department of economics
"S. Cognetti de Martiis"

Via Po, 53 – 10124 Torino (Italy)
Tel. (+39) 011 6702704 - Fax (+39) 011 6702762
URL: http//www.de.unito.it

WORKING PAPER SERIES

CULTURAL DISTRICTS, PROPERTY RIGHTS AND SUSTAINABLE ECONOMIC GROWTH

Walter Santagata

Dipartimento di Economia "S. Cognetti de Martiis"

International Centre for Research on the Economics of Culture, Institutions, and Creativity (EBLA)

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Cultural Districts, Property Rights and Sustainable Economic Growth

Walter Santagata[i]
University of Turin – Italy
walter.santagata@unito.it

1. Introduction: culture-based goods and endogenous economic growth.

Culture Counts. Culture counts not only because it represents the anthropological image of the material, spiritual and social life of a people, but also because it is a basic resource for sustainable economic growth. Defined in its broadest sense, the notion of culture encompasses a wide range of idiosyncratic meanings: historic, political, legal, technological and artistic. In this paper, the concept of culture is thus used in the sense of cultural capital (Scott, 2000; Throsby, 2000). Culture is a capital asset accumulated by a community whose members refer to it to connote their identity. Moreover, this cultural capital, tangible and intangible, enters the production of material and immaterial culture-based goods through two strategic inputs: human creativity and human intellectual activity. Along with knowledge-based goods (Arthur, 1994), culture-based goods share the privilege of being at the edge of a new wave of economic progress based on glocalism (localized globalism) which has been made possible through information and communication technologies, conditions of increasing returns and new creative economics. Moreover the sectors that make the culture-based goods "... are all engaged in the creation of marketable outputs whose competitive qualities depend on the fact that they function at least in part as personal ornaments, modes of social display, forms of entertaimnent and distraction, or sources of information and self-awareness, i.e. as artifacts whose symbolic value to the consumer is high relative to their practical purposes."(Scott, 2000, p.3)

In fact, almost 3.5 million jobs in Europe have been created around *art and culture*, and more than 2% of the 1995 European labor force was employed in fields related to the sector (European Commission, 1998; Greffe, 1999). On a smaller scale, *art and culture* can prove even more significant, as epitomized by the film industry in Los Angeles, which accounted for as many as 5.3% of the city's employees in 1997.

Owing to its economic characteristics (strong intellectual and creative component, increasing returns, flexible specialization), its social traits (rich symbolic content, high power of identification) and its positive impact on other economic fields (namely in tourism and the environment), culture is a resource of extreme interest. This is true not only for industrialized Western countries, but, above all for newly developing regions.

Nevertheless, the idiosyncratic and symbolic nature of cultural goods has been neglected for a long time. The virtues of competition, Fordist mass production and the paradigm of consumer sovereignty forced into the background the economic, technological and social advantages of localized industries (Becattini, 1989; Bagnasco, 1977; Pyke, Becattini and Sengenberg, 1992; Salais and Storper, 1993), and of *cultural districts* as well.

The first to turn his attention to localized industry was Alfred Marshall. The basic elements of his theory of localized industry are outlined in *Principles of Economics*, book IV, chapter X: *The concentration of specialized industries in particular localities*. Marshall's original idea was profound and rich with potential for development, yet the author's own reflections were confined to an historical argument: for Marshall, industrial districts were a thing of the past. They were understood as nothing more than a specific phase resulting from the effects of the division of labor upon technological innovation, processes, and organization[ii]. At the end of the century when Marshall was writing, economists were confident that the evolution of transport and the widening of the labor market would render industrial districts increasingly less valuable and competitive: the era of the big firm was already looming ahead. In this perspective, the shift to mass production - whether favored or not by industrial policies of the central government - was one of the factors that ushered in the decline of some old districts such as Sheffield (UK) or Saint'Etienne (France).

Nevertheless, as can be learnt from the recent Italian and international experience, industrial districts have become a good example of sustainable and endogenous growth. In this perspective, the presence of small firms is essential to a district, but the presence of many small firms does not in itself form a district. One of the most meaningful characteristics of a district is the interdependency of its firms: in this type of "industrial atmosphere", frequent contact favors the exchange of specialized inputs; continuous and repeated transactions cause the information to circulate. Within the districts it is easier to find contractors, to verify the quality of goods and services and to sign standardized contracts. The social habitat of the industrial districts is made up of large families and of firms where the entire household, including the wife and children, are employed. Tacit knowledge, mutual trust and the accumulation of social capital are pervasive traits of local society and culture.

Moreover, when most of the economic and human resources are local, the economic process becomes endogenous. Of course, such evolution requires continual adaptation, but the strong advantages in providing technological innovation, sharing information, differentiating products, regulating the market and fostering idiosyncratic cultural links are reliable guarantees of sustainable growth (Piore and Sabel, 1984).

Art markets, the performing arts, museums and cultural heritage, and design-based goods, can all be articulated in *filières* (chains of creation of value) with innovative experiences apparent at every level: aesthetic, legal, productive, distributive, technological and educational. Moreover, such activities take on new economic significance when they assume the form of and are governed in the logic of *industrial districts*; they create a path to economic growth by means of growth of small and medium-sized firms which are intensely integrated within the territory and in the local community. In this sense, Italian industrial districts, such as those producing glass in Murano-Venice or woven goods and apparel in Prato or Biella, constitute an ideal model for the production of cultural goods.

The aim of this paper is to analyze the economic properties and institutions governing the start-up and evolution of cultural districts (from Hollywood to Spoleto; from Chianti-shire in Tuscany and vineyards in Bourgogne to car design in Turin; from the pottery district of Caltagirone in Sicily to the audiovisual district of Babelsberg in Berlin; from the fashion district in Milan to local museum networks in France).

The main sections of the paper present a discussion of four models of cultural districts: the *industrial cultural district* (mainly based on positive externalities, localized culture, traditions in "arts and crafts", and consumers' *cultural lock-in*); the *institutional cultural district* (mainly based on property rights assignment and symbolic values); the *museum cultural district* (mainly based on network externalities and the search for optimal size); and the *metropolitan cultural district* (mainly based on communication technology, performing arts, leisure time industries and e-commerce). In conclusion, the hypothesis of the *convergence* of the cultural districts on the same institutional model will be supported.