K. Harrison, “Provincial Interdependence: Concept and Theories,” in Harrison, ed., *Racing to the Bottom? Provincial Interdependence in the Canadian Federation* (Vancouver UBC Press, 2006)

**Overview**

Chapter taps into questions of competitive federalism. Book as a whole asks the question: do Cdn provinces engage in the proverbial race to the bottom and, if so, with what consequences? Harrison suggests that empirical studies re: the race to the bottom have been in short supply – and though the “devolution revolution” under Reagan kick-started academic analysis on inter-state competition in the US, the same has not been true in Canada (though similar devolution has occurred).

**Race to the Bottom:** image in which jurisdictions compete for foot-loose capital by reducing taxes and environmental and labour standards. Most common variation of the “beggar-thy-neighbour” is:

* Jurisdictions competition to attract or retain footloose capital prompts downward spiral in policies that would impose a cost on these actors (such that all jurisdictions end up adopting lower corporate taxes, less progressive income structure, weaker environmental/labour standards, lower minimum wages, etc)

**Competing models of Intergovernmental Competition:**

* Two camps:
  + Those who see inter-jurisdictional competition for mobile actors as a destructive of inefficient force that reduces citizens’ welfare
  + Those who view such competition as a desirable force that enhances democratic accountability and economic efficiency
* Not all inter-jurisdictional competition promises competition downwards though – flip side is race-to-top with corporate subsidies or other incentives for business (interprovincial bidding wars)
* Several propositions suggested by theories of destructive interprovincial competition:

1. Provinces can be vulnerable to interstate competition only to the extent that they have meaningful autonomy in a given policy field
2. Credibility of threat that an actor will relocate in response to provincial policy differences will depend on both the costs and the benefits of relocation to that actor
3. Prospects of R-t-B also turn on the impact of any actor’s leaving or arriving in a particular jurisdiction (big firms matter more than small companies)

* In the real world of Cdn fed-ism, some provinces will be more vulnerable to R-t-B pressures than others

**Book as a whole**

* Focuses on: whether jurisdictions engage in policy competition, of what sort, and with what consequences
* Prospect of R-t-B typically elicits calls for harmonization of standards, whether through interprovincial cooperation or through intervention by the federal govt – though this would dampen opportunities for emulation.