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WORKING PAPER SERIES

CULTURAL DISTRICTS AND ECONOMIC DEVELOPMENT

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Abstract
The aim of this paper is to analyze the economic properties as well as the institutions governing the start-up and the evolution of cultural districts. Cultural districts are a good example of economic development based on localized culture. The first part of the paper (sections 1-3) reviews the relationships between culture, viewed as an idiosyncratic good, and the theory of industrial districts. The sections 4-6 of the paper present a discussion of two models of cultural districts: the *industrial cultural district* (mainly based on positive externalities, localized culture, and traditions in "arts and crafts"), and the *institutional cultural district* (mainly based on property rights assignment and symbolic values). The section 7 deals with other models of *quasi-industrial-districts*, namely 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). Policy issues will be analyzed in the final section 8. The hypothesis of a possible *convergence* of all districts models towards the institutional district, based on the creation of a system of property rights as a means to protect localized production will be discussed.

1. Culture-based goods and endogenous economic growth

1.1 Culture matters

Culture matters 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 entertainment 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, 1987, 1989; Bagnasco, 1977; Pyke, Becattini and Sengenberg, 1992; Salais and Storper, 1993), and of *cultural districts* as well.

According to the Italian national statistics bureau, the approximately 200 industrial districts surveyed employ 40% of the total labor force, some of whom are involved in the production of cultural design-based goods. Small and medium-sized enterprises (SMEs) in Sassuolo have a 39.2% share of world exports of decorated and designed tiles and pottery; Biella's and Prato's SMEs have a share of about 35% in the sales of prestigious wool clothes and apparel; Vicenza's and Arezzo's districts produce a 27% share of the world export of jewelry, which is of clearly evident aesthetic quality. Table 1 shows the impressive capacity displayed by the industrial district formula in magnetizing international demand for wares made in Italy. This outcome is one of the strongest indications of self-enforcing and sustainable growth generated by cultural districts.