

Title: Firms, Governance and Development in the New Economy: Examining the Alternatives for Marginalized Communities

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Abstract

The “New Economy” is a global, knowledge-based economy that is oriented toward the accumulation of knowledge and higher levels of complexity in information processing. In this new economy, global corporations are being touted as the primary “agents of development.” Critics like Castells, however, argue that the operations of global corporations in new economy do not so much contribute to development as threaten to further exacerbate the condition of vulnerable and marginalized groups by producing a new kind of social exclusion (structural irrelevance), which deems certain areas (sub-regions of countries, countries and larger international regions like sub-Saharan Africa) not to be economically viable entities in the global economy. This paper examines: 1) why it is that traditional corporations are unlikely to serve as “agents of development,” that is, why they are unlikely to incorporate marginalized groups (especially non-metropolitan regions) into the new economy and; 2) a possible alternative model for promoting development among such communities.

A key assumption of this investigation is that most efforts (by governments and international financial bodies) currently being undertaken to address this problem of exclusion rely upon a conception of knowledge, which views knowledge primarily in terms of technical expertise. Another basic presupposition of these efforts is that if individuals acquire such knowledge through training programs, then they can be readily incorporated into the new economy through the labour market. The first part of this paper will argue that there are fundamental problems with these assumptions. First, there is a failure to understand the complexity of how technical knowledge is appropriated, including the important social dimensions of knowledge acquisition. Second, the assumptions about labour markets (viz., that technically qualified people will be readily absorbed) do not hold, especially in key areas (viz., non-metropolitan regions) where the need for development is most urgent. If technically trained people in such regions are to be absorbed, they typically have to migrate to urban centers, a process (brain drain) which tends to further diminish the development prospects of local communities. Third, there is little or no acknowledgement of the potential importance of local, non-technical knowledge in contributing to economic development, either in the appropriation and application of technical knowledge or more directly in the development of economic enterprises and products.

The second part of this paper goes on to argue that economic development efforts (in non-metropolitan regions) would be better served by the promotion of alternative forms of corporations (community economic development corporations, co-operatives) with alternative, participatory models of governance. More participatory governance structures, it is argued, not only better facilitate the effective appropriation of technical knowledge by marginalized groups, but also encourage social entrepreneurship and the application of both technical knowledge and the knowledge of local conditions (the latter potentially providing local communities with important competitive advantages). Such social entrepreneurship is the key to reviving non-

metropolitan economies under the current circumstances of the New Economy. This argument will be illustrated with examples from different geographic regions and sectors.