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THE MARSHALLIAN INDUSTRIAL DISTRICT AS A SOCIO-ECONOMIC NOTION¹

Giacomo Becattini

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INTRODUCTION

The following discussion was conceived initially as a framework for a theory of the industrial district. The objective of such a theory was twofold: first, it aimed at improving the accuracy of, and insights from, empirical studies of contemporary industrialisation; second, it was conceived as a first attempt towards recognising the existing links between the empirical issues of the district, and the main theoretical core of economic thinking – that is, of neoclassical, Marshallian, and Marxian thinking. Such a dual concern causes some sort of «cross-eyed» intellectual view. Whilst one will be forced to a jealous defence of the socio-economic unity of the object of inquiry, in order to stick closely to the «real thing», at the same time one

¹ Giacomo Becattini est décédé le 21 janvier 2017. La *Revue d'Économie Industrielle* tenait à lui rendre un hommage. Nous publions un texte séminal, "The Marshallian industrial district as a socio-economic notion", paru en 2004 dans Giacomo Becattini, *Industrial Districts: A New Approach to Industrial Change*, Edward Elgar Publishing, 2004. Nous remercions Edward Elgar Publishing pour nous avoir autorisés à le reproduire ici. Ce texte est relativement ancien, mais il contient l'ensemble des éléments fondamentaux qui sous-tendent l'analyse des districts industriels développée par G. Becattini, et qui ont généré tout un courant de littérature. Il est aussi à la relecture étrangement actuel, comme beaucoup d'écrits de cet immense auteur.

will also be moved to trim and generalise in order to conform as much as possible to the requirements of clarity and symmetry of economic analysis.

In a sense, the result of such a process can only be unsatisfactory, because it will often be misunderstood, whether because some stylisation is needed for a simplified description of reality, or whether because this stylisation is derived from within the theory. However, there are two sides to this. On the one hand, keeping track of concrete phenomena which persist through time – such as that of the district of Prato – gives us some confidence about the «essential coherence» of the stylised phenomenon, since any phenomenon which persists through time is to be assumed to possess some internal logic. On the other hand, retaining a permanent reference to some fragments of existing theories will enable us to grasp the counterfactual implications of the interpretative model, and give a unifying framework to empirical observations which would otherwise remain apart.

These were my initial concerns, which were similar to those of any «applied» economist. However, as the discussion of industrial districts developed, further concerns were added. The fact that a fairly large part of the argument rested on «values», and their interaction with the economic actions which occurred in the period of analysis, made confrontation with what sociologists and other students of society had to say on the matter indispensable. Fortunately, Italian sociologists did not take much persuading, pressed as they were by the succession of events and it would be difficult now to decide whether a greater contribution to the exploration of the «industrial district» has been made by them or by economists. I believe the result to be quite positive. However, its consolidation and extension raises problems which are typical of interdisciplinary discussions on a methodologically ambiguous ground. The additional purpose of these pages is, then, that of offering sociologists a piece of economic reasoning on the district (and around it) which I hope is not incorrect and which I developed in such a way as to give them a support in a form that is as «natural» as I can conceive it, with respect to their analysis. I realise that even though the chapter is wholly dedicated to dialogue, the weight of economic relations is still enormous in comparison to socio-cultural relations and that this weight may be disproportionate. However, I believe that better equilibrium in analysis – if it can be achieved – cannot be reached without the direct contribution of the «non-economists».

II. CHARACTERISTICS OF THE DISTRICT

1. A definition

I define the industrial district as a socio-territorial entity which is characterised by the active presence of both a community of people and a population of firms in one naturally and historically bounded area. In the district, unlike in other environments, such as manufacturing towns, community and firms tend to merge.

The fact that the dominant activity is an industrial one differentiates the industrial district from a generic «economic region». Self-containment and the progressive division of labour which occurs there bring about an increasing surplus of final products that cannot be sold in the district. There follows an ever-increasing problem of placing this surplus on the external – essentially world-wide – market. Such a condition for the survival of the district (the necessity of solving an ever bigger problem of final demand) excludes the possibility of accidental placing of the products of the district on the external market, and requires instead the development of a permanent network of links between the district and its suppliers and clients. Thus, an economic definition of the industrial district which aims at being comprehensive will have to add such a permanent network, and all its interactions with the other elements, to the above-mentioned «local» conditions.

I have freely derived these stylised aspects and problems from the studies that have already been undertaken on industrial districts, and from the very few sketches of theories of the district that I know.

2. The local community

The most important trait of the local community is its relatively homogeneous system of values and views, which is an expression of an ethic of work and activity, of the family, of reciprocity, and of change. To some extent all the main aspects of life are affected by this. The system of values which prevails in the district develops more or less quickly through time, in ways which are still to be explored: it constitutes one of the preliminary requirements for the development of a district, and one of the

essential conditions of its reproduction. This does not imply that only one combination of values is compatible with the beginning and the growth of the district, but rather that some combinations are apparently admissible, while others are not. Under no circumstance, however, can the system of values be such as to discourage enterprise or the introduction of technical change. If that were the case, the district could not be an entity which persisted through time, and we would have instead an area of social stagnation.

Parallel to this system of values, a system of institutions and rules must have developed in such a way as to spread those values throughout the district, to support and transmit them through generations. The market, the firm, the family, the church and the school are some of these institutions; but they also include the local authorities, the local structures of political parties and of unions, and many other public and private, economic and political, cultural and charitable, religious and artistic bodies.

For the social metabolism to function with no serious hindrance, the same system of values must, to some extent, pervade the institutions of the district. This will not mean that there will be no clashes of interests between the members of the district, or no perception of such clashes. Rather, they are experienced and defined in similar forms and within a framework of a sort of community-like superior interest which becomes an inner principle for the people of the district as a whole.

All this may look like a description of a «closed community», where people's lives are smothered by a multitude of rules. The industrial district is indeed a place where historical development has induced strong inward constraints to the so-called «natural» behaviour of its individuals. Among these constraints is, for instance, some quantity of «resistance» against unconditional acceptance of values which prevail in the «outside world», and a related tendency to use «double standards» when treating one's own fellow-citizens – even the «new» ones, provided they are «integrated» – rather than «strangers». However, the fact that these values are functional to the kind of economic activity which is carried out and to the consequent economic success, will prevent the members of the district from perceiving such «peculiarities» as limits. Rather, they will be reasons for pride and self-satisfaction. If one considers how the «natural» behaviour in the surrounding world is no less «historically relative» than that

which prevails in the district, it will be easily concluded that the question of whether participants in the district are more or less constrained than those outside it is logically unanswerable. All that can be said is that the constraints are different, and that they are perceived and evaluated differently.

Because of the sort of activity performed in the district, life within it is characterised by a continuous exchange of people with the surrounding world – involving both permanent and temporary migrations. In fact, an appropriate supply of the attitudes and abilities required for the continuing development of the district could not occur within a closed population. The community of the district requires fresh blood. However, one must remember that the inflow of individuals from outside brings about problems of social integration which are, *ceteris paribus*, an increasing function of the «cultural distance» between the alien and the native, and of the «power of assimilation» of the district. The persisting success of some Italian districts since the last war is partly explained by their strong capacity of assimilation, and by the fact that – at least at the outset – immigration was a short-distance phenomenon.

3. The population of firms

The term «population of firms» requires some qualification. First, it must be borne in mind that this is not an accidental multiplicity of firms. Each of the many firms which constitute the population tend to specialise in just one phase, or a few phases, of the production processes typical of the district. In short, the district is an instance of a localised realisation of a division of labour, which is neither diluted in the general market, nor concentrated in one firm or in just a few firms. Here the term localisation stands for something other than an accidental concentration in one place of production processes which have been attracted there by pre-existing localising factors. Rather, the firms become rooted in the territory, and this result cannot be conceptualised independently of its historical development.

Hence, it follows that a sufficiently «fine» analysis reveals that the general process of production in a district displays features which are different from those in any other district.

It further follows that any single unit of production which operates within a district is to be considered at one and the same time both as an entity possessing its own history – a history as autonomous as the network of interdependencies allows – which, in principle, is disconnected from its territorial origin, and as a specific cog in a specific district. It is, therefore, incorrect in statistical analysis and in political and economic discussions to group together small firms belonging to industrial districts and small firms operating in other environments. On the basis of this approach the category «small firms» used for the most part in the current debate appears to be an empty one.

The firms of the district belong mainly to the same industrial branch, but the term industrial branch must be defined in an especially broad sense. For instance, in studies on industrial districts the term «textile branch» also includes the machines and the chemical products used in the textile industry, and the various services required by it. In this context, Marshall talked of «main industry» and «auxiliary industry»; other scholars talk of *filières*, or of vertically integrated branches.

If the deep merging between productive activity and the daily life of the district, assumed above, is to occur, it is necessary that the branch be comprehensive enough to provide job opportunities to all sections of the population (the young, the mature, and the elderly, men and women). Or even that the district be «adequately» multi-sectoral. In practice many systems of neighbouring districts, and even some single districts, achieve this condition to some extent.

Production processes included in the sector as defined above must be spatially and temporally separable. A continuous production process, whose products could not be transported and stored – such as smelted steel – will not be suitable for the development of the district. In other words, special technical conditions are required, which may allow for the formation of a local network of specialised transactions on phase products.

Among the processes of production which are technically suitable for a district-characterised economic development are those whose products have a final demand which is variable and differentiated in time and space – i.e. neither standardised nor constant.

Definite statements on the dimension of the unit of production of each single phase cannot be made, but it will naturally be assumed that the multiplicity of phases and their increasing decomposition keep optimal technical dimensions fairly small. Strictly speaking this will not exclude even large firms, particularly if one considers that the district produces phase products for the outside world as well. The existence of extremely active competition certainly keeps the phase plant not far from its technical optimum.

Personal relationships – such as kinship between entrepreneurs – between the principals of firms which operate in different phases, are present in the district. The existence of such personal links is indeed an obstacle to the high pliability of socio-economic relations which the district-form requires but, on the other hand, is quite consistent with the existence of deep interactions between community and production processes. Coalitions and agreements of various kinds and importance between firms in the district also occur, but whenever the weight of those which take a financial form increases too much, or the growth of some firm sends it «out of scale», as it were, we are already out of the canonical form of the Marshallian district.

4. Human resources

The ethic of labour and activity which prevails in the district is that everyone must search incessantly for the type of activity and the work allocation which best fit his aspirations and/or abilities. Correspondingly, in such an environment, anyone who does not find work, or who contents himself with something known to be below what he can do, is the target of social stigma. Consequently, moves from one activity to another, however frequent, are not perceived in a socially negative way.

The selection of job positions is especially varied. There is a sort of *continuum*, ranging from home-based work, part-time and waged work, to self-employment and entrepreneurship. Within such a selection of positions, a continuous process of reallocation occurs as an expression of the search for a place which is at the same time more appealing and better suited to the abilities of each person. The nature of the process is sequential, since once a new position is reached, new positions which were out of reach

become available and appealing. Does this mean that the districts manage to allocate each individual to the place which suits him best, and/or which he is most eager to occupy? In a sense yes, since a mechanism of penalties and incentives operates towards a convergence between the desired job and the job for which one is objectively best suited. In another sense no, because the dynamic nature of the district – which can only live by growing – assumes a continuous reproduction of the contradiction between that for which one is suited and that to which one aspires.

This inner tendency of the district to constantly reallocate its human resources is one of the conditions for the district's productivity and competitiveness. Powerful «intangible» factors operate here, such as, for example, the pair «hope-dissatisfaction», which become tangible and marketable «in action», and which contribute to that part of the continuous «leavening» of the productivity of the district which is not due to technical progress itself.

The specialisation of the worker – which is sometimes firm-specific and sometimes district-specific – is lost only to a very limited extent, from the point of view of the district, when the worker moves from one firm to another. His specialisation remains part of that «public good» which Marshall labels «industrial atmosphere». When, to quote Marshall, «the secrets of the industry are in the air», the transmission of the skills acquired through the canonical channels (technical schools and factory training), is powerfully integrated by a spontaneous exchange and reorganisation of notions and opinions by «face to face» and «conviviality» relationships which daily life in the district offers with unusual frequency.

An evaluation of a worker's personal and professional qualities, for his most fruitful employment, is much easier for a firm deeply immersed in the community's relations than for an isolated firm or for the firm lost in urban anonymity. The information on a prospective employee available to a firm in the district at a very low cost and with hardly any effort, is much more «revealing» than that which can be gathered elsewhere by means of formal structures. It is reasonable to assume that even the large firm, in spite of all its sophisticated information structures, psychological tests, etc., may be, in some cases, at a disadvantage with respect to the small firm which operates in the district.

Each of the mechanisms described above also works as a factor of attraction to (and retention in) the district of the most able workers. In a very Marshallian way, the most sought-after workers find their ability and experience better acknowledged and appreciated in the district than elsewhere, and thus tend to concentrate and remain in it.

The other category of agents which is quite typical of the industrial district is the one I would label by the somewhat pretentious expression of «pure entrepreneurs». As far as I know, the closest concrete approximation to this ideal-type is the *impannatori* in Prato. The ideal pure entrepreneur operates as follows: on the one hand, he follows with utmost care the events on the world market which concern the products of the district; on the other, he continuously improves his own knowledge of the district as a production and socio-cultural entity. His special function lies in translating all the capabilities which are latent in the historical heritage of the district into products that can be sold in that market. For him the industrial district is a sort of pliable capital, capable of producing many different things within a range (that is typical of the branch as defined above). His main «immobilisation» consists in the fact that he knows only one district and, possibly, its appendages.

How does the pure entrepreneur come to know his own district? He does not own any plant or factory, and does not employ workers, other than a few close collaborators. His only fixed capital is a warehouse for sorting raw materials – which he buys himself – and final products. On the basis of an evaluation of the trends of external markets, he, and his customary phase producers and collaborators, shape a «product project», which usually includes a whole range of products. Having surveyed the prospective success of the product on the market, he will ask some of the phase producers he is in touch with – not necessarily always the same ones – the conditions under which they are prepared to transform raw materials and the «project» into the final product. It so happens that, bit by bit, the pure entrepreneur acquires an ever closer knowledge of the economic and social structure, and hence of the productive capacity, of the district.

A special danger for the district is the progressive tendency towards a loss of the «roots» of and a «cosmopolitisation» of its pure entrepreneurs. Once the entrepreneur has organised his network of clients in the world market, he will pay increasing attention to a comparison between the growth

of profits he can expect from a further improvement of his knowledge of the district, and the growth he thinks he can derive from new areas of production. If he proceeds along this road, he will turn from being a sort of pure agent for the district to a pure intermediary. As – and to the extent that – his link with the district becomes looser, and the link with the final consumers of the product stronger, he becomes a «Buying Office».

To complete the picture, the existence of a large base of homeworkers and part-time workers must be kept in mind. These categories are the link between the system of firms and the system of families; that is, between production activity proper and the daily life of the district. These so-called secondary activities also take a deeply different meaning when performed in the context of a well-functioning district. Suffice it to consider that, with full employment, home-based and part-time work are instruments for increasing income beyond the «necessities».

These activities play an essential and two-fold role: on the one hand, they partially absorb external fluctuations by means of internal adjustments in the time budget of the individuals and of the families, thereby dampening the effects of the economic cycle on the basic industrial structure of the district; on the other, they breed and regenerate the recruits of small entrepreneurs.

5. The market

In spite of the intense competition within and between districts, the market that suits the ideal world of the industrial district is not a large, homogeneous, agglomeration of buyers (or sellers) who are indifferent to places of production (or consumption), and who are only interested in prices of raw materials, machines, goods and services, whose quality is given and well-known. In the market of the industrial district, on the contrary, the information carried by the price is greatly insufficient for choice. Hence the need to produce and supply a good deal of further information. This means that (a) the process of the so-called marketing of the final product is not a marginal addition to the transformation activity of the district but that the two match each other fully; (b) that the orderly functioning of the markets internal to the districts constrains the district itself – regarded as a system of values and institutions – with reference to its shape and evolution.

If we consider the industrial district as a special term, and not as a mere indicator of geographical origin, there must not then only be a specialised and well-established network of economic agents who deal with supplying the inputs and placing the products of the district on their final markets, but also an «image» of the district which is separated both from that of the single firms in it, and from that of the other districts. In other words, the «representative commodity» of each particular district must be distinguishable from similar commodities by some special characteristics of its own, regarding either its average qualitative standards (raw materials, technical treatments, etc.), or some accessory conditions of the transactions (timing of the deliveries, homogeneity of the batches, etc.). In short, there must be something behind the unifying symbol (e.g. the ceramic tiles of Sassuolo) which is truly relevant for choice.

As the district is also a big purchaser of raw materials, a substantial number of specialised buyers will normally concentrate in it. This creates opportunities for profit-making from the sale of raw materials, opportunities that are additional to those derived from the production activities of the district. This circumstance contributes to the promotion of economies of scale in the district, by creating an increasing differential in favour of larger and more dynamic districts. The links with the markets which supply raw materials or instrumental goods may turn out to be expedient also for the sale of goods produced in the district.

The origin and the development of an industrial district is therefore not simply the «local» result of a matching of some socio-cultural traits of a community (a system of values, attitudes, and institutions), of historical and natural characteristics of a geographical area (orography, communication networks and junctions, forms of settlements, etc.), and of technical characteristics of the production process (decomposable processes, short series, etc.), but also the result of a process of dynamic interaction (a virtuous circle) between division-integration of labour in the district, a broadening of the market for its products, and the formation of a permanent linking network between the districts and the external markets. Each element feeds back into the other, though not automatically, since the mechanism of expansion for each given district hits the dual constraints of the distribution of income, and the maximum proportion a sector can achieve – with respect to «basic needs» – for any given level of income on the world market. Of course, the share of sales taken by district

and non-district firms which happen to satisfy some basic need whilst pursuing their profits is, of course, not unlimited. That share grows and shrinks following the laws of the overall development of the market. This, very succinctly, is the background of the competition between districts and non-district firms. The study of these macrodynamic features of the districts has yet to start, but clues and theories already exist with reference to industrialised countries and branches, and thus can be adapted to the purpose.

6. Competition and co-operation

From what has been said about the labour market, one could infer that the population of the district undergoes a sort of ruthless and incessant Hobbesian struggle of all against all; but this is true only in the sense that everyone struggles incessantly to improve his own and his family's position, and that nobody can rest on economic solutions which are considerably inferior to those which prevail in the markets outside the district. If, on the other hand, life in the district consisted of a struggle of all against all, with no sort of solidarity among the local fighters, where any momentary weakness is implacably punished, and any temporary disadvantage becomes fatal, then such uncertainty would prevail that anyone who may temporarily be a loser would never try again. In fact the industrial district requires that the game of competition may start again, and whoever respects the rules of that community and loses a match, may have a chance to participate in the next one.

A mechanism that increases capital liquidity in a structure – such as the district – which is characterised by firms with legal forms which may not allow for easy access to the financial market, and which eases the decision to stay in business, is the market for secondhand machines. If the small entrepreneur could in no way sell – without heavy losses – a machine that no longer suits him, the effect would be to slow down the acquisition of new machinery – and thus the introduction of technical progress – and, more generally, the spirit of enterprise. Within the broad spectrum of production needs and intensities of utilisation of machines, which is typical of the district, a machine which is unsuitable for one person may turn out to be profitable for another. When this sort of situation occurs frequently, a local market of secondhand machines tends to develop and it allows for a

potentially optimal distribution of the existing set of machines (new and old) and promotes an adventurous spirit.

Of the written and unwritten rules which everyone knows and almost everyone respects, and which shape competition in the district, some concern the behaviour which results in the determination of the normal prices of the goods and services which are most frequently exchanged in the district: in particular, phase products and the most typical specialised services. These «local» prices are strictly linked to the corresponding prices in the national and international market, from whose influence they cannot escape; but they are also affected by local demand and supply conditions and, most importantly, by the stabilising influence of local institutions, such as associations among phase producers, and the local customs. They form, then, a strange hybrid between administered and market prices. Some business contingency might suggest to the entrepreneurs to cut wages, or to the workers to halt production activities suddenly, but, given a long-term experience which somehow becomes an internalised rule of behaviour of the agents of the district, and part of customs and institutions, very often such contingent opportunities are turned down. As a result, local prices of these goods and services fluctuate less than external prices and create a kind of local sub-system of prices. This gives everyone some assurance of stability of incomes, production costs, and marketing connections, which is far greater than that enjoyed by agents who operate in completely «open» markets.

From the point of view of its overall performance, the industrial district combines, then, a very active kind of competitive behaviour on the part of its individuals, with a semi-conscious and semi-voluntary cooperation among them, resulting from the special way in which the socio-cultural system permeates and structures the market in the district.

7. An adaptive system

A comparison – albeit quick and succinct – between this form of production organisation, where phase inefficiencies are continuously challenged from within and from without, and the features of the vertically integrated firm, may help us understand something more of the economic logic of the district.

An efficient control of any given phase of production in the large firm – whether private or public – is notoriously hindered by tendencies towards company sclerosis. The «social machine» of the district, on the other hand, seems to be built for the purpose of that control. The systematic and pervasive contrast of interests between all the agents in the district adapts itself quickly and accurately to the ever-changing shape of the production organisation, and operates a kind of automatic efficiency control of each single phase. As we said, this situation does not induce the strain that it would do elsewhere, due to the system of values which prevails in the district.

8. Technological change

Another important characteristic of the functioning of the industrial district is the way technological progress is introduced. In a world of agents whose main capital is «human», (i. e. made up of past experience), technical change greatly impairs the value of that capital. Hence there is strong resistance to its introduction. However, on the other side of the coin, what makes the introduction of technical progress in the large firm especially traumatic and causes resistance, is the fact that it appears to be the result of decisions made by a small number of people, on the basis of calculations which remain incomprehensible to the workers and which are made without consulting them or taking their interests, demands and expectations into any account. In the district, on the contrary, the introduction of technological progress is a social process which is achieved gradually through a process of self-awareness on the part of all segments of the industry and strata of the population.

If one adds to this the fact that the system of values and attitudes which prevails in the district – and which is more or less shared by all strata of the population – includes pride in being up-to-date technologically, then any «painful» decision, such as that of a reorganisation necessitated by the outbreak of technical novelties, appears in a more positive psychological light: i. e. as measures to achieve a better future. The introduction of technological progress is, therefore, perceived neither as a decision to be suffered, nor as an external pressure, but rather as an opportunity to defend an already acquired position. Unlike other forms of production organisation, an industrial district in working order is not necessarily condemned to technological backwardness.

9. A local credit system

One of the best known disadvantages of small firms as compared to large ones is that of more difficult access to credit. Given the crucial relevance of credit for continuous development – an essential component of the notion of the district – one may wonder how such a development could be realised by a population of small firms in the face of the well-known hostility of the credit system. To some extent, what is of help here is what could be defined as the «theory of the local bank». The local bank is an organism born and bred in the district, that is very closely linked with local entrepreneurs (and often with other local social and political lobbies), and deeply involved in local life, which it knows in detail, and to which it gives direction to a considerable extent. An institution of this sort can give a much greater weight to the personal qualities of whoever demands credit, and to the specific prospects of a given investment, than can a bank which is less well rooted in the local environment. Hence, there is an extra «thrust» to accumulation in the district, whatever forms – usually short-term – the credit may take.

The typical credit philosophy of the local bank must obviously be practised in perfect honesty if it is to work. If the managers of the bank give credit to their friends, without taking into account the economic conditions of the operation, the extra thrust turns into a serious danger for the district. The structure of the district is a very dense network of business interdependencies, to such an extent that a problematic role played by the local bank induces a chain of negative effects, all highly concentrated in the district. The very structure which keeps inside the district the multiple effects on income and employment generated by the extra credit fed into the system also retains in the district the chain of negative effects resulting from bad management by the local bank.

10. Sources of dynamism

The dynamic and self-reproducing nature of the district consists of a continuous comparison between the cost of performing any given operation inside the firm and the cost of having it done outside; given a pressing and implacable external competition, this comparison paces the life of any economic agent in the district. It should be noted here that it is not a

matter of a generic comparison between doing and buying, but a specific comparison between doing and having done and, in the latter case, a matter of who or with whom, where, when, and how. It should also be noted that this is almost always «doing together». The comparison, then, always involves above all, the district but in all cases it has as its points of reference – invisible, but always present – what is done (and how) outside the district.

This comparison is made on the basis of a view of costs which is grounded in the culture of the district, and which thus does not necessarily correspond to those prevailing in other social environments. In other words, the borderline between what is considered and what is not considered a cost depends on those same historical and cultural factors which define the identity of the district. The pervading comparison between doing and buying and, as a consequence, the explicit or implicit, direct and indirect reduction of a large number of features of daily life to a monetary measure, makes the district an ideal place to which to apply Marshallian economic analysis.

In apparent contrast to what has been said above, the decision to put out or keep in some given phase of a given process of production is never «purely economic». When, for example, a firm decides to put some given phase out, it gives up direct control over the production process and over the workers involved in it, and contents itself with the indirect control allowed by the market, which is of a different, and much weaker, kind. If the firm that has the phase production performed outside remained the only buyer for the phase producer so created, then, in practical terms, the difference in the power of control would not be very great; but if the phase producer starts to sell to more than one buyer, inside and even outside the district, then the power of control of the head firm vanishes rapidly. When two historical trends meet – such as a diffuse desire amongst the local population to set up one's own business, and some kind of indifference by the entrepreneurs to the effects of their economic decisions in terms of local social control over the form of the organisation of production – the process of disintegration may become cumulative. If the entrepreneurs follow the solutions which offer the highest revenues in a strict economic sense and take no interest in the local political, social, and cultural equilibrium – believing, perhaps that they are sufficiently covered by the national or believing, international equilibria – then the process of disintegration may converge towards the «canonical» form of the industrial district.

11. Consciousness, class and locality

Urged by ever-changing endogenous relationships (the relationships between local culture, society and economy), and exogenous ones (effects on the district of external markets, society and culture), the organisation of production and the social structure fluctuate continuously between more or less capitalistic forms (in terms of share of work in the form of waged labour, of greater or lesser vertical integration, of greater or lesser economic and financial concentration, of a more or less «Fordist» or «neo-handicraft» nature of the organisation of the process of production, etc.). In loose correspondence with these «structural» fluctuations, one can assume the appearance of contrasting impulses, at one time in the direction of «class» self-awareness, at another in the direction of «localistic» self-awareness. What cannot take shape, due to the lack of the essential condition is, of course, that «firm identification» which is typical of the areas where the large firm dominates. In the district the centre of gravity of this feeling of belonging is supposed to be that «sense of belonging» to the local industrial community, perceived as the objective basis of the fortunes of the individual and the family, which we have seen to be an essential component of the district.

As possible boundaries of the fluctuation sketched here in a speculative fashion one could imagine, on the one hand, a complete vertical integration of the process in one or only a few firms, which can absorb both pure and phase entrepreneurs (and possibly cause the disappearance of home-based work and external services to production); outcomes of this sort will presumably tend to generate a polarisation and, correspondingly, a social and territorial separation between classes and strata.

One could postulate, in contrast, a disintegration – let us call it «postmodern» – of the process of production, which in the end makes all transformation phases «in the factory» disappear and ends in a situation of great economic fluidity and social mobility. Under this hypothesis, we arrive at a sort of «mercantile community», where a myriad of micro-units of production – whether of individuals or families – each one possessing all its own means of production, is directly co-ordinated by a large and open group of pure entrepreneurs. In this form, factory and waged labour disappear completely. In both cases, however, we are out of the canonical form of the Marshallian industrial district.

The canonical form of the Marshallian district may be thought of as an intermediate case between these extremes. Here the «capitalistic core» of the industrial operations carried out in the factory is immersed in a medium of social relationships, which are functional to that «core», but which are susceptible of evolution in many directions.

III. FUTURE DEVELOPMENTS OF THE DISTRICT

The fact that the district remains «open» to different possible evolutions is due to an uneasy matching of the socio-cultural and the strictly economic components both inside the district and in its relations with the rest of the world. What appears to be most difficult to guarantee is the continuous correspondence – in a changing environment – between socio-cultural, technical, productive and market conditions, since the philosophy of life which prevails in the district is an especially complex variable which, in today's and, presumably, tomorrow's world, cannot be locally controlled. If we observe the existing districts, we already notice signs of disintegration amongst the institutional systems and the systems of values behind them.

Two clear signs of difficulties of adaptation of the industrial district to the fluctuations of external conditions would be the growth of the level of explicit unemployment and a changing ratio between births and deaths of firms. If the expectations of the opinion leaders among pure and phase entrepreneurs include a reasonably short depression, then only a move from explicit employment to the world of part-time and home-based work will appear, together with a poorer ratio between firm births and deaths, which will be more or less serious for the different phases but still greater than unity for many of them. As long as the basis of long-term expectations remains positive, external fluctuations – due to the special structure of the district – cause less than proportional fluctuations in the incomes of the «representative family» of the district, and in the overall amount of work carried out and of goods produced in the district as a whole.

If, on the other hand, opinion-leader entrepreneurs begin to anticipate difficulties which are not temporary, then the ratio between births and deaths falls under the unity and much underemployment and hidden

unemployment takes the form of explicit unemployment. Beyond a certain threshold, firm bankruptcies start a chain reaction and those workers amongst the most sought after, who have lost employment, begin to migrate away from the district, possibly towards other districts or towards large firms. When this happens, the wealth of experiences and production capacity accumulated in the course of time (the real «productive basis» of the district) begins to vanish and, consequently, both the system of values and the network of local institutions begin to break down.

Note:

I have reluctantly agreed to the publication of these still very incomplete and «speculative» reflections on the industrial district. As a matter of fact, they form part of a kind of loose *framework* of ideas that I use for seminars which I give in Florence and elsewhere and which I alter every day, as it were, in relation to literature and research and also to discussions with my collaborators in Florence (Marco Bellandi, Gabi Dei Ottati, and Fabio Sforzi), or with my customary interlocutors on «districtism», both Italian and non-Italian. The very broad nature of these intellectual interactions, and the chronically provisional one of the text, have made me resist thus far the idea of publishing, at this stage and in this form. (On the other hand, I must point out that some partial, and naturally different, anticipations of this *framework*, have appeared here and there, mainly as a by-product of the seminars I mentioned above.) If I eventually allowed myself to be persuaded to present in a fairly systematic form my – or rather «our» – reflections at their current stage, it is because I realised that the issue being extremely delicate and manifold, its analysis requires the concurrent contribution of more than one tradition of research and analytic instrumentation. The plexus of social phenomena which – in the wake of Marshall – we have agreed to call an industrial district, is the meeting and crossing point of processes which are traditionally proper to economic studies, such as the functioning of the market and of capitalistic accumulation, or processes which are proper to sociological studies, such as socialisation and the development and disintegration of social institutions, and of processes which remain on the border between the two disciplines, such as the social division of labour, and the organisation of the process of production.

The study of industrial districts originally began – Marshall witnesses – in the area of economic studies, but soon moved towards that of extra-economic studies, albeit with many limits and much clumsiness: think of the Marshallian idea of the «industrial atmosphere». But, already in the last century, crucial contributions to the deciphering of this jigsaw puzzle also came from the sociological side. Think of Tonnies' analysis on *Gemeinschaft* and *Gesellschaft*. What does not seem to take off, on the other hand, is an integration of the two strands of research and reflection (certainly unsurprising given the paths the two disciplines have taken). But for all those who are convinced, as I am, that the common object of studies – man in society – should overcome the divergence of methods, the synergies between sociologists and economists still appear to be too limited and discontinuous. I believe, indeed, that the fact that the phenomenon of the industrial district is either studied with an interdisciplinary perspective, or else we miss it, is a rare opportunity for a growth of social thought in its whole. This is my aim in offering these incomplete pages: a possible catalyst for discussions between economists and sociologists (and other categories of social scholars as well), in the hope that this may help all of us to understand each other, and what happens in the world, better.