>
<td>48.8</td>
<td>57.3</td>
<td>12.0</td>
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<tr>
<td>at constant (1961) prices</td>
<td>25.4</td>
<td>26.2</td>
<td>27.7</td>
<td>29.1</td>
<td>31.2</td>
<td>32.6</td>
<td>5.1</td>
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<tr>
<td>Gross National Product of Canada</td>
<td></td>
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<td>Value of Retail Trade</td>
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<td>3.7</td>
<td>4.0</td>
<td>4.4</td>
<td>5.5</td>
<td>5.5</td>
<td>5.8</td>
<td>9.4</td>
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<td>Ontario</td>
<td>10.6</td>
<td>10.9</td>
<td>11.9</td>
<td>13.0</td>
<td>14.5</td>
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<td>9.1</td>
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<td>Retail Sales per Capita ($)</td>
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<tr>
<td>Toronto</td>
<td>1.6e+11</td>
<td>2e+11</td>
<td>1.7e+11</td>
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<td>1.7e+11</td>
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<td>2.0e+11</td>
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<td>6.16</td>
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<tr>
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<td>2e+11</td>
<td>1.7e+11</td>
<td>2.1e+11</td>
<td>2.0e+11</td>
<td>2.13e+11</td>
<td>6.16</td>
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<td>Value of Factory Shipments</td>
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<tr>
<td>Toronto</td>
<td>8.5</td>
<td>8.6</td>
<td>9.8</td>
<td>10.3</td>
<td>10.9</td>
<td>11.6</td>
<td>6.4</td>
</tr>
<tr>
<td>Ontario</td>
<td>23.8</td>
<td>24.0</td>
<td>26.3</td>
<td>29.0</td>
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<td>46.4</td>
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<td>55.3</td>
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<td>Manufacturing Value Added</td>
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</tr>
<tr>
<td>Toronto</td>
<td>4.2</td>
<td>4.3</td>
<td>4.9</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>Ontario</td>
<td>11.5</td>
<td>11.5</td>
<td>11.6</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Canada</td>
<td>20.5</td>
<td>20.4</td>
<td>23.2</td>
<td>-</td>
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<tr>
<td>Value of Cheques Cashed in Clearing Centres</td>
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<tr>
<td>Toronto</td>
<td>284.0</td>
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</table>

\textsuperscript{a} Figures are in billions of dollars unless otherwise indicated.
\textsuperscript{b} Census Metropolitan Area (CMA). The Municipality of Metropolitan Toronto represented 78.3% of the CMA in 1974.
Table 4. Comparison of unemployment rates among Toronto, Ontario and Canada 1968-1975

<table>
<thead>
<tr>
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<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Toronto</td>
<td>3.0%</td>
<td>2.5%</td>
<td>3.9%</td>
<td>5.1%</td>
<td>4.6%</td>
<td>3.9%</td>
<td>5.4%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Ontario</td>
<td>3.0%</td>
<td>3.1%</td>
<td>4.3%</td>
<td>5.2%</td>
<td>4.8%</td>
<td>4.0%</td>
<td>4.1%</td>
<td>6.2%</td>
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<tr>
<td>Canada</td>
<td>4.8%</td>
<td>4.7%</td>
<td>5.9%</td>
<td>6.4%</td>
<td>6.3%</td>
<td>5.6%</td>
<td>5.4%</td>
<td>7.3%</td>
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</table>

Source: Wood Gundy et al., (1975)
* Seasonally adjusted Monthly Average.
<table>
<thead>
<tr>
<th>The Eras</th>
<th>Features of the Economy</th>
<th>Major Elements of the Mode of Regulation Operating at the City-Region Scale</th>
<th>Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945-1964:</td>
<td>• Conversion of war industries</td>
<td>Production</td>
<td>Consumption</td>
</tr>
<tr>
<td>Planning</td>
<td>• Import substitution branch plant manufacturing</td>
<td>• Local state provides infrastructure for capital</td>
<td>• Private collective bargaining</td>
</tr>
<tr>
<td>Fordism</td>
<td>• Aerospace, telecommunication and auto seeds planted</td>
<td>• Local state provides industrial land use planning, zoning advice, and regional economic coordination</td>
<td>• States at all levels facilitate development of low-density, spread-out homes conducive to Fordist-type consumption</td>
</tr>
<tr>
<td></td>
<td>• Spatial shifts to suburbs</td>
<td></td>
<td>• State spending at all levels increases in areas of social policy</td>
</tr>
<tr>
<td>1965-1975:</td>
<td>• Growth of auto sector</td>
<td>• Canada-US Auto Pact (1965) guarantees auto production in region</td>
<td>• Local state moves to equalize regional opportunities</td>
</tr>
<tr>
<td>Full-swing</td>
<td>• Migration of HQ and financial services from Montreal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fordism</td>
<td>• Growth of traded business services, communications,</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>financial services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1975-1988:</td>
<td>• Highly variable growth rates</td>
<td>• States at all levels ignore planning and servicing needs of region</td>
<td>• Local state increases both spending and borrowing</td>
</tr>
<tr>
<td>Unravel</td>
<td>• Branch plants decline</td>
<td>• Local state withdraws from regional economic coordination function</td>
<td>• Local state left having to fill spending “vacuum” left by federal cutbacks to welfare state</td>
</tr>
<tr>
<td>Fordism</td>
<td>• Auto, business and financial service exports grow</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Manufacturing relocates to urban fringe</td>
<td></td>
<td></td>
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</table>
### Table 6: Changes in responsibilities between provincial and municipal governments

<table>
<thead>
<tr>
<th>Responsibility</th>
<th>Pre-Mega Week Provincial/Municipal</th>
<th>Final Arrangement Provincial/Municipal</th>
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<tr>
<td>General Welfare Assistance:</td>
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<td></td>
</tr>
<tr>
<td>Benefits</td>
<td>80/20</td>
<td>80/20</td>
</tr>
<tr>
<td>Administration</td>
<td>50/50</td>
<td>50/50</td>
</tr>
<tr>
<td>Family Benefits Assistance:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits</td>
<td>[provincial]</td>
<td>80/20</td>
</tr>
<tr>
<td>Administration</td>
<td>[provincial]</td>
<td>50/50</td>
</tr>
<tr>
<td>Child Care Services</td>
<td>80/20</td>
<td>80/20</td>
</tr>
<tr>
<td>Long Term Care</td>
<td>[provincial]</td>
<td>[provincial]</td>
</tr>
<tr>
<td>Hostels</td>
<td>80/20</td>
<td>80/20</td>
</tr>
<tr>
<td>Homes for Special Care</td>
<td>[provincial]</td>
<td>[provincial]</td>
</tr>
<tr>
<td>Women’s Shelters</td>
<td>95/5</td>
<td>[provincial]</td>
</tr>
<tr>
<td>Social Housing</td>
<td>[provincial/municipal]</td>
<td>[municipal]</td>
</tr>
<tr>
<td>Child Welfare</td>
<td>80/20</td>
<td>[provincial]</td>
</tr>
<tr>
<td>Municipal Transit</td>
<td>33/67</td>
<td>[municipal]</td>
</tr>
<tr>
<td>GO Transit</td>
<td>[provincial]</td>
<td>[municipal]</td>
</tr>
<tr>
<td>Ferries</td>
<td>[provincial]</td>
<td>[municipal]</td>
</tr>
<tr>
<td>Airports</td>
<td>40/60</td>
<td>[municipal]</td>
</tr>
<tr>
<td>Sewer and water</td>
<td>10/90</td>
<td>[municipal]</td>
</tr>
<tr>
<td>Policing</td>
<td>10/90</td>
<td>[municipal]</td>
</tr>
<tr>
<td>Farm Tax Rebate</td>
<td>[provincial]</td>
<td>[municipal]</td>
</tr>
<tr>
<td>Property Assessment</td>
<td>[provincial]</td>
<td>[municipal]</td>
</tr>
<tr>
<td>Libraries</td>
<td>5/95</td>
<td>[municipal]</td>
</tr>
<tr>
<td>Public Health</td>
<td>70/30</td>
<td>[municipal]</td>
</tr>
<tr>
<td>Ambulances</td>
<td>90/10</td>
<td>[provincial]</td>
</tr>
<tr>
<td>Roads*</td>
<td>[provincial/municipal]</td>
<td>more municipal</td>
</tr>
<tr>
<td>Gross Receipts Tax</td>
<td>[municipal]</td>
<td>[provincial]</td>
</tr>
<tr>
<td>Provincial Offences</td>
<td>[provincial]</td>
<td>[municipal]</td>
</tr>
<tr>
<td>Residential Education Taxes</td>
<td>school boards</td>
<td>50% provincial for education; 50% municipal</td>
</tr>
</tbody>
</table>

* Provincial roads grants to municipalities were cut back in 1996; maintenance of some provincial highways is also being transferred to municipalities. Source: Slack (1997).
Table 7. Interpretations of recent governance events in Toronto

<table>
<thead>
<tr>
<th>ASPECTS OF GTA GOVERNANCE</th>
<th>THE INTERPRETATION</th>
<th>AUTHOR(S)</th>
</tr>
</thead>
</table>
| GTA-Wide Government       | • GTA events that have transpired over the past few years are to some extent predictable because of similar experiences in the US.  
• Local municipal politicians reached a zenith of inflexibility and were not prepared to compromise. | Sancton (1996); Golden (1998); Ibbitson (1997) |
| Amalgamation of Toronto   | • Harris government driven to amalgamation to destroy liberal dominance of inner city.  
• A class analysis suggests the hegemony of the suburban middle-class over the total urban process as driving amalgamation.  
• Another class analysis suggests that the clash between the inner city 'new class' and those groups who had suffered the greatest impact in regards to declining real wages during the last decade shaped the outcome.  
• Global economic forces drove policy in the Toronto region, but a particular local urban regime made the outcome less predictable.  
• The spatial fight between the suburban power base of the Harris government and the recent liberal dominance of the inner city cannot be ignored. The desire on the part of local and provincial policy makers to ensure that the inner suburban fringe would not be “hollowed out” in any new re-configuration is also important. The evolving economic geography of the region is essential in shaping city-region governance. | Golden (1998); Ibbitson (1997); Keil (1998) |
| Property Tax Reform       | • Local fiscal policy more a product of history and geography than macroeconomic forces or neo-liberal ideology. | Donald (1998) |
| Municipal-Provincial Re-organization | • The particular political response of the Harris government to declining real wages in Ontario profoundly affected the provincial/municipal re-organization. This re-organization story must also be understood within the broader context of state restructuring and the politics of federalism. | Donald (1998) |
New Industries Prosper

The following comparison of the total investment in the year in which each company was started, with the total investment for plant and equipment in the latest year of operations, shows the outstanding progress and expansion made by these new industries. It indicates that the Toronto area has been most satisfactory for their continued growth; that the area itself has greatly benefited by reason of their development and that the full value of a new industry cannot be assessed until years after the initial operations are established.

<table>
<thead>
<tr>
<th>Initial Year</th>
<th>Year</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1932</td>
<td>1953</td>
<td></td>
</tr>
<tr>
<td>Capital invested in plant and equipment</td>
<td>$87,576,000</td>
<td>$219,807,900</td>
</tr>
<tr>
<td>Employment—number of employees</td>
<td>14,724</td>
<td>35,610</td>
</tr>
<tr>
<td>Floor space occupied—square feet</td>
<td>6,996,750</td>
<td>13,396,740</td>
</tr>
</tbody>
</table>

These outstanding examples of the expanding long-term results are given herewith.

**E. S. & A. Robinson (Canada) Limited**

<table>
<thead>
<tr>
<th>Initiated</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>1932</td>
<td>1953</td>
</tr>
<tr>
<td>Floor Area—square feet</td>
<td>44,000</td>
</tr>
<tr>
<td>Employees</td>
<td>50</td>
</tr>
</tbody>
</table>

**The Perfect Circle Company Limited**

<table>
<thead>
<tr>
<th>Initiated</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>1932</td>
<td>1953</td>
</tr>
<tr>
<td>Floor Area—square feet</td>
<td>5,000</td>
</tr>
<tr>
<td>Employees</td>
<td>12</td>
</tr>
</tbody>
</table>
Figure 2: Toronto's strategic location (1957)

Toronto's Strategic Location

Concentration of Buying Power

Within a radius of 100 miles of Toronto is concentrated the "Middle Third" of the entire buying power of the Canadian Market.

Municipality of Metropolitan Toronto Archives (1957)
Electric power in Ontario is very largely produced by hydro-electric developments. The Hydro-Electric Power Commission of Ontario—a publicly-owned and province-wide enterprise—supplies power in wholesale quantities at cost to the local municipal systems, who in turn distribute this low-cost power to their own customers.

Some of Ontario Hydro's power sources that serve the Toronto Area are illustrated on the above map. An interlocking grid in the Southern Ontario System provides protection which minimizes the possibility of power interruptions. In the last ten-year period, the capacity increase for this Southern Ontario grid is well over 90%.

An important heavily industrialized area, known as Ontario Hydro's Toronto Region, consumes about one quarter of the power supplied to the Southern Ontario System.

The cost of electric power in the municipalities of the Toronto district is substantially below the average for the continent.
Figure 4: Population growth in the Toronto region, 1945-1953
Figure 5: The Toronto economic district (1957)

The "TORONTO DISTRICT" served by the Toronto Industrial Commission extends for a 30-mile radius (1,500 square miles)

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Population</th>
<th>Municipality</th>
<th>Population</th>
<th>Municipality</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ajax</td>
<td>5,124</td>
<td>Markham</td>
<td>1,913</td>
<td>Streetsville</td>
<td>1,409</td>
</tr>
<tr>
<td>Aurora</td>
<td>3,543</td>
<td>*Mimico</td>
<td>12,301</td>
<td>*Swansea</td>
<td>8,344</td>
</tr>
<tr>
<td>Bolton</td>
<td>965</td>
<td>*New Toronto</td>
<td>9,744</td>
<td>*Toronto</td>
<td>665,502</td>
</tr>
<tr>
<td>Brampton</td>
<td>10,366</td>
<td>*North York Tp.</td>
<td>110,311</td>
<td>*Toronto</td>
<td>35,199</td>
</tr>
<tr>
<td>*East York Tp.</td>
<td>65,736</td>
<td>Oakville</td>
<td>8,122</td>
<td>Trafalgar Tp.</td>
<td>8,746</td>
</tr>
<tr>
<td>*Etobicoke Tp.</td>
<td>70,209</td>
<td>Pickering Tp.</td>
<td>11,045</td>
<td>Vaughan Tp.</td>
<td>11,636</td>
</tr>
<tr>
<td>*Forest Hill</td>
<td>17,719</td>
<td>Port Credit</td>
<td>4,556</td>
<td>*Weston</td>
<td>8,374</td>
</tr>
<tr>
<td>*Leaside</td>
<td>15,910</td>
<td>Richmond Hill</td>
<td>3,310</td>
<td>Whitby</td>
<td>5,231</td>
</tr>
<tr>
<td>*Long Branch</td>
<td>9,140</td>
<td>*Scarborough Tp.</td>
<td>78,803</td>
<td>Woodbridge</td>
<td>1,909</td>
</tr>
<tr>
<td>Markham Tp.</td>
<td>11,406</td>
<td>Stouffville</td>
<td>1,893</td>
<td>*York Tp.</td>
<td>100,463</td>
</tr>
</tbody>
</table>

These municipalities represent a total population of 1,299,929

NOTE—Tp. stands for township.
* municipality included in Metropolitan Toronto.

Municipality of Metropolitan Toronto Archives (1957)
Figure 6  Ontario's real GDP growth, 1961-1987

Ontario Real GDP Growth
(Average annual rate)

1983-87

1980-82

1976-79

1974-75

1961-73

Years

per cent

Ministry of Treasury and Economics (1988)
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APPENDIX

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