Industrial Districts and Economic Decline in Italy

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Abstract

The paper argues that the so-called canonical view of the Italian industrial district (ID) depicts it as a system whose economic and social vitality requires the interaction between two major sub-systems: a community of people and a community of firms. A range of circumstances - including insufficient aggregate demand, competition from low-cost countries and technological change - have determined inconsistencies between the rationales of these two sub-systems. As a result, lead firms have emerged that substitute the ID as coordinating instances. In the pursuit of their goals, they tend to prefer cost scrapping to quality enhancement, thereby determining a competition that further undermines the ID as a system. The paper contends that this outcome is not the only possible one. An alternative would require the regulatory - as opposed to merely permissive - action of public actors in that it would have to change the incentive system that leads firms to choose short-sighted strategies. *

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