Industrial districts and specific public goods
Marco Bellandi

1. Introduction

Industrial districts (IDs) are localities characterized by the economic and social prominence of a cluster of small to medium sized enterprises (SMEs) embedded within the social relations of the area (Becattini 2004). Steady paths of development in IDs, as those associated to the model of the so-called Marshallian Industrial District (MID), are characterized by a virtuous link between the SME cluster and the locality. In these cases the social core of the cluster is a set of independent producers sharing: a) a bent towards trust in reciprocal exchanges; b) a diffuse attitude towards value producing (against rent seeking) entrepreneurship, pro-activity of workers on the job, and joint action on shared interests; and c) cognitive proximity, that is similarity of some basic know how among the producers.

Producers are ‘embedded’ locally in the sense that, living and working in the district, they develop qualities that allow the access to, and give contribution to such common subjective tracts (a co-operative nexus). They better understand when one of them can be trusted; they look for the acknowledgement of their economic success and innovation within the group; and, the sharing of familial, civic, school experiences make it easier to understand and compare the ‘mysteries’ of the industry, as noted by Marshall. This systemic foundation of the district helps economic agents to realize productivity gains specifically in the form of district external economies, and pull them to re-invest largely in locally centred productive plans. This accumulation is consistent with an enlarged reproduction of an ID’s socio-economic configuration. At the aggregate level, the plans combine and result in processes that can generate new local division of labour, peculiar human capital formation, and creative variation of knowledge. Even in localities not strictly corresponding to IDs, such as some large cities or some rural or touristic areas, both in old industrialized regions and in new industrializing ones, it is possible to find clusters showing similar processes of accumulation related to fruitful local relations. What distinguishes a cluster in all such cases, from agglomerations of business activities lying on simple spatial advantages, is that it is kept together by, and evolving with, some sort of local co-operative nexus. The presence of a shared systemic
basis is more directly expressed by indicating such clusters as ‘local production systems’\textsuperscript{1}. In the sociological wing of the ID literature the co-operative nexus has been explicitly discussed under the name of (local) social capital.

In sections 2 and 3, I will illustrate a general framework featuring the concept of specific public goods, where the systemic basis to district external economies is given an expanded definition, beyond the core represented by the co-operative nexus. Section 4 necessarily touches upon the problem of how the enlarged basis is more or less effectively constituted and regulated through mixes of emergent informal institutions and deliberate actions of governance. Sections 5 and 6 will explain by means of some examples the relations between district external economies, specific public goods, and the subtleties of their governance. The framework should help to disentangle the various and variable conditions of collective productivity in IDs, showing how generally they depend also on appropriate combinations of private and public strategies, though enacted by reasonable (not hyper-rational) agents who move tentatively within sets of reciprocal and evolutionary constraints and opportunities; such sets being featured by strong local roots coupled with a web of trans-local and extra-local relations.

2. The systemic support to ID external economies

As originally suggested by Marshall, what characterizes economic performance within the IDs’ steady paths of development is a not casual realization of economies whose sources are partly external to the single firms but internal to the district. These economies are productivity (not only in quantity, but possibly in quality and innovation terms) advantages gained by independent producers thanks to their inclusion within a set of connected activities and business fields. The set aggregates a relatively large pool of complementary and substitute human and technical resources, and is related with evolving external markets in a stable and open manner. Organization is needed for integrating the specialized contributions, but such organization is the outcome neither of planning by a predominant centre of strategic decision-making, nor of ‘simple’ market exchange.

This last proposition has a double nature. On one side, it recalls a well-known defining feature of IDs: the main clusters of an ID comprise SMEs which are, at least in part, specialized, whilst being

\textsuperscript{1} Just to add something to the terminological intricacies, it may be recalled that in the Italian debates and laws on IDs, the localities of industry referred above in the text are sometimes referred to as “local productive systems”. They are localities characterized by one or a few local production systems. See, Becattini et al. (2003).
integrated with the other firms through locally specific market and non-market mechanisms. On the other side, it identifies, in organizational terms, the breadth of the competitive advantage of IDs. This means that IDs have to find their way where an extended and changing division of labour with high productivity potentials in a set of related business fields is not easily integrated by means of pure hierarchical command (internal to large companies possibly extended to their satellite networks), nor by simple market relations. When hierarchical command prevails the area takes the nature of a company town centred on a monopsonistic cluster (De Propris, 2001); when simple market relations prevail the area is a sort of generic town or of urbanized countryside hosting various types of weakly related activities exploiting generic localization advantages.

The core of organizational solutions specific to IDs is to be found precisely in the co-operative nexus. Such intuition has been elaborated with reference to well known models of IDs. In a model combining interpretations of Marshall’s thinking with the experience of some Italian IDs in the second half of XX century (in particular the Prato textile district), the integration of the division of labour is realized through ‘communitarian local markets’ (Dei Ottati, infra), i.e. market exchanges between specialized local SMEs supported by trust, entrepreneurial attitudes, and cognitive proximity. Another model could be named as an oligopolistic ID, perhaps closer to many historical cases of IDs in Britain at the time of Marshall2, where the co-operative nexus countervails the local power of the larger companies, and makes room for both their enduring embeddedness and for opportunities of high valued contributions from local SMEs, within the oligopolies’ networks and/or within secondary but partly related industries as well. An intermediate type combines monopolistic competition between networks of SMEs running non routine projects on the typical products of the district (teams), and communitarian phase markets on more routine local intermediate products (Becattini, 2004).

All these models and types point out more or less explicitly to the fact that the co-operative nexus brings about a systemic support for the integration of the local division of labour. This helps explaining why even in cases of oligopolistic IDs there is a fundamental role for economies whose sources are partly external to the firms but internal to the district; and why even in communitarian market cases, the local external economies do not leak easily outside the ID, for instance through extra-local market relations.

2 See Cooke (infra); Popp and Wilson (infra).
Fascinating as they are, representations of the systemic support to district external economies based on the co-operative nexus alone are partial. In the literature, the concern for appropriate public policies and collective strategies on various types of collective and public goods have appeared from the beginning, as exemplified in Goodman et al. (1989), where some of early Italian contributions on IDs first appeared in English. In particular Becattini (1989, p. 133), Brusco (1989), and Trigilia (1989) make explicit reference to basic concerns related to policies for IDs, for instance including their support to steady paths of local development, as well as against drastic challenges to traditional paths; types of services and infrastructures on which, or through which policies operate; alternatives in provision of such services and infrastructures between public and private associations, markets, or some combinations of them, consideration being given also to the interplay among different territorial levels of public or collective agency; strengths and weaknesses of different types of policies and agencies.

In the 1990s, the relation between the competitiveness of not strictly centralized local production systems, as in IDs, and the provision of public goods became the object of deeper investigations. For example, Zeitlin (1989) relates the decline of UK IDs to the decay of the local ‘industrial public sphere’; Bellandi (1996) makes reference to the relations between collective goods such as market rules and indivisible specific infrastructures, and the realization of external economies in decentralized production systems; Porter (1998) relates clusters’ competitive advantages not only to private strategies and rivalry, but also to the provision of a list of collective goods; Schmitz (1999) illustrates the possibility of collective local efficiency coming from joint action in developing regions, and distinguishes this source from externalities or ‘involuntary external economies’; Goglio (1999) refers the concept of local public goods to local development and to cycles of local political leadership; Crouch et al. (2001) define the governance of different types of local competition goods as necessary to the success of local production systems; Lane (2001) relates the control of ontological uncertainty in processes generating systemic innovation with the presence of scaffolding structures which align interaction, in physical, cognitive and motivational terms, between a variety of agents.

It was explicitly stated that collective goods essential to the working of decentralized production systems may be partly the result of, or may be influenced by, strategies having roots at the local level. It was also suggested that roles and difficulties in the governance of local development can be related precisely to the collective or public nature of such essential goods. These reflections have grounded more and more firmly the idea that the realization of district external economies needs
systemic conditions with a collective and public nature. Their provision comes not only from organic social relations (viz. the co-operative nexus), but also from ‘constructive actions’ seen as the manifestation of political and strategic capabilities which are not a simple prolongation of the same social relations.

In several chapters of this Handbook references are made and examples are presented on local governance, and collective and public goods. In what follows in this chapter, a unified conceptual framework based on the concept of ‘specific’ public goods is illustrated, with some applications to the questions referred above.

3. Specific public goods

The key idea here illustrated is that an intermediate architecture of systemic conditions to external economies lies upon and above the co-operative nexus; and it is made of public goods whose net benefits are specific to the system itself. For example, teams of firms share intangible goods, such as patented or private knowledge on innovative products and processes, private access to common financial or market channels, and quality certifications; and/or tangible goods, such as means of production with indivisible capacities specifically adapted to certain productions or product development. At the cluster and locality levels, there are, for example, rules for setting prices and drawing contracts within local markets, technical standards and jargons, codes on permitted imitation and bankruptcy, vocational and professional schools, production services needing both an adaptation to specific district demands and a provision facilitated by technical and human resources with large indivisible capacities.

In general, pure ‘specific’ public goods are defined not only by no rivalry in consumption and no exclusion rights, but also by the relevance of a third property, that is an uneven but not casual distribution of net benefits (before funding) for accessing the good (or its services) among a population which has a general right to access. In particular, the individuals of a sub-set of the total

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3 Quite recently not casual references to “constructive action” at the local level have been recovered from Alfred Marshall’s Industry and Trade in a chapter devoted to “aggregation, federation, and cooperation in British industry and trade” and starting with external economies, industrial districts, and British textile industries. On the notion of conscious coordination and foresight applied to studies of UK industry by disciples and followers of Marshall see Hart (infra). Schmitz (1999) maintained instead that the external economies discussed by Marshall and the early contemporary district literature have an involuntary source, that is they are (positive) externalities.

4 “Intermediate” is intended between the co-operative nexus and the market strategies of the district producers.
population have higher net benefits, because, they share a nexus of subjective tracts, possibly connected to common experiences and factual problems, which explains both specific interests and focused collective demand. The variations on pure specific public goods include club goods, where the right to access may be effectively limited to entitled agents only; quasi-public goods, where the benefits of a free access may be limited by congestion (i.e., when demand exceeds a given carrying capacity); and combinations of the conditions above. Within the general set of specific public goods (SPGs), the composition of intra-team club goods, inter-team club goods, cluster and district public and quasi-public goods, and trans-local club and public goods is argued to change over time and according to the characteristics of the clusters and the localities themselves.

The mechanisms of constitution, provision, and distribution of SPGs, and their relative importance, vary as well. Rules, standards, routines and shared knowledge, i.e., intangible SPGs, may be embedded in customs, conventions, or in private or public archives and regulations, the last ones coming from deliberate leading private action, joint action, focused public action, or distant public action. Tangible SPGs usually require deliberate joint or public action. Specific public goods may not imply a local economic domain. However, public goods specific to clusters embedded in localities of industry do, even if a distinction is usefully kept between the industrial space of the cluster and the territorial space of the locality. Furthermore, the local economic domain does not correspond necessarily to a single local jurisdiction. For example, the territory of Italian industrial districts covers usually several contiguous municipalities. For these and other reasons, specific public goods may be provided by (or with the support of) upper level jurisdictions and non-local agencies. However, the awareness and a certain degree of consensus among cluster producers and local people are needed for an effective provision, since specific local details are not well understood and cared for from a distance (Sandler, 1998). The focused collective demand supports the constitution of public goods whose characters are shaped in ways consistent with increasing gross benefits, lowering access costs, and potentially allowing a positive surplus even against self-financing of the good by the sub-set itself. Figure 1 lends a synthetic representation of such relations.

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5 For a more analytic definition I would refer to Bellandi (2006).
Inside the district, informal institutions, as customs and conventions, are a joint product of economic and social encounters in a context where individual agents share common experiences, experiments, and factual problems, that is a common nexus. In a way, informal institutions are the more operative expression of the “organic” foundation of district systemic conditions; “organic” indicating here something which emerges evolutionary from social relations. It is plausible that a fruitful correspondence between the informal institutions and the district collective specific needs be facilitated by a co-operative conformation of the nexus itself. But customs and conventions, as noted also by Marshall, change and adapt slowly and coarsely. So, IDs and district enterprises moving in a complex and rapidly changing competitive global environment should not entrust the satisfaction of their specific collective needs only to the organic foundation. Actually such a basis is complemented more or less broadly and effectively by the results of various types of strategic deliberate actions recalled above, that is with both individual business strategies and a locally based governance of public goods specific to the locality and its clusters and enterprises. Weaknesses on this side damage the prospects of ID prosperity.

4. *The co-operative nexus and a locally based governance of public goods specific to IDs*

The co-operative nexus could be seen as a quintessential pool of SPGs, a ‘local factor’ both giving social motivation and orientation to producers (as suggested in the introduction), and favouring the constitution of the intermediate architecture of SPGs. What justifies a distinction between the nexus and the other specific public goods is the view that the first is deeply rooted
within the social relations of the district, which cannot be effectively the object of deliberate choices, changing evolutionarily in the long run, if not subverted randomly by epochal discontinuities (Dardi infra). Being outside the sphere of deliberateness, the effects of a co-operative nexus would be true examples of externalities.

It is to be noted that even within such a view, district external economies are not to be identified with externalities. The external effects of the organic basis contribute instead as inputs, together with the effects of other more deliberately supported SPGs, and with appropriate internal (to the firm) resources and strategies, to the exploitation of sources of productivity tied to the division of labour within the district (Loasby, infra). The district external economies contribute to district firms’ ‘differential’ performance against firms competing in the same or related markets, but not able to access a similar combination of factors. The under-production of positive external effects (classical problem of welfare economics) may be seen from two angles. Firstly, a fruitful organic basis (with its core co-operative nexus) benefits only a limited number of localities owning effective or potential ID characteristics, and just a limited number of enterprises whose internal teams share and contribute to the subjective attributes of the corresponding local nexuses. This helps explaining the not easily transferable advantages (Storper, infra). Secondly, an obsolete organic basis may be difficult to revamp against local or extra-local challenges, and in that case under-production turns against a previously gifted locality (Grabher, 1993).

The obsolescence question takes us to a more comprehensive view of the evolution of the co-operative nexus, which is implicit in traditional thinking on public deliberate actions for IDs and local development. It is well known that such actions may and should extend to “political interventions on life in the out-factory sphere”7. It is aimed at promoting and supporting mobility and equity in local society, the participation and involvement of workers on the job, the resolution of conflicts within bilateral economic relations, etc. It tends to integrate actions and relations

6 Externalities are effects of choices taken by someone on the utility or productivity of some other without a regulation incorporating a deliberate if not perfect acknowledgment of reciprocal costs and benefits.

7 Brusco (1996) suggested that in a vital IDs the many employees required a pro-active mentality on the job, in order to give an effective contribution to teams engaged in quality and innovation projects, need not only to have good working conditions, but also to enjoy their life when not at work, or at least to be not upset by ugly social conditions and prospects. On a general framework subsequently envisaged by Sebastiano Brusco on the management of district rules see Bagnasco (infra); Russo and Natali (infra), Saglio (infra). An industrial policy with a rich local dimension necessarily combines actions on productive processes with other types of policy, such as those aimed at the reproduction and the improvement of systemic conditions supporting: a) learning and creativity within old and new industrial clusters (labor, educational, innovation policies); b) an open and dynamic rooting of industrial clusters within the life of localities of industry (labor, educational, social welfare, environment policies). For more on new industrial policies see Bianchi and Labory (2006).
evolving within the productive space and those pertaining to other social spaces. Its true final target, though generally not explicitly enunciated as such, is a positive influence on the co-operative nexus. Usually, in the district literature, a large uncertainty of results of such interventions is acknowledged as the necessary caveat due to the complexity of social relations within “small nations within nations”, in the words of Marshall, as dynamic IDs and cities are. The belief that the uncertainties of action on deep social relations are not only great, but more properly radical, justifies the restricted view recalled above, with its strict distinction between collective goods (here the intermediate architecture of SPGs) which can be effectively influenced by deliberate action, and the co-operative nexus which cannot.

Within the more comprehensive view such a distinction is a bit too simplistic, because the various levels of systemic effects are necessarily interrelated, and a ‘holistic’ vision of the local society (Johannisson, infra) should constitute the background of any experiment of cautious action for local development and change\(^8\). Under this perspective, the concept of externality is to be related not to factors that can be defined statically, but to the emergence of opportunities of contribution to reciprocal advantages (net benefits) within a cluster, or more generally at the level of a district, that: a) if realized are perceived as dependent on peculiar, not governed historical conditions; b) if not realized are seen as only potentially feasible due to the lack of local deliberating power on collective solutions which could be adopted within the district and which are suggested by the governance of similar problems in different local and business settings (Dardi, 2003). Inadequacy of deliberating power on the architecture of SPGs may be not felt as such during periods of steady development, however, it emerges dramatically during transitional periods with a multiplying of externalities related to SPGs which are not reproduced, destroyed or re-constituted appropriately.

The presence of institutional frames, meta-management skills, and political attitudes consistent with an appropriate locally based governance of systemic conditions, against and out of local lock-in conditions, can be thought as a ‘strategic’ factor, which is related with the co-operative nexus in contradictory ways: for example, shared trust attitudes favour consent on collective action, but may direct it towards a dodgy conservation of obsolete traditions. Other conditions play a role too, such as types of policy cultures and methods, cycles of political leadership at the local level, and chance.

\(^8\) See Bagnasco (infra), Ceglie and Stancher (infra), and Withford (infra) on developed and less-developed localities. Not surprisingly historical IDs, or similar and proto-forms, suggest compelling examples: see the first section of this Handbook, Guenzi (infra).
For example concerning political methods, the public policy at the core of local governance may be seen as an industrial policy with a rich local dimension, balancing autonomy and embeddedness with respect to interests and views of local economic agents (Bellandi and Di Tommaso, 2006). According to Rodrick (2004, p. 17) autonomy is not separation, but capacity to stay out of the pockets of business interests, and to run the process with a certain degree of democratic accountability and public legitimacy. Strategic capacities and leadership coexist with cognitive and motivational failures within and between agencies tackling governance problems. Solutions ask for effective sequences of action and discovery, whereby public and private agents invest and learn about the costs and opportunities of collaboration, and engage in experimental processes of strategic coordination (Trigilia, 2005). In general, as Rodrick (2004, p. 17-18) aptly points out, in order to understand the possibilities of good results in industrial policy it is not enough to identify requisites and outcomes, but it is also necessary to understand the processes of governance and how they evolve together with market actions and processes.

Therefore the architecture of SPGs supporting district external economies ought to be the object of deliberate but ‘experimental’ strategies. The experimental nature of the architecture of SPGs, together with its linkages to a local co-operative nexus on one side and to a specific pool of specialized human and technical resources with associated sunk costs on the other side, is an integral part of the support to competitive advantages which, once in place, have not an ephemeral and fortuitous lease of life. In particular, the intermediate part of such an architecture supplies an adaptable and articulated organization to the complementary specialized contributions of a set of independent producers, helping a substantial realization of economies of division of labour in complex and evolving (not strictly hierarchical) production systems, and their distribution in form of external economies. In the next two sections some examples of relation between external economies in IDs and SPGs are illustrated with some detail.

5. Classical ID external economies

A typology of external economies in IDs suggested by Marshall’s writings includes: (a) **Specialization economies** - advantages stemmed from the efficient use of production capacities already in place, within a given framework of specialized activities, for the production of a given set of goods; (b) **Economies in the development of competencies** - by means of diffused learning (by doing, using and interacting) in a given framework of specialized activities; and (c) **Economies of**
decentralized industrial creativity - variety and novelty in the framework of activities and products emerging from the interplay between exchanges of products and exchanges of ideas, in a population of competent specialized producers.

With respect to Marshall, the contemporary debate has gone deeper in the analysis of the local micro-foundations, as well as of the general market and technological tendencies which define spaces of opportunity to ID external economies. These analyses have provided a better understanding of the needs and the conditions of provision of various types of SPGs in relation to particular types of external economies. In what follows in this section a classical example is considered and illustrated in general conceptual terms⁹.

According to a well know classification (Robinson 1958), specialization economies include: economies of the balances of processes, of massed reserves, of large machines and large transactions. Let just consider the economy of massed reserves which is particularly important in front of the “state of permanent flux ... in which real world economies find themselves” (Richardson 2002, p. 8) in general, and the competition in markets characterized by highly variable and differentiated demand in particular. Stocks of raw materials, intermediate goods, and finished goods, or reserves of productive capacity can be hold in order to reduce the risk of unexpected excess in demand or shortage in supply. If a type of reserve is required for different uses, and the unexpected necessity in each use is largely unrelated to what happens in the other uses, then the total amount of reserves (given the risk) is lower if they can be pooled for assisting jointly the different uses, than if each use is assisted by a separate reserve. Seen from the other side, a given stock of a specialized good or a given reserve of specialized productive capacity runs a lower risk of (long) idleness or unemployment if it is pooled with similar stocks supplying a set of uses with a largely unrelated variability (in the time in which each use manifests its demand).

Well-known methods for managing massed reserves are applied within large business organisations and their networks of dependent suppliers, like just-in-time. The market solution is the specialized supply of general purpose intermediate goods¹⁰. Here we consider instead an ID configuration, in particular a local production system characterized by a set of teams of

⁹ In this Handbook, see Tani (infra) on specialization external economies in the IDs; Saglio (infra) on development of competencies, and Robertson et al. (infra) and Kenney and Patton (infra) on innovation.
¹⁰ “Such goods, when released by a reduction in the output of one commodity are, by their nature, suitable for the production of a number of others... In buying general purpose intermediate products, a firm does not merely pass on a risk from itself to its suppliers. As these suppliers, having a number of customers, can benefit from the pooling of risks, the total exposure of users and suppliers combined is thereby reduced.” (Richardson 2002, pp. 8-9).
independent SMEs, each team being engaged in the design, management of the *filière*, direct realization of some strategic parts of the production, and marketing (on national and international markets) of competing differentiated goods. Local phase markets provide the teams with various intermediate products and services of more standardized but still specific character (in terms of technical details, timing, quality control, etc.). It is the monopolistic competition model recalled in section 2 above.

Within a single SMEs team, those stocks of specialized resources or reserves of capacity of each member which are potentially substitute, i.e. applicable to similar uses by other members, may be easily adapted in ways consistent with effective exchange or sharing if needed. Such advantages are limited by both the fact that within a single team uses (that is activities) tend to be complementary more than similar, and the fact that, as regards similar uses, their variability among different members tends to be correlated. The risk of excesses in the demand or supply of specialized capacity and resources within the single team may be managed by means of exchanges among different teams and with recourse to local phase markets. However, the possibility of pooling among teams is not automatically granted by their co-existence within the same district. The features of specialized resources and capacities could be designed and destined to specifically defined needs within the single teams, and the costs (time lost included) of change to a similar use in a different team could be correspondingly too high. Alternatively, a part from those at the core of the distinctive competence and competitive capacity of each team, resources may be designed in ways consistent with exchanges among the ID teams, that is with capacities or features which may be adapted quite easily to the uses in different teams. The common adoption of designs consistent with inter-team pooling is a technical standard which can be specified so as to grant a good compromise with the needs of differentiation and specialization of the teams involved. It is a public good (pure or club) specific to the teams involved. An example is the contribution by teams’ leaders to a common definition of local educational curricula for upgrading important skills among specialized producers. Of course sharing favours the distribution of fixed costs of the educational activities. But it also makes easier, in prospect, temporary transfers of the upgraded capacities across teams\(^\text{11}\).

More standardized intermediate resources are pooled through more anonymous market relations. Standards may be imposed by external firms and markets. In this case local phase markets are

\(^{11}\) Traditional Williamsonian transactional problems are involved too. See Dei Ottati (infra).
operative only when the standards are public and there are some generic location advantages to a local supply. Even if public, such standards are not specific to the district and its enterprises. Alternatively, within an ID standards may be adapted in line with local production peculiarities and are often adopted and built in locally as customs or conventions. Local phase markets are filled both by team members with temporary excesses in input demand or supply, non-networked suppliers, and even occasional producers willing to enter and exit the local markets according to the prospects. The adjustment of demand and supply is favoured by price signals. Price volatility may be increased by the exploitation of temporary positions of market power. This tends to spoil local trust relations. The damage is contained when local business associations, perhaps pulled together by public agencies, are able to define and impose collective prices and fees for products and services exchanged in the local phase markets. These and similar collective contractual standards are public goods specific to the district. They do not abolish volatility, but lend focal points reducing it and supporting trust relations (Dei Ottati, infra; Mistri, infra).

It would be possible to expand our discussion further around this set of SPGs. For instance, one might consider the specialized trade infrastructures aimed at facilitating the transmission of information and the distribution of excess demand and supply within an ID, both in inter-team relations and on phase markets; but which also bring about monopolistic private positions or public rents. Or it would be possible to think about pools of redundant general purpose but specialized resources going into new uses, so helping the growth of local productive novelties (Bellandi, 1996), and even the “manufactory of sectors” (Best, infra).

6. **Public goods specific to cross-cluster and trans-local collaborative relations**

A second, less classical, example of external economies related to IDs take us to cross-cluster and trans-local relations. The current phase of globalization poses big challenges to traditional IDs in older industrialized countries, whilst offering opportunities for growing new industries in old and new localities of industry, some of them in new industrializing countries. Among the traditional IDs, some show a capacity to respond to the main challenges, with actions that include: (a) international subcontracting set up by district entrepreneurs who are used to manage links external to their firm; (b) direct or indirect assistance, provided by district entrepreneurs who have chosen to

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12 See among others: Coltorti (infra), Menghinello (infra), Pyke (infra), Tattara (infra), Wang and Mei (infra).
live abroad, to the management of relations of district firms with foreign suppliers; (c) active foreign direct investments (FDIs) taking a district form in the host economy as when a leading district firm induces other district firms to invest in the same foreign area; and (d) some district firms taking part in the governance of international value chains as when they produce locally an intermediate product that is sent in a foreign country to be transformed into a final good sold from the same foreign country.

Some authors (see note 12) question the capacity of an ID soaked in international fluxes to preserve an effective local identity (i.e. its co-operative nexus). The question is not tackled here in its complexity. We just propose a possible enlargement of the SPGs framework. The point is that the architecture of SPGs can be articulated and expanded so as to lend bridges supporting cross-cluster and trans-local collaborative relations, at a regional and international level. These bridges help the limited internal resources of district specialized firms to apply to and invest in international processes in a coordinated way: (a) expanding inter-firm exchanges based on trust and personal knowledge, while limiting lonely trader or predatory multinational strategies which spoil local relations (De Propris, 2008); and (b) increasing positive expectations against local lock-ins (Grabher, 1993). Table 1 gives a summary.

*Table 1- A typology of public trans-local SPGs*

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<tr>
<th>HOME LAND LEVERS</th>
<th>INTERNATIONAL CROSS-CLUSTER AND TRANS-LOCAL LEVERS</th>
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<tr>
<td>• Enhanced systemic conditions for the ID productivity, at the local level and in relation with nearby regional cities and other developed districts in the same country.</td>
<td>• Help from the ID in strengthening local SPGs in localities with district potentialities in developing/backward regions and countries.</td>
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<td></td>
<td>• Shared competencies that make easier the learning on and the adoption of systems for managing business relations to a trans-local scale.</td>
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<td></td>
<td>• Educational/training structures, business incentives, and life facilities which support the formation and circulation of people able to liaise among the localities and among the clusters.</td>
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*Source:* adapted from Bellandi and Caloffi (2008).

Included are both those SPGs which help to increase local productivity (in technological, quality and innovation terms) within a supportive and integrated regional context (see Cooke, infra; Zeitlin, 2007); and those more directly related to international trans-local relations (see Rullani, infra). Without revamped sources of inner productivity, international investments and relations do not lend solutions to ID problems, more probably making them worse. Without international strategies, the
value produced by inner productivity may be predated by multinational agents, or spill over too easily to global markets.

It is quite clear nonetheless that the very concept of public goods specific to cross-cluster and trans-local relations, especially at an international scale, is problematic. SPGs are based on a common motivational and cognitive nexus in a set of people with overlapping life experiences and problems. The twinning of distant communities is necessarily partial and variable. However, the bridges support the transfer not only of production projects and investments, but also of people who have learnt to feel at home in different localities, and learn how to communicate with those who, on the different sides, have just one homeland. In a sense part of the bridges are these same “Argonauts”, in the words of Saxenian and Sabel (infra). This recalls the discussion in section 3, on the various levels of locally comprehensive governance, touching cautiously upon the organic basis of an ID. The experimental methods of governance in such cases should be enhanced to include guidelines and trials for matching clusters in different localities, according to lists of complementary and similarity requirements (Bellandi and Caloffi, 2008).

External economies supported by cross-cluster and trans-local collaborative relations span specialisation, learning, and creativity. They are not strictly internal to a single ID, in this sense they are not classical ID external economies; but they are still partly dependent on local resources, and represent returns which in part come back to such resources. Perhaps, against strong challenges from globalization, they are the expression of one of the main ways to keep feeding local accumulation and economic and human development.

7. Conclusions

In the 2nd edition of the *Principles of Economics* (1891) Marshall introduced more diffusely the concept of external economies, together with a de-coupling of them from the narrow association with the localization of industries and the concentration of many small businesses, which characterized the 1st edition and his earlier writings. The district economies are still seen as ‘very important’, and Chapter X is still devoted to them. But other types are given an appropriate consideration too, in particular “those connected with the growth of knowledge and the progress of the arts” which “depend chiefly on the aggregate volume of production in the whole civilized world” (Marshall 1920, p. 266). The de-coupling may be seen both as application of the principle of continuity, and as acknowledgement of the progress of some important market and technical
tendencies. It is suggested that the role of ‘place’ could be extended from a single locality of industry to different interlinked territorial levels, much as ‘time’ in Marshall has different interlinked scales. However Marshall, contrary to what done with time scales, did not dare explicit a definition of a multi-territorial framework, even if in Industry and Trade many illustrations confirm that Marshall had a vision of it.

Whatever that may be, the articulation of a set of specific public goods provided or supported by deliberate private collective and public action, upon and beyond the organic basis at the core of lively IDs, provides a clue to a better understanding of the various and changing scales of external economies which are accessed by and fed back from ID producers.

On the other hand, such architecture intermingles in various (complementary, contradictory, subsidiary) and changing ways with less specific (i.e. generic or universal) public goods which are the objects of standard extra-local upper level policies. This has been touched upon only casually in the chapter. We refer finally to the other chapters of this section of the Handbook, for cases and concepts which contribute the essential material for an assessment of the point.

References


