

New experiences of industrial districts in Southern Italian regions: a critical review

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Abstract

Recent studies have provided evidence of successful stories of clustered firms in the South of Italy. We intend firstly to review the theoretical approaches that interpreted this new reality. While producing interest cases studies traditional approaches still try to employ the industrial district ideal type model. We look at their findings, in the light of the most recent debate on knowledge diffusion, to evaluate their contribution to the general debate on industrial districts dynamism. In such a way we will present a clear overview of the different approaches and the different cases emerging in backwards regions.

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1- Introduction

During the last twenty years the debate on ‘Mezzogiorno’¹ development has increasingly crossed ‘local system’ issues.² The reason behind such intersection goes back to the increasing dissatisfaction, among scholars, policy makers, and civil society with the industrialisation policies adopted in Southern Italian regions since the fifties. It is worth mentioning that, since the Italian unification at the end of nineteenth century, the integration process of southern regions became a major political and then economic issue for Italian development³. Such North-South dualism has been tackled with a strong public intervention, consisting both in subsidising northern large firms to relocate southward and in developing State sector industries. However, such industrialisation process has been primarily blame for failing to stimulate any endogenous development. In this respect, the economic development experienced by the so called ‘Third Italy’, based on SMESs operating in traditional sectors, has been seen with growing interest as a viable alternative to promote local development in the South.

Some scholars thought to export the marshallian industrial district model to southern regions with the aim to identify those cases consistent with such development formula (Becattini, 1998). More recently, other scholars have tried to find out the rationale behind clusters’ emergence in the South, following the suggestion coming from the new economic geography (Viesti, 2000a). Last but not least, former neommarshallian studies have begun to pay growing attention to learning processes occurring within local systems⁴.

These two last lines of research have proposed interesting perspectives to study local development in the South, nonetheless some open questions are still under discussion:

- Despite former rejection of ideal type models, research continues to search for marshallian districts in the South.
- Since evidence coming from Mezzogiorno’s case studies proved to be quite original, we may suggest that this literature offer significant contributions to the general debate on clustering and on local knowledge diffusion.

1 ‘Mezzogiorno’ literally means ‘noon’. In literature is commonly employed to indicate the South of Italy.

2 For more details on this debate see Becattini, (1998); Falcone (1983); Messori (1989). For a concise review on local system see De Muro (1994).

³ This debate goes under the name of ‘questione meridionale’ (the southern issue). It roughly refers to the economic and cultural gap existing between South and North of Italy.

⁴ These contributions reproduce (Becattini and Rullani, 1993; Rullani, 1994), even with some relevant differences, most of the evolutionary arguments on knowledge diffusion and generation in local innovation systems.

In the first section we will provide a brief overview of the long lasting debate on the industrialisation process in the South of Italy. We then illustrate some figures on industrial districts in the South: a map of regions, products and industries interested by such phenomenon. In the third section, we will discuss the two main theoretical approaches adopted in the literature on Mezzogiorno, namely Viesti's application of NEG's (new economic geography) propositions and the conventional neomarthallian approaches with some more recent interpretation (new industrial geography-NIG). In the last section we will attempt a critical review of these theoretical approaches in the light of the recent debate on clustering and localised knowledge spill-overs (Bell and Albu, 1999; Breschi and Lissoni, 2001; Lazerson and Lorenzoni, 1999).

2. Recent and past debate on 'Mezzogiorno' economic development

The aim of this section is to briefly present the assumption underpinning the debate on industrial district in the South, which informed the political priorities during the post II world war period, and the main criticism to such industrialisation strategy till the emergence of a new development paradigm.

Since the beginning, the North-South dualism, a legacy of the Italian unification process occurred, was interpreted as a problem of modernisation. This meant that any intervention strategy had to deal with both economic and social constraints. Modernisation policies were implemented according to the following rationale: market development would have set the basis for social and economic development⁵. In order to set this process in motion, the State fostered massive investments in dynamic industrial sectors (mainly heavy industries), either subsidising northern firms to move southward or acting through its own companies.

According to social and economic indicators, this development proved successful till the end of the 1960'. Southern regions, even if still far from the North, were constantly reducing the gap, especially in terms of productivity growth (Giannola and Del Monte, 1996: 147). However such development model was highly dependent on external resources, so, at the beginning of the 1970', when economic crises affected Western economies, financial flows toward southern regions drastically shrank. The initial virtuous cycle turned into a mere transfer of resources aimed at preserving income purchasing power and employment levels⁶. In a couple of decades even such policies became financially and politically unsustainable.

⁵ This strategy relied on the assumption that efficient markets mechanisms would have broken traditional personal relationships that prevailed within rural areas (Del Monte and Giannola, 1996).

⁶ Kenesyan polices had perverse effects on the local social structure encouraging the creation of an economy of favours (e.g. Del Monte and Giannola, 1996: 44-50)

The early debate, attempting to draw some conclusion from these policies experiments, addressed two main points:

- Firstly, State intervention financing predominantly capital intensive sectors, penalised labour intensive industries, largely prevailing among local manufacturing firms.
- Secondly, State intervention erroneously promoted sectors that were already in a restructuring stage when industrialisation strategies were implemented. Moreover, these industries had few chances to establish local forward and backward linkages, hence their contribution to local employment and more widely to local economy was inherently limited.

Debate revolved around the State-Market dichotomy, in between those scholars who could not imagine any autonomous industrialisation process without a strong State intervention (Giannola and Del Monte, 1996) and those who argued that such policies, creating a strong bias in factor prices, impeded local entrepreneurial forces to emerge (Pontarollo, 1982). Although these positions were diverging in explaining the unsuccessful performance of the early industrialisation attempts, they basically agreed on the necessity to formulate new strategies consistent with a changed national and international economic scenario. Attention was increasingly paid to the flexible industrialisation model emerged in the North-East and Centre (NEC) regions of Italy. Differently from North-West and South models of development, the NEC was based on Smes operating in light industries, locally embedded and above all characterised by highly specific social conditions (Triglia and Bagnasco, 1985). These experiences turned to be a proper development paradigm, not just for the South of Italy, but for many others backward regions (UNCTAD, 1994).

However some scepticism has been raised concerning the viability to replicate imported models; especially when those assume highly contextualised hypotheses about cultural, political and institutional factors.

A first point emerging from this debate suggests that Mezzogiorno should not be considered as a unitary socio-cultural entity. Recognising that the Southern regions constitute an heterogeneous area has led some scholars to suggest diversified policy interventions. In particular, some of them have argued that public action should first be addressed to those experiences that show higher propensity to enter 'high growth path' (Becattini, 1998).

State intervention supporters made another point. They argue that *'backward regions suffer from missing an entrepreneurial leadership, which dedicates itself to seek for local business opportunities'* (Graziani, 1989b: 918, author translation) and again that any development strategy

could fail since it is inserted on a 'bad social system' (Centorrino, 1990). Cultural issues also received a growing attention, being regarded as a structural constraint for entrepreneurial initiative. On this point, Saraceno argued that 'industrialisation requires, apart from infrastructures and institutions, a cultural change (...)' (1989, quoted in Becattini, 1998: 157, author's translation).

2.1 Clusters in the South of Italy: what, where and when

to be written.....Viesti (2000b) Svimez 2001

3. How theory tried to grasp this new reality

In this section we intend to classify empirical studies on Mezzogiorno industrial districts according to recent theoretical approaches, we will single out the main issues they have put under scrutiny and analyse their explicative power.

Authors will be presented chronologically beginning with those who firstly paid attention and investigated southern industrial districts, to the latest that reinterpreted these approaches adopting a new theoretical framework. We identified two main approaches, which can be roughly associated to the following schools: new economic geography and neomarthallian literature. Even if there is not a perfect match between these authors' views and the correspondent theoretical approach, nevertheless such taxonomy will be helpful to point out their specificities and drawbacks.

3.1 A neomarthallian perspective

Early studies on southern industrial districts were conducted with the major aim of individuating and classifying industrial districts. Authors following this way of reasoning deeply believed that southern regions could replicate those industrialisation processes based on light industries already experienced by other regions in the North and the Centre of the country. They also maintained that the 'local system' approach could provide a good 'tool bag' to interpret the socio-economic phenomena characterising both southern and northern regions.

A 'local system' has been defined as a "local social and spatial entity, bounded in an historically and naturalistically specific geographical area, characterised by a cohesive community of people and industrial enterprises" (Becattini, 1989, quoted in Baculo, 1999). Among southern local systems, which have been identified according to different statistical methodologies⁷, these studies tried to single out those experiences that seemed to resemble the northern industrial district characteristics⁸.

⁷ See ISTAT, (1997) *I sistemi locali del lavoro in Italia*, Roma.

⁸ We refer in particular to the empirical research conducted by Sforzi, (1987).

Most of the analysis is conducted comparing the social and economic structure of such southern experiences with the ideal marshallian district (Becattini, 1989, 1991; Brusco, 1989). Two conditions have received main emphasis: the social structure governing the local systems; the economic specialisation of such area and its geographic concentration.

The former condition concerns with the value system prevailing within a specific community of people, families and firms: in fact an homogeneous system of values is often considered as a precondition for defining an industrial district.

The latter refers to the organisational structure of the local economic system. Local systems appear to be composed of a population of firms characterised by a strong sectoral specialisation: firms within marshallian industrial districts are often highly specialised in a single production stage and belong to the same industrial sector (Becattini, 1991).

According to these criteria, Sforzi concluded that *'none of the Mezzogiorno local systems hold, at the end of 1981, a range of social and productive characteristics, which are assumed as necessary to identify a marshallian industrial district'* (Sforzi, 1991; in Becattini, 1998: 166, author's translation). However, these early studies already showed some local systems resembling the typical structure of a specialised area (Garofoli, 1983), which was considered a preliminary stage in order to become a proper industrial district.

Further studies on local system have been conducted during the 90s, aiming at understanding what happened with those experiences reported in some of these previous fieldwork (Baculo, 1994). In these latter studies attention is paid to successful local systems, those that achieved a high degree of industrialisation or those characterised by extremely high growth. Research objectives escape from searching those conditions confirming the existence of a typical industrial district and focus on the evolution of such local systems. Authors firstly want to *tell* the origins of these successful stories. Such approach permits to recognise those mechanisms and actors that constituted the seeds of local development. Among others, the issues investigated were the following: the role played by the local environment in shaping firms' relationships; how local and central government incentives affected local development; what role the indigenous culture played in prompting entrepreneurial activities; how different forms of collective action took place.

Case studies built around these issues provide a quite heterogeneous picture of southern regions. Contrary to the general belief, Mezzogiorno reality shows that local development has been achieved under different incentives and socio-economic structures. In particular, a relevant finding is that State direct intervention failed to be effective when uniformly distributed among different actors,

that is: when projects were financed without considering local entrepreneurial capacity, growth potential and firms' linkages with the local economic area. Findings show that local communities managed to pull out of local economic atrophy, even when they did not receive external incentives.⁹ A peculiarity of endogenous development processes is that single firms and their entrepreneurs seemed to have been the engine of local systems. Differently from many other district stories, leader firms have spurred local entrepreneurial spirits, for example promoting start ups, or simply showing the 'best practice'.

Above all, it is quite interesting that such literature, contrary to the earliest studies on industrial districts, emphasises the importance of external factors in affecting local development. External sources seem to have played a major role, not only supplying financial resources, but also providing strategic information about product and processes, norms and best practices. These studies, though failing to further scrutinise such sources, make available a great array of cases (see later) where external sources of knowledge contribute to channel and spread relevant information within local systems.

A strong interest is also given to learning processes generated by the interaction between internal and external actors. Again, evidence shows that a range of actors, either public organisations or private firms, may act as channels for gathering key knowledge. Such a shift from industrial district issues towards more evolutionary approaches emerges more clearly in the latest research efforts (Baculo, 1999; Belussi and Bertini, 1998).

It is worth mentioning that some important steps in this direction were already made in previous theoretical contributions by Rullani and Becattini (1993) and Rullani (1994). They interpret the industrial district category as a '*cognitive circuit, through which a local community (...) learns how to use the cognitive division of labour (...)*' and look at development in terms of '*the cognitive processes which generate it, highlighting -through the theory- those processes through which knowledge is accumulated and transmitted*' (Rullani, 2000, author's translation).

More recently two empirical studies on southern districts recover such 'cognitive approach' and produce an analysis explicitly focused on knowledge issues. Baculo, reinterpreting a well-known district (the Murge' district), tries to establish whether "*districts will still have, as a system, a role in*

⁹ It is worth to say that in Italy, also among scholars and politicians, Southern regions are typified as a rent seeking society, where ordinary people and entrepreneurs act only when external aid is offered.

enabling knowledge diffusion, in integrating local contextual knowledge with codified knowledge and in sharing experiences among members, which let them to be considered an extremely peculiar organisational form” (1999: 3, author’s translation).

Similarly Belussi analyses the Murge district, presenting this peculiar case study as a ‘learning local system’ (Belussi, 1997; Belussi and Beritni 1998). She observes that within such district *“tacit existing competences are readdressed and absorbed in new organisational and productive contexts. New knowledge is locally produced and the one accumulated within leader firms spills over into the local productive system (...)”* (1997: 45, author’s translation).

Both studies converge in saying that collective learning, based on socialisation of tacit knowledge among local professionals, may be regarded as the key mechanism of knowledge dissemination. In this respect, formal institutions seem to play a marginal role: most of these knowledge exchanges follow informal and personal channels (Belussi and Bertini, 1998: 83).

3.2 New Economic Geography: an heterodox application

Viesti’s contribution represents one of the latest and more comprehensive research conducted on Southern Italian industrial districts. The general aim behind such research effort is to provide answers to the development, in a broad sense, of the Italian Mezzogiorno¹⁰. A great deal of evidence provided is used to prove that industrialisation policies in depressed regions can be based upon local resources (especially intangible ones) and that could spur endogenous and cumulative growth processes.

Looking for a reliable and sustainable policy tool, the author identifies the industrial district as the more interesting and promising strategy for development. Such argument relies basically on the NEG’s assumptions that agglomeration economies and clustering have proved to be powerful mechanisms to support sustainable growth at local level¹¹.

NEG theory has identified three main forces as determinants of the agglomerative processes: factor mobility, economy of scale and transportation costs. A different interplay of these determinants will become relevant to firms’ decision to locate production activities. In particular lower transportation costs, higher economies of scale and free factors mobility will lead to higher concentration of firms in a region.

¹⁰ In Viesti words *“This is a book on Southern Italian districts: not on their similarity to some ideal type”* (2000a: VIII, author’s translation).

¹¹ We have to remind that industrialisation policies in South of Italy, based on State intervention and direct investment of northern large firms, have been implemented along many years reaching quite controversial results.

Hence, turning Viesti's the basic question, how 'peripheral regions' may become part of the 'centre', he argues that external economies, both pecuniary and non-pecuniary (or marshallian) and the factors laying behind them, constitute those dynamic forces which support local development (Viesti, 2000a: 23)^{12 13}.

There is a twofold interest in Viesti's approach: on the one side he tests NEG's predictions against the reality of southern Italian experiences, as to prove their explicative power; on the other side he builds up an interpretative framework integrating different economic traditions, mostly influenced by the theoretical propositions found in the Italian district literature and cluster studies¹⁴.

Viesti conduces his analysis "abandoning the elegance of NEG's modelling" (2000a: 25) and enters the space of complex historical processes, the ones which specifically characterise industrial districts. Industrial districts emerge where both external economies and another large set of conditions have been achieved¹⁵. As we said, the author does not follow a unique theoretical paradigm, but he chooses such conditions according to different approaches. Some of them are picked up from Porter's cluster analysis, for example he maintains that districts need to reach a minimum demand threshold in order to grow. Another precondition refers to competitive factors; some others come from industrial studies: he points out the importance of leader firms in shaping district organisational structure; others conditions have been taken from the industrial district's literature, such as the importance attributed to public institutions and socio-economic conditions in hindering or fostering local development¹⁶.

Nonetheless, new economic geography is in principle the theoretical framework adopted by the author. Geography matters for any of the conditions analysed. For example, while explaining the importance of learning processes, Viesti argues that *'industrial district's development through imitation or integration may occur following different paths: pure imitation, migration, delocalisation and direct investment. In any of these cases, geographical proximity between imitated and imitating regions will foster all these processes (...)* (2000a: 33, author's translation).

¹² On this point Viesti says "Regions do not belong to the Centre or to the Periphery because of their intrinsic characteristics, but depending on the dynamic of firms and workers, which is related to some economic parameters. When such parameters change, behaviours may change and then results will change as well" (pag. 17, author's translation)

¹³ Factors investigated through the empirical analysis are the following: physical and intangible inputs; technological factors; leader firms; demand factors; competitive conditions and institutional factors.

¹⁴ In his words: "How were industrial districts born? It can be provided an answer by combining those suggestions coming from the industrial district literature, from clusters, and generally speaking from the NEG (...)" (2000a: 25, author's translation)

¹⁵ Such conditions are related to the factors presented in note 13.

¹⁶e.g. Viesti pp.25-47 (2000a)

When demand conditions are taken into account, he reaffirms that physical distance is a key factor in affecting firms' localisation decisions. Again, geography may suggest how large are local markets, how these can be connected depending on land morphology and on transportation infrastructures, which in turn transforms physical distances into economic distances.

As previously referred, Viesti himself criticise Neg's assumptions. In fact, case studies' evidence shows that Krugman's model hypotheses often appear to be baseless. For example, the model assumes that regions do not differ in terms of factor endowments. This hypothesis is clearly unrealistic and misleading, in particular when research aims at explaining differences in regions' performances (Viesti, 2000a: 26). Similarly, differences among regions in terms of technological capabilities are relevant, whereas for NEG, as in a standard 'neoclassical' world, technology is a public good (Viesti, 2000a: 28). Moreover, case studies strongly emphasise the role of firms; in particular leading firms (*imprese motrici*) as engines for local development, while NEG disregards the role of individual firms in shaping districts' opportunities as autonomous economic actors (Viesti, 2000a: 34).

Viesti approach too has found its critics (Becattini, 2000; Del Monte, 2000; Rullani, 2000). In particular Rullani points out that clustering approach tends to hide many relevant factors derived from the district school. First of all districts should be regarded as 'cognitive circuits' where a local community learns how to use its internal cognitive division of labour (Becattini and Rullani, 1993). On the contrary, cluster approach admits such learning process only as an exogenous and accidental factor. In other words, clustering processes highlight only a short-term disequilibrium occurring to the system as a consequence of agglomeration economies and increasing returns, but disequilibria tend to be levelled off sooner or later (Rullani, 2000)

As a conclusion, we can argue that Viesti makes a strong point in favour of heterodox hypothesis (i.e. the importance of learning processes, social and political factors, firm strategies, etc.), representing, for many of these clusters, a crucial element in order to emerge and grow. However his research, and above all its theoretical framework, does not give 'enough room' for analysing these mechanisms.

4. Case studies results and a critical appraisal

The Italian Mezzogiorno was, so far, described as a backward socio-economic region relying on two main axes: large firms, mostly State-owned heavy industry; small and micro firms, working in traditional sectors (textile, leather, etc.), mostly lacking local linkages. Only very recently, such

panorama has showed signs of change: large firms' dismissal has shifted private and public resources to other local economic activities; at the same time local entrepreneurial spirits have emerged and proved to be strongly dynamic and locally rooted. In particular, researchers and policy makers have become more and more aware of the existence of strong productive agglomeration of Smes and large firms.

Here we aim at presenting some of the more significant findings achieved by recent fieldworks on 'Mezzogiorno' industrial districts¹⁷. We then present a critical appraisal of the above theoretical approaches in the light of case studies results and recent criticism coming from other economic approaches.

4.1 Case studies results

A first relevant result concerns the strong heterogeneity characterising these clusters. Such heterogeneity is mainly related to the clusters' organisational structure: few case studies assumed a typical district model – cultural homogeneity associated with strong cooperation; strong local institutions cooperating with firms; a prevalent population of small firms.

There are cases where a high density of small firms co-exists with weak cooperative relationships and collective action is almost absent. For example, Lavello cluster tells that even where many successful firms promote a local business association, joint projects aimed at creating public goods do not necessarily take off.¹⁸ Others cases, for example the leather district of Solofra, demonstrate that cultural homogeneity is not a precondition for co-operation (Passaro, 1994 quoted in Lazerson and Lorenzoni, 1999: 48)

Secondly, the emergence of a district may follow very different trajectories: in the cases of Murgia and Lavello, a former knowledge base cannot be regarded as a precondition for the take off (i.e). On the contrary, in the Neapolitan area and in the leather district of Solofra a quite long tradition supported recent district success.

Thirdly, the early boost is either based on endogenous forces, such as a leading firm like Natuzzi in the Murgia sofas district, or on exogenous resources, like in Lavello district, as a consequence of delocalisation processes by northern Italian firms.

¹⁷ We mainly refer to a selected group of case studies presented by Viesti (2000b) and Baculo (1994).

¹⁸ Cerosino and Nisicò say "(...) *the main internal constraint for these entrepreneurs (is given) by the incapability of building up strong local linkages (...)*" (in Viesti, 2000b: 187, author's translation).

Empirical evidence also suggests that most of these districts call for a strong institutional action in order to cope with external threats. The Lavello case study indicates that a district already entered in a 'high path of growth' can still drawn into a 'price war' with neighbouring firms, since governance structures are absent. It is also worth underlining that horizontal cooperation and collective action are far from being key factors in explaining these success stories. Murge district is, in this sense, a paradigmatic example; in fact local government and private joint initiative were almost absent during the early stages of industrial district development (Molinari, 1994).

Not surprisingly, even where consortia and other joint actions are created, these experiences do not address innovation or competence building projects¹⁹. Recent research conducted on southern system of innovation, in fact, concluded that local business actors pay modest attention to innovation and R&D (Garofoli, 1999). Many firms are keen to invest in physical capital (especially under public funding schemes), but they are much less zealous in undertaking R&D activities. Moreover, in line with these findings, this report show that firms have established very few connections with universities and R&D centres (Garofoli, 1999).

Few cases follow an alternative growth path, where innovation, process upgrading, quality improvement, etc. represent the main competitive factors. Many authors agree that some southern districts followed this virtuous path (Baculo, 1994; Belussi e Bertini, 1998; Viesti, 2000b). We briefly discuss some of the main determinants explaining such distinguished performances.

'Openness' is regarded as one of the key reasons for Murge success, which in this case can be interpreted as the opportunity to access innovative ideas from external sources of information. Behind it, an unexpected attitude to risk seemed to pervade many local entrepreneurs. Such new way of thinking prompted many of them to enter directly international market and to build up market niches for their new products²⁰. Hence, apart from counting on local knowledge and common local values, district dynamism depends also on external ideas about how to reorganise production activities, about new and dynamic markets, about new technologies, etc.

Another relevant issue concerns firms' knowledge base and its degree of appropriation. Knowledge has been interpreted in these works as 'know how', tacit in nature and embedded in

¹⁹ 'Natuzzi 2000' project represents one of the few, although really impressive, initiative.

²⁰ D'Ercole says for the Barletta shoes district "Barletta demonstrated that 'catching up' is possible (...) where we are able to build a bridge with advanced regions, which can be done by having an high propensity to risk and strong learning capabilities" (in Viesti, 2000b: 57, author's translation)

districts' social structure. However, whether such knowledge is socialised (embedded within district) or mostly embedded in firms is still a controversial matter. According to the few hints coming from case studies, knowledge appears to be highly diffused among district members. Local labour mobility and spin off have been identified as the main channels through which new organisational methods, new technologies, and product ideas spread from leader firms towards imitators. Knowledge diffusion is mainly presented as an involuntary 'spill over', but evidence would also suggest that those channels could be considered as voluntary knowledge flows, purposely encouraged by district's leaders.²¹

Moreover, there are examples where learning processes are not only product of a localised socialisation process. 'Learning by exporting' seemed to be crucial for upgrading products and processes in these experiences as for those discovered in other backwards regions (Rabellotti, 1999; Schmitz, 1999). Many southern regions have been characterised by a significant reverse flow of emigrants, bringing back home the working experience acquired abroad, this has been regarded as another relevant knowledge flow²².

Summing up, these case studies highlight at least three main topic which are relevant for understanding southern Italian district evolution:

- the openness of local systems, to be intended as the relationships between internal and external actors, working as a privileged source information;
- the heterogeneity of organisational models, which means that: a) southern regions as well as local systems differ in terms of socio-economic structures, b) moreover within each district groups of firms often tend to behave autonomously, developing their own strategies even contrasting with district's interests;
- the importance of local collective action: public or private initiative proves the key to success in those local system whose actors show diverging interests and development strategies.

4.2 A critical appraisal

A great number of industrial and innovation economists have devoted themselves to analysing how local factors have been affecting the innovative and competitive performance of clusters, both

21 For example Baculo, Molinari and Belussi say that, in the case of Murgia district, leaders adopted a well-defined outsourcing strategy by inducing their own workers to start new enterprises in related business. For example Chiarello says about Salento's districts: "*delocalisation (abroad) and continuous outsourcing have been the engine for the evolution of these production systems (...), for weaker subcontractors such relationship with large firms consisted in a great opportunity of 'productive socialisation' (...), helping those subcontractors to have much more concern on time delivering and quality products*" (in Viesti, 2000b: author's translation).

22 Natuzzi's story represents the best example (see Molinari, Lerosé, Belussi). Another remarkable example is provided by Barletta district (Viesti, 2000b).

in developed and developing countries. Such interest derives from the awareness that intangible resources, such as knowledge, technological capabilities and institutional and organisational issues affect regions and clusters performance. More than this, some of these empirical and theoretical works have been undertaken in order to react to those approaches, namely new industrial geography and new economic geography, which, in their view, have failed to understand such knowledge and innovation related concepts.

Presenting such debate we intend to verify whether their criticisms may be extended also to the literature reviewed in the previous sections. In particular we show that the empirical findings emerging from southern regions may provide new elements to understand clusters dynamism, in a way not dissimilar from the one suggested by those economists.

We also aim at understanding how far the two approaches presented distance themselves from their putative schools (NEG and NIG). In particular, whether they have made some incontrovertible steps forward in analysing industrial districts or they still retain most of the limits of the early industrial districts models.

We mainly refer to those recent contributions (Breschi and Lissoni, 2001a; Breschi and Lissoni, 2001b; Lissoni and Pagani 2001, Lazerson and Lorenzoni), which have carried out a critical assessment of the ‘new industrial geography’, in particular the Italian industrial district literature. Their arguments move from realising that NIG literature has transformed the network concept into a fuzzy metaphor, producing the side effect of concealing relevant issues concerning the structure and the content of networks relationships. We briefly present some of their main points:

- 1) They firstly argue that Becattini’s industrial district conceptualisation – cultural and social homogeneous community of Smes and people- has imposed the idea that such cohesive community, rather than firms belonging to the district, is the depository of district’s knowledge (Lissoni and Pagani, 20001: 2). Moreover, such interpretation would also allow to maintain that district’s Smes could take on any position in the local network structure²³. Thirdly, emphasis on the sociological features of the district by NIG would have shifted research interest from inter-firm relationship to personal relationship and, as a result, ‘it

²³ “Firms that had underestimated a years’ demand would subcontractor the overflow to less well situated competitors...but the next year the situation might be reversed...Under these circumstances, every employee, could become a subcontractor, every subcontractor a manufacturer, every manufacturer and employee” (Piore and Sabel, 1984: 32, as quoted in Lissoni, Pagani, 2001: 3).

also led to assuming that spatial proximity and firms density imply that sort of personal relationship' (Lissoni and Pagani, 2001: 3).

- 2) They also point out that NIG's growing adoption of the knowledge concept, and in particular the use of the category of 'tacit knowledge', has been misleading. Industrial districts, in the NIG interpretation, appear to be 'the reigns of tacit knowledge', where members, because of sharing the same cultural values, are able to access knowledge through informal and personal contacts. According to this perspective, knowledge circulates freely among district's members and it turns to be a local public good. It also descends that differences among local actors almost disappear, in fact district's outsiders cannot benefit from spill over, whereas community members cannot prevent knowledge from spilling over. There is no room for firms' autonomous strategies (Breschi and Lissoni, 2001a).
- 3) They argue that large firms have been a key role both in developing and feeding industrial districts and also point out that many industrial districts depends external actors and resources (Lazerson and Lorenzoni, 1999).

To conclude our critical appraisal, we recover case study findings and comments on the theoretical approaches and we analyse them in the light of the above criticisms. We will present the advancement made by the literature on southern industrial district following this taxonomy: incontrovertible step forward, timid step forwards, inherent limits.

Incontrovertible step forward

- 1) Theoretical approaches appear to have eventually abandoned a static model to analyse southern industrial districts. The temptation to employ ideal type models, which also belong to the development studies tradition, has been rejected in favour of a dynamic approach. As we mentioned most of the above researches aim at exploring conditions and processes that explained districts' take off or failure.

Timid step forward and inherent limits

- 1) Knowledge issues have increasingly become part of the research agenda. Studies have been reviewed the mechanisms (labour market, cooperation among local actors, spin off) through which ideas circulate either within or outside local systems.

Nevertheless:

- a) 'Tacitness' is still considered as an absolute characteristic of knowledge, which is localised and embedded within the local community. Tacit knowledge mostly serves

to explain why industrial districts' firms do not delocalise their core activities, in turn it constitutes one of the main ingredient of local competitive advantages.

- b) Knowledge is mostly defined as a local public good. It spills over to local firms through localised labour turn over, spin off and horizontal cooperation. However such studies hardly provide a detailed description of firms' network linkages; they do not show how workers disclose knowledge, and whether this knowledge is effectively valuable for the receiver.

- 2) Both theoretically and empirically, studies on southern regions suggest that leader firms (*imprese motrici*) have had a prominent role in developing industrial districts. Evidence also shows that these actors also accomplish the role of channelling external technologies and market information towards subcontractors. They are the engines of local systems internal dynamism.

Nevertheless:

- a) Leader firms, even assuming a dominate role, as for Natuzzi in the sofas district of Murge, seem to have much less influential role in implementing autonomous strategies preventing knowledge spill over. It is still unclear whether such knowledge flows contain relevant technical solutions for beneficiaries. In such a case, it should also be understood whether these exchanges are regulated by no-disclosure agreements or some exclusive subcontracting agreements.

- 3) Southern region studies have well documented that district boundaries are far from being limited to a small geographical area. These districts have been increasingly affected by delocalisation processes. More that this, southern districts never developed the entire production *filiere*: Most of them import components and machinery from other regions. There are cases where industrial districts firms took over key subcontractors located in other regions. There are also very exceptional, but significant cases, where key firms' units have been relocate abroad (i.e. Natuzzi R&D centre at High Point).

Nevertheless:

- a) External sources of knowledge, and more generally external linkages, even when regarded as crucial, were not explored and analysed as much as local linkages. It clearly emerges that empirical research was constrained by the theoretical model. In particular by the prevailing idea that personal relationship and in turn spatial

proximity is crucial to the circulation of knowledge and to the establishment of contacts.

5. Concluding remarks

This paper has provided a critical appraisal of the recent literature on southern Italian industrial districts. Two main aims have been pursued:

- We wanted to investigate how ‘southern scholars’ employed the prevailing approaches on industrial districts, namely new economic geography and neomarthallian school, to interpret southern industrial district experiences, and to what extent they moved forward providing new interpretative frameworks.
- We intended to measure their empirical findings in the light of recent criticism raised mostly by innovation economists. Such exercise also served to highlight theoretical constraints affecting their approaches.

The central aim of this literature is to look for effective strategies for local development. This is a complex process, which cannot be understood adopting a deterministic approach, in this sense Viesti’s framework constitutes an excellent example for combining different theoretical traditions. In fact ‘Krugman’s stylised facts seem insufficient in providing an exhaustive account of development experiences (...)’; development exists also as ‘local stories, exceptional entrepreneurs and their pioneering firms; different capabilities to import ideas, men, technologies; the local culture and firms’ imitative capacity (...). Geography matters, but it also matters cultural proximity, openness to external ideas, attitude to imitate (...).’ (Viesti, 2000: 164, author’s translation).

To a certain extent districts theories integrate those missing elements, they ‘provide the rationale of an observed development process (...). They reported these facts and made them understandable’ (Rullani, 2000: authors’ translation). These approaches increasingly pointed out the importance for local development of knowledge and the related notions of knowledge flows and spill over, transmission mechanisms, learning process, etc..

Observations presented in the critical appraisal, though, questioned their use of such set of concepts. Basically we argued, following recent criticism by innovation economists, that they attempted only timidly to open the black box of knowledge flows or failed to do it.

To conclude, we maintain that although these approaches have moved ahead of their putative schools, they still suffer from theoretical and methodological constraints when trying to give account of district dynamism. In this paper, however our scope was limited to highlight what were the main points of debating. A further step would be to draw an interpretative framework, which could possibly integrate these different, but not so far, perspectives on knowledge diffusion and collective learning in local systems.

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