

Industrial Districts and Economic Decline in Italy

Paolo Ramazzotti

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. *

Paolo Ramazzotti, Università degli Studi di Macerata.
E-mail: ramazzotti@unimc.it.

*Preliminary versions of this paper were presented at the 2006 EAEPE conference and at the 2007 AISSEC and EUNIP conferences. I wish to thank participants who offered their comments. I also thank Gabi Dei Ottati, Michele Di Maio, Maurizio Mistri and Marco Rangone for their comments. I remain responsible for any error.