REGIONAL COMPETITIVENESS IN THE ERA OF GLOBALIZATION

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What most shocks the observer of current economic events is that the foundation on which the developed economies have lived in the post-war period, a golden age, no longer exist. It has now been two decades that the signs of economic recovery - when they are felt - appear in a framework of persistent unemployment, of stagnant real wages and increasing inequalities of profit levels between companies. In other words, with the eighties and nineties, the macroeconomic indicators no longer reflect the development paths of the post-war period.

There is a strong sense that a watershed has been reached, and the perception of having lost old certainties is clear. At first, we experienced years of confusion, but precisely because of this there was incessant research for new answers and solutions. It is, in any case, true that in recent years, something has appeared on the horizon and that new glimmers of interpretation have finally been seen.

To understand better, we can assume a few key elements in a rapid sequence. They are certainly not comprehensive of an intimately complex question, just as each of these would require broader examination.

1. The growing internationalization of production has the effect of inducing a sort of rising ubiquity of production factors. At a first glance, the consequence is the erosion of the production capacity of many national and regional economies.

This is a decades-old awareness, that economists learnt from the fundamental work on *resource base theory* by E. Penrose (1959), who was perhaps the first to spread the idea that, as competitive advantage is based on scarce and heterogeneous capacities, a successful regional or national economy must possess capacities that others do not have (and therefore rare ones) and that can be exploited within a broader scenario.

If it is true that one cannot talk of competitive advantage in a world where virtually everyone knows how to do the same things in roughly the same times and at the same costs, contemporary history teaches us that some resources are instead localized. It is easy to think of work, for example, which remains an essentially immobile factor.

There is, however, another factor that is increasingly decisive in the contemporary economy and is also characterized by great immobility: this is the capacity to produce knowledge. It is a well-known reality that many companies operating in high labour cost countries, have responded to growing ubiquity and the relative reduction in the cost of production factors, generating entrepreneurial revenue through the *creation of knowledge*. Above all in the industrialized countries with high production costs (especially labour), the gradual passage towards the *knowledge economy* can be interpreted firstly as the outcome of the process of globalization of factors and markets. In these regions, the problem of competitiveness depends increasingly on the capacity to create, accumulate and utilize knowledge more rapidly than competitors. This is the creation of knowledge (deliberate, strongly path-dependent on company and local practices and routines) and not product knowledge (transferable in codified form) that represents the *great new location factor*, the source of competitive advantage in the contemporary globalized economy.

2. It is a fact that the globalization process is accompanied by a rather rapid growth in international investment and product flows. Nonetheless, limiting ourselves to this statement would not take us far, and would give a poor picture of reality.

What perhaps disconcerts economists the most when looking at the emerging world economy is instead the growing degree to which the different regions and countries manufacture different products, through processes and instruments that are themselves very different. It is a statistical fact that international product specialization has grown consistently in recent years, above all in the economies of the industrialized world (a phenomenon that, at first sight, is surprising in an era when the use of communication and computers encourages as never before the diffusion and imitation of technology).

This means that the growing specialization of the national and regional economies is no longer dependent on economies of scale in production - and thus on competitiveness/price ratio - but on the nature of the products put on the market, on the know-how to make these products, on the type of needs that they satisfy, and on the capacity to make the products themselves evolve continuously while preserving their originality.

3. It goes without saying that in these conditions, the possibility of a regional economy to launch itself successfully on the international markets lies, on the one hand, on the identity of the product - i.e. on what differentiates it from competing ones - and on the other, on the fact that the solution of the problem of competitive advantage is no longer found in the exogenous search for the best technology and production methods available. If a solution exists, it has to be sought inside the region itself, in other words in the capacity for co-ordination between producers, consumers, institutions and other local actors.

The challenge is thus of an organizational nature, involving the actors and their rationale of action and communication. This is an aspect whose importance is on a par with that of the inability of traditional (and still dominant) economic theory inability to incorporate the actors' rationale of action, as this cannot be grasped by separating the economic dimension from other dimensions, which are historically and territorially specific.

4. What has been upheld so far has its own litmus test. Globalization (the formation of global company networks) weakens the economic sovereignty of the nation states and thus strengthens regional specialization in competitive activities. In their turn, the regions bind themselves to the global economy by promoting their own specialization. This explains the diffusion of political strategies and choices (often neo-mercantile) aimed at promoting and strengthening the systems (or clusters) present, i.e. the groups of actors and activities connected to each other and therefore generators of economic value.

These considerations would have a very abstract sense if not clearly confirmed by observing the success stories that have to a certain degree thrown into disarray the map of our industrial world. Limiting observation to the experience of areas with a long manufacturing tradition, it can be seen that, in effect, numerous regions (in Europe, for instance, Wales, the Rühr, Westphalia, Baden Württemberg, the Lyon area and Catalonia, to note the most well known) have renovated their production structures in recent years successfully.
These cases differ greatly from each other, and this would be enough to support the thesis of how unjustified it would be in our complex world to put forward a unitary "model" to be transferred elsewhere. It is, however, legitimate to assume some *generic reasons* for this success, which in terms of method can, in fact, help us find a thread of hope. Once again, we shall limit ourselves to a brief (and certainly incomplete) review.

a) To clear the field of over-easy determinism, it can be seen how the regeneration of the production structures has never been achieved by trying to attract what are conventionally defined as high-tech industries (biotechnology, semiconductors, aeronautics, software etc.). Obviously, this does not mean that a technology policy has not been pursued. However, it has been directed (and this is the significant aspect) to the use and "regeneration" of technological resources historically embedded in the region's economy.

b) The regeneration of the economy of the region did not occur through the promotion of unlikely activities (see, for example, Hudson, 1994), but by pursuing the relaunch of manufacturing. If all these successful regions already had an *integrated industrial structure* of varying degrees of complexity, the solutions were sought in the respect (as well as the support and regeneration) of these production realities, promoting both *specialization* and *functional differentiation* (Rehfeld, 1995). Overturning the question, it can be upheld that the successful cases were those in which a fairly broad range of jobs in a limited number of sectors was present (or latent): in practice, a clusterized economic structure. In other words, this means the presence of *partial production systems* within which relatively stable organizational bonds are established.

c) In all of them, *network strategies* of financial and technological assistance aimed at encouraging interaction between actors - between companies, between companies and institutions, between different institutions - have been pursued (and implemented). The creation of so-called *social capital* (Putnam, 1993) expresses forms of intervention to support the formation of small enterprises and the preparation for conditions of the *learning economy* (Lundvall and Johnson, 1994), characterized by collaboration and interaction at the regional level between enterprise and the science base, whether public or private.

d) To conclude, all of these regions had relatively strong, interventionist institutions capable of stimulating the formation of interest groups that did not limit themselves to pursuing specific goals, but had a shared normative framework, a common political agenda (Haas, 1992). It is obvious that this institutional thickness is achieved more easily at the regional (and metropolitan) level, as this is the most appropriate scale for strategies of co-ordination and the mobilization of the resources present. In other words, these successful cases imply a sort of "regionalization of regional policy".

In summary, if a lesson can be drawn from all of this, it is that economic regeneration:
- on the one hand, has not been reduced to a set of restricted economic factors (which are, in any case, essential), but by major involvement of institutional, cultural and social factors. Solid theoretical foundations can be found for this, both in the "new institutional sociology" with its emphasis on embeddedness (Granovetter, 1985; Hodgson, 1993) and in the neo-Schumpeterian school, according to which innovation, as an evolutive phenomenon, is based on an interactive process and takes form from institutional routines and social conventions (Doeringer and Terkla, 1990; Dosi, 1988; Freeman, 1994; Lundvall, 1992);
- on the other hand, the fact that it has to transcend any hypothesis of "generic" industrial policy in order to give priority to, in contrast, selective strategic solutions aimed at pursuing the strengthening of inter-industrial co-operation in a system of actors (clusters, in the broad sense) which together possess capacities to spend on the international level, drawing advantage (again together) from existing or produceable environmental conditions. In terms of method, this marks the passage *from a sectorial policy to a systems policy*, as the instrument which best enables the identification of the relative points of strength and weakness of the production structure and, starting from this, to prefigure the means of intervention capable of making the most of the externalities of co-localization (Cooke and Morgan, 1993; Foss, 1996).

Emphasizing externalities and the competitiveness of territories (instead of just the competitiveness of individual companies) is an extreme delicate issue, involving theoretical and epistemological problems. To explain our approach, it is not possible at this point to avoid the question of local identity, which can be illustrated by adopting the language of modern systems theory.

The starting point is the concept of the *identity* and *uniqueness*, whose dialectic is central to the understanding of this passage. On the one hand, it is absolutely obvious to state that each place, and thus every local system, is unique (in the end, this is one of the foundations of geography as a descriptive science). On the other hand, it is well known that this problem was solved in a totally different way by the 20th century social sciences: for a long time, the uniqueness of places was interpreted as the result of contingent geographical and historical circumstances that "disturbed" the linearity and necessity of universal laws of social and economic action.

Posing the problem of uniqueness in terms of identity radically changes the perspective. In fact:

a) identity attributes to the local system an autonomy from the abstract laws of the economy;
b) the search for identity means abandoning pure description;
c) it also presumes that the characteristics of places are not listed pedantically, but selected;
d) finally, from the perspective of our reasoning, the assumption of places as active subjects means accepting the multiplicity of development processes.

The question of identity can be solved by using some of the instruments of systemic analysis, in particular the *distinction between organization and structure*. Although both concepts are of a relational nature, the sense is profoundly different. The *organization* is, in fact, given by the ensemble of relations between the elements of the system that makes that system what it is and not something else. The *structure* is, instead, given by the material and historical qualities of those relations. It is the structure that modifies itself more rapidly, following stimuli from outside and inside the system. The organization maintains, instead, a greater degree of rigidity, in that a radical modification of the relations that compose it would mean the disintegration of the system. Obviously, the organization evolves over time, but this happens according to its own laws (in this sense the system is autonomous and autopoietic).

For our purposes, we can say that the organization represents the identity of the system. To clarify this concepts better, let us go back to the example of industrial districts. In the industrial districts, organization is given by the relations between companies that make the districts different from other means of organizing production. For example, the climate of trust and cohesion can be seen as an essential component of the organization of the system. Vice versa, the existence of the individual companies, with its own specialization and biography, is a structural element, in the sense that it is a party of the realization of distinct organization. In addition, the high social mobility that leads to a frequent exchange of roles between workers and entrepreneurs is not an element of organization but of structure, in that it is simply an expression of something deeper, such as the presence of trust and of particularly close and cohesive social networks.